

LINN ENERGY, LLC  
Form S-1/A  
September 24, 2012  
Table of Contents

As filed with the Securities and Exchange Commission on September 24, 2012

Registration No. 333-182305

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**Amendment No. 2**

**to**

**Form S-1**

**LINNCO, LLC**

**LINN ENERGY, LLC**

(Exact Name of Registrant as Specified in its charter)

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<b>Delaware</b> <b>Delaware</b> (State or other Jurisdiction of Incorporation or Organization)	<b>1311</b>  (Primary Standard Industrial Classification Code Number) <b>600 Travis, Suite 5100</b>  <b>Houston, Texas 77002</b>  (281) 840-4000	<b>45-5166623</b> <b>65-1177591</b> (IRS Employer Identification Number)
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

LinnCo, LLC Non-accelerated filer

Linn Energy, LLC Large accelerated filer

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common shares Units (4)	\$1,437,500,000	\$164,738

- (1) Includes common shares issuable upon exercise of the underwriters' option to purchase additional common shares.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o).
- (3) The total registration fee includes \$114,600 that was previously paid for the registration of \$1,000,000,000 of proposed maximum aggregate offering price in the filing of the Registration Statement on June 25, 2012 and \$50,138 for the registration of an additional \$437,500,000 of proposed maximum aggregate offering price registered hereby.
- (4) To be issued by Linn Energy, LLC. The units are being registered solely due to the co-registrant status of Linn Energy, LLC, for which no separate registration fee is required.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**EXPLANATORY NOTE**

This registration statement contains a prospectus to be used in connection with the offer and sale of common shares of LinnCo, LLC and the deemed offer and sale of Linn Energy, LLC units to be acquired by LinnCo, LLC with the proceeds from this offering pursuant to Rule 140 under the Securities Act of 1933.

**Table of Contents**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.**

**Subject to Completion, dated September 24, 2012**

PROSPECTUS

# LinnCo, LLC

## Common Shares

### Representing Limited Liability Company Interests

This is the initial public offering of common shares ( shares ) representing limited liability company interests in LinnCo, LLC ( LinnCo ), a class of equity with indirect voting rights in LINN Energy, LLC ( LINN ). We are offering shares in this offering. We are a recently formed limited liability company that has elected to be treated as a corporation for U.S. federal income tax purposes. We will use the net proceeds from this offering to acquire a number of units representing limited liability company interests ( units ) in LINN equal to the number of shares sold in this offering.

No public market currently exists for our shares. We have applied to list our shares on the NASDAQ Global Select Market under the symbol LNCO.

We expect our shares to be offered at a price that is directly related to the closing price of LINN units prior to the determination of the offering price of our shares. LINN units are listed on the NASDAQ Global Select Market under the symbol LINE. The last reported sale price of LINN units on NASDAQ on was \$ per unit.

*Investing in our shares involves risks. Please read Risk Factors beginning on page 30 of this prospectus.*

These risks include the following:

Because our only assets will be LINN units, our cash flow and our ability to pay dividends on our shares are completely dependent upon the ability of LINN to make distributions to its unitholders.

We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.

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An active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of the LINN units.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors.

Your shares are subject to certain call rights that could require you to involuntarily sell your shares at a time or price that may be undesirable.

Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN's limited liability company agreement limits the fiduciary duties owed by LINN's directors to its unitholders, including us.

	Per Share	Total
Price to the public	\$	\$
Underwriting discounts and commissions(1)	\$	\$
Proceeds to us	\$	\$

(1) Excludes a structuring fee equal to % of the gross proceeds of this offering, up to a cap of \$ , payable to Barclays Capital Inc. We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares on the same terms and conditions set forth above.

Affiliates of certain of the underwriters in this offering are lenders under LINN's revolving credit facility and, accordingly, if LINN elects to use the proceeds it receives from LinnCo to repay debt outstanding under that facility, those lenders would indirectly receive a portion of the net proceeds from this offering. Please read Underwriting FINRA Rules.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Barclays, on behalf of the underwriters, expects to deliver the shares on or about , 2012.

## Barclays

Prospectus dated , 2012

**Table of Contents**

Note: Reserve data is pro forma for the 2012 acquisitions. For a description of these acquisitions, see Prospectus Summary Overview LINN. Estimates of proved reserves for the 2012 acquisitions in the map above were calculated as of the effective date of the acquisitions using forward strip oil and natural gas prices. These estimates differ from those prepared in accordance with the rules and regulations of the Securities and Exchange Commission ( SEC ), which are required to be calculated based on the unweighted average of the first-day-of-the-month prices for the preceding twelve months. Please see the table on page 4 for estimated pro forma proved reserves, including estimated reserve data for our 2012 acquisitions, calculated on the basis required by SEC rules.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PROSPECTUS SUMMARY</u></b>	1
<u>Overview</u>	1
<u>LinnCo</u>	1
<u>LINN</u>	3
<u>Business Strategy</u>	5
<u>Competitive Strengths</u>	6
<u>Recent Developments</u>	7
<u>Questions and Answers about LinnCo</u>	8
<u>Risk Factors</u>	10
<u>Management of LinnCo</u>	11
<u>Comparison of LINN Units with LinnCo Shares</u>	11
<u>Ownership of LINN</u>	15
<u>Principal Executive Offices and Internet Address</u>	15
<u>The Offering</u>	16
<u>Summary Historical and Pro Forma Financial and Operating Data of LINN</u>	22
<u>Summary Reserve and Operating Data</u>	25
<b><u>RISK FACTORS</u></b>	30
<u>Risks Related to LINN's Business</u>	30
<u>Risks Inherent in an Investment in LinnCo</u>	38
<u>Tax Risks to Shareholders</u>	43
<b><u>USE OF PROCEEDS</u></b>	47
<b><u>CAPITALIZATION OF LINNCO</u></b>	48
<b><u>CAPITALIZATION OF LINN</u></b>	49
<b><u>OUR DIVIDEND POLICY</u></b>	50
<u>Our Dividend Policy</u>	50
<u>LINN's Distribution Policy</u>	50
<u>LINN's Historical Distributions</u>	51
<b><u>SELECTED HISTORICAL FINANCIAL AND OPERATING DATA OF LINN</u></b>	52
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	55
<u>LinnCo</u>	55
<u>LINN</u>	56
<b><u>BUSINESS</u></b>	95
<u>LinnCo</u>	95
<u>LINN</u>	95
<b><u>MANAGEMENT</u></b>	108
<u>Our Board of Directors</u>	110
<u>Executive Compensation</u>	111
<u>Our Director Compensation</u>	134
<u>Security Ownership of Certain Beneficial Owners and Management</u>	136
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	137
<u>Our Relationship with Linn Energy, LLC</u>	137
<u>Indemnification of Officers and Directors</u>	137
<b><u>DESCRIPTION OF OUR SHARES</u></b>	138
<u>Voting Rights</u>	138
<u>Dividends</u>	138
<u>Issuance of Additional Shares</u>	138
<u>Maintenance of Ratio of Shares to Units</u>	138
<u>Transfer Agent and Registrar</u>	139
<u>Transfer of Shares</u>	139



**Table of Contents**

<u>DESCRIPTION OF THE LINN UNITS</u>	140
<u>LINN s Cash Distribution Policy</u>	140
<u>Timing of Distributions</u>	140
<u>Issuance of Additional Units</u>	140
<u>Voting Rights</u>	140
<u>Exchange Listing</u>	141
<u>Transfer Agent and Registrar</u>	141
<u>Transfer of Units</u>	141
<u>DESCRIPTION OF THE LIMITED LIABILITY COMPANY AGREEMENTS</u>	142
<u>Our Limited Liability Company Agreement</u>	142
<u>LINN s Limited Liability Company Agreement</u>	153
<u>Comparison of LINN s Units with Our Shares</u>	162
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	165
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	166
<u>ERISA CONSIDERATIONS</u>	173
<u>UNDERWRITING</u>	175
<u>VALIDITY OF THE SHARES</u>	182
<u>EXPERTS</u>	182
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	183
<u>FORWARD-LOOKING STATEMENTS</u>	184
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1
<u>Appendix A - Glossary of Terms</u>	A-1

You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data is also based on our good faith estimates.

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**Table of Contents**

**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. It does not contain all of the information you should consider before buying shares in this offering. Therefore, you should read this entire prospectus carefully, including the risks discussed in the section titled "Risk Factors" beginning on page 30 and the historical financial statements of Linn Energy, LLC ( "LINN" ) and the notes to those financial statements included elsewhere in this prospectus. This prospectus also contains important information about LINN, including information about its businesses and financial and operating data, all of which you should read carefully before buying shares in this offering. Unless indicated otherwise, the information presented in this prospectus assumes (1) an initial public offering price of \$ \_\_\_\_\_ per share (the last reported sales price of LINN units, as set forth on the cover page of this prospectus) and (2) that the underwriters do not exercise their option to purchase additional shares. We include a glossary of some of the terms used in this prospectus as Appendix A.*

*DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of LINN's proved oil and natural gas reserves as of December 31, 2009, 2010 and 2011 as well as estimates of proved reserves associated with the Green River Acquisition, East Texas Acquisition, Anadarko Joint Venture and the Hugoton Acquisition (each as defined below). All other reserve information included herein is based on internal estimates. As used herein, "Pro Forma Proved Reserves" represent the sum of (i) LINN's estimated proved reserves as of December 31, 2011 and (ii) the estimated proved reserves acquired in the 2012 Acquisitions (as defined below). For information regarding the dates and commodity prices at which reserve information for the 2012 Acquisitions was calculated, see the table on page 4. As used in this prospectus, the term "LinnCo" and the terms "we," "our," "us" and similar terms refer to LinnCo, LLC, unless the context otherwise requires. In addition, the term "LINN" refers to Linn Energy, LLC. As used in this prospectus, the term "shares" refers to common shares representing limited liability company interests in LinnCo and "units" refers to units representing limited liability company interests in LINN.*

**Overview**

**LinnCo**

We are a recently formed Delaware limited liability company that has elected to be treated as a corporation for United States ( "U.S." ) federal income tax purposes. Our sole purpose is to own LINN units and we expect to have no assets or operations other than those related to our interest in LINN. As a result, our financial condition and results of operations will depend entirely upon the performance of LINN. We will use the net proceeds from this offering to acquire a number of LINN units equal to the number of LinnCo shares sold in this offering.

At the closing of this offering, we will own one LINN unit for each of our outstanding shares, and our limited liability company agreement requires that we maintain a one-to-one ratio between the number of our shares outstanding and the number of LINN units we own. When LINN makes distributions on the units, we will pay a dividend on our shares of the cash we receive in respect of our LINN units, net of reserves for income taxes payable by us. For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that our income tax liability will be between 2% and 5% of the cash distributed to us. On July 24, 2012, LINN declared a regular quarterly cash distribution of \$0.725 per unit, or \$2.90 per unit on an annualized basis. Accordingly, if LINN were to maintain its current annualized distribution of \$2.90 per unit through 2015, the amount reserved to pay income taxes of LinnCo is estimated to be between \$0.06 and \$0.15 per share for each of the periods ending December 31, 2012, 2013, 2014 and 2015.

Like shareholders of a corporation, our shareholders will receive a Form 1099-DIV and will be subject to U.S. federal income tax, as well as any applicable state or local income tax, on taxable dividends received by them. We estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, you will

**Table of Contents**

recognize an amount of taxable dividend income that will be between 0% and 60% of the cash dividends paid to you during each such period. The excess of the cash dividends that you receive over your taxable dividend income during each such period will reduce your tax basis in your shares, or will be taxable as capital gain to the extent they exceed your tax basis in your shares. Our shareholders will not report our items of income, gain, loss and deduction, nor will they receive a Schedule K-1. Our shareholders also will not be subject to state income tax filings in the various states in which LINN conducts operations as a result of owning our shares. Please read [Material U.S. Federal Income Tax Consequences](#) for additional details.

We will submit to a vote of our shareholders any matter submitted by LINN to a vote of its unitholders, including any election of LINN's directors. We will vote LINN units that we hold in the same manner as the owners of our shares vote (or refrain from voting) their shares on those matters. In addition, our shareholders will be entitled to vote on certain fundamental matters affecting LinnCo. Our shareholders will not be entitled to vote to elect our board of directors. The sole voting share that is entitled to vote to elect our board of directors is owned by LINN through one of its wholly-owned subsidiaries. Our initial board of directors will be identical to LINN's board of directors, and our initial officers will be the individuals who serve as officers of LINN. Please see [Description of the Limited Liability Company Agreements](#) [Our Limited Liability Company Agreement](#) for a detailed description of these matters.

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**Table of Contents**

**LINN**

LINN is one of the largest publicly traded, U.S.-focused, independent oil and natural gas companies and is the largest publicly traded upstream oil and natural gas company that is treated as a partnership for U.S. federal income tax purposes. LINN is focused on the development and acquisition of long-life oil and natural gas properties, which complement its asset profile in various producing basins within the U.S. LINN's properties are currently located in eight operating regions in the U.S.:

Mid-Continent, which includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays);

Hugoton Basin, which includes properties located primarily in Kansas and the Shallow Texas Panhandle;

Green River Basin, which includes properties located in southwest Wyoming;

Permian Basin, which includes areas in west Texas and southeast New Mexico;

Michigan/Illinois, which includes the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois;

California, which includes the Brea Olinda Field of the Los Angeles Basin;

Williston/Powder River Basin, which includes the Bakken formation in North Dakota and the Powder River Basin in Wyoming; and

East Texas, which includes properties located in east Texas.

LINN's total proved reserves at December 31, 2011 were 3.4 Tcfe, of which approximately 34% were oil, 50% were natural gas and 16% were NGL. Approximately 60% of LINN's total proved reserves were classified as proved developed, with a total standardized measure of discounted future net cash flows of \$6.6 billion. At December 31, 2011, LINN operated 7,759, or 69%, of its 11,230 gross productive wells and had an average proved reserve-life index of approximately 22 years, based on LINN's total proved reserves at December 31, 2011 and annualized production for the three months ended December 31, 2011.

On July 31, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Green River Basin area of southwest Wyoming (the Green River Acquisition) for total consideration of approximately \$990 million. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

On May 1, 2012, LINN completed the acquisition of certain oil and natural gas properties located in east Texas (the East Texas Acquisition) for total consideration of approximately \$168 million. On March 30, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Hugoton Basin area of southwestern Kansas (the Hugoton Acquisition) for total consideration of approximately \$1.17 billion. On April 3, 2012, LINN entered into a joint venture agreement (the Anadarko Joint Venture) with an affiliate of Anadarko Petroleum Corporation (Anadarko) whereby LINN will participate as a partner in the enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. As part of this joint venture, Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of \$400 million of Anadarko's development costs. See Recent Developments. Giving effect to the East Texas Acquisition, the Hugoton Acquisition, the Anadarko Joint Venture and the Green River Acquisition, LINN's pro forma proved reserves are approximately 5.1 Tcfe, of which approximately 25% are oil, 55% are natural gas and 20% are NGL, with approximately 66% proved developed.

LINN generated adjusted EBITDA of approximately \$998 million for the year ended December 31, 2011 and \$621 million for the six months ended June 30, 2012. See Non-GAAP Financial Measures for a



**Table of Contents**

reconciliation of adjusted EBITDA to net income (loss). For 2012, LINN estimates its total capital expenditures, excluding acquisitions, will be approximately \$1.1 billion, including approximately \$1.05 billion related to its oil and natural gas capital program. This estimate is under continuous review and is subject to ongoing adjustments. LINN expects to fund these capital expenditures primarily with cash flow from operations and borrowings under LINN's revolving credit facility.

The following table sets forth certain information with respect to LINN's proved reserves at December 31, 2011 and Pro Forma Proved Reserves and average daily production for the six months ended June 30, 2012:

Region	Proved Reserves At December 31, 2011	Proved Reserves 2012 Acquisitions	Pro Forma Proved Reserves (Bcfe)(1)	Pro Forma % Oil and NGL	Pro Forma % Proved Developed	Average Daily Production For The Six Months Ended June 30, 2012 (MMcfe/d)
	(Bcfe)(1)	(Bcfe)(1)	(Bcfe)(1)			
Mid-Continent	1,860	24	1,884	41%	53%	290
Hugoton Basin(2)	380	701	1,081	47%	87%	95
Green River Basin(3)		806	806	27%	53%	
Permian Basin	527		527	79%	56%	84
Michigan/Illinois	317		317	4%	91%	35
California	193		193	93%	93%	13
Williston/Powder River Basin(2)	93	96	189	92%	63%	25
East Texas(4)		110	110	3%	100%	8
<b>Total</b>	<b>3,370</b>	<b>1,737</b>	<b>5,107</b>	<b>45%</b>	<b>66%</b>	<b>550</b>

- (1) Except as otherwise noted, proved reserves for oil and natural gas assets were calculated on December 31, 2011, the reserve report date, and use a price of \$4.12/MMBtu for natural gas and \$95.84/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months immediately preceding December 31, 2011.
- (2) Pro forma proved reserves for the Hugoton Acquisition (in the Hugoton Basin region) and the Anadarko Joint Venture (in the Williston/Powder River Basin region) were calculated using a price of \$3.73/MMBtu for natural gas and \$98.02/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending March 1, 2012, the most recent twelve-month period prior to the closing of each of those transactions.
- (3) Pro forma proved reserves for the Green River Acquisition (in the Green River Basin region) were calculated using a price of \$3.02/MMBtu for natural gas and \$94.81/Bbl for oil, which represents the unweighted average of the first-day-of-the-month prices for each of the twelve months ending July 1, 2012, the most recent twelve-month period prior to the closing of the Green River Acquisition.
- (4) Pro forma proved reserves for the East Texas Acquisition were calculated using a price of \$3.54/MMBtu for natural gas and \$97.65/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending April 1, 2012, the most recent twelve-month period prior to the closing of the East Texas Acquisition.

LINN was formed as a Delaware limited liability company in March 2003 by Michael C. Linn, Quantum Energy Partners and non-affiliated equity investors with an aggregate equity investment of \$16 million. In January 2006, LINN completed its \$261 million initial public offering. Since its initial public offering, LINN has successfully executed on its strategy, and substantially grown its asset base and distributions on its units. LINN has increased its quarterly cash distribution by approximately 81% from \$0.40 per unit, or \$1.60 per unit on an annualized basis, at the time of its initial public offering, to \$0.725 per unit, or \$2.90 per unit on an annualized basis. At the time of its initial public offering, LINN's assets consisted primarily of oil and natural gas properties in the Appalachian Basin, mainly in Pennsylvania, West Virginia, New York and Virginia (subsequently sold in 2008) with proved reserves of approximately 190 Bcfe as of September 30, 2005 and average daily production of

## **Table of Contents**

approximately 13 MMcfe/d for the three months ended September 30, 2005. Since then, LINN has successfully grown and diversified its asset base to include properties across eight operating regions with total Pro Forma Proved Reserves of approximately 5.1 Tcfe and average daily production for the six months ended June 30, 2012 of approximately 550 MMcfe/d.

### **Business Strategy**

LINN's primary goal is to provide stability and growth of distributions for the long-term benefit of its unitholders. The following is a summary of the key elements of LINN's business strategy:

Grow through acquisition of long-life, high quality properties;

Efficiently operate and develop acquired properties; and

Reduce cash flow volatility through hedging.

LINN's business strategy is discussed in more detail below.

***Grow Through Acquisition of Long-Life, High Quality Properties.*** LINN's acquisition program targets oil and natural gas properties that it believes will be financially accretive and offer stable, long-life, and high quality production with relatively predictable decline curves, as well as lower-risk development opportunities. LINN evaluates acquisitions based on decline profile, reserve life, operational efficiency, field cash flow, development costs and rate of return. As part of this strategy, LINN continually seeks to optimize its asset portfolio, which may include the divestiture of non-core assets. This allows LINN to redeploy capital into projects to develop lower-risk, long-life and low-decline properties that are better suited to its business strategy.

Since January 1, 2007, LINN has completed 39 acquisitions of oil and natural gas properties and related gathering and pipeline assets, acquiring proved reserves totaling approximately 4.5 Tcfe at the date of acquisition, at an average aggregate cost of approximately \$2.02 per Mcfe.

LINN continually evaluates potential acquisition opportunities that would further its strategic objectives and engages from time to time in discussions with potential sellers. Assets acquired in one or more of such transactions may have a material effect on LINN's business, financial condition and results of operations.

***Efficiently Operate and Develop Acquired Properties.*** LINN has centralized the operation of its acquired properties into defined operating regions to minimize operating costs and maximize production and capital efficiency. LINN maintains a large inventory of drilling and optimization projects within each operating region to achieve organic growth from its capital development program. LINN generally seeks to be the operator of its properties so that it can develop drilling programs and optimization projects that not only replace production, but add value through reserve and production growth and future operational synergies. LINN's development program is focused on lower-risk, repeatable drilling opportunities to maintain and/or grow cash flow. Many of the wells are completed in multiple producing zones with commingled production and long economic lives. In addition, LINN's experienced workforce and scalable infrastructure facilitate the efficient development of its properties.

***Reduce Cash Flow Volatility Through Hedging.*** LINN seeks to hedge a significant portion of its forecasted production to reduce exposure to fluctuations in the prices of oil and natural gas and provide long-term cash flow predictability to pay distributions, service debt and manage its business. By removing a significant portion of the price volatility associated with future production, LINN expects to mitigate, but not eliminate, the potential effects of variability in cash flow from operations due to fluctuations in commodity prices.

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## **Table of Contents**

These commodity hedging transactions are primarily in the form of swap contracts and put options that are designed to provide a fixed price (swap contracts) or fixed price floor with the opportunity for upside (put options) that LINN will receive as compared to floating market prices. As of June 30, 2012, LINN had derivative contracts in place for 2012 through 2017 at average prices ranging from a low of \$89.10 per Bbl to a high of \$97.26 per Bbl for oil and from a low of \$4.48 per MMBtu to a high of \$5.29 per MMBtu for natural gas. Additionally, LINN has derivative contracts in place covering a substantial portion of its natural gas basis exposure to Panhandle, MichCon and Permian differentials through 2015 and Houston Ship Channel and NWPL Rockies differentials through 2016 and its timing risk exposure on Mid-Continent, Hugoton Basin and Permian Basin oil sales through 2017.

In addition, LINN may from time to time enter into derivative contracts in the form of interest rate swaps to minimize the effects of fluctuations in interest rates. Currently, LINN has no outstanding interest rate swaps.

### **Competitive Strengths**

LINN believes the following strengths provide significant competitive advantages:

***Large and High Quality Asset Base with a Long Reserve Life.*** LINN's reserve base is characterized by lower geologic risk and well-established production histories and exhibits low production decline rates. Based on LINN's total proved reserves at December 31, 2011, and annualized production for the three months ended December 31, 2011, LINN had an average reserve-life index of approximately 22 years. LINN's Pro Forma Proved Reserves are also diversified by product with approximately 25% oil, 55% natural gas and 20% natural gas liquids ( NGL ), with approximately 66% classified as proved developed.

***Significant Inventory of Lower-Risk Development Opportunities.*** LINN has a significant inventory of projects in its core areas that it believes will support its development activity. At December 31, 2011, LINN had approximately 6,450 identified drilling locations, of which approximately 2,300 were proved undeveloped drilling locations and the remainder were unproved drilling locations. During the year ended December 31, 2011, LINN drilled a total of 294 gross wells with an approximate 99% success rate.

***Significant Scale of Operations.*** As of June 1, 2012, LINN had interests in approximately 15,000 gross productive wells (approximately 71% operated) and approximately 1.8 million net acres across seven regions in the U.S. The Mid-Continent, Hugoton Basin and Permian Basin regions account for approximately 68% of LINN's Pro Forma Proved Reserves. The scale of operations allows LINN to benefit from economies of scale in both drilling and production operations and capitalize on acquired technical knowledge to lower production costs and maintain a high success rate on its drilling program. Furthermore, LINN owns integrated gathering and transportation infrastructure in the Mid-Continent and Hugoton Basin regions, which improves LINN's cost structure.

***Multi-Year Organic Growth Opportunities.*** In addition to growth through acquisitions, LINN's asset base provides significant opportunities to grow production organically. Key drivers of LINN's organic growth potential include its properties in the Granite Wash play in the Mid-Continent region and the Wolfberry trend in the Permian Basin region. LINN has approximately 95,000 net acres in the Granite Wash play, which covers a trend extending from the Texas Panhandle eastward into southwestern Oklahoma. The Granite Wash play is characterized by liquids-rich multi-layer reservoirs which provide for attractive horizontal development opportunities. Since the inception of LINN's horizontal drilling program in the Granite Wash in 2009, LINN has increased production to approximately 137 MMcfe/d (43% liquids). As of March 31, 2012, LINN had identified more than 600 horizontal drilling locations in the Granite Wash and multiple vertical infill drilling locations, representing a 10-plus year drilling inventory. LINN is also evaluating several oil-bearing intervals in the Texas Panhandle including the Hogshooter, Lansing, Cleveland and Tonkawa formations. As a result of technical mapping, LINN has already identified approximately 50 additional well locations in the Hogshooter interval. In



## **Table of Contents**

the Permian Basin region, LINN owns 31,000 net acres in the Wolfberry trend (targeting the liquids-rich Spraberry and Wolfcamp zones). The Wolfberry trend offers significant growth potential driven primarily by infill drilling and downspacing. Since entering the Permian Basin in the fall of 2009, LINN has increased production to approximately 14,800 Boepd as of the first quarter of 2012 through a combination of organic development and acquisitions. LINN estimates that it has a four-year drilling inventory with approximately 400 future drilling locations in the Wolfberry trend.

**High Percentage of Production Hedged.** Currently, LINN hedges its production with swap contracts and put options to minimize its cash flow volatility while maintaining optionality for future upward movement in commodity prices. Swap contracts provide a fixed price and put options provide a fixed price floor with opportunity for upside that LINN will receive as compared to floating market prices. Based on current production estimates, LINN is approximately 100% hedged on expected natural gas production through 2017 and 100% hedged on expected oil production through 2016.

**High Percentage of Operated Properties.** For the year ended December 31, 2011, approximately 82% of LINN's production came from wells over which it had operating control. Maintaining control of its properties allows LINN to use its technical and operational expertise to manage overhead, production, drilling costs and capital expenditures and to control the timing of development activities.

**Competitive Cost of Capital and Financial Flexibility.** Unlike many master limited partnerships, LINN does not have any incentive distribution rights, or IDRs, that entitle the IDR holders to increasing percentages of cash distributions as unit distributions grow. LINN believes that its lack of IDRs provides it with a lower cost of equity, thereby enhancing its ability to compete for future acquisitions.

Additionally, LINN has regularly and successfully raised significant capital throughout different financial cycles. Since LINN's initial public offering in January 2006, it has raised approximately \$5.0 billion in follow-on equity offerings and approximately \$5.4 billion in debt offerings. Furthermore, as of July 25, 2012, LINN's revolving credit facility had a \$3.5 billion borrowing base, subject to a maximum commitment of \$3 billion. LINN believes this financial flexibility and access to the capital markets provides LINN with a substantial competitive advantage in consummating acquisitions.

## **Recent Developments**

### **Acquisitions**

**Green River Acquisition.** On July 31, 2012, LINN completed the Green River Acquisition for total consideration of approximately \$990 million. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

**East Texas Acquisition.** On May 1, 2012, LINN completed the East Texas Acquisition for total consideration of approximately \$168 million. The properties acquired in east Texas include (1) proved reserves of approximately 110 Bcfe, all of which are proved developed producing; (2) approximately 430 producing wells on approximately 19,800 contiguous acres; and (3) average daily production of approximately 24 MMcfe/d (97% natural gas).

**Hugoton Acquisition.** On March 30, 2012, LINN completed the Hugoton Acquisition for total consideration of approximately \$1.17 billion. The properties acquired in the Hugoton Acquisition included: (1) proved reserves of approximately 701 Bcfe, of which 100% is proved developed; (2) approximately 2,400 producing wells with average daily production of approximately 110 MMcfe/d, of which approximately 63% is natural gas and 37% is NGL; (3) approximately 800 future drilling locations; and (4) the JayHawk Natural Gas Processing Plant, which processes substantially all of the production from the acquired properties, with 450 MMcf/d of processing capacity.

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## **Table of Contents**

### **Joint Venture**

**Anadarko Joint Venture.** On April 3, 2012, LINN entered into the Anadarko Joint Venture, whereby LINN will participate as a partner in the CO<sub>2</sub>-enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of \$400 million of Anadarko's development costs. LINN expects to invest a total of \$600 million in the joint venture over the next three to six years, which includes the \$400 million of Anadarko's costs and \$200 million net to LINN's assigned interest. Anadarko has been utilizing CO<sub>2</sub> to develop this field since 2004. The acquisition included approximately 16 MMBoe (96 Bcfe) of proved reserves as of the agreement date.

The acquisitions and joint venture described above are referred to in this prospectus as the 2012 Acquisitions.

### **Questions and Answers About LinnCo**

#### ***Why is LinnCo being created?***

LinnCo is being created to enhance LINN's ability to raise additional equity capital to execute on its acquisition and growth strategy. As LINN continues to grow, the size of individual acquisitions it pursues and its related financing needs are expected to increase. LINN believes that the LinnCo structure will allow LINN to expand its investor base through offerings of LinnCo shares, the proceeds of which will go to LINN for use in executing its strategy, in return for a number of LINN units equal to the number of LinnCo shares sold.

#### ***Why does LINN believe that LinnCo will enhance LINN's ability to raise equity?***

LinnCo will be taxed as a corporation, which will enable holders of LinnCo shares to invest indirectly in LINN without the associated tax-related obligations of owning a LINN unit. For example, holders of LinnCo shares will receive a Form 1099-DIV rather than a Schedule K-1, will generally not have unrelated business taxable income, or UBTI, and will not be required to file state income tax returns as a result of owning LinnCo shares. LINN believes that this structure will appeal to investors that would like to invest in a dividend-paying oil and natural gas exploration and production company, but currently do not invest in LINN units because of UBTI consequences and more onerous tax reporting requirements.

#### ***Why doesn't LINN just increase the size of its LINN unit offerings?***

While LINN has been one of the most active energy-focused master limited partnership equity issuers in recent years, we believe that expanding the investor base to include institutions, individual retirement accounts, foreign investors and tax-exempt investors will provide LINN with equity-raising opportunities significantly beyond its current capacity.

#### ***How will LinnCo quarterly dividends be determined?***

LinnCo will own a number of LINN units equal to the number of LinnCo shares outstanding and will receive the same distribution per LINN unit as all other LINN unitholders. When LinnCo receives a quarterly distribution from LINN, it will reserve an amount equal to LinnCo's estimated income tax liability, and will distribute the balance as a dividend to LinnCo shareholders. We currently estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, LinnCo's income tax liability will be between 2% and 5% of the cash LINN distributes to us. Accordingly, if LINN were to maintain its current annualized distribution of \$2.90 per unit through 2015, the annual LinnCo dividend would be between \$2.75 and \$2.84 per share.

**Table of Contents**

***What rights will LinnCo shareholders have with respect to the governance of LINN and LinnCo?***

LinnCo will submit to a vote of its shareholders any matter submitted by LINN to a vote of its unitholders, which will include the annual election of the LINN board of directors. LinnCo will vote the LINN units it holds in the same manner as our shareholders vote on those matters. Our shareholders will also be entitled to vote on certain fundamental matters affecting LinnCo, but will not have the right to elect the LinnCo board of directors. LINN holds the sole voting share in LinnCo, and therefore will elect the LinnCo board. LinnCo's initial board of directors will be composed of the same members as LINN's board of directors.

***Will there be future offerings of LinnCo shares?***

As LINN continues to execute on its acquisition and growth strategy, it expects to continue to require additional equity capital. LinnCo may make future sales of LinnCo shares to facilitate this strategy, and such future sales may be made separately or in tandem with future sales of LINN units depending on, among other factors, the amount of equity capital to be raised and the relative trading prices of the LinnCo shares and the LINN units. Any proceeds from the sale of both LinnCo shares and LINN units will ultimately be used by LINN to execute its strategy.

## **Table of Contents**

### **Risk Factors**

An investment in our shares involves risks. You should carefully consider the risks described in "Risk Factors" beginning on page 29 of this prospectus and the other information in this prospectus before deciding whether to invest in our shares.

#### **Risks Related to LINN's Business**

LINN actively seeks to acquire oil and natural gas properties. Acquisitions involve potential risks that could adversely impact its future growth and its ability to increase or pay distributions at the current level, or at all.

LINN has significant indebtedness. LINN's revolving credit facility and the indentures governing LINN's outstanding senior notes have substantial restrictions, and LINN may have difficulty obtaining additional credit, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders, including us.

Commodity prices are volatile, and a significant decline in commodity prices for a prolonged period would reduce LINN's revenues, cash flow from operations and profitability and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.

LINN's estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of LINN's reserves.

LINN's development operations require substantial capital expenditures, which will reduce its cash available for distribution. LINN may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its reserves.

Drilling for and producing oil, natural gas and NGL are high risk activities with many uncertainties that could adversely affect LINN's financial position or results of operations and, as a result, its ability to pay distributions to its unitholders.

#### **Risks Inherent in an Investment in LinnCo**

Because our only assets will be LINN units, our cash flow and our ability to pay dividends on our shares are completely dependent upon the ability of LINN to make distributions to its unitholders.

We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.

An active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of LINN units.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors.

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LINN may issue additional units or other classes of units, and we may issue additional shares without your approval, which would dilute our direct and your indirect ownership interest in LINN and your ownership interest in us.

**Table of Contents**

Your shares are subject to limited call rights that could result in your having to involuntarily sell your shares at a time or price that may be undesirable.

Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN's limited liability company agreement limits the fiduciary duties owed by LINN's officers and directors to its unitholders, including us.

The terms of our shares may be changed in ways you may not like, because our board of directors will have the power to change the terms of our shares in ways our board determines, in its good faith, are not materially adverse to you.

Our shares may trade at a substantial discount to the trading price of LINN units.

**Tax Risks to Shareholders**

If LINN were subject to a material amount of entity-level income taxes or similar taxes, whether as a result of being treated as a corporation for U.S. federal income tax purposes or otherwise, the value of LINN units would be substantially reduced and, as a result, the value of our shares could be substantially reduced.

**Management of LinnCo**

LINN owns our sole voting share (the voting share, and collectively with any additional shares of the same class issued in the future, the voting shares) and will be entitled to elect our entire board of directors.

Our initial board of directors will be identical to LINN's board of directors, and all of our officers are also officers of LINN. Our shareholders will be able to indirectly vote on matters on which LINN unitholders are entitled to vote. Our shareholders are not entitled to vote to elect our directors. Under NASDAQ's listing rules, we are considered a controlled company such that our board of directors will be exempt from the requirement that it have a majority of independent directors meeting the NASDAQ's independence standards. We will, however, be required to have an audit committee of the board of directors composed entirely of independent directors. At the completion of this offering, our board of directors will be comprised of seven directors, including five independent directors constituting our audit committee. For information about our executive officers and directors, please read Management beginning on page 106.

**Comparison of LINN Units with LinnCo Shares**

You should be aware of the following ways in which an investment in LINN units is different from an investment in our shares. The table below should be read together with Description of Our Shares, Description of the LINN Units, Description of the Limited Liability Company Agreements, and Material U.S. Federal Income Tax Consequences.

	<b>LINN Units</b>	<b>LinnCo Shares</b>
Business and Assets	LINN is in the business of acquiring and developing oil and natural gas assets.	Our sole purpose is to own LINN units. We will not have any other assets at closing and do not intend to own assets other than LINN units and reserves for income taxes payable by us. As a result, our financial condition and results of operations will depend entirely on the performance of LINN.

**Table of Contents**

	<b>LINN Units</b>	<b>LinnCo Shares</b>
Voting	<p>Unitholders have the right to vote with respect to the election of LINN’s board of directors, certain amendments to its limited liability company agreement, the merger of LINN or the sale of all or substantially all of its assets and the dissolution and winding up of LINN.</p>	<p>We will submit to a vote of our shareholders any matter submitted by LINN to a vote of its unitholders. We will vote the LINN units that we hold in the same manner as the owners of our shares vote (or refrain from voting) their shares on those matters. In addition, our shareholders will be entitled to vote on certain fundamental matters affecting us, such as certain amendments to our limited liability company agreement or the Omnibus Agreement (as defined below), certain mergers, the sale of all or substantially all of our assets and in certain cases, our dissolution and winding up.</p> <p>LINN, as the holder of our sole voting share, will have the right to elect the members of our board of directors, and our shareholders will have no right to vote in that election.</p>
Board of Directors and Officers	<p>LINN’s business and affairs are managed under the direction of LINN’s board of directors, which has the power to appoint our officers.</p> <p>The authority and function of LINN’s board of directors and officers is, with certain exceptions, identical to the authority and functions of a board of directors and officers of a corporation organized under the General Corporation Law of the State of Delaware, or DGCL.</p>	<p>Our initial board of directors will be composed of the same members as LINN’s board of directors, and our initial officers will be the same individuals who serve as officers of LINN.</p> <p>Our business and affairs will be managed under the direction of our board of directors, which has the power to appoint our officers.</p> <p>The authority and function of our board of directors and officers will be identical to the authority and functions of a board of directors and officers of a corporation organized under the DGCL, except for certain limitations on their fiduciary duties. Please read “Description of Limited Liability Company Agreements Our Limited Liability Company Agreement Fiduciary Duties” on page 146.</p>

**Table of Contents**

	<b>LINN Units</b>	<b>LinnCo Shares</b>
Distributions and Dividends	<p>On a quarterly basis, LINN is required to distribute to the owners of its units an amount equal to its available cash.</p>	<p>On a quarterly basis, LinnCo is required to pay a dividend equal to the amount of cash received from LINN in respect of the LINN units owned by LinnCo, less reserves for income taxes payable by LinnCo.</p> <p>We will incur corporate income tax liability on income allocated to us by LINN with respect to LINN units we own. Accordingly, the quarterly cash dividend you receive will be less than the quarterly per unit distribution of cash that we receive from LINN. For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that LinnCo's income tax liability will be between 2% and 5% of the cash distributed to LinnCo.</p>
Income Tax	<p>LINN is taxed as a partnership for U.S. federal income tax purposes.</p> <p>Although LINN is not subject to entity level federal income tax, each unitholder is required to report as income his allocable share of LINN's income, gains, losses and deductions for LINN's taxable year or years ending with or within his taxable year.</p>	<p>Our federal taxable income will be subject to a corporate level tax at a maximum rate of 35%, under current law (and a 20% alternative minimum tax on our alternative minimum taxable income in certain cases), and we may be liable for state income taxes at varying rates in states in which LINN operates.</p> <p>Our shareholders will be subject to U.S. federal income tax, as well as any applicable state or local income tax, on taxable dividends received by them, or on any gain when they sell our shares. Our shareholders will not report our items of income, gain, loss and deduction on their U.S. federal income tax returns. We estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, you will recognize an amount of taxable dividend income that will be between 0% and 60% of the cash dividends paid to you during each such period. The excess of the cash dividends that you receive over your taxable dividend income during each such period will reduce your tax basis in your shares, or will be taxable as capital gain to the extent they exceed your tax basis in your shares.</p>



**Table of Contents**

	<b>LINN Units</b>	<b>LinnCo Shares</b>
Taxation Schedules	<p>Unitholders receive a Schedule K-1 from LINN reflecting the unitholders' share of LINN's items of income, gain, loss, and deduction.</p> <p>Any net income or gain of LINN allocated to a tax-exempt organization, including an employee benefit plan, will constitute unrelated business taxable income of that organization.</p> <p>Net income and gain from LINN units generally will be qualifying income to a regulated investment company or mutual fund, subject to certain limitations that do not apply to income or gain with respect to stock of a corporation.</p>	<p>Like shareholders of a corporation, LinnCo shareholders will receive a Form 1099-DIV reflecting dividends of cash or other property we paid to them. Our shareholders will not receive a Schedule K-1 from us because they will not be allocated our items of income, gain, loss, and deduction.</p> <p>A tax-exempt organization, including an employee benefit plan, generally will not have unrelated business taxable income upon the receipt of dividends from us.</p> <p>Dividend income and gain from our shares generally will be qualifying income to a regulated investment company or mutual fund.</p>

**Table of Contents**

**Ownership of LINN**

The following diagram depicts LINN's simplified organizational and ownership structure after giving effect to this offering and to the subsequent purchase of LINN units by us.

Public Units ( )	%
Units held by LinnCo ( )	%
Total	100%

**Principal Executive Offices and Internet Address**

Our principal executive offices are located at 600 Travis, Suite 5100, Houston, Texas 77002, and our telephone number is (281) 840-4000. Our website is located at [www.linnco.com](http://www.linnco.com) and will be activated immediately following this offering. We expect to make available our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, which we refer to as the SEC, free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference herein and does not constitute a part of this prospectus.

**Table of Contents**

**The Offering**

LinnCo	We are a Delaware limited liability company recently formed to hold units of LINN.
Shares offered to the public	shares, or                    shares if the underwriters exercise their option to purchase additional shares in full.
Shares outstanding after this offering	shares (or                    shares if the underwriters exercise their option to purchase additional shares in full) representing a 100% economic interest in us.
	One voting share of LinnCo owned by LINN. Our voting share is a non-economic interest.
LINN units held by LinnCo after this offering	units (or                    units if the underwriters exercise their option to purchase additional shares in full) representing a    % limited liability company interest in LINN.
Use of proceeds	We will use all of the net proceeds from this offering of approximately \$       million (\$       million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and the structuring fee, to purchase from LINN a number of LINN units equal to the number of shares sold in this offering. LINN will pay the expenses of this offering.  LINN will use the proceeds it receives from the sale of LINN units to us for general corporate purposes, including financing its acquisition strategy, repaying debt and paying the expenses of this offering.  Affiliates of certain of the underwriters in this offering are lenders under LINN's revolving credit facility and, accordingly, if LINN elects to use the proceeds it receives from LinnCo to repay any such debt outstanding under that facility, those lenders would indirectly receive a portion of the net proceeds from this offering. Please read Underwriting FINRA Rules.
Proposed NASDAQ symbol	We have applied to list the shares on the NASDAQ Global Select Market under the symbol LNCO.
Our dividend policy	Our limited liability company agreement requires us to pay dividends on our shares of the cash we receive as distributions in respect of our LINN units, net of reserves for income taxes payable by us, within five business days after we receive such distributions.

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**Table of Contents**

LINN distribution policy

LINN's limited liability company agreement requires it to make quarterly distributions to unitholders of all of its available cash, which is defined to mean, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by the LINN board of directors to:

provide for the proper conduct of business (including reserves for future capital expenditures, future debt service requirements, and for anticipated credit needs); and

comply with applicable laws, debt instruments or other agreements;

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made.

U.S. federal income tax matters associated with our shares

Because we will be treated as a corporation for U.S. federal income tax purposes, our shareholders will receive a Form 1099-DIV and will be subject to federal income tax, as well as any applicable state or local income tax, on taxable dividends paid to them. An owner of our shares will not report on its U.S. federal income tax return any of our items of income, gain, loss and deduction. An owner of our shares will not receive a Schedule K-1 and will not be subject to state tax filings in the various states in which LINN conducts business as a result of owning our shares. A tax-exempt investor's ownership or sale of our shares generally will not generate income derived from an unrelated trade or business regularly carried on by the tax-exempt investor, which generally is referred to as unrelated business taxable income, or UBTI. The ownership or sale of our shares by a regulated investment company, or mutual fund, will generate qualifying income to it. Furthermore, the ownership of our shares by a mutual fund will be treated as a qualifying asset. There generally will be no taxes imposed on gain from the sale of our shares by a non-U.S. person provided it has owned no more than 5% of our shares and our shares are regularly traded on a nationally recognized securities exchange. Dividends to non-U.S. persons will be subject to withholding tax of 30% (or a lower treaty rate, if applicable). See Material U.S. Federal Income Tax Consequences.

Our covenants

Our limited liability company agreement provides that our activities will be limited to owning LINN units. It requires that our issuance of shares of classes other than (i) the class of shares being sold in this offering, (ii) the class of voting shares currently owned by LINN and (iii) derivative shares issued under employee benefit plans, be approved by the owners of our outstanding shares, voting as separate classes, and further includes covenants that prohibit us from (otherwise than in connection with a Terminal Transaction):

borrowing money or issuing debt;

**Table of Contents**

selling, pledging or otherwise transferring any LINN units;

issuing options, warrants or other securities entitling the holder to purchase our shares (other than in connection with employee benefit plans);

liquidating, merging (other than to effect a mere change in legal form) or recapitalizing;

revoking or changing our election to be treated as a corporation for U.S. federal income tax purposes; or

using the proceeds from sales of our shares other than to purchase LINN units; or

agreeing to any amendment to the Omnibus Agreement that has a material adverse effect on the preferences or rights of any shareholder, other than any amendment that (A) effects the intent of the provisions of the Omnibus Agreement, (B) facilitates the ability of the shareholders to obtain the benefits of, or otherwise facilitates the consummation of, a Terminal Transaction, (C) reflects any change in circumstances as a result of certain non-cash mergers involving LINN, or (D) the board of directors determines, in its good faith, will not have a material adverse effect on the preferences or rights of the shares.

See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement. In addition, these provisions can be amended or waived by the owners of our common and voting shares as described under Voting rights below.

Relationship with LINN

Under our limited liability company agreement, LINN has agreed that neither it nor any of its subsidiaries will take any action that would result in LINN and its subsidiaries ceasing to control LinnCo, except in connection with a Terminal Transaction.

Under an Omnibus Agreement between LINN and us (the Omnibus Agreement), LINN will pay on our behalf (directly or indirectly) any legal, accounting, tax advisory, financial advisory and engineering fees, printing costs or other administrative and out-of-pocket expenses we incur, along with any other expenses incurred in connection with this offering or incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and other reports to holders of our shares, tax return and Form 1099 preparation and distribution, NASDAQ listing fees, printing costs, independent auditor fees and expenses, legal counsel fees and expenses and registrar and transfer agent fees. LINN will also agree to indemnify us for damages suffered or costs incurred (other than income taxes payable by us) in connection with carrying out our activities.

These covenants can be amended or waived by the owners of our shares as described under Voting rights below.



**Table of Contents**

Terminal Transactions involving LINN

*Mergers.* If the LINN unitholders are asked to approve a merger of LINN with another entity, we will submit the merger to a vote of our shareholders and will vote our LINN units in the same manner that our shareholders vote (or refrain from voting) their shares.

*Cash Consideration.* In a merger involving LINN in which unitholders receive cash, you will be entitled to receive any cash we receive for our LINN units, net of income taxes payable by us. In the event of an all-cash merger of LINN, we will dissolve and wind up our affairs after such distribution.

*Non-Cash Consideration.* In a merger involving LINN in which LINN unitholders receive securities of another entity, you will be entitled to receive the securities received in connection with such merger. In the event of such a merger in which LINN is not the surviving entity, we will dissolve and wind up our affairs unless:

LINN's successor would be treated as a partnership for U.S. federal income tax purposes; and

the surviving entity agrees to assume the obligations of LINN under our limited liability company agreement and the Omnibus Agreement.

*Tender Offers.* If a third party makes a tender offer for LINN units, LINN may, but will not be obligated to, cooperate with such third party to extend such tender offer to our shareholders or otherwise facilitate participation of our shareholders in the tender offer for LINN units.

*Going Private Transaction.* If at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding LINN units at a price equal to the higher of the current market price (as defined in LINN's limited liability company agreement) and the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election. In this case, we will be required to tender all of our outstanding LINN units and distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs.

*Sale of All or Substantially All of LINN's Assets.* If LINN sells all or substantially all of its assets in one or more transactions for cash and makes a distribution of such cash to its unitholders, we will distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs.

**Table of Contents**

*Change in Tax Treatment of LINN.* If LINN or its successor ceases to be treated as a partnership for U.S. federal income tax purposes, LINN or such successor will have the right to cause us to merge with and into LINN, in which case each of our shareholders will receive distributions in kind of LINN units and other property we own, if any, after payments to creditors and satisfaction of other obligations.

The transactions described above are referred to as Terminal Transactions.

Limited call rights

If LINN or any of its affiliates owns 80% or more of our outstanding shares, LINN has the right, which it may assign to any of its affiliates, to purchase all of our outstanding shares, at a purchase price not less than the then-current market price of our shares.

If any person acquires more than 90% of the outstanding LINN units, such person may require us to tender all of our outstanding LINN units, in which case we will distribute the cash we receive to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs. See Terminal Transactions involving LINN above.

Voting rights

We will submit to a vote of the owners of our shares any matter submitted to us by LINN for a vote of the LINN units held by us. We will vote the LINN units that we own in the same manner that the owners of our shares vote (or refrain from voting) their shares. The LINN units we hold will have the same voting rights as all other LINN units.

Owners of the shares being sold in this offering will have no right to elect our directors. LINN owns the sole voting share entitled to elect our directors, which we refer to as the voting share, and which has no economic interest in us. Owners of the shares of the class being sold in this offering are entitled to vote on the following matters related to us:

amendments to our limited liability company agreement and the Omnibus Agreement with LINN, but only if the amendment would have a material adverse effect on the preferences or rights of our shareholders (as determined in the good faith of our board of directors), would reduce the time for any notice to which the owners of our shares are entitled, enlarges the obligations of our shareholders, alters the circumstances under which LinnCo could be dissolved or wound up or changes the term of existence of LinnCo;

an amendment or waiver of LINN's covenant regarding its continued ownership of more than 50% of the total voting power of LinnCo;

an amendment or waiver of the covenants described above under Our covenants ;



**Table of Contents**

our issuance of classes of shares other than shares of the class being sold in this offering, the class of the voting share currently owned by LINN and derivative shares issued under employee benefit plans;

a merger of LinnCo or the sale of all or substantially all of our assets (other than in connection with a Terminal Transaction); and

our dissolution (other than in connection with a Terminal Transaction).

The matters described above, other than amendment or waiver of the covenants described above under Our covenants, also require approval by the holders of a majority of our voting shares.

Ratio of LinnCo shares to LINN units

Our limited liability company agreement requires that the number of our outstanding shares and the number of LINN units we own always be equal.

**Table of Contents**

**Summary Historical and Pro Forma Financial and Operating Data of LINN**

The following table shows summary historical and pro forma financial and operating data of LINN as of the dates and for the periods indicated. The selected historical financial data presented as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 are derived from the historical audited financial statements that are included elsewhere in this prospectus. The selected historical financial data of LINN presented as of June 30, 2012 and for the six months ended June 30, 2011 and 2012 are derived from the unaudited interim financial statements that are included elsewhere in this prospectus. The summary pro forma financial data presented for the year ended December 31, 2011 and the six months ended June 30, 2012 are derived from the unaudited pro forma condensed combined financial statements that are included elsewhere in this prospectus. The pro forma financial data presented as of June 30, 2012 gives effect to the Green River Acquisition as if it had been completed as of June 30, 2012, and the pro forma financial data presented for the year ended December 31, 2011 and the six months ended June 30, 2012 give effect to the Green River Acquisition and the Hugoton Acquisition as if they had been completed as of January 1, 2011 and certain other 2011 acquisitions as if they had been completed as of January 1, 2010. The following table should be read together with, and is qualified in its entirety by reference to, the historical and unaudited financial statements and the accompanying notes included elsewhere in this prospectus. The table should also be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations.

The unaudited pro forma financial statements do not purport to represent what LINN's results of operations would have actually been had such acquisitions occurred on the dates noted above, or to project LINN's results of operations as of any future date or for any future periods. The pro forma adjustments are based on available information and certain assumptions that LINN believes are reasonable. The adjustments are directly attributable to the acquisition of oil and natural gas properties from the Green River Acquisition, Hugoton Acquisition and certain other 2011 acquisitions and are expected to have a continuing impact on LINN's results of operations. In our opinion, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial statements have been made.

**Table of Contents**

Because of rapid growth through acquisitions and development of properties, LINN's historical results of operations and period-to-period comparisons of these results and certain other financial data may not be meaningful or indicative of future results. The results of LINN's Appalachian Basin and Mid Atlantic Well Service, Inc. operations, which were disposed of in 2008, are classified as discontinued operations, due to post-closing adjustments, for the year ended December 31, 2009. Unless otherwise indicated, results of operations information presented herein relates only to continuing operations.

	Historical			Pro Forma	Historical		Pro Forma
	At or for the Year Ended			For the Year	At or for the Six		For the
	2009	December 31, 2010	2011	Ended December 31, 2011	Months Ended June 30, 2011	2012	Six Months Ended June 30, 2012
				(Unaudited)	(Unaudited)		(Unaudited)
	(in thousands, except per unit amounts)						
<b>Statement of operations data:</b>							
Oil, natural gas and natural gas liquids sales	\$ 408,219	\$ 690,054	\$ 1,162,037	\$ 1,961,964	\$ 543,097	\$ 696,122	\$ 839,659
Gains (losses) on oil and natural gas derivatives	(141,374)	75,211	449,940	449,940	(163,961)	441,678	441,678
Depreciation, depletion and amortization	201,782	238,532	334,084	511,880	145,711	260,782	315,027
Interest expense, net of amounts capitalized	92,701	193,510	259,725	381,564	125,825	171,909	202,305
Income (loss) from continuing operations	(295,841)	(114,288)	438,439	639,664	(209,573)	230,884	219,840
Income (loss) from discontinued operations, net of taxes(1)	(2,351)						
Net income (loss)	(298,192)	(114,288)	438,439	639,664	(209,573)	230,884	219,840
Income (loss) per unit continuing operations:							
Basic	(2.48)	(0.80)	2.52	3.65	(1.25)	1.17	1.11
Diluted	(2.48)	(0.80)	2.51	3.64	(1.25)	1.16	1.11
Income (loss) per unit discontinued operations:							
Basic	(0.02)						
Diluted	(0.02)						
Net income (loss) per unit:							
Basic	(2.50)	(0.80)	2.52	3.65	(1.25)	1.17	1.11
Diluted	(2.50)	(0.80)	2.51	3.64	(1.25)	1.16	1.11
Distributions declared per unit	2.52	2.55	2.70		1.32	1.415	
Weighted average units outstanding:							
Basic	119,307	142,535	172,004	173,728	169,104	195,382	195,382
Diluted	119,307	142,535	172,729	174,453	169,104	196,039	196,039

**Table of Contents**

	Historical At or for the Year Ended December 31,			Historical At or for the Six Months Ended June 30,		Pro Forma
	2009	2010	2011	2011	2012	At June 30, 2012
		(in thousands)		(Unaudited) (in thousands)	(Unaudited)	(in thousands)
<b>Cash flow data:</b>						
Net cash provided by (used in):						
Operating activities(2)	\$ 426,804	\$ 270,918	\$ 518,706	\$ 303,762	\$ (122,429)	
Investing activities	(282,273)	(1,581,408)	(2,130,360)	(1,081,736)	(2,265,931)	
Financing activities	(150,968)	1,524,260	1,376,767	611,741	2,389,129	
<b>Balance sheet data:</b>						
Total assets	\$ 4,340,256	\$ 5,933,148	\$ 8,000,137		\$ 11,180,102	\$ 11,907,340
Long-term debt	1,588,831	2,742,902	3,993,657		6,005,547	6,687,838
Unitholders capital	2,452,004	2,788,216	3,428,910		4,131,663	4,131,663

- (1) Includes gains (losses) on sale of assets, net of taxes.
- (2) Includes premiums paid for derivatives of approximately \$94 million, \$120 million and \$134 million for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively, and approximately \$583 million for the six months ended June 30, 2012.

**Table of Contents****Summary Reserve and Operating Data**

The following table presents summary unaudited operating data with respect to LINN's production and sales of oil and natural gas for the periods presented and summary information with respect to LINN's estimated proved oil and natural gas reserves at year end. DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of LINN's proved oil and natural gas reserves as of December 31, 2009, 2010 and 2011 set forth below.

	2009	Year Ended December 31, 2010	2011	Six Months Ended June 30, 2011 2012	
<b>Average daily production continuing operations:</b>					
Natural gas (MMcf/d)	125	137	175	163	273
Oil (MBbls/d)	9.0	13.1	21.5	19.3	27.2
NGL (MBbls/d)	6.5	8.3	10.8	9.3	19.1
Total (MMcfe/d)	218	265	369	335	550
<b>Weighted average prices (hedged):(1)</b>					
Natural gas (\$/Mcf)	\$ 8.27	\$ 8.52	\$ 8.20	\$ 8.68	\$ 5.93
Oil (\$/Bbl)	110.94	94.71	89.21	88.35	92.86
NGL (\$/Bbl)	28.04	39.14	42.88	44.70	33.21
<b>Expenses (\$/Mcf):</b>					
Lease operating expenses	\$ 1.67	\$ 1.64	\$ 1.73	\$ 1.69	\$ 1.42
Transportation expenses	0.23	0.20	0.21	0.20	0.32
General and administrative expenses(2)	1.08	1.02	0.99	1.02	0.84
Depreciation, depletion and amortization	2.53	2.46	2.48	2.40	2.60
Taxes, other than income taxes	0.35	0.47	0.58	0.59	0.56

	2009	2010	2011
<b>Estimated proved reserves continuing operations:(3)</b>			
Natural gas (Bcf)	774	1,233	1,675
Oil (MMBbls)	102	156	189
NGL (MMBbls)	54	71	94
Total (Bcfe)	1,712	2,597	3,370
Percent proved developed reserves (%)	71%	64%	60%
Estimated reserve life (in years)(4)	22	23	22
Standardized measure of discounted future net cash flows (\$ in millions)(5)	\$ 1,723	\$ 4,224	\$ 6,615

- (1) Includes the effect of realized gains on derivatives of approximately \$401 million (excluding \$49 million realized net gains on canceled contracts), \$308 million, \$230 million (excluding \$27 million realized gains on canceled contracts), \$98 million and \$173 million (excluding approximately \$18 million realized gain on recovery of bankruptcy claim) for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively.
- (2) General and administrative expenses for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 include approximately \$15 million, \$13 million, \$21 million, \$11 million and \$14 million of noncash unit-based compensation expenses, respectively. General and administrative expenses excluding these amounts were \$0.90 per Mcfe, \$0.88 per Mcfe, \$0.83 per Mcfe, \$0.85 per Mcfe and \$0.70 per Mcfe for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively. This is a non-GAAP measure used by LINN's management to analyze its performance.

**Table of Contents**

- (3) In accordance with SEC regulations, reserves at December 31, 2009, 2010 and 2011 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, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The price used to estimate reserves is held constant over the life of the reserves.
- (4) Based on annualized average daily production from continuing operations for the fourth quarter of each respective year.
- (5) Standardized measure of discounted future net cash flows is the present value of estimated future net revenues to be generated from the production of proved reserves, discounted using an annual discount rate of 10% and determined in accordance with the rules and regulations of the SEC without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expenses or depreciation, depletion and amortization. Standardized measure of discounted future net cash flows does not give effect to derivative transactions. However, LINN estimates the discounted present value, or PV-10, of its approximately 3.4 Tcfe of proved reserves at December 31, 2011, to be approximately \$7.1 billion, based on oil and natural gas hedge values for 2012-2016 and strip prices as of December 31, 2011. This calculation of PV-10 differs from the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC in that it is presented including the impacts of commodity derivatives and current strip prices, rather than market prices and without giving effect to derivatives. LINN calculates PV-10 in this manner because a large percentage of its forecasted oil and natural gas production is hedged for multiple-year periods, and management therefore believes that LINN's PV-10 calculation more accurately reflects the discounted present value of its estimated future net revenues. The information used to calculate PV-10 is not derived directly from data determined in accordance with authoritative accounting guidance regarding disclosure about oil and natural gas producing activities. LINN's calculation of PV-10 should not be considered as an alternative to the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC. For a reconciliation of PV-10 to the standardized measure of discounted future net cash flows see PV-10.

**Table of Contents**

**Non-GAAP Financial Measures**

LINN defines adjusted EBITDA as net income (loss) plus the following adjustments:

Net operating cash flow from acquisitions and divestitures, effective date through closing date;

Interest expense;

Depreciation, depletion and amortization;

Impairment of long-lived assets;

Write-off of deferred financing fees;

(Gains) losses on sale of assets and other, net;

Provision for legal matters;

Loss on extinguishment of debt;

Unrealized (gains) losses on commodity derivatives;

Unrealized (gains) losses on interest rate derivatives;

Realized (gains) losses on interest rate derivatives;

Realized (gains) losses on canceled derivatives;

Realized gain on recovery of bankruptcy claim;

Unit-based compensation expenses;

Exploration costs;

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Income tax (benefit) expense; and

Discontinued operations.

Adjusted EBITDA is a measure used by LINN's management to indicate (prior to the establishment of any reserves by the board of directors) the cash distributions LINN expects to make to its unitholders. Adjusted EBITDA is also a quantitative measure used throughout the investment community with respect to publicly traded partnerships and limited liability companies.



**Table of Contents**

The following table presents a reconciliation of net income (loss) to adjusted EBITDA (unaudited):

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
Net income (loss)	\$ (298,192)	\$ (114,288)	\$ 438,439	\$ (209,573)	\$ 230,884
Plus:					
Net operating cash flow from acquisitions and divestitures, effective date through closing date	3,708	42,846	57,966	36,359	45,127
Interest expense, cash	74,185	129,691	249,085	125,181	129,652
Interest expense, noncash	18,516	63,819	10,640	644	42,257
Depreciation, depletion and amortization	201,782	238,532	334,084	145,711	260,782
Impairment of long-lived assets		38,600			146,499
Write-off of deferred financing fees	204	2,076	1,189	1,189	7,889
(Gains) losses on sale of assets and other, net	(23,051)	3,008	124	(916)	991
Provision for legal matters		4,362	1,086	740	795
Loss on extinguishment of debt			94,612	94,372	
Unrealized (gains) losses on commodity derivatives	591,379	232,376	(192,951)	261,851	(250,406)
Unrealized (gains) losses on interest rate derivatives	(16,588)	(63,978)			
Realized losses on interest rate derivatives	42,881	8,021			
Realized (gains) losses on canceled derivatives	(48,977)	123,865	(26,752)		
Realized gain on recovery of bankruptcy claim					(18,277)
Unit-based compensation expenses	15,089	13,792	22,243	11,181	14,834
Exploration costs	7,169	5,168	2,390	995	817
Income tax (benefit) expense	(4,221)	4,241	5,466	5,868	9,430
Discontinued operations	2,351				
Adjusted EBITDA	\$ 566,235	\$ 732,131	\$ 997,621	\$ 473,602	\$ 621,274

**Table of Contents****PV-10**

PV-10 represents the present value, discounted at 10% per year, of estimated future net revenues. LINN's calculation of PV-10 differs from the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC in that it is presented including the impacts of its oil and natural gas hedge values for 2012-2016 and strip prices as of December 31, 2011, rather than the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, and without giving effect to derivatives. LINN calculates PV-10 value in this manner because such a large percentage of its forecasted oil and natural gas production is hedged for multiple-year periods, and management therefore believes that its PV-10 calculation more accurately reflects the value of its estimated future net revenues. The information used to calculate PV-10 is not derived directly from data determined in accordance with the provisions of applicable accounting standards. LINN's calculation of PV-10 should not be considered as an alternative to the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC. The following presents a reconciliation of standardized measure of discounted future net cash flows to LINN's calculation of PV-10 at December 31, 2011 (in millions):

Standardized measure of discounted future net cash flows	\$ 6,615
Plus: Difference due to oil and natural gas hedge prices and strip prices for unhedged volumes	450
<b>PV-10</b>	<b>\$ 7,065</b>

**Table of Contents**

**RISK FACTORS**

*An investment in our shares involves risks. You should carefully consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our shares. If certain of the following risks were to occur, LINN's business, financial condition or results of operations, and ours, as a result, could be materially adversely affected. In that case, LINN might not be able to pay any distribution on its units, the trading price of our shares could decline and you could lose all or part of your investment in us. In addition, if certain of the following risks were to occur, our financial condition or the price of our shares could be materially adversely affected.*

**Risks Related to LINN's Business**

*LINN actively seeks to acquire oil and natural gas properties. Acquisitions involve potential risks that could adversely impact its future growth and its ability to increase or pay distributions at the current level, or at all.*

Any acquisition involves potential risks, including, among other things:

the risk that reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;

the risk of title defects discovered after closing;

inaccurate assumptions about revenues and costs, including synergies;

significant increases in LINN's indebtedness and working capital requirements;

an inability to transition and integrate successfully or timely the businesses LINN acquires;

the cost of transition and integration of data systems and processes;

the potential environmental problems and costs;

the assumption of unknown liabilities;

limitations on rights to indemnity from the seller;

the diversion of management's attention from other business concerns;

increased demands on existing personnel and on the corporate structure;

disputes arising out of acquisitions;

customer or key employee losses of the acquired businesses; and

the failure to realize expected growth or profitability.

The scope and cost of these risks may ultimately be materially greater than estimated at the time of the acquisition. Further, LINN's future acquisition costs may be higher than those it has achieved historically. Any of these factors could adversely impact its future growth and its ability to increase or pay distributions.

***If LINN does not make future acquisitions on economically acceptable terms, then its growth and ability to increase distributions will be limited.***

LINN's ability to grow and to increase distributions to its unitholders is partially dependent on its ability to make acquisitions that result in an increase in available cash flow per unit. It may be unable to make such acquisitions because it is:

unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them;

unable to obtain financing for these acquisitions on economically acceptable terms; or

outbid by competitors.

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**Table of Contents**

In any such case, LINN's future growth and ability to increase distributions will be limited. Furthermore, even if LINN does make acquisitions that it believes will increase available cash flow per unit, these acquisitions may nevertheless result in a decrease in available cash flow per unit.

***LINN has significant indebtedness under its Senior Notes and from time to time, its Credit Facility. The Credit Facility and the indentures governing the Senior Notes have substantial restrictions and LINN may have difficulty obtaining additional credit, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders, including us.***

As of June 30, 2012, LINN had an aggregate of approximately \$6.1 billion in outstanding senior notes ( Senior Notes ) and borrowings under its Fifth Amended and Restated Credit Agreement ( Credit Facility ) with additional borrowing capacity of approximately \$646 million under its Credit Facility, which includes a \$4 million reduction in availability for outstanding letters of credit and a \$200 million reduction in availability related to a restriction on swap agreements outstanding associated with the Green River Acquisition, which no longer applies since the acquisition has closed. As a result of its indebtedness, LINN will use a portion of its cash flow to pay interest and principal when due, which will reduce the cash available to finance its operations and other business activities and could limit its flexibility in planning for or reacting to changes in its business and the industry in which it operates.

The Credit Facility restricts LINN's ability to incur additional indebtedness, create liens on its properties, make distributions, make investments, sell assets, enter into commodity and interest rate derivative contracts and engage in business combinations. LINN is also required to demonstrate compliance quarterly with certain financial covenants and ratios, including a ratio of EBITDA to Interest Expense of 2.5 to 1.0 and a Current Ratio of 1.0 to 1.0 (as such terms are defined in the Credit Facility which is filed as an exhibit to our registration statement filed with the SEC in connection with this offering). Its ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from its operations and events or circumstances beyond its control. LINN's failure to comply with any of the above restrictions and covenants could result in an event of default, which, if it continues beyond any applicable cure periods, could cause all of its existing indebtedness to be immediately due and payable.

LINN depends, in part, on its Credit Facility for future capital needs. LINN has drawn on its Credit Facility to fund or partially fund quarterly cash distribution payments, since it uses operating cash flow primarily for drilling and development of oil and natural gas properties and acquisitions and borrows as cash is needed. Absent such borrowing, it would have at times experienced a shortfall in cash available to pay its declared quarterly cash distribution amount. If there is a default by LINN under its Credit Facility that continues beyond any applicable cure period, it would be unable to make borrowings to fund distributions. In addition, LINN may finance acquisitions through borrowings under its Credit Facility or the incurrence of additional debt. To the extent that LINN is unable to incur additional debt under its Credit Facility or otherwise because it is not in compliance with the financial covenants in the Credit Facility, it may not be able to complete acquisitions, which could adversely affect its ability to maintain or increase distributions. Furthermore, to the extent LINN is unable to refinance its Credit Facility on terms that are as favorable as those in its existing Credit Facility, or at all, its ability to fund its operations and its ability to pay distributions could be affected.

The borrowing base under LINN's Credit Facility is determined semi-annually at the discretion of the lenders and is based in part on oil, natural gas and NGL prices. Significant declines in oil, natural gas or NGL prices may result in a decrease in its borrowing base. The lenders can unilaterally adjust the borrowing base and therefore the borrowings permitted to be outstanding under the Credit Facility. Any increase in the borrowing base requires the consent of all the lenders. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or LINN must pledge other properties as additional collateral. LINN does not currently have substantial unpledged properties, and it may not have the financial resources in the future to make any mandatory principal prepayments required under the Credit Facility. Significant declines in LINN's production or significant declines in realized oil, natural gas or NGL prices for prolonged periods and resulting decreases in its borrowing base may force it to reduce or suspend distributions to its unitholders.

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**Table of Contents**

***LINN's ability to access the capital and credit markets to raise capital and borrow on favorable terms will be affected by disruptions in the capital and credit markets, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders.***

Disruptions in the capital and credit markets could limit LINN's ability to access these markets or significantly increase its cost to borrow. Some lenders may increase interest rates, enact tighter lending standards, refuse to refinance existing debt at maturity on favorable terms or at all and may reduce or cease to provide funding to borrowers. If LINN is unable to access the capital and credit markets on favorable terms, its ability to make acquisitions and pay distributions could be affected.

***LINN's variable rate indebtedness subjects it to interest rate risk, which could cause its debt service obligations to increase significantly.***

Borrowings under LINN's Credit Facility bear interest at variable rates and expose LINN to interest rate risk. If interest rates increase and LINN is unable to effectively hedge its interest rate risk, its debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and its net income and cash available for servicing its indebtedness would decrease.

***Increases in interest rates could adversely affect the demand for LINN's units.***

An increase in interest rates may cause a corresponding decline in demand for equity investments, in particular for yield-based equity investments such as LINN units. Any such reduction in demand for LINN units resulting from other more attractive investment opportunities may cause the trading price of LINN units to decline.

***LINN's commodity derivative activities could result in financial losses or could reduce its income, which may adversely affect its ability to pay distributions to its unitholders.***

To achieve more predictable cash flow and to reduce its exposure to adverse fluctuations in the prices of oil and natural gas, LINN enters into commodity derivative contracts for a significant portion of its production. Commodity derivative arrangements expose it to the risk of financial loss in some circumstances, including situations when production is less than expected. If LINN experiences a sustained material interruption in its production or if it is unable to perform its drilling activity as planned, it might be forced to satisfy all or a portion of its derivative obligations without the benefit of the cash flow from its sale of the underlying physical commodity, resulting in a substantial reduction of its liquidity, which may adversely affect its ability to pay distributions to its unitholders.

***Counterparty failure may adversely affect LINN's derivative positions.***

LINN cannot be assured that its counterparties will be able to perform under its derivative contracts. If a counterparty fails to perform and the derivative arrangement is terminated, LINN's cash flow and ability to pay distributions could be impacted.

***Commodity prices are volatile, and a significant decline in commodity prices for a prolonged period would reduce LINN's revenues, cash flow from operations and profitability and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.***

LINN's revenue, profitability and cash flow depend upon the prices of and demand for oil, natural gas and NGL. The oil, natural gas and NGL market is very volatile and a drop in prices can significantly affect LINN's financial results and impede its growth. Changes in oil, natural gas and NGL prices have a significant impact on the value of LINN's reserves and on its cash flow. Prices for these commodities may fluctuate widely in response to relatively minor changes in the supply of and demand for them, market uncertainty and a variety of additional factors that are beyond LINN's control, such as:

the domestic and foreign supply of and demand for oil, natural gas and NGL;

**Table of Contents**

the price and level of foreign imports;

the level of consumer product demand;

weather conditions;

overall domestic and global economic conditions;

political and economic conditions in oil and natural gas producing countries, including those in the Middle East and South America;

the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain price and production controls;

the impact of the U.S. dollar exchange rates on oil, natural gas and NGL prices;

technological advances affecting energy consumption;

domestic and foreign governmental regulations and taxation;

the impact of energy conservation efforts;

the proximity and capacity of pipelines and other transportation facilities; and

the price and availability of alternative fuels.

In the past, the prices of oil, natural gas and NGL have been extremely volatile, and LINN expects this volatility to continue. If commodity prices decline significantly for a prolonged period, LINN's cash flow from operations will decline, and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.

***Future price declines or downward reserve revisions may result in a write down of LINN's asset carrying values, which could adversely affect its results of operations and limit its ability to borrow funds.***

Declines in oil, natural gas and NGL prices may result in LINN having to make substantial downward adjustments to its estimated proved reserves. If this occurs, or if LINN's estimates of development costs increase, production data factors change or drilling results deteriorate, accounting rules may require it to write down, as a noncash charge to earnings, the carrying value of its properties for impairments. LINN capitalizes costs to acquire, find and develop its oil and natural gas properties under the successful efforts accounting method. LINN is required to perform impairment tests on its assets periodically and whenever events or changes in circumstances warrant a review of its assets. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of LINN's assets, the carrying value may not be recoverable and therefore would require a write down. LINN may incur impairment charges in the future, which could have a material adverse effect on its results of operations in the period incurred and on its ability to borrow funds under its Credit Facility, which in turn may adversely affect its ability to make cash distributions to its unitholders.

***Unless LINN replaces its reserves, its reserves and production will decline, which would adversely affect its cash flow from operations and its ability to make distributions to its unitholders.***

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Producing oil, natural gas and NGL reservoirs are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The overall rate of decline for LINN's production will change if production from its existing wells declines in a different manner than it has estimated and can change when it drills additional wells, makes acquisitions and under other circumstances. Thus, LINN's future oil, natural gas and NGL reserves and production and, therefore, its cash flow and income, are highly dependent on its success in efficiently developing its current reserves and economically finding or acquiring additional recoverable reserves. LINN may not be able to develop, find or acquire additional reserves to replace its current and future production at acceptable costs, which would adversely affect its cash flow from operations and its ability to make distributions to its unitholders.



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**Table of Contents**

*LINN's estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of LINN's reserves.*

No one can measure underground accumulations of oil, natural gas and NGL in an exact manner. Reserve engineering requires subjective estimates of underground accumulations of oil, natural gas and NGL and assumptions concerning future oil, natural gas and NGL prices, production levels and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Independent petroleum engineering firms prepare estimates of our proved reserves. Some of LINN's reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Also, LINN makes certain assumptions regarding future oil, natural gas and NGL prices, production levels and operating and development costs that may prove incorrect. Any significant variance from these assumptions by actual amounts could greatly affect LINN's estimates of reserves, the economically recoverable quantities of oil, natural gas and NGL attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows. Numerous changes over time to the assumptions on which LINN's reserve estimates are based, as described above, often result in the actual quantities of oil, natural gas and NGL LINN ultimately recovers being different from its reserve estimates.

The present value of future net cash flows from LINN's proved reserves is not necessarily the same as the current market value of its estimated oil, natural gas and NGL reserves. LINN bases the estimated discounted future net cash flows from its proved reserves on an unweighted average of the first-day-of-the-month price for each month during the 12-month calendar year and year-end costs. However, actual future net cash flows from its oil and natural gas properties also will be affected by factors such as:

actual prices we receive for oil, natural gas and NGL;

the amount and timing of actual production;

the timing and success of development activities;

supply of and demand for oil, natural gas and NGL; and

changes in governmental regulations or taxation.

In addition, the 10% discount factor required to be used under the provisions of applicable accounting standards when calculating discounted future net cash flows, may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with LINN or the oil and natural gas industry in general.

*LINN's development operations require substantial capital expenditures, which will reduce its cash available for distribution. LINN may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its reserves.*

The oil and natural gas industry is capital intensive. LINN makes and expects to continue to make substantial capital expenditures in its business for the development and production of oil, natural gas and NGL reserves. These expenditures will reduce LINN's cash available for distribution. LINN intends to finance its future capital expenditures with cash flow from operations and, to the extent necessary, with equity and debt offerings or bank borrowings. LINN's cash flow from operations and access to capital are subject to a number of variables, including:

its proved reserves;

the level of oil, natural gas and NGL it is able to produce from existing wells;

the prices at which it is able to sell its oil, natural gas and NGL; and

its ability to acquire, locate and produce new reserves.

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**Table of Contents**

If LINN's revenues or the borrowing base under its Credit Facility decrease as a result of lower oil, natural gas and NGL prices, operating difficulties, declines in reserves or for any other reason, it may have limited ability to obtain the capital necessary to sustain its operations at current levels. LINN's Credit Facility restricts its ability to obtain new financing. If additional capital is needed, it may not be able to obtain debt or equity financing on terms favorable to it, or at all. If cash flow from operations or cash available under the Credit Facility is not sufficient to meet LINN's capital requirements, the failure to obtain additional financing could result in a curtailment of its development operations, which in turn could lead to a possible decline in its reserves.

***LINN may decide not to drill some of the prospects it has identified, and locations that it decides to drill may not yield oil, natural gas and NGL in commercially viable quantities.***

LINN's prospective drilling locations are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require additional geological and engineering analysis. Based on a variety of factors, including future oil, natural gas and NGL prices, the generation of additional seismic or geological information, the availability of drilling rigs and other factors, LINN may decide not to drill one or more of these prospects. As a result, LINN may not be able to increase or maintain its reserves or production, which in turn could have an adverse effect on its business, financial position, results of operations and its ability to pay distributions. In addition, the SEC's reserve reporting rules include a general requirement that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. At December 31, 2011, LINN had 2,302 proved undeveloped drilling locations. To the extent that LINN does not drill these locations within five years of initial booking, they may not continue to qualify for classification as proved reserves, and LINN may be required to reclassify such reserves as unproved reserves. The reclassification of such reserves could also have a negative effect on the borrowing base under the Credit Facility.

The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a well. LINN's efforts will be uneconomic if it drills dry holes or wells that are productive but do not produce enough oil, natural gas and NGL to be commercially viable after drilling, operating and other costs. If LINN drills future wells that it identifies as dry holes, its drilling success rate would decline, which could have an adverse effect on its business, financial position or results of operations.

***LINN's business depends on gathering and transportation facilities. Any limitation in the availability of those facilities would interfere with its ability to market the oil, natural gas and NGL it produces, and could reduce its cash available for distribution and adversely impact expected increases in oil, natural gas and NGL production from our drilling program.***

The marketability of LINN's oil, natural gas and NGL production depends in part on the availability, proximity and capacity of gathering and pipeline systems. The amount of oil, natural gas and NGL that can be produced and sold is subject to limitation in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the gathering or transportation system, or lack of contracted capacity on such systems. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, LINN is provided only with limited, if any, notice as to when these circumstances will arise and their duration. In addition, some of its wells are drilled in locations that are not serviced by gathering and transportation pipelines, or the gathering and transportation pipelines in the area may not have sufficient capacity to transport additional production. As a result, LINN may not be able to sell the oil, natural gas and NGL production from these wells until the necessary gathering and transportation systems are constructed. Any significant curtailment in gathering system or pipeline capacity, or significant delay in the construction of necessary gathering and transportation facilities, would interfere with LINN's ability to market the oil, natural gas and NGL it produces, and could reduce its cash available for distribution and adversely impact expected increases in oil, natural gas and NGL production from its drilling program.

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**Table of Contents**

*LINN depends on certain key customers for sales of our oil, natural gas and NGL. To the extent these and other customers reduce the volumes they purchase from LINN or delay payment, LINN's revenues and cash available for distribution could decline. Further, a general increase in nonpayment could have an adverse impact on its financial position and results of operations.*

For the year ended December 31, 2011, Enbridge Energy Partners, L.P. and DCP Midstream Partners, LP accounted for approximately 21% and 19%, respectively, of LINN's total production volumes, or 40% in the aggregate. For the year ended December 31, 2010, DCP Midstream Partners, LP, Enbridge Energy Partners, L.P. and ConocoPhillips accounted for approximately 19%, 17% and 12%, respectively, of LINN's total volumes, or 48% in the aggregate. To the extent these and other customers reduce the volumes of oil, natural gas or NGL that they purchase from LINN, its revenues and cash available for distribution could decline.

*Many of LINN's leases are in areas that have been partially depleted or drained by offset wells.*

LINN's key project areas are located in some of the most active drilling areas of the producing basins in the U.S. As a result, many of its leases are in areas that have already been partially depleted or drained by earlier offset drilling. This may inhibit its ability to find economically recoverable quantities of reserves in these areas.

LINN's identified drilling location inventories are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling, resulting in temporarily lower cash from operations, which may impact LINN's ability to pay distributions.

LINN's management has specifically identified and scheduled drilling locations as an estimation of LINN's future multi-year drilling activities on its existing acreage. As of December 31, 2011, LINN had identified 6,456 drilling locations, of which 2,302 were proved undeveloped locations and 4,154 were other locations. These identified drilling locations represent a significant part of LINN's growth strategy. Its ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, regulatory approvals, oil, natural gas and NGL prices, costs and drilling results. In addition, DeGolyer and MacNaughton has not estimated proved reserves for the 4,154 other drilling locations LINN has identified and scheduled for drilling, and therefore there may be greater uncertainty with respect to the success of drilling wells at these drilling locations. LINN's final determination on whether to drill any of these drilling locations will be dependent upon the factors described above as well as, to some degree, the results of its drilling activities with respect to its proved drilling locations. Because of these uncertainties, LINN does not know if the numerous drilling locations it has identified will be drilled within its expected timeframe or will ever be drilled or if it will be able to produce oil, natural gas and NGL from these or any other potential drilling locations. As such, LINN's actual drilling activities may materially differ from those presently identified, which could adversely affect its business.

*Drilling for and producing oil, natural gas and NGL are high risk activities with many uncertainties that could adversely affect LINN's financial position or results of operations and, as a result, its ability to pay distributions to its unitholders.*

LINN's drilling activities are subject to many risks, including the risk that it will not discover commercially productive reservoirs. Drilling for oil, natural gas and NGL can be uneconomic, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, LINN's drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

the high cost, shortages or delivery delays of equipment and services;

unexpected operational events;

adverse weather conditions;

facility or equipment malfunctions;

**Table of Contents**

title problems;

pipeline ruptures or spills;

compliance with environmental and other governmental requirements;

unusual or unexpected geological formations;

loss of drilling fluid circulation;

formations with abnormal pressures;

fires;

blowouts, craterings and explosions; and

uncontrollable flows of oil, natural gas and NGL or well fluids.

Any of these events can cause increased costs or restrict LINN's ability to drill the wells and conduct the operations which it currently has planned. Any delay in the drilling program or significant increase in costs could impact LINN's ability to generate sufficient cash flow to pay quarterly distributions to its unitholders at the current distribution level or at all. Increased costs could include losses from personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties. LINN ordinarily maintains insurance against certain losses and liabilities arising from its operations. However, it is impossible to insure against all operational risks in the course of LINN's business. Additionally, LINN may elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on LINN's business activities, financial position and results of operations.

***Because LINN handles oil, natural gas and NGL and other hydrocarbons, it may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment.***

The operations of LINN's wells, gathering systems, turbines, pipelines and other facilities are subject to stringent and complex federal, state and local environmental laws and regulations. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations. There is an inherent risk that LINN may incur environmental costs and liabilities due to the nature of its business and the substances it handles. Certain environmental statutes, including the RCRA, CERCLA and analogous state laws and regulations, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed of or otherwise released. In addition, an accidental release from one of LINN's wells or gathering pipelines could subject it to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations.

Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase LINN's compliance costs and the cost of any remediation that may become necessary, and these costs may not be recoverable from insurance. For a more detailed discussion of environmental and regulatory matters impacting LINN's business, please read Business LINN Environmental Matters and Regulation.

*LINN is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.*

LINN's operations are regulated extensively at the federal, state and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon oil

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## **Table of Contents**

and natural gas wells. Under these laws and regulations, LINN could also be liable for personal injuries, property damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of LINN's operations and subject it to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects.

Part of the regulatory environment in which LINN operates includes, in some cases, legal requirements for obtaining environmental assessments, environmental impact studies and/or plans of development before commencing drilling and production activities. In addition, LINN's activities are subject to the regulations regarding conservation practices and protection of correlative rights. These regulations affect LINN's operations and limit the quantity of oil, natural gas and NGL it may produce and sell. A major risk inherent in LINN's drilling plans is the need to obtain drilling permits from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit for a well or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on LINN's ability to develop its properties. Additionally, the regulatory environment could change in ways that might substantially increase the financial and managerial costs of compliance with these laws and regulations and, consequently, adversely affect LINN's ability to pay distributions to its unitholders. For a description of the laws and regulations that affect us, please read "Business LINN Environmental Matters and Regulation."

### ***Federal and state legislation and regulatory initiatives related to hydraulic fracturing could result in increased costs and operating restrictions or delays.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons from tight formations. Due to concerns raised relating to potential impacts of hydraulic fracturing on groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing or prohibit the activity altogether. For example, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act's Underground Injection Control Program and has begun the process of drafting guidance documents related to this newly asserted regulatory authority. In addition, both Texas and Louisiana have adopted disclosure regulations requiring varying degrees of disclosure of the constituents in hydraulic fracturing fluids. Such efforts could have an adverse effect on LINN's oil and natural gas production activities. For a more detailed discussion of hydraulic fracturing matters impacting LINN's business, please read "Business LINN Environmental Matters and Regulation."

### **Risks Inherent in an Investment in LinnCo**

#### ***Our cash flow consists exclusively of distributions from LINN.***

Our only assets will be units representing limited liability company interests in LINN that we own. Our cash flow will be therefore completely dependent upon the ability of LINN to make distributions to its unitholders. The amount of cash that LINN can distribute to its unitholders, including us, each quarter principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

produced volumes of oil, natural gas and NGL;

prices at which oil, natural gas and NGL production is sold;

level of its operating costs;

payment of interest, which depends on the amount of its indebtedness and the interest payable thereon; and

level of its capital expenditures.

## **Table of Contents**

In addition, the actual amount of cash that LINN will have available for distribution will depend on other factors, some of which are beyond its control, including:

availability of borrowings on acceptable terms under its credit facility to pay distributions;

the costs of acquisitions, if any;

fluctuations in its working capital needs;

timing and collectibility of receivables;

restrictions on distributions contained in its credit facility and the indentures governing its senior notes;

prevailing economic conditions;

access to credit or capital markets; and

the amount of cash reserves established by its board of directors for the proper conduct of its business.

Because of these factors, LINN may not have sufficient available cash each quarter to pay the current distribution of \$0.725 per quarter or any other amount. Furthermore, the amount of cash that LINN has available for distribution depends primarily upon its cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, LINN may be able to make cash distributions during periods when it records net losses and may not be able to make cash distributions during periods when it records net income. Please read [Risks Related to LINN's Business](#) for a discussion of risks affecting LINN's ability to generate distributable cash flow.

***We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.***

We are classified as a corporation for U.S. federal income tax purposes and, in most states in which LINN does business, for state income tax purposes. Under current law, we will be subject to U.S. federal income tax at rates of up to 35% (and a 20% alternative minimum tax in certain cases), and to state income tax at rates that vary from state to state, on the net income allocated to us by LINN with respect to the LINN units we own. The amount of cash available for distribution to you will be reduced by the amount of any such income taxes payable by us for which we establish reserves.

Although we currently estimate that our income tax liability for each of the periods ending December 31, 2012, 2013, 2014 and 2015 will be between 2% and 5% of the distributions we receive from LINN with respect to each of the applicable periods (please read [Our Dividend Policy](#)), that estimate is based upon a number of assumptions regarding LINN's earnings from its operations, the amount of those earnings allocated to us, our income tax liabilities and the amount of the distributions paid to us by LINN that may prove incorrect, including:

LINN will not significantly decrease its drilling activity;



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there will not be an issuance of significant additional units by LINN without a corresponding increase in the aggregate tax deductions generated by LINN;

proposed legislation that would eliminate the current deduction of intangible drilling costs and other tax incentives to the oil and natural gas industry will not be enacted; and

there will not be a significant increase in oil and natural gas prices.

Events inconsistent with our assumptions could cause our income tax liabilities to be substantially higher than estimated (and could therefore cause our quarterly dividends to be substantially lower than the quarterly distributions on LINN units). Please read [Material U.S. Federal Income Tax Consequences](#) [Consequences to U.S. Holders](#) [Distributions on the Shares](#).

Moreover, after December 31, 2015, our income tax liabilities may increase substantially. For example, distributions that we receive with respect to our LINN units that exceed the net income allocated to us by LINN

## **Table of Contents**

with respect to those units decrease our tax basis in those units. When our tax basis in our LINN units is reduced to zero and any loss or other carryovers are fully utilized, the distributions we receive from LINN in excess of net income allocated to us by LINN will effectively be fully taxable to us, without any deductions.

### ***Changes to current U.S. federal tax laws may affect our ability to take certain tax deductions.***

Substantive changes to the existing U.S. federal income tax laws have been proposed that, if adopted, would affect, among other things, our ability to take certain deductions related to LINN's operations, including deductions for intangible drilling costs and percentage depletion and deductions for costs associated with U.S. production activities. We are unable to predict whether any changes, or other proposals to such laws, ultimately will be enacted. Any such changes could negatively impact the value of an investment in our shares.

***There is no existing market for our shares. Following this offering, an active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of LINN units. The market price of our shares may fluctuate significantly, and you could lose all or part of your investment.***

Prior to this offering, there has been no public market for our shares. After this offering, there will be only publicly traded shares, assuming no exercise of the underwriters' option to purchase additional shares. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. You may not be able to resell your shares at or above the initial public offering price.

The initial public offering price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the shares that will prevail in the trading market. The market price of our shares may decline below the initial public offering price. The market price of our shares may also be influenced by many factors, some of which are beyond our control, including:

the trading price of LINN units;

the level of LINN's quarterly distributions and our quarterly dividends;

LINN's quarterly or annual earnings or those of other companies in its industry;

the loss of a large customer by LINN;

announcements by LINN or its competitors of significant contracts or acquisitions;

changes in accounting standards, policies, guidance, interpretations or principles;

general economic conditions;

future sales of our shares; and

other factors described in these Risk Factors.

***Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors.***

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors. If our shareholders are dissatisfied with the performance of our directors, they will have no ability to remove the directors and will have no right on an annual or ongoing basis to elect our board of directors. Rather, our board of directors will be appointed by the holder of our voting share, which will be LINN. As a result of these limitations, the price at which the shares will trade could be lower because of the absence or reduction of a takeover premium in the trading price. Our limited liability company agreement also contains provisions limiting the ability of holders of our shares to call meetings or to obtain information about our operations, as well as other provisions limiting the ability of holders of our shares to influence the manner or direction of management.

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**Table of Contents**

*LINN may issue additional units without your approval or other classes of units, and we may issue additional shares, which would dilute our direct and your indirect ownership interest in LINN and your ownership interest in us.*

LINN's limited liability company agreement does not limit the number of additional limited liability company interests, including interests that rank senior to the LINN units, that it may issue at any time without the approval of its unitholders. The issuance by LINN of additional units or other equity securities of equal or senior rank will have the following effects:

our proportionate ownership interest in LINN will decrease;

the amount of cash available for distribution on each LINN unit may decrease, resulting in a decrease in the amount of cash available to pay dividends to you;

the relative voting strength of each previously outstanding unit, including the LINN units we hold and vote in accordance with the vote of our unitholders, will be diminished; and

the market price of the LINN units may decline, resulting in a decline in the market price of our shares.

In addition, our limited liability company agreement does not limit the number of additional shares that we may issue at any time without your approval. The issuance by us of additional shares will have the following effects:

your proportionate ownership interest in us will decrease;

the relative voting strength of each previously outstanding share you own will be diminished; and

the market price of our shares may decline.

***Your shares are subject to limited call rights that could result in your having to involuntarily sell your shares at a time or price that may be undesirable. Shareholders who are not Eligible Holders will not be entitled to receive distributions on or allocations of income or loss on their shares and their shares will be subject to redemption.***

If LINN or any of its affiliates owns 80% or more of our outstanding shares, LINN has the right, which it may assign to any of its affiliates, to purchase all of our remaining outstanding shares, at a purchase price not less than the then-current market price of our shares. If LINN exercises any of its rights to purchase our shares, you may be required to sell your shares at a time or price that may be undesirable, and you could receive less than you paid for your shares. Any sale of our shares, to LINN or otherwise, for cash will be a taxable transaction to the owner of the shares sold. Accordingly, a gain or loss will be recognized on the sale equal to the difference between the cash received and the owner's tax basis in the shares sold.

In addition, if at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding LINN units at a price equal to the higher of the current market price (as defined in LINN's limited liability company agreement) and the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election. In this case, we will be required to tender all of our outstanding LINN units and distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will dissolve and wind up our affairs. Thus, upon the election of a holder of 90% of the outstanding LINN units, you may receive a distribution that is effectively less than the price at which you would prefer to sell your shares.

In order to comply with U.S. laws with respect to the ownership of interests in oil and gas leases on federal lands, we have adopted certain requirements regarding those investors who may own our shares. As used herein, an Eligible Holder means a person or entity qualified to hold

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an interest in oil and gas leases on federal lands. As of the date hereof, Eligible Holder means: (1) a citizen of the United States; (2) a corporation organized under the

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**Table of Contents**

laws of the United States or of any state thereof; or (3) an association of United States citizens, such as a partnership or limited liability company, organized under the laws of the United States or of any state thereof, but only if such association does not have any direct or indirect foreign ownership, other than foreign ownership of stock in a parent corporation organized under the laws of the United States or of any state thereof. For the avoidance of doubt, onshore mineral leases or any direct or indirect interest therein may be acquired and held by aliens only through stock ownership, holding or control in a corporation organized under the laws of the United States or of any state thereof and only for so long as the alien is not from a country that the United States federal government regards as denying similar privileges to citizens or corporations of the United States. Shareholders who are not persons or entities who meet the requirements to be an Eligible Holder will not be entitled to receive distributions on their shares and they run the risk of having their shares redeemed by us at the then-current market price.

*The terms of our shares may be changed in ways you may not like, because our board of directors will have the power to change the terms of our shares in ways our board determines, in its good faith, are not materially adverse to you.*

As an owner of our shares, you may not like the changes made to the terms of our shares, if any, and you may disagree with our board of directors' decision that the changes are not materially adverse to you as a shareholder. Your recourse if you disagree will be limited because our limited liability company agreement gives broad latitude and discretion to our board of directors and limits the fiduciary duties that our officers and directors otherwise would owe to you.

*Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN's limited liability company agreement limits the fiduciary duties owed by LINN's officers and directors to its unitholders, including us.*

Our limited liability company agreement has modified, waived and limited the fiduciary duties of our directors and officers that would otherwise apply at law or in equity and replaced such duties with a contractual duty requiring our directors and officers to act in good faith. For purposes of our limited liability company agreement, a person shall be deemed to have acted in good faith if the person subjectively believes that the action or omission of action is in, or not opposed to, the best interests of LinnCo. In addition, any action or omission shall be deemed to be in, or not opposed to, the best interests of LinnCo and our shareholders if such action or omission of action is in, or not opposed to, the best interest of LINN and all its unitholders, taken together.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Thus, we and our shareholders will only have recourse and be able to seek remedies against our board of directors if they breach their obligations pursuant to our limited liability company agreement. Furthermore, even if there has been a breach of the obligations set forth in our limited liability company agreement, that agreement provides that our directors and officers will not be liable to us or our shareholders, except for acts or omissions not in good faith.

These provisions restrict the remedies available to our shareholders for actions that without those limitations might constitute breaches of duty, including fiduciary duties. In addition, LINN's limited liability company agreement also limits the fiduciary duties owed by LINN's officers and directors to its unitholders, including us.

*Our limited liability company agreement prohibits a shareholder who acquires 15% or more of our shares or voting power with respect to 15% or more of the outstanding LINN units without the approval of our board of directors from engaging in a business combination with us or with LINN for three years. This provision could discourage a change of control of us or of LINN that our shareholders may favor, which could negatively affect the price of our shares.*

Our limited liability company agreement effectively adopts Section 203 of the Delaware General Corporation Laws, or the DGCL. Section 203 of the DGCL as it applies to us prevents an interested shareholder, defined as a person who owns 15% or more of our outstanding shares or voting power with respect to 15% or

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## **Table of Contents**

more of the outstanding LINN units, from engaging in business combinations with us for three years following the time such person becomes an interested shareholder. Section 203 broadly defines business combination to encompass a wide variety of transactions with or caused by an interested shareholder, including mergers, asset sales and other transactions in which the interested shareholder receives a benefit on other than a pro rata basis with other shareholders. This provision of our limited liability company agreement could have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for our shares.

### ***Our shares may trade at a substantial discount to the trading price of LINN units.***

We cannot predict whether our shares will trade at a discount or premium to the trading price of LINN units. If we incur substantial corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, the quarterly dividend of cash you receive per share will be substantially less than the quarterly per unit distribution of cash that we receive from LINN. In addition, upon a Terminal Transaction, the net proceeds you receive from us per share may, as a result of our corporate income tax liabilities on the transaction and other factors, be substantially lower than the net proceeds per unit received by a direct LINN unitholder. As a result of these considerations, our shares may trade at a substantial discount to the trading price of LINN units. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN.

### ***We will be a controlled company within the meaning of the NASDAQ rules and intend to rely on exemptions from various corporate governance requirements immediately following the closing of this offering.***

We have applied to list our shares on the NASDAQ Global Select Market. A company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company is a controlled company within the meaning of the NASDAQ rules. A controlled company may elect not to comply with various corporate governance requirements of NASDAQ, including the requirement that a majority of its board of directors consist of independent directors, the requirement that its nominating and governance committee consist of all independent directors and the requirement that its compensation committee consist of all independent directors.

Following this offering, we believe that we will be a controlled company since LINN will hold our sole voting share and will have the sole power to elect our board of directors. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Voting Rights. Because we intend to rely on certain of the controlled company exemptions and will not have a compensation committee or a nominating and corporate governance committee, you may not have the same corporate governance advantages afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

## **Tax Risks to Shareholders**

***Upon a Terminal Transaction, we may be entitled to a smaller distribution per LINN unit we own than other LINN unitholders, and we may incur substantial corporate income tax liabilities in the transaction or upon the distribution of the proceeds from the transaction to you, in which case the net proceeds you receive from us per share may be substantially lower than the net proceeds per unit received by a direct LINN unitholder.***

Upon a liquidation of LINN, LINN unitholders will receive distributions in accordance with the positive balances in their respective capital accounts in their units. Please read Description of the Limited Liability Company Agreements LINN's Limited Liability Company Agreement Liquidation and Distribution of Proceeds. As a result of the underwriting discount and offering expenses incurred in connection with this offering, we will acquire LINN units at a price lower than the current market price of LINN units. Therefore, our capital account in the LINN units that we will own initially will be lower than the capital accounts of other LINN

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**Table of Contents**

unitholders in their LINN units. Therefore, we would be entitled upon a dissolution of LINN to a smaller distribution per LINN unit we own than other LINN unitholders, unless adjustments were made to our capital accounts in the LINN units that we will own.

Each time LINN issues or redeems units, it is required to adjust the capital accounts in all outstanding LINN units upward to the extent of the unrealized gains in LINN's assets or downward to the extent of the unrealized losses in LINN's assets immediately prior to such issuance or redemption. In general, the difference between the fair market value of each such asset and its adjusted tax basis equals the unrealized gain (if the fair market value exceeds the adjusted tax basis) or the unrealized loss (if the adjusted tax basis exceeds the fair market value). Unrealized gains and unrealized losses generally are allocated among the LINN unitholders in the same manner as other items of LINN income, gain, deduction or loss.

The board of directors of LINN, however, is authorized to make disproportionate allocations of income and deductions, including allocations of unrealized gains and unrealized losses, to the extent necessary to cause the capital accounts of all LINN units to be the same. We anticipate that there will be sufficient unrealized gains or unrealized losses in connection with future issuances or redemptions of LINN units in order for LINN to allocate to us sufficient unrealized gains, or to allocate sufficient unrealized losses to other holders of LINN units, to cause the capital accounts in the LINN units that we will own to be the same as the capital accounts of all other LINN units and result in our being entitled upon the dissolution of LINN to the same distribution per LINN unit we will own as other LINN unitholders. However, there can be no assurance that such adjustments will occur or that any adjustments that do occur will be sufficient to eliminate the difference between our capital account in the LINN units that we will own and the capital accounts of other LINN unitholders in their LINN units.

We are classified as a corporation for U.S. federal income tax purposes and, in most states in which LINN does business, for state income tax purposes. Upon a Terminal Transaction, we will be required to liquidate and distribute the net after-tax proceeds of the transaction to you. Please read *Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN*. We may incur substantial corporate income tax liabilities upon such a transaction or upon our distribution to you of the proceeds of the transaction. The tax liability we incur will depend in part upon the amount by which the value of the LINN units we own exceeds our tax basis in the units. We expect our tax basis in our LINN units to decrease over time as we receive distributions that exceed the net income allocated to us by LINN with respect to those units. As a result, we may incur substantial income tax liabilities upon such a transaction even if LINN units decrease in value after we purchase them. The amount of cash or other property available for distribution to you upon our liquidation will be reduced by the amount of any such income taxes paid by us. See *Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN*.

As a result of these factors, upon a Terminal Transaction, the net proceeds you receive from us per share may be substantially lower than the net proceeds per unit received by a direct LINN unitholder.

***Your tax gain on the disposition of our shares could be more than expected, or your tax loss on the disposition of our shares could be less than expected.***

If you sell your shares, or you receive a liquidating distribution from us, you will recognize a gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and your tax basis in those shares. Because distributions in excess of your allocable share of our earnings and profits decrease your tax basis in your shares, the amount, if any, of such prior excess distributions with respect to the shares you sell or dispose of will, in effect, become taxable gain to you if you sell such shares at a price greater than your tax basis in those shares, even if the price you receive is less than your original cost. Please read *Material U.S. Federal Income Tax Consequences*.



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**Table of Contents**

*If you are a U.S. holder of our shares, the IRS Forms 1099-DIV that you receive from your broker may over-report your dividend income with respect to our shares for U.S. federal income tax purposes, and failure to over-report your dividend income in a manner consistent with the IRS Forms 1099-DIV that you receive from your broker may cause the IRS to assert audit adjustments to your U.S. federal income tax return. If you are a non-U.S. holder of our shares, your broker or other withholding agent may overwithhold taxes from dividends paid to you, in which case you would have to file a U.S. tax return if you wanted to claim a refund of the overwithheld tax.*

Dividends we pay with respect to our shares will constitute dividends for U.S. federal income tax purposes only to the extent of our current and accumulated earnings and profits. Dividends we pay in excess of our earnings and profits will not be treated as dividends for U.S. federal income tax purposes; instead, they will be treated first as a tax-free return of capital to the extent of your tax basis in your shares and then as capital gain realized on the sale or exchange of such shares. Please read Material U.S. Federal Income Tax Consequences. We may be unable to timely determine the portion of our distributions that is a dividend for U.S. federal income tax purposes.

If you are a U.S. holder of our shares, we may be unable to persuade brokers to prepare the IRS Forms 1099-DIV that they send to you in a manner that is consistent with our determination of the amount that constitutes a dividend to you for U.S. federal income tax purposes or you may receive a corrected IRS Form 1099-DIV (and you may therefore need to file an amended federal, state or local income tax return). We will attempt to timely notify you of available information to assist you with your income tax reporting (such as posting the correct information on our web site). However, the information that we provide to you may be inconsistent with the amounts reported to you by your broker on IRS Form 1099-DIV, and the IRS may disagree with any such information and may make audit adjustments to your tax return.

If you are a non-U.S. holder of our shares, dividends for U.S. federal income tax purposes will be subject to withholding of U.S. federal income tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with your conduct of U.S. trade or business. Please read Material U.S. Federal Income Tax Consequences Consequences to Non-U.S. Holders. Because we may be unable to timely determine the portion of our distributions that is a dividend for U.S. federal income tax purposes or we may be unable to persuade your broker or withholding agent to withhold taxes from distributions in a manner consistent with our determination of the amount that constitutes a dividend for such purposes, your broker or other withholding agent may overwithhold taxes from distributions paid to you. In such a case, you would have to file a U.S. tax return to claim a refund of the overwithheld tax.

*If LINN were subject to a material amount of entity-level income taxes or similar taxes, whether as a result of being treated as a corporation for U.S. federal income tax purposes or otherwise, the value of LINN units would be substantially reduced and, as a result, the value of our shares would be substantially reduced.*

The anticipated benefit of an investment in LINN units depends largely on the assumption that LINN will not be subject to a material amount of entity-level income taxes or similar taxes, and the anticipated benefit of an investment in our shares depends largely upon the value of LINN units.

LINN may be subject to material entity-level U.S. federal income tax and state income taxes if it is treated as a corporation, rather than as a partnership, for U.S. federal income tax purposes. Because LINN's units are publicly traded, Section 7704 of the Internal Revenue Code requires that LINN derive at least 90% of its gross income each year from the marketing of oil and natural gas, or from certain other specified activities, in order to be treated as a partnership for U.S. federal income tax purposes. We believe that LINN has satisfied this requirement and will continue to do so in the future, so we believe LINN is and will be treated as a partnership for U.S. federal income tax purposes. However, we have not obtained a ruling from the U.S. Internal Revenue Service regarding LINN's treatment as a partnership for U.S. federal income tax purposes. Moreover, current law or the business of LINN may change so as to cause LINN to be treated as a corporation for U.S. federal income tax purposes or otherwise subject LINN to material entity-level U.S. federal income taxes, state income taxes or

**Table of Contents**

similar taxes. For example, one recent legislative proposal would eliminate the qualifying income exception upon which LINN relies for its treatment as a partnership for U.S. federal income tax purposes. Any modification to current law or interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the requirements for partnership status, affect or cause LINN to change its business activities, change the character or treatment of portions of LINN's income and adversely affect our investment in LINN units.

If LINN were treated as a corporation for U.S. federal income tax purposes, it would be subject to U.S. federal income tax at rates of up to 35% (and a 20% alternative minimum tax in certain cases), and to state income tax at rates that vary from state to state, on its taxable income. Distributions from LINN would generally be taxed again as corporate distributions, and no income, gain, loss, deduction or credit would flow through to LINN unitholders. Any income taxes or similar taxes imposed on LINN as an entity, whether as a result of LINN's treatment as a corporation for U.S. federal income tax purposes or otherwise, would reduce LINN's cash available for distribution to its unitholders. Any material reduction in the anticipated cash flow and after-tax return to LINN unitholders would reduce the value of the LINN units we own and the value of our shares. In addition, if LINN were treated as a corporation for U.S. federal income tax purposes, that would constitute a Terminal Transaction. See [Description of the Limited Liability Company Agreements](#) [Our Limited Liability Company Agreement](#) [Terminal Transactions Involving LINN](#).

Also, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships and limited liability companies to entity level taxation through the imposition of state income, franchise or other forms of taxation. For example, LINN is required to pay Texas franchise tax at a maximum effective rate of 0.7% of its total revenue apportioned to Texas in the prior year. Imposition of a tax on LINN by any other state would reduce the amount of cash available for distribution to us.

**Table of Contents**

**USE OF PROCEEDS**

We will use the estimated net proceeds of approximately \$       million from this offering (\$       million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and the structuring fee, to purchase from LINN a number of LINN units equal to the number of shares sold in this offering. The per unit price we will pay for such LINN units will be equal to the net proceeds we receive on a per share basis. LINN will pay our expenses incurred in connection with this offering.

LINN intends to use the proceeds it receives from the sale of LINN units to repay debt outstanding under its revolving credit facility and pay estimated expenses of this offering.

<b>Intended Use</b>	<b>Intended Amount Dedicated to Such Use (in millions)</b>
Repay borrowings outstanding under LINN's revolving credit facility	\$
Pay estimated offering expenses	\$

In July 2012, LINN entered into an amendment to its revolving credit facility to increase the maximum commitment amount from \$2.0 billion to \$3.0 billion. As of August 31, 2012, LINN had approximately \$2.0 billion of indebtedness outstanding under its revolving credit facility, with a weighted average interest rate of 2.24%. The revolving credit facility matures in April 2017, and, at LINN's election, borrowings bear interest at either the London Interbank Offered Rate, plus an applicable margin between 1.5% and 2.5% per annum (depending on the then-current level of borrowings under the revolving credit facility), or at a base rate, plus an applicable margin between 0.5% and 1.5% per annum (depending on the then-current level of borrowings under the revolving credit facility). Borrowings made under LINN's revolving credit facility within the past twelve months were used primarily to finance LINN's acquisition strategy.

Affiliates of certain of the underwriters in this offering are lenders under LINN's Credit Facility and, accordingly, if LINN elects to use the proceeds it receives from LinnCo to repay debt outstanding under its Credit Facility, those lenders would indirectly receive a portion of the net proceeds from this offering. Please read Underwriting FINRA Rules.

**Table of Contents**

**CAPITALIZATION OF LINNCO**

The following table sets forth our capitalization as of June 30, 2012:

on an historical basis; and

on an adjusted basis to give effect to the sale of \_\_\_\_\_ shares offered by us at an assumed initial public offering price of \$ \_\_\_\_\_ per share (the last reported sales price of LINN units, as set forth on the cover page of this prospectus), after deducting underwriting discounts and the structuring fee, and the application of the net proceeds as described in Use of Proceeds.

You should read this table together with Use of Proceeds and Management's Discussion and Analysis of Financial Condition and Results of Operations.

	At June 30, 2012	
	Historical	As Adjusted
Equity		
Voting share	\$ 1,000	\$ 1,000
Non-voting shares		
Total capitalization	\$ 1,000	\$

**Table of Contents****CAPITALIZATION OF LINN**

The following table sets forth the cash and cash equivalents and consolidated capitalization of Linn Energy, LLC at June 30, 2012:

on an historical basis;

on a pro forma basis to give effect to borrowings of approximately \$682 million for the Green River Acquisition that closed July 31, 2012, which excludes the deposit of approximately \$308 million borrowed in June 2012 and reported in credit facility on the LINN's historical balance sheet at June 30, 2012; and

on an adjusted basis to give effect to the offering and sale of LINN units to LinnCo at an assumed price of \$ per LINN unit (based on the last reported sales price of LINN units, as set forth on the cover page of this prospectus), after deducting estimated offering expenses, and the application of the net proceeds as described in Use of Proceeds.

The following table is unaudited and should be read together with Use of Proceeds, Management's Discussion and Analysis of Financial Condition and Results of Operations and LINN's historical financial statements and the related notes thereto included elsewhere in this prospectus.

	Historical	At June 30, 2012 Pro Forma (in thousands)	As Adjusted
Cash and cash equivalents(1)	\$ 1,883	\$ 1,883	\$
Long-term debt:			
Credit Facility(2)	\$ 1,150,000	\$ 1,832,291	\$
2017 notes, net	39,288	39,288	
2018 notes, net	13,926	13,926	
May 2019 notes, net	744,875	744,875	
November 2019 notes, net	1,799,808	1,799,808	
2020 notes, net	1,272,958	1,272,958	
2021 notes, net	984,692	984,692	
Total long-term debt, net	6,005,547	6,687,838	
Total unitholders' capital	4,131,663	4,131,663	
Total capitalization	\$ 10,137,210	\$ 10,819,501	\$

(1) As of August 31, 2012, LINN had cash and cash equivalents of approximately \$ million.

(2) In July 2012, LINN entered into an amendment to its Credit Facility to increase the maximum commitment amount from \$2.0 billion to \$3.0 billion. As of August 31, 2012, LINN had total borrowings of approximately \$2.0 billion outstanding under its Credit Facility.

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**Table of Contents**

**OUR DIVIDEND POLICY**

*In addition to the following discussion of our dividend policy, please read [Forward-Looking Statements](#) and [Risk Factors](#) for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in LINN's business and our shares. For additional information regarding the historical operating results of LINN, you should refer to the historical financial statements of LINN included elsewhere in this prospectus.*

**Our Dividend Policy**

Within five business days after we receive a distribution on our LINN units, we will pay dividends on our shares of the cash we receive as distributions in respect of our LINN units, net of reserves for income taxes payable by us. Pursuant to the Omnibus Agreement, LINN has agreed to pay on our behalf or reimburse us for the costs and expenses of carrying out our activities. Please read [Certain Relationships and Related Transactions](#) Our Relationship with Linn Energy, LLC Omnibus Agreement. If distributions are made on the LINN units other than in cash, we will pay a dividend on our shares in substantially the same form, provided that if LINN makes a distribution on the LINN units in the form of additional LINN units, we would distribute an equal number of additional shares to our shareholders, such that, immediately following such distributions, the number of our shares outstanding is equal to the number of LINN units we hold.

Because we have elected to be treated as a corporation for U.S. federal income tax purposes, we are obligated to pay U.S. federal income tax on the net income allocated to us by LINN with respect to the LINN units we own, and we may be subject to a 20% alternative minimum tax on our alternative minimum taxable income to the extent that the alternative minimum tax exceeds our regular income tax. Please read [Material U.S. Federal Income Tax Consequences](#) LinnCo U.S. Federal Income Taxation. We are also classified as a corporation in most states in which LINN does business for state income tax purposes and will be subject to state income tax at rates that vary from state to state on the net income allocated to us by LINN with respect to the LINN units we own.

The reserves for income taxes payable by us will account for the U.S. federal income taxes, any alternative minimum taxes, and the state income taxes described in the preceding paragraph. We have estimated that for each of the periods ending December 31, 2012, 2013, 2014 and 2015 the amount of such taxes (and, therefore, the amount of such reserves) will be between 2% and 5% of the cash we receive as distributions in respect of our LINN units.

This estimate is based on a number of assumptions regarding LINN's earnings from its operations, the amount of those earnings allocated to us, our income tax liabilities and the amount of the distributions paid to us by LINN that may prove incorrect, including:

LINN will not significantly decrease its drilling activity;

there will not be an issuance of significant additional units by LINN without a corresponding increase in the aggregate tax deductions generated by LINN;

proposed legislation that would eliminate the current deduction of intangible drilling costs and other tax incentives to the oil and natural gas industry will not be enacted; and

there will not be a significant increase in oil and natural gas prices.

Events inconsistent with our assumptions could cause our tax liabilities to be substantially higher than estimated (and, therefore, cause our reserves for taxes to be higher than estimated and dividends on our shares to be lower than estimated). Please read [Material U.S. Federal Income Tax Consequences](#) Consequences to U.S. Holders Distributions on the Shares.

**LINN's Distribution Policy**

LINN will make quarterly distributions to its unitholders of all available cash.



**Table of Contents**

Available cash means, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by the LINN board of directors to:

provide for the proper conduct of business (including reserves for future capital expenditures, future debt service requirements and anticipated credit needs); and

comply with applicable laws, debt instruments or other agreements;

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made. Working capital borrowings are borrowings that will be made under LINN's credit facility and in all cases are used solely for working capital purposes or to pay distributions to unitholders.

**LINN's Historical Distributions**

The following sets forth LINN's historical distributions for the years ended December 31, 2011 and 2010 and for the six months ended June 30, 2012. Distributions declared during each quarter are presented.

Quarter	Cash Distributions Declared Per Unit
<b>2012:(1)</b>	
April 1 - June 30	\$ 0.725
January 1 - March 31	\$ 0.725
<b>2011:</b>	
October 1 - December 31	\$ 0.69
July 1 - September 30	\$ 0.69
April 1 - June 30	\$ 0.66
January 1 - March 31	\$ 0.66
<b>2010:</b>	
October 1 - December 31	\$ 0.66
July 1 - September 30	\$ 0.63
April 1 - June 30	\$ 0.63
January 1 - March 31	\$ 0.63

(1) On July 24, 2012, LINN declared a cash distribution of \$0.725 per unit, which was paid on August 14, 2012, to unitholders of record at the close of business on August 7, 2012.



**Table of Contents****SELECTED HISTORICAL FINANCIAL AND OPERATING DATA OF LINN**

The following table shows summary historical financial and operating data of LINN as of the dates and for the periods indicated. The selected historical financial data presented for the years ended December 31, 2007 and 2008 are derived from LINN's historical audited financial statements. The selected historical financial data presented as of December 31, 2009, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 are derived from the historical audited financial statements that are included elsewhere in this prospectus. The selected historical financial data of LINN presented as of June 30, 2012 and for the six months ended June 30, 2011 and 2012 are derived from the unaudited historical financial statements that are included elsewhere in this prospectus. The following table should be read together with, and is qualified in its entirety by reference to, the historical and unaudited financial statements and the accompanying notes included elsewhere in this prospectus. The table should also be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations.

Because of rapid growth through acquisitions and development of properties, LINN's historical results of operations and period-to-period comparisons of these results and certain other financial data may not be meaningful or indicative of future results. The results of LINN's Appalachian Basin and Mid Atlantic Well Service, Inc. operations, which were disposed of in 2008, are classified as discontinued operations, due to post-closing adjustments, for the years ended December 31, 2007 through December 31, 2009. Unless otherwise indicated, results of operations information presented herein relates only to continuing operations.

	At or for the Year Ended December 31,					At or for the Six Months Ended June 30,	
	2007	2008	2009	2010	2011	2011	2012
	(Unaudited)						
	(in thousands, except per unit amounts)						
<b>Statement of operations data:</b>							
Oil, natural gas and natural gas liquids sales	\$ 255,927	\$ 755,644	\$ 408,219	\$ 690,054	\$ 1,162,037	\$ 543,097	\$ 696,122
Gains (losses) on oil and natural gas derivatives	(345,537)	662,782	(141,374)	75,211	449,940	(163,961)	441,678
Depreciation, depletion and amortization	69,081	194,093	201,782	238,532	334,084	145,711	260,782
Interest expense, net of amounts capitalized	38,974	94,517	92,701	193,510	259,725	125,825	171,909
Income (loss) from continuing operations	(356,194)	825,657	(295,841)	(114,288)	438,439	(209,573)	230,884
Income (loss) from discontinued operations, net of taxes(1)	(8,155)	173,959	(2,351)				
Net income (loss)	(364,349)	999,616	(298,192)	(114,288)	438,439	(209,573)	230,884
Income (loss) per unit continuing operations:							
Basic	(5.17)	7.18	(2.48)	(0.80)	2.52	(1.25)	1.17
Diluted	(5.17)	7.18	(2.48)	(0.80)	2.51	(1.25)	1.16
Income (loss) per unit discontinued operations:							
Basic	(0.12)	1.52	(0.02)				
Diluted	(0.12)	1.52	(0.02)				
Net income (loss) per unit:							
Basic	(5.29)	8.70	(2.50)	(0.80)	2.52	(1.25)	1.17
Diluted	(5.29)	8.70	(2.50)	(0.80)	2.51	(1.25)	1.16
Distributions declared per unit	2.18	2.52	2.52	2.55	2.70	1.32	1.415
Weighted average units outstanding:							
Basic	68,916	114,140	119,307	142,535	172,004	169,104	195,382
Diluted	68,916	114,158	119,307	142,535	172,729	169,104	196,039

**Table of Contents**

	At or for the Year Ended December 31,					At or for the Six Months Ended	
	2007	2008	2009	2010	2011	June 30,	
						2011	2012
	(Unaudited)						
	(in thousands, except per unit amounts)						
<b>Cash flow data:</b>							
Net cash provided by (used in):							
Operating activities(2)	\$ (44,814)	\$ 179,515	\$ 426,804	\$ 270,918	\$ 518,706	\$ 303,762	\$ (122,429)
Investing activities	(2,892,420)	(35,550)	(282,273)	(1,581,408)	(2,130,360)	(1,081,736)	(2,265,931)
Financing activities	2,932,080	(116,738)	(150,968)	1,524,260	1,376,767	611,741	2,389,129
<b>Balance sheet data:</b>							
Total assets	\$ 3,807,703	\$ 4,722,020	\$ 4,340,256	\$ 5,933,148	\$ 8,000,137	\$ 11,180,102	
Long-term debt	1,443,830	1,653,568	1,588,831	2,742,902	3,993,657	6,005,547	
Unitholders capital	2,026,641	2,760,686	2,452,004	2,788,216	3,428,910	4,131,663	

(1) Includes gains (losses) on sale of assets, net of taxes.

(2) Includes premiums paid for derivatives of approximately, \$279 million, \$130 million, \$94 million, \$120 million and \$134 million and for the years ended December 31, 2007, 2008, 2009, 2010 and 2011, respectively, and approximately \$583 million for the six months ended June 30, 2012.

The following table presents summary unaudited operating data with respect to our production and sales of oil and natural gas for the periods presented and summary information with respect to LINN's estimated proved oil and natural gas reserves at year-end. DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of LINN's proved oil and natural gas reserves as of December 31, 2007, 2008, 2009, 2010 and 2011 set forth below.

	At or for the Year Ended December 31,					At or for the Six Months Ended June 30	
	2007	2008	2009	2010	2011	2011	2012
<b>Production data:</b>							
Average daily production continuing operations:							
Natural gas (MMcf/d)	51	124	125	137	175	163	273
Oil (MBbls/d)	3.4	8.6	9.0	13.1	21.5	19.3	27.2
NGL (MBbls/d)	2.7	6.2	6.5	8.3	10.8	9.3	19.1
Total (MMcfe/d)	87	212	218	265	369	335	550
Average daily production discontinued operations:							
Total (MMcfe/d)	24	12					
<b>Estimated proved reserves continuing operations:(1)</b>							
Natural gas (Bcf)	833	851	774	1,233	1,675		
Oil (MMBbls)	55	84	102	156	189		
NGL (MMBbls)	43	51	54	71	94		
Total (Bcfe)	1,419	1,660	1,712	2,597	3,370		
<b>Estimated proved reserves discontinued operations:(1)</b>							
Total (Bcfe)	197						

(1) In accordance with SEC regulations, reserves at December 31, 2009, December 31, 2010, and December 31, 2011, 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, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. In accordance with SEC regulations, reserves for all prior years were estimated using year-end prices. The price used to estimate reserves is held constant over the life of the reserves.



**Table of Contents**

The following table sets forth certain information with respect to LINN's proved reserves at December 31, 2011 and Pro Forma Proved Reserves and average daily production for the six months ended June 30, 2012:

Region	Proved Reserves	Proved Reserves	Pro Forma Proved Reserves (Bcfe)(1)	Pro Forma % Oil and NGL	Pro Forma % Proved Developed	Average Daily Production
	At December 31, 2011 (Bcfe)(1)	Reserves 2012 Acquisitions (Bcfe)(1)				For The Six Months Ended June 30, 2012 (MMcfe/d)
Mid-Continent	1,860	24	1,884	41%	53%	290
Hugoton Basin(2)	380	701	1,081	47%	87%	95
Green River Basin(3)		806	806	27%	53%	
Permian Basin	527		527	79%	56%	84
Michigan/Illinois	317		317	4%	91%	35
California	193		193	93%	93%	13
Williston/Powder River Basin(2)	93	96	189	92%	63%	25
East Texas(4)		110	110	3%	100%	8
<b>Total</b>	<b>3,370</b>	<b>1,737</b>	<b>5,107</b>	<b>45%</b>	<b>66%</b>	<b>550</b>

- (1) Except as otherwise noted, proved reserves for the legacy oil and natural gas assets were calculated on December 31, 2011, the reserve report date, and use a price of \$4.12/MMBtu for natural gas and \$95.84/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months immediately preceding December 31, 2011.
- (2) Pro forma proved reserves for the Hugoton Acquisition (in the Hugoton Basin region) and the Anadarko Joint Venture (in the Williston/Powder River Basin region) were calculated using a price of \$3.73/MMBtu for natural gas and \$98.02/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending March 1, 2012, the most recent twelve-month period prior to the closing of each of those transactions.
- (3) Pro forma proved reserves for the Green River Acquisition (in the Green River Basin region) were calculated using a price of \$3.02/MMBtu for natural gas and \$94.81/Bbl for oil, which represents the unweighted average of the first-day-of-the-month prices for each of the twelve months ending July 1, 2012, the most recent twelve-month period prior to the closing of the Green River Acquisition.
- (4) Pro forma proved reserves for the East Texas Acquisition were calculated using a price of \$3.54/MMBtu for natural gas and \$97.65/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending April 1, 2012, the most recent twelve-month period prior to the closing of the East Texas Acquisition.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion analyzes the financial condition and results of operations of us and LINN. The historical financial statements and the unaudited interim financial statements included in this prospectus reflect the assets, liabilities and operations of LINN. You should read the following discussion and analysis of financial condition and results of operations of us and LINN in conjunction with the historical financial statements, the unaudited interim financial statements, and the notes thereto, included elsewhere in this prospectus.*

**LinnCo**

We are a recently formed limited liability company that has elected to be treated as a corporation for U.S. federal income tax purposes.

**Our Business**

We will use all of the proceeds from this offering to purchase a number of units representing limited liability company interests in LINN equal to the number of our shares sold in this offering, and we will have no assets or operations other than those related to our ownership of LINN units. Our limited liability company agreement requires that we maintain a one-to-one ratio between the number of our shares outstanding and the number of LINN units we own.

**Liquidity and Capital Resources**

Our authorized capital structure consists of two classes of shares: (1) common shares with indirect voting rights in LINN, which are the shares being issued in this offering and (2) voting shares, 100% of which are currently held by LINN. At \_\_\_\_\_, 2012, our issued capitalization consisted of \$1,000 contributed by LINN in connection with our formation and in exchange for its voting share.

LINN has agreed to pay on our behalf all legal, accounting, tax advisory, financial advisory and engineering fees, printing costs or other administrative and out-of-pocket expenses we incur, along with any other expenses incurred in connection with this offering or incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and other reports to holders of our shares, tax return and Form 1099 preparation and distribution, NASDAQ listing fees, printing costs, independent auditor fees and expenses, legal counsel fees and expenses and registrar and transfer agent fees. In addition, LINN will also agree to indemnify us for damages suffered or costs incurred (other than income taxes payable by us) in connection with carrying out our activities, as described in Certain Relationships and Related Transactions Our Relationship with LINN Energy, LLC Omnibus Agreement.

If we issue additional shares in the future, we will immediately use the net proceeds from those sales to purchase a number of additional LINN units equal to the number of shares sold in such offering. Accordingly, we do not anticipate any other sources of or needs for additional liquidity. We are not permitted to borrow money or incur debt without the prior approval of holders owning a majority of our outstanding shares.

**Results of Operations**

Upon completion of our initial offering of shares to the public and the purchase of LINN units, our results of operations will consist of our equity in earnings of LINN. When this offering is completed, we will own approximately \_\_\_\_\_% of all of LINN's outstanding units (assuming no exercise of the underwriters' option to purchase additional shares). See Risk Factors Risks Inherent in an Investment in LinnCo LINN may issue additional units or other classes of units, and we may issue additional shares without your approval, which would dilute our direct and your indirect ownership interest in LINN and your ownership interest in us.

**Table of Contents**

**LINN**

**Executive Overview**

LINN's mission is to acquire, develop and maximize cash flow from a growing portfolio of long-life oil and natural gas assets. LINN is an independent oil and natural gas company that began operations in March 2003 and completed its initial public offering in January 2006. LINN's properties are currently located in eight operating regions in the U.S.:

Mid-Continent, which includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays);

Hugoton Basin, which includes properties located primarily in Kansas and the Shallow Texas Panhandle;

Green River Basin, which includes properties located in southwest Wyoming;

Permian Basin, which includes areas in west Texas and southeast New Mexico;

Michigan/Illinois, which includes the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois;

California, which includes the Brea Olinda Field of the Los Angeles Basin;

Williston/Powder River Basin, which includes the Bakken formation in North Dakota and the Powder River Basin in Wyoming; and

East Texas, which includes properties in east Texas.

Results for the year ended December 31, 2011, included the following:

oil, natural gas and NGL sales of approximately \$1.2 billion compared to \$690 million in 2010;

average daily production of 369 MMcfe/d compared to 265 MMcfe/d in 2010;

realized gains on commodity derivatives of approximately \$257 million compared to \$308 million in 2010;

adjusted EBITDA of approximately \$998 million compared to \$732 million in 2010;

adjusted net income of approximately \$313 million compared to \$219 million in 2010;

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capital expenditures, excluding acquisitions, of approximately \$697 million compared to \$263 million in 2010; and

294 wells drilled (292 successful) compared to 139 wells drilled (138 successful) in 2010.

Results for the six months ended June 30, 2012, included the following:

oil, natural gas and NGL sales of approximately \$696 million compared to \$543 million for the first half of 2011;

average daily production of 550 MMcfe/d compared to 335 MMcfe/d for the first half of 2011;

realized gains on commodity derivatives of approximately \$173 million compared to \$98 million for the first half of 2011;

adjusted EBITDA of approximately \$621 million compared to \$474 million for the first half of 2011;

adjusted net income of approximately \$110 million compared to \$146 million for the first half of 2011;

capital expenditures, excluding acquisitions, of approximately \$557 million compared to \$250 million for the first half of 2011; and

181 wells drilled (178 successful) compared to 101 wells drilled (99 successful) for the first half of 2011.

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## **Table of Contents**

Adjusted EBITDA and adjusted net income are non-GAAP financial measures used by management to analyze LINN's performance. Adjusted EBITDA is a measure used by Company management to evaluate cash flow and LINN's ability to sustain or increase distributions. The most significant reconciling items between net income (loss) and adjusted EBITDA are interest expense and noncash items, including the change in fair value of derivatives, and depreciation, depletion and amortization. Adjusted net income is used by LINN's management to evaluate its operational performance from oil and natural gas properties, prior to unrealized (gains) losses on derivatives, realized (gains) losses on canceled derivatives, realized gain on recovery of bankruptcy claim, impairment of long-lived assets, loss on extinguishment of debt and (gains) losses on sale of assets, net. See **Non-GAAP Financial Measures** for a reconciliation of each non-GAAP financial measure to its most directly comparable financial measure calculated and presented in accordance with GAAP.

### ***Joint Venture***

On April 3, 2012, LINN entered into a joint venture agreement with an affiliate of Anadarko whereby LINN will participate as a partner in the CO<sub>2</sub>-enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of \$400 million of Anadarko's development costs. As of June 30, 2012, LINN had paid approximately \$54 million towards the future funding commitment. The acquisition included approximately 16 MMBoe (96 Bcfe) of proved reserves as of the agreement date.

### ***Acquisitions***

On July 31, 2012, LINN completed the Green River Acquisition, which included certain oil and natural gas properties located in the Green River Basin area of southwest Wyoming, for total consideration of approximately \$990 million. In connection with the Green River Acquisition, LINN paid a deposit of approximately \$308 million in June 2012, which is reported in other noncurrent assets on the condensed consolidated balance sheet at June 30, 2012. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

On May 1, 2012, LINN completed the acquisition of certain oil and natural gas properties located in east Texas for total consideration of approximately \$168 million. The acquisition included approximately 110 Bcfe of proved reserves as of the acquisition date.

On March 30, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Hugoton Basin area of southwestern Kansas for total consideration of approximately \$1.17 billion. The acquisition included approximately 701 Bcfe of proved reserves as of the acquisition date.

During the first half of 2012, LINN completed other smaller acquisitions of oil and natural gas properties located in its various operating regions. LINN, in the aggregate, paid approximately \$67 million in total consideration for these properties.

On December 15, 2011, LINN completed the acquisition of certain oil and natural gas properties located primarily in the Granite Wash of Texas and Oklahoma from Plains Exploration & Production Company (Plains) for total consideration of approximately \$544 million. The acquisition included approximately 51 MMBoe (306 Bcfe) of proved reserves as of the acquisition date.

On November 1, 2011, and November 18, 2011, LINN completed two acquisitions of certain oil and natural gas properties located in the Permian Basin for total consideration of approximately \$110 million. The acquisitions included approximately 7 MMBoe (42 Bcfe) of proved reserves as of the acquisition dates.

On June 1, 2011, LINN completed the acquisition of certain oil and natural gas properties in the Cleveland play, located in the Texas Panhandle, from Panther Energy Company, LLC and Red Willow Mid-Continent, LLC (collectively referred to as Panther) for total consideration of approximately \$223 million. The acquisition included approximately 9 MMBoe (54 Bcfe) of proved reserves as of the acquisition date.



## **Table of Contents**

On May 2, 2011, and May 11, 2011, LINN completed two acquisitions of certain oil and natural gas properties located in the Williston Basin for total consideration of approximately \$153 million. The acquisitions included approximately 6 MMBoe (35 Bcfe) of proved reserves as of the acquisition dates.

On April 1, 2011, and April 5, 2011, LINN completed two acquisitions of certain oil and natural gas properties located in the Permian Basin for total consideration of approximately \$239 million. The acquisitions included approximately 13 MMBoe (79 Bcfe) of proved reserves as of the acquisition dates.

On March 31, 2011, LINN completed the acquisition of certain oil and natural gas properties located in the Williston Basin from an affiliate of Concho Resources Inc. ( Concho ) for total consideration of approximately \$194 million. The acquisition included approximately 8 MMBoe (50 Bcfe) of proved reserves as of the acquisition date.

During 2011, LINN completed other smaller acquisitions of oil and natural gas properties located in its various operating regions. LINN, in the aggregate, paid approximately \$38 million in total consideration for these properties.

Proved reserves as of the acquisition date for all of the above referenced acquisitions were estimated using the average oil and natural gas prices during the preceding 12-month period, determined as an unweighted average of the first-day-of-the-month prices for each month.

### ***Commodity Derivatives***

LINN hedges a significant portion of its forecasted production to reduce exposure to fluctuations in the prices of oil and natural gas and provide long-term cash flow predictability to pay distributions, service debt and manage its business. By removing a significant portion of the price volatility associated with future production, LINN expects to mitigate, but not eliminate, the potential effects of variability in cash flow from operations due to fluctuations in commodity prices.

During the year ended December 31, 2011, LINN entered into commodity derivative contracts consisting of oil and natural gas swaps for certain years through 2016 and oil trade month roll swaps for October 2011 through December 2015. In September 2011, LINN canceled its oil and natural gas swaps for the year 2016 and used the realized gains of approximately \$27 million to increase prices on its existing oil and natural gas swaps for the year 2012. In September 2011, LINN also paid premiums of approximately \$33 million to increase prices on its existing oil puts for the years 2012 and 2013. In addition, during the fourth quarter of 2011, LINN paid premiums of approximately \$52 million for put options and approximately \$22 million to increase prices on its existing oil puts for 2012 and 2013.

During the six months ended June 30, 2012, LINN entered into commodity derivative contracts consisting of oil and natural gas swaps and puts for 2012 through 2017, and paid premiums for put options of approximately \$583 million. Also during the six months ended June 30, 2012, LINN entered into natural gas basis swaps for 2012 through 2016 and trade month roll swaps for 2012 through 2017.

**Table of Contents**

The following table summarizes derivative positions for the periods indicated as of June 30, 2012.

	July 1 December 31, 2012	2013	2014	2015	2016	2017
<b>Natural gas positions:</b>						
Fixed price swaps:						
Hedged volume (MMMBtu)	43,910	87,290	97,401	118,041	121,841	120,122
Average price (\$/MMBtu)	\$ 5.16	\$ 5.22	\$ 5.25	\$ 5.19	\$ 4.20	\$ 4.26
Puts:(1)						
Hedged volume (MMMBtu)	38,894	86,198	79,628	71,854	76,269	66,886
Average price (\$/MMBtu)	\$ 5.41	\$ 5.37	\$ 5.00	\$ 5.00	\$ 5.00	\$ 4.88
Total:						
Hedged volume (MMMBtu)	82,804	173,488	177,029	189,895	198,110	187,008
Average price (\$/MMBtu)	\$ 5.28	\$ 5.29	\$ 5.14	\$ 5.12	\$ 4.51	\$ 4.48
<b>Oil positions:</b>						
Fixed price swaps:(2)						
Hedged volume (MBbls)	4,730	11,871	11,903	11,599	11,464	4,755
Average price (\$/Bbl)	\$ 96.72	\$ 94.97	\$ 92.92	\$ 96.23	\$ 90.56	\$ 89.02
Puts:						
Hedged volume (MBbls)	1,251	3,105	3,960	3,426	3,271	384
Average price (\$/Bbl)	\$ 99.32	\$ 97.86	\$ 91.30	\$ 90.00	\$ 90.00	\$ 90.00
Total:						
Hedged volume (MBbls)	5,981	14,976	15,863	15,025	14,735	5,139
Average price (\$/Bbl)	\$ 97.26	\$ 95.57	\$ 92.52	\$ 94.81	\$ 90.44	\$ 89.10
<b>Natural gas basis differential positions:(3)</b>						
Panhandle basis swaps:						
Hedged volume (MMMBtu)	37,535	77,800	79,388	87,162	19,764	
Hedged differential (\$/MMBtu)	\$ (0.55)	\$ (0.56)	\$ (0.33)	\$ (0.33)	\$ (0.31)	\$
NWPL - Rockies basis swaps:						
Hedge volume (MMMBtu)	14,122	34,785	36,026	38,362	39,199	
Hedge differential (\$/MMBtu)	\$ (0.20)	\$ (0.20)	\$ (0.20)	\$ (0.20)	\$ (0.20)	\$
MichCon basis swaps:						
Hedged volume (MMMBtu)	4,894	9,600	9,490	9,344		
Hedged differential (\$/MMBtu)	\$ 0.12	\$ 0.10	\$ 0.08	\$ 0.06	\$	\$
Houston Ship Channel basis swaps:						
Hedged volume (MMMBtu)	3,146	5,731	5,256	4,891	4,575	
Hedged differential (\$/MMBtu)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$
Permian basis swaps:						
Hedged volume (MMMBtu)	2,282	4,636	4,891	5,074		
Hedged differential (\$/MMBtu)	\$ (0.19)	\$ (0.20)	\$ (0.21)	\$ (0.21)	\$	\$
<b>Oil timing differential positions:</b>						
Trade month roll swaps:(4)						
Hedged volume (MBbls)	3,284	6,944	7,254	7,251	7,446	6,486
Hedged differential (\$/Bbl)	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.25	\$ 0.25

- (1) Includes certain outstanding natural gas puts of approximately 5,329 MMBtu for the period July 1, 2012, through December 31, 2012, 10,570 MMBtu for each of the years ending December 31, 2013, December 31, 2014, and December 31, 2015, and 10,599 MMBtu for the year ending December 31, 2016, used to hedge revenues associated with NGL production.

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**Table of Contents**

- (2) Includes certain outstanding fixed price oil swaps of approximately 5,384 MBbls which may be extended annually at a price of \$100.00 per Bbl for each of the years ending December 31, 2017, and December 31, 2018, and \$90.00 per Bbl for the year ending December 31, 2019, if the counterparties determine that the strike prices are in-the-money on a designated date in each respective preceding year. The extension for each year is exercisable without respect to the other years.
- (3) Settle on the respective pricing index to hedge basis differential associated with natural gas production.
- (4) LINN hedges the timing risk associated with the sales price of oil in the Mid-Continent, Hugoton Basin and Permian Basin regions. In these regions, the Company generally sells oil for the delivery month at a sales price based on the average NYMEX price of light crude oil during that month, plus an adjustment calculated as a spread between the weighted average prices of the delivery month, the next month and the following month during the period when the delivery month is prompt (the trade month roll).

**Operating Regions**

Following is a discussion of LINN's six operating regions used during the years ending December 31, 2009, 2010 and 2011. Prior to January 1, 2012, LINN's properties were divided into these six operating regions in the U.S.:

***Mid-Continent Deep***

The Mid-Continent Deep region includes properties in the Deep Granite Wash formation in the Texas Panhandle, which produces at depths ranging from 10,000 feet to 16,000 feet, as well as properties in Oklahoma and Kansas, which produce at depths of more than 8,000 feet. Mid-Continent Deep proved reserves represented approximately 47% of total proved reserves at December 31, 2011, of which 49% were classified as proved developed reserves. This region produced 172 MMcfe/d or 47% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$268 million to drill in this region.

To more efficiently transport its natural gas in the Mid-Continent Deep region to market, LINN owns and operates a network of natural gas gathering systems comprised of approximately 285 miles of pipeline and associated compression and metering facilities that connect to numerous sales outlets in the Texas Panhandle.

***Mid-Continent Shallow***

The Mid-Continent Shallow region includes properties producing from the Brown Dolomite formation in the Texas Panhandle, which produces at depths of approximately 3,200 feet, as well as properties in Oklahoma, Louisiana and Illinois, which produce at depths of less than 8,000 feet. Mid-Continent Shallow proved reserves represented approximately 20% of total proved reserves at December 31, 2011, of which 70% were classified as proved developed reserves. This region produced 63 MMcfe/d or 17% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$9 million to drill in this region.

To more efficiently transport its natural gas in the Mid-Continent Shallow region to market, LINN owns and operates a network of natural gas gathering systems comprised of approximately 665 miles of pipeline and associated compression and metering facilities that connect to numerous sales outlets in the Texas Panhandle.

***Permian Basin***

The Permian Basin is one of the largest and most prolific oil and natural gas basins in the U.S. LINN's properties are located in West Texas and Southeast New Mexico and produce at depths ranging from 2,000 feet to 12,000 feet. Permian Basin proved reserves represented approximately 16% of total proved reserves at December 31, 2011, of which 56% were classified as proved developed reserves. This region produced 73 MMcfe/d or 20% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$255 million to drill in this region.

## **Table of Contents**

### ***Michigan***

The Michigan region includes properties producing from the Antrim Shale formation in the northern part of the state, which produces at depths ranging from 600 feet to 2,200 feet. Michigan proved reserves represented approximately 9% of total proved reserves at December 31, 2011, of which 90% were classified as proved developed reserves. This region produced 35 MMcfe/d or 9% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$3 million to drill in this region.

### ***California***

The California region consists of the Brea Olinda Field of the Los Angeles Basin. The Brea Olinda Field was discovered in 1880 and produces from the shallow Pliocene formation to the deeper Miocene formation at depths ranging from 1,000 feet to 7,500 feet. California proved reserves represented approximately 6% of total proved reserves at December 31, 2011, of which 93% were classified as proved developed reserves. This region produced 14 MMcfe/d or 4% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$6 million to drill in this region.

### ***Williston Basin***

The Williston Basin is one of the premier oil basins in the U.S. LINN's properties are located in North Dakota and produce at depths ranging from 9,000 feet to 12,000 feet. Williston Basin proved reserves represented approximately 2% of total proved reserves at December 31, 2011, of which 48% were classified as proved developed reserves. This region produced 12 MMcfe/d or 3% of LINN's 2011 average daily production. During 2011, LINN invested approximately \$39 million to drill in this region.

During 2012, LINN realigned its operating regions and now allocates its properties among eight operating regions in the U.S.:

Mid-Continent, which includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays);

Hugoton Basin, which includes properties located primarily in Kansas and the Shallow Texas Panhandle;

Green River Basin, which was added in July 2012 and includes properties located in southwest Wyoming;

Permian Basin, which includes areas in west Texas and southeast New Mexico;

Michigan/Illinois, which includes the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois;

California, which includes the Brea Olinda Field of the Los Angeles Basin;

Williston/Powder River Basin, which includes the Bakken formation in North Dakota; and

East Texas, which was added in May 2012 and includes properties located in east Texas.

**Table of Contents****Results of Operations****Six Months Ended June 30, 2012, Compared to Six Months Ended June 30, 2011**

	Six Months Ended June 30,		Variance
	2011	2012 (in thousands)	
<b>Revenues and other:</b>			
Natural gas sales	\$ 137,598	\$ 125,043	\$ (12,555)
Oil sales	330,092	455,509	125,417
NGL sales	75,407	115,570	40,163
<b>Total oil, natural gas and NGL sales</b>	<b>543,097</b>	<b>696,122</b>	<b>153,025</b>
Gains (losses) on oil and natural gas derivatives	(163,961)	441,678	605,639
Marketing and other revenues	4,962	16,887	11,925
	384,098	1,154,687	770,589
<b>Expenses:</b>			
Lease operating expenses	102,264	141,765	39,501
Transportation expenses	12,331	32,377	20,046
Marketing expenses	1,853	7,150	5,297
General and administrative expenses(1)	62,103	84,506	22,403
Exploration costs	995	817	(178)
Depreciation, depletion and amortization	145,711	260,782	115,071
Impairment of long-lived assets		146,499	146,499
Taxes, other than income taxes	36,045	55,851	19,806
Losses on sale of assets and other, net	1,586	1,492	(94)
	362,888	731,239	368,351
<b>Other income and (expenses)</b>	<b>(224,915)</b>	<b>(183,134)</b>	<b>41,781</b>
<b>Income (loss) before income taxes</b>	<b>(203,705)</b>	<b>240,314</b>	<b>444,019</b>
<b>Income tax expense</b>	<b>(5,868)</b>	<b>(9,430)</b>	<b>(3,562)</b>
<b>Net income (loss)</b>	<b>\$ (209,573)</b>	<b>\$ 230,884</b>	<b>\$ 440,457</b>
<b>Adjusted EBITDA(2)</b>	<b>\$ 473,602</b>	<b>\$ 621,274</b>	<b>\$ 147,672</b>
<b>Adjusted net income(2)</b>	<b>\$ 145,664</b>	<b>\$ 109,621</b>	<b>\$ (36,043)</b>

(1) General and administrative expenses for the six months ended June 30, 2011, and June 30, 2012, include approximately \$11 million and \$14 million, respectively, of noncash unit-based compensation expenses.

(2) This is a non-GAAP measure used by management to analyze LINN's performance. See [Non-GAAP Financial Measures](#) for a reconciliation of the non-GAAP financial measure to its most directly comparable financial measure calculated and presented in accordance with GAAP.



**Table of Contents**

	Six Months Ended June 30,		Variance
	2011	2012	
<b>Average daily production:</b>			
Natural gas (MMcf/d)	163	273	67%
Oil (MBbls/d)	19.3	27.2	41%
NGL (MBbls/d)	9.3	19.1	105%
Total (MMcfe/d)	335	550	64%
<b>Weighted average prices (hedged):(1)</b>			
Natural gas (Mcf)	\$ 8.68	\$ 5.93	(32)%
Oil (Bbl)	\$ 88.35	\$ 92.86	5%
NGL (Bbl)	\$ 44.70	\$ 33.21	(26)%
<b>Weighted average prices (unhedged):(2)</b>			
Natural gas (Mcf)	\$ 4.66	\$ 2.52	(46)%
Oil (Bbl)	\$ 94.34	\$ 92.12	(2)%
NGL (Bbl)	\$ 44.70	\$ 33.21	(26)%
<b>Average NYMEX prices:</b>			
Natural gas (MMBtu)	\$ 4.22	\$ 2.48	(41)%
Oil (Bbl)	\$ 98.33	\$ 98.21	
<b>Costs per Mcfe of production:</b>			
Lease operating expenses	\$ 1.69	\$ 1.42	(16)%
Transportation expenses	\$ 0.20	\$ 0.32	60%
General and administrative expenses(3)	\$ 1.02	\$ 0.84	(18)%
Depreciation, depletion and amortization	\$ 2.40	\$ 2.60	8%
Taxes, other than income taxes	\$ 0.59	\$ 0.56	(5)%

- (1) Includes the effect of realized gains on derivatives of approximately \$98 million and \$173 million (excluding approximately \$18 million realized gain on recovery of bankruptcy claim) for the six months ended June 30, 2011, and June 30, 2012, respectively.
- (2) Does not include the effect of realized gains (losses) on derivatives.
- (3) General and administrative expenses for the six months ended June 30, 2011, and June 30, 2012, include approximately \$11 million and \$14 million, respectively, of noncash unit-based compensation expenses. Excluding these amounts, general and administrative expenses for the six months ended June 30, 2011, and June 30, 2012, were \$0.85 per Mcfe and \$0.70 per Mcfe, respectively. This is a non-GAAP measure used by LINN's management to analyze LINN's performance.

**Revenues and Other***Oil, Natural Gas and NGL Sales*

Oil, natural gas and NGL sales increased approximately \$153 million or 28% to approximately \$696 million for the six months ended June 30, 2012, from approximately \$543 million for the six months ended June 30, 2011, due to higher production volumes partially offset by lower natural gas, NGL and oil prices. Lower natural gas, NGL and oil prices resulted in a decrease in revenues of approximately \$106 million, \$40 million and \$11 million, respectively.

Average daily production volumes increased to 550 MMcfe/d during the six months ended June 30, 2012, from 335 MMcfe/d during the six months ended June 30, 2011. Higher oil, natural gas and NGL production volumes resulted in an increase in revenues of approximately \$136 million, \$94 million and \$80 million, respectively.

**Table of Contents**

The following sets forth average daily production by region:

	Six Months Ended		Variance	
	2011	2012		
<b>Average daily production (MMcfe/d):</b>				
Mid-Continent	175	290	115	66%
Hugoton Basin	38	95	57	149%
Permian Basin	67	84	17	27%
Michigan/Illinois	35	35		
Williston/Powder River Basin	6	25	19	297%
California	14	13	(1)	(5)%
East Texas		8	8	
	335	550	215	64%

The 66% increase in average daily production volumes in the Mid-Continent region primarily reflects LINN's 2011 and 2012 capital drilling programs in the Granite Wash formation, as well as the impact of the acquisition in the Cleveland horizontal play in June 2011 and the acquisition from Plains in December 2011. The increase in average daily production volumes in the Hugoton Basin region primarily reflects the impact of the acquisition from BP in March 2012. Average daily production volumes in the Permian Basin region reflect the impact of acquisitions in 2011 and subsequent development capital spending. The Michigan/Illinois and California regions consist of low-decline asset bases and continue to produce at consistent levels. The increase in average daily production volumes in the Williston/Powder River Basin region reflects the impact of acquisitions in 2011 and the Anadarko Joint Venture in April 2012. Average daily production volumes in the East Texas region reflect the impact of the acquisition in May 2012.

*Gains (Losses) on Oil and Natural Gas Derivatives*

LINN 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. During the six months ended June 30, 2012, LINN had commodity derivative contracts for approximately 117% of its natural gas production and 107% of its oil production, which resulted in realized gains of approximately \$173 million. The results for 2012 also include a realized gain related to the recovery of a bankruptcy claim of approximately \$18 million. During the six months ended June 30, 2011, LINN had commodity derivative contracts for approximately 109% of its natural gas production and 105% of its oil production and recognized realized gains of approximately \$98 million. Unrealized gains and losses result from changes in market valuations of derivatives 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, unrealized losses are recognized; and if the expected future commodity prices decrease compared to the contract prices on the derivatives, unrealized gains are recognized. During the first two quarters of 2012, expected future oil prices decreased resulting in unrealized gains of approximately \$296 million, and natural gas prices increased resulting in unrealized losses of approximately \$46 million, for net unrealized gains on derivatives of approximately \$250 million for the six months ended June 30, 2012. During the first two quarters of 2011, expected future oil and natural gas prices increased, which resulted in net unrealized losses on derivatives of approximately \$262 million for the six months ended June 30, 2011.

*Marketing and Other Revenues*

Marketing and other revenues increased by approximately \$12 million or 240% to approximately \$17 million for the six months ended June 30, 2012, from approximately \$5 million for the six months ended June 30, 2011, primarily due to the acquisition of the Jayhawk natural gas processing plant from BP in March 2012.



## **Table of Contents**

### ***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 increased by approximately \$40 million or 39% to approximately \$142 million for the six months ended June 30, 2012, from approximately \$102 million for the six months ended June 30, 2011. Lease operating expenses increased primarily due to costs associated with properties acquired during 2011 and 2012. Lease operating expenses per Mcfe decreased to \$1.42 per Mcfe for the six months ended June 30, 2012, from \$1.69 per Mcfe for the six months ended June 30, 2011, primarily due to lower rates on newly acquired properties.

#### ***Transportation Expenses***

Transportation expenses increased by approximately \$20 million or 163% to approximately \$32 million for the six months ended June 30, 2012, from approximately \$12 million for the six months ended June 30, 2011, primarily due to acquisitions in late 2011 and early 2012.

#### ***Marketing Expenses***

Marketing expenses increased by approximately \$5 million or 286% to approximately \$7 million for the six months ended June 30, 2012, from approximately \$2 million for the six months ended June 30, 2011, primarily due to the acquisition of the Jayhawk natural gas processing plant from BP in March 2012.

#### ***General and Administrative Expenses***

General and administrative expenses are costs not directly associated with field operations and reflect the costs of employees including executive officers, related benefits, office leases and professional fees. General and administrative expenses increased by approximately \$23 million or 36% to approximately \$85 million for the six months ended June 30, 2012, from approximately \$62 million for the six months ended June 30, 2011. The increase was primarily due to an increase in acquisition related expenses of approximately \$11 million and an increase in salaries and benefits related expenses of approximately \$9 million, driven primarily by increased employee headcount. General and administrative expenses per Mcfe decreased to \$0.84 per Mcfe for the six months ended June 30, 2012, from \$1.02 per Mcfe for the six months ended June 30, 2011, due to higher production volumes.

#### ***Depreciation, Depletion and Amortization***

Depreciation, depletion and amortization increased by approximately \$115 million or 79% to approximately \$261 million for the six months ended June 30, 2012, from approximately \$146 million for the six months ended June 30, 2011. Higher total production volumes were the primary reason for the increased expense. Depreciation, depletion and amortization per Mcfe also increased to \$2.60 per Mcfe for the six months ended June 30, 2012, from \$2.40 per Mcfe for the six months ended June 30, 2011, primarily due to higher production volumes in operating areas with higher depletion rates.

#### ***Impairment of Long-Lived Assets***

During the six months ended June 30, 2012, LINN recorded a noncash impairment charge, before and after tax, of approximately \$146 million associated with proved oil and natural gas properties related to a decline in commodity prices. LINN recorded no impairment charge for the six months ended June 30, 2011.

**Table of Contents***Taxes, Other Than Income Taxes*

Taxes, other than income taxes, which consist primarily of severance and ad valorem taxes, increased by approximately \$20 million or 55% to approximately \$56 million for the six months ended June 30, 2012, from approximately \$36 million for the six months ended June 30, 2011. Severance taxes, which are a function of revenues generated from production, increased approximately \$7 million compared to the six months ended June 30, 2011, primarily due to higher production volumes partially offset by lower commodity prices. Ad valorem taxes, which are based on the value of reserves and production equipment and vary by location, increased by approximately \$12 million compared to the six months ended June 30, 2011, primarily due to property acquisitions in 2011 and 2012 and higher rates on LINN's base properties.

*Other Income and (Expenses)*

	Six Months Ended June 30,		
	2011	2012 (in thousands)	Variance
Loss on extinguishment of debt	\$ (94,372)	\$	\$ 94,372
Interest expense, net of amounts capitalized	(125,825)	(171,909)	(46,084)
Other, net	(4,718)	(11,225)	(6,507)
	\$ (224,915)	\$ (183,134)	\$ 41,781

Other income and (expenses) decreased by approximately \$42 million for the six months ended June 30, 2012, compared to the six months ended June 30, 2011. Interest expense increased primarily due to higher outstanding debt during the period and higher amortization of financing fees and expenses associated with the May 2019 Senior Notes and the November 2019 Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus. For the six months ended June 30, 2011, LINN recorded a loss on extinguishment of debt of approximately \$94 million as a result of the redemptions of and cash tender offers for a portion of the Original Senior Notes, as defined in Note 6. See "Debt" in "Liquidity and Capital Resources" below for additional details.

*Income Tax Expense*

LINN is a limited liability company treated as a partnership for federal and state income tax purposes, with the exception of the state of Texas, with income tax liabilities and/or benefits of LINN passed through to unitholders. Limited liability companies are subject to Texas margin tax. Limited liability companies were also subject to state income taxes in Michigan during the six months ended June 30, 2011. In addition, certain of LINN's subsidiaries are Subchapter C-corporations subject to federal and state income taxes. LINN recognized income tax expense of approximately \$9 million for the six months ended June 30, 2012, compared to approximately \$6 million for the six months ended June 30, 2011. Income tax expense increased primarily due to higher income from LINN's taxable subsidiaries during the six months ended June 30, 2012, compared to the same period in 2011.

*Net Income (Loss)*

Net income increased by approximately \$441 million or 210% to approximately \$231 million for the six months ended June 30, 2012, from a net loss of approximately \$210 million for the six months ended June 30, 2011. The increase was primarily due to higher production revenues and higher gains on oil and natural gas derivatives, partially offset by higher expenses, including interest. See discussions above for explanations of variances.

**Table of Contents**

***Adjusted EBITDA***

Adjusted EBITDA (a non-GAAP financial measure) increased by approximately \$147 million or 31% to approximately \$621 million for the six months ended June 30, 2012, from approximately \$474 million for the six months ended June 30, 2011. The increase was primarily due to higher production revenues, partially offset by higher expenses. See discussions above for explanations of variances. See Non-GAAP Financial Measures for a reconciliation of adjusted EBITDA to its most directly comparable financial measure calculated and presented in accordance with GAAP.

***Adjusted Net Income***

Adjusted net income (a non-GAAP financial measure) decreased by approximately \$36 million or 25% to approximately \$110 million for the six months ended June 30, 2012, from approximately \$146 million for the six months ended June 30, 2011. The decrease was primarily due to higher expenses, including interest, partially offset by higher production revenues. See discussions above for explanations of variances.

**Table of Contents****Year Ended December 31, 2011, Compared to Year Ended December 31, 2010**

	<b>Year Ended December 31,</b>		
	<b>2010</b>	<b>2011</b>	<b>Variance</b>
	(in thousands)		
<b>Revenues and other:</b>			
Natural gas sales	\$ 211,596	\$ 278,714	\$ 67,118
Oil sales	359,996	714,385	354,389
NGL sales	118,462	168,938	50,476
<b>Total oil, natural gas and NGL sales</b>	<b>690,054</b>	<b>1,162,037</b>	<b>471,983</b>
Gains on oil and natural gas derivatives(1)	75,211	449,940	374,729
Marketing and other revenues	7,015	10,477	3,462
	772,280	1,622,454	850,174
<b>Expenses:</b>			
Lease operating expenses	158,382	232,619	74,237
Transportation expenses	19,594	28,358	8,764
Marketing expenses	2,716	3,681	965
General and administrative expenses(2)	99,078	133,272	34,194
Exploration costs	5,168	2,390	(2,778)
Depreciation, depletion and amortization	238,532	334,084	95,552
Impairment of long-lived assets	38,600		(38,600)
Taxes, other than income taxes	45,182	78,522	33,340
Losses on sale of assets and other, net	6,490	3,494	(2,996)
	613,742	816,420	202,678
<b>Other income and (expenses)</b>	<b>(268,585)</b>	<b>(362,129)</b>	<b>(93,544)</b>
<b>Income (loss) before income taxes</b>	<b>(110,047)</b>	<b>443,905</b>	<b>553,952</b>
<b>Income tax expense</b>	<b>(4,241)</b>	<b>(5,466)</b>	<b>(1,225)</b>
<b>Net Income (loss)</b>	<b>\$ (114,288)</b>	<b>\$ 438,439</b>	<b>\$ 552,727</b>
<b>Adjusted EBITDA(3)</b>	<b>\$ 732,131</b>	<b>\$ 997,621</b>	<b>\$ 265,490</b>
<b>Adjusted net income(3)</b>	<b>\$ 219,489</b>	<b>\$ 313,331</b>	<b>\$ 93,842</b>

- (1) During the year ended December 31, 2011, LINN canceled (before the contract settlement date) derivative contracts on estimated future oil and natural gas production resulting in realized gains of approximately \$27 million.
- (2) General and administrative expenses for the years ended December 31, 2010, and December 31, 2011, include approximately \$13 million and \$21 million, respectively, of noncash unit-based compensation expenses.
- (3) This is a non-GAAP measure used by management to analyze LINN's performance. See Non-GAAP Financial Measures for a reconciliation of the non-GAAP financial measure to its most directly comparable financial measure calculated and presented in accordance with GAAP.

**Table of Contents**

	Year Ended December 31,		Variance
	2010	2011	
<b>Average daily production:</b>			
Natural gas (MMcf/d)	137	175	28%
Oil (MBbls/d)	13.1	21.5	64%
NGL (MBbls/d)	8.3	10.8	30%
Total (MMcfe/d)	265	369	39%
<b>Weighted average prices (hedged):(1)</b>			
Natural gas (Mcf)	\$ 8.52	\$ 8.20	(4)%
Oil (Bbl)	\$ 94.71	\$ 89.21	(6)%
NGL (Bbl)	\$ 39.14	\$ 42.88	10%
<b>Weighted average prices (unhedged):(2)</b>			
Natural gas (Mcf)	\$ 4.24	\$ 4.35	3%
Oil (Bbl)	\$ 75.16	\$ 91.24	21%
NGL (Bbl)	\$ 39.14	\$ 42.88	10%
<b>Average NYMEX prices:</b>			
Natural gas (MMBtu)	\$ 4.40	\$ 4.05	(8)%
Oil (Bbl)	\$ 79.53	\$ 95.12	20%
<b>Costs per Mcfe of production:</b>			
Lease operating expenses	\$ 1.64	\$ 1.73	5%
Transportation expenses	\$ 0.20	\$ 0.21	5%
General and administrative expenses(3)	\$ 1.02	\$ 0.99	(3)%
Depreciation, depletion and amortization	\$ 2.46	\$ 2.48	1%
Taxes, other than income taxes	\$ 0.47	\$ 0.58	23%

- (1) Includes the effect of realized gains on derivatives of approximately \$308 million and \$230 million (excluding \$27 million realized gains on canceled contracts) for the years ended December 31, 2010, and December 31, 2011, respectively.
- (2) Does not include the effect of realized gains (losses) on derivatives.
- (3) General and administrative expenses for the years ended December 31, 2010, and December 31, 2011, include approximately \$13 million and \$21 million, respectively, of noncash unit-based compensation expenses. Excluding these amounts, general and administrative expenses for the years ended December 31, 2010, and December 31, 2011, were \$0.88 per Mcfe and \$0.83 per Mcfe, respectively. This is a non-GAAP measure used by management to analyze LINN's performance.

**Revenues and Other***Oil, Natural Gas and NGL Sales*

Oil, natural gas and NGL sales increased by approximately \$472 million or 68% to approximately \$1.2 billion for the year ended December 31, 2011, from approximately \$690 million for the year ended December 31, 2010, due to higher commodity prices and higher production volumes. Higher oil, NGL and natural gas prices resulted in an increase in revenues of approximately \$126 million, \$15 million and \$7 million, respectively.

Average daily production volumes increased to 369 MMcfe/d during the year ended December 31, 2011, from 265 MMcfe/d during the year ended December 31, 2010. Higher oil, natural gas and NGL production volumes resulted in an increase in revenues of approximately \$228 million, \$60 million and \$36 million, respectively.

**Table of Contents**

The following sets forth average daily production by region, as established by LINN during 2011 and 2010:

	Year Ended December 31,		Variance	
	2010	2011		
<b>Average daily production (MMcfe/d):</b>				
Mid-Continent Deep	133	172	39	30%
Mid-Continent Shallow	66	63	(3)	(5)%
Permian Basin	31	73	42	134%
Michigan	21	35	14	67%
California	14	14		
Williston Basin		12	12	
	265	369	104	39%

The 30% increase in average daily production volumes in the Mid-Continent Deep region is primarily due to LINN's 2010 and 2011 capital drilling programs in the Deep Granite Wash formation, as well as the impact of the acquisition in the Cleveland Play in June 2011. The 5% decrease in average daily production volumes in the Mid-Continent Shallow region reflects downtime related to weather and third-party plant maintenance, and the effects of natural declines, partially offset by the results of LINN's drilling and optimization programs. The 134% increase in average daily production volumes in the Permian Basin region reflects the impact of acquisitions in 2010 and 2011 and subsequent development capital spending. The 67% increase in average daily production volumes in the Michigan region reflects the full year impact of acquisitions in the second and fourth quarters of 2010. The California region consists of a low-decline asset base and continues to produce at a consistent level. Average daily production volumes in the Williston Basin region reflect the impact of LINN's acquisitions in this region in 2011.

*Gains (Losses) on Oil and Natural Gas Derivatives*

LINN 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. During the year ended December 31, 2011, LINN had commodity derivative contracts for approximately 101% of its natural gas production and 101% of its oil production, which resulted in realized gains of approximately \$257 million (including realized gains on canceled contracts of approximately \$27 million). During the year ended December 31, 2010, LINN had commodity derivative contracts for approximately 114% of its natural gas production and 97% of its oil production, which resulted in realized gains of approximately \$308 million. Unrealized gains and losses result from changes in market valuations of derivatives 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, unrealized losses are recognized; and if the expected future commodity prices decrease compared to the contract prices on the derivatives, unrealized gains are recognized. During 2011, expected future oil and natural gas prices decreased, which resulted in net unrealized gains on derivatives of approximately \$193 million for the year ended December 31, 2011. During 2010, expected future oil prices increased and expected future natural gas prices decreased, which resulted in net unrealized losses on derivatives of approximately \$232 million for the year ended December 31, 2010. For information about LINN's credit risk related to derivative contracts, see "Counterparty Credit Risk" in "Liquidity and Capital Resources" below.

*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 increased by approximately \$75 million or 47% to approximately \$233 million for the year ended December 31, 2011, from approximately \$158 million for the year ended December 31, 2010. Lease operating expenses per Mcfe also increased to \$1.73 per Mcfe for the year ended December 31, 2011, from \$1.64 per Mcfe for the year ended December 31, 2010. Lease operating

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## **Table of Contents**

expenses increased primarily due to costs associated with properties acquired during 2010 and 2011. Temporary oil handling costs in the Granite Wash formation and higher post-acquisition maintenance costs in the Permian Basin also contributed to the increase.

### *Transportation Expenses*

Transportation expenses increased by approximately \$9 million or 45% to approximately \$28 million for the year ended December 31, 2011, from approximately \$19 million for the year ended December 31, 2010, primarily due to higher production volumes.

### *General and Administrative Expenses*

General and administrative expenses are costs not directly associated with field operations and include costs of employees including executive officers, related benefits, office leases and professional fees. General and administrative expenses increased by approximately \$34 million or 35% to approximately \$133 million for the year ended December 31, 2011, from approximately \$99 million for the year ended December 31, 2010. The increase was primarily due to an increase in salaries and benefits expense of approximately \$18 million, driven primarily by increased employee headcount, an increase in unit-based compensation expense of approximately \$8 million, an increase in professional services expense of approximately \$3 million and an increase in acquisition integration expenses of approximately \$3 million. General and administrative expenses per Mcfe decreased to \$0.99 per Mcfe for the year ended December 31, 2011, from \$1.02 per Mcfe for the year ended December 31, 2010, due to higher production volumes.

### *Exploration Costs*

Exploration costs decreased by approximately \$3 million or 54% to approximately \$2 million for the year ended December 31, 2011, from approximately \$5 million for the year ended December 31, 2010. The decrease was primarily due to lower leasehold impairment expenses on unproved properties.

### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization increased by approximately \$95 million or 40% to approximately \$334 million for the year ended December 31, 2011, from approximately \$239 million for the year ended December 31, 2010. Higher total production volumes were the primary reason for the increased expense. Depreciation, depletion and amortization per Mcfe increased to \$2.48 per Mcfe for the year ended December 31, 2011, from \$2.46 per Mcfe for the year ended December 31, 2010.

### *Impairment of Long-Lived Assets*

LINN recorded no impairment charge for the year ended December 31, 2011. During the year ended December 31, 2010, LINN recorded a noncash impairment charge of approximately \$39 million primarily associated with the impairment of proved oil and natural gas properties related to an unfavorable marketing contract. See [Critical Accounting Policies and Estimates](#) below for additional information.

### *Taxes, Other Than Income Taxes*

Taxes, other than income taxes, which consist primarily of severance and ad valorem taxes, increased by approximately \$34 million or 74% to approximately \$79 million for the year ended December 31, 2011, from approximately \$45 million for the year ended December 31, 2010. Severance taxes, which are a function of revenues generated from production, increased by approximately \$31 million compared to the year ended December 31, 2010, primarily due to higher commodity prices and higher production volumes. Ad valorem taxes, which are based on the value of reserves and production equipment and vary by location, increased by approximately \$3 million compared to the year ended December 31, 2010, primarily due to property acquisitions in 2011.

**Table of Contents****Other Income and (Expenses)**

	Year Ended December 31,		
	2010	2011	Variance
	(in thousands)		
Loss on extinguishment of debt	\$	\$ (94,612)	\$ (94,612)
Interest expense, net of amounts capitalized	(193,510)	(259,725)	(66,215)
Realized losses on interest rate swaps	(8,021)		8,021
Realized losses on canceled interest rate swaps	(123,865)		123,865
Unrealized gains on interest rate swaps	63,978		(63,978)
Other, net	(7,167)	(7,792)	(625)
	\$ (268,585)	\$ (362,129)	\$ (93,544)

Other income and (expenses) increased by approximately \$94 million during the year ended December 31, 2011, compared to the year ended December 31, 2010. Interest expense increased primarily due to higher outstanding debt during the period and higher amortization of financing fees associated with the 2019 Senior Notes and the 2010 Issued Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus. In addition, in May 2011 LINN entered into a Fifth Amended and Restated Credit Facility, which also resulted in higher amortization of financing fees. For the year ended December 31, 2011, LINN also recorded a loss on extinguishment of debt of approximately \$95 million as a result of the redemptions, cash tender offers and additional repurchases of a portion of the Original Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus. See *Debt* in *Liquidity and Capital Resources* below for additional details.

**Income Tax Benefit (Expense)**

LINN is a limited liability company treated as a partnership for federal and state income tax purposes, with the exception of the states of Texas and Michigan, with income tax liabilities and/or benefits of LINN passed through to unitholders. Limited liability companies are subject to Texas margin tax. Limited liability companies were also subject to state income taxes in Michigan during 2010 and 2011. In addition, certain of LINN's subsidiaries are Subchapter C-corporations subject to federal and state income taxes. LINN recognized income tax expense of approximately \$5 million for the year ended December 31, 2011, compared to approximately \$4 million for the same period in 2010. Income tax expense increased primarily due to higher income in 2011 from LINN's taxable subsidiaries.

**Net Income (Loss)**

Net income increased by approximately \$552 million or 484% to approximately \$438 million for the year ended December 31, 2011, from a net loss of approximately \$114 million for the year ended December 31, 2010. The increase was primarily due higher production revenues and higher gains on oil and natural gas derivatives, partially offset by higher expenses, including interest. The year ended December 31, 2010 also included an impairment of long-lived assets and realized and unrealized losses on interest rate swaps; there were no comparable amounts reported for the year ended December 31, 2011. See discussions above for explanations of variances.

**Adjusted EBITDA**

Adjusted EBITDA (a non-GAAP financial measure) increased by approximately \$266 million or 36% to approximately \$998 million for the year ended December 31, 2011, from approximately \$732 million for the year ended December 31, 2010. The increase was primarily due to higher production revenues resulting from higher production volumes and higher commodity prices, partially offset by higher expenses. See discussions above for explanations of variances. See *Non-GAAP Financial Measures* for a reconciliation of adjusted EBITDA to its most directly comparable financial measure calculated and presented in accordance with GAAP.



**Table of Contents****Adjusted Net Income**

Adjusted net income (a non-GAAP financial measure) increased by approximately \$94 million or 43% to approximately \$313 million for the year ended December 31, 2011, from approximately \$219 million for the year ended December 31, 2010. The increase was primarily due to higher production revenues partially offset by lower realized gains on oil and natural gas derivatives and higher expenses, including interest. The year ended December 31, 2010 also included realized losses on interest rate swaps; there was no comparable amount reported for the year ended December 31, 2011. See discussions above for explanations of variances.

**Results of Operations****Year Ended December 31, 2010, Compared to Year Ended December 31, 2009**

	Year Ended December 31,		
	2009	2010	Variance
	(in thousands)		
<b>Revenues and other:</b>			
Natural gas sales	\$ 160,470	\$ 211,596	\$ 51,126
Oil sales	181,619	359,996	178,377
NGL sales	66,130	118,462	52,332
<b>Total oil, natural gas and NGL sales</b>	<b>408,219</b>	<b>690,054</b>	<b>281,835</b>
Gains (losses) on oil and natural gas derivatives(1)	(141,374)	75,211	216,585
Marketing and other revenues	6,304	7,015	711
	273,149	772,280	499,131
<b>Expenses:</b>			
Lease operating expenses	132,647	158,382	25,735
Transportation expenses	18,202	19,594	1,392
Marketing expenses	2,154	2,716	562
General and administrative expenses(2)	86,134	99,078	12,944
Exploration costs	7,169	5,168	(2,001)
Depreciation, depletion and amortization	201,782	238,532	36,750
Impairment of long-lived assets		38,600	38,600
Taxes, other than income taxes	27,605	45,182	17,577
(Gains) losses on sale of assets and other, net	(24,197)	6,490	30,687
	451,496	613,742	162,246
<b>Other income and (expenses)</b>	<b>(121,715)</b>	<b>(268,585)</b>	<b>(146,870)</b>
<b>Loss from continuing operations before income taxes</b>	<b>(300,062)</b>	<b>(110,047)</b>	<b>190,015</b>
<b>Income tax benefit (expense)</b>	<b>4,221</b>	<b>(4,241)</b>	<b>(8,462)</b>
<b>Discontinued Operations</b>	<b>(2,351)</b>		<b>2,351</b>
<b>Net loss</b>	<b>\$ (298,192)</b>	<b>\$ (114,288)</b>	<b>\$ 183,904</b>
<b>Adjusted EBITDA(3)</b>	<b>\$ 566,235</b>	<b>\$ 732,131</b>	<b>\$ 165,896</b>
<b>Adjusted net income(3)</b>	<b>\$ 206,922</b>	<b>\$ 219,489</b>	<b>\$ 12,567</b>

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- (1) During the year ended December 31, 2009, LINN canceled (before the contract settlement date) derivative contracts on estimated future oil and natural gas production resulting in realized net gains of approximately \$49 million, primarily associated with LINN's commodity derivative repositioning in July 2009.
- (2) General and administrative expenses for the years ended December 31, 2009, and December 31, 2010, include approximately \$15 million and \$13 million, respectively, of noncash unit-based compensation expenses.

**Table of Contents**

- (3) This is a non-GAAP measure used by management to analyze LINN's performance. See Non-GAAP Financial Measures for a reconciliation of the non-GAAP financial measure to its most directly comparable financial measure calculated and presented in accordance with GAAP.

	Year Ended December 31,		
	2009	2010	Variance
<b>Average daily production:</b>			
Natural gas (MMcf/d)	125	137	10%
Oil (MBbls/d)	9.0	13.1	46%
NGL (MBbls/d)	6.5	8.3	28%
Total (MMcfe/d)	218	265	22%
<b>Weighted average prices (hedged):(1)</b>			
Natural gas (Mcf)	\$ 8.27	\$ 8.52	3%
Oil (Bbl)	\$ 110.94	\$ 94.71	(15)%
NGL (Bbl)	\$ 28.04	\$ 39.14	40%
<b>Weighted average prices (unhedged):(2)</b>			
Natural gas (Mcf)	\$ 3.51	\$ 4.24	21%
Oil (Bbl)	\$ 55.25	\$ 75.16	36%
NGL (Bbl)	\$ 28.04	\$ 39.14	40%
<b>Average NYMEX prices:</b>			
Natural gas (MMBtu)	\$ 3.99	\$ 4.40	10%
Oil (Bbl)	\$ 61.94	\$ 79.53	28%
<b>Costs per Mcfe of production:</b>			
Lease operating expenses	\$ 1.67	\$ 1.64	(2)%
Transportation expenses	\$ 0.23	\$ 0.20	(13)%
General and administrative expenses(3)	\$ 1.08	\$ 1.02	(6)%
Depreciation, depletion and amortization	\$ 2.53	\$ 2.46	(3)%
Taxes, other than income taxes	\$ 0.35	\$ 0.47	34%

- (1) Includes the effect of realized gains on derivatives of approximately \$401 million (excluding \$49 million realized net gains on canceled contracts) and \$308 million for the years ended December 31, 2009, and December 31, 2010, respectively.
- (2) Does not include the effect of realized gains (losses) on derivatives.
- (3) General and administrative expenses for the years ended December 31, 2009, and December 31, 2010, include approximately \$15 million and \$13 million, respectively, of noncash unit-based compensation expenses. Excluding these amounts, general and administrative expenses for the years ended December 31, 2009, and December 31, 2010, were \$0.90 per Mcfe and \$0.88 per Mcfe, respectively. This is a non-GAAP measure used by management to analyze LINN's performance.

**Revenues and Other***Oil, Natural Gas and NGL Sales*

Oil, natural gas and NGL sales increased by approximately \$282 million or 69% to approximately \$690 million for the year ended December 31, 2010, from approximately \$408 million for the year ended December 31, 2009, due to higher commodity prices and higher production volumes. Higher oil, natural gas and NGL prices resulted in an increase in revenues of approximately \$95 million, \$36 million and \$34 million, respectively.

**Table of Contents**

Average daily production volumes increased to 265 MMcfe/d during the year ended December 31, 2010, from 218 MMcfe/d during the year ended December 31, 2009. Higher oil, natural gas and NGL production volumes resulted in an increase in revenues of approximately \$83 million, \$15 million and \$19 million, respectively.

The following sets forth average daily production by region, as established for LINN during 2010 and 2009:

	Year Ended December 31,		Variance	
	2009	2010		
<b>Average daily production (MMcfe/d):</b>				
Mid-Continent Deep	135	133	(2)	(1)%
Mid-Continent Shallow	67	66	(1)	(1)%
Permian Basin	2	31	29	1,450%
Michigan		21	21	
California	14	14		
	218	265	47	22%

The 1% decrease in average daily production volumes in the Mid-Continent Deep region primarily reflects natural declines, in addition to minimal capital development during the second half of 2009 due to low commodity prices, partially offset by the impact of LINN's 2010 capital drilling program in the Deep Granite Wash formation. Average daily production volumes in the Mid-Continent Shallow region reflect the impact of drilling and optimization programs which offset the effects of natural declines. Average daily production volumes in the Permian Basin region reflect the impact of the acquisitions in 2010 and the third quarter of 2009 and subsequent development capital spending. Average daily production volumes in the Michigan region reflect the impact of LINN's acquisitions in this area in 2010. The California region consists of a low-decline asset base and continues to produce at levels consistent with prior year.

*Gains (Losses) on Oil and Natural Gas Derivatives*

LINN 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. During the year ended December 31, 2010, LINN had commodity derivative contracts for approximately 114% of its natural gas production and 97% of its oil production, which resulted in realized gains of approximately \$308 million. During the year ended December 31, 2009, LINN recorded realized gains of approximately \$450 million (including realized net gains on canceled contracts of approximately \$49 million). Unrealized gains and losses result from changes in market valuations of derivatives 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, unrealized losses are recognized; and if the expected future commodity prices decrease compared to the contract prices on the derivatives, unrealized gains are recognized. During 2010, expected future oil prices increased and expected future natural gas prices decreased, which resulted in net unrealized losses on derivatives of approximately \$232 million for the year ended December 31, 2010. During 2009, expected future oil prices increased and expected future natural gas prices decreased, which resulted in net unrealized losses on derivatives of approximately \$591 million for the year ended December 31, 2009. For information about LINN's credit risk related to derivative contracts, see "Counterparty Credit Risk" in "Liquidity and Capital Resources" below.

*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 increased by approximately \$25 million or 19% to approximately \$158 million for the year ended December 31, 2010, from approximately \$133 million for

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## **Table of Contents**

the year ended December 31, 2009. Lease operating expenses increased primarily due to costs associated with properties acquired in the Permian Basin and Michigan regions in 2010 and the second half of 2009. Lease operating expenses per Mcfe decreased to \$1.64 per Mcfe for the year ended December 31, 2010, from \$1.67 per Mcfe for the year ended December 31, 2009.

### *Transportation Expenses*

Transportation expenses increased by approximately \$1 million or 8% to approximately \$19 million for the year ended December 31, 2010, from approximately \$18 million for the year ended December 31, 2009, primarily due to higher total production volume levels from LINN's acquisitions in the Permian Basin and Michigan regions in 2010 and the second half of 2009, partially offset by lower rates associated with owned facilities.

### *General and Administrative Expenses*

General and administrative expenses are costs not directly associated with field operations and include costs of employees including executive officers, related benefits, office leases and professional fees. General and administrative expenses increased by approximately \$13 million or 15% to approximately \$99 million for the year ended December 31, 2010, from approximately \$86 million for the year ended December 31, 2009. The increase was primarily due to an increase in salaries and benefits expense of approximately \$10 million, driven primarily by increased employee headcount, and acquisition integration expenses of approximately \$4 million. General and administrative expenses per Mcfe decreased to \$1.02 per Mcfe for the year ended December 31, 2010, from \$1.08 per Mcfe for the year ended December 31, 2009.

### *Exploration Costs*

Exploration costs decreased by approximately \$2 million or 28% to approximately \$5 million for the year ended December 31, 2010, from approximately \$7 million for the year ended December 31, 2009. The decrease was primarily due to fewer lease-term expirations related to unproved leasehold costs.

### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization increased by approximately \$37 million or 18% to approximately \$239 million for the year ended December 31, 2010, from approximately \$202 million for the year ended December 31, 2009. Higher total production volume levels, primarily due to LINN's acquisitions in the Permian Basin and Michigan regions in 2010 and in the Permian Basin region in the second half of 2009, were the main reason for the increase. Depreciation, depletion and amortization per Mcfe decreased to \$2.46 per Mcfe for the year ended December 31, 2010, from \$2.53 per Mcfe for the year ended December 31, 2009.

### *Impairment of Long-Lived Assets*

During the year ended December 31, 2010, LINN recorded a noncash impairment charge of approximately \$39 million primarily associated with the impairment of proved oil and natural gas properties related to an unfavorable marketing contract. LINN recorded no impairment charge for the year ended December 31, 2009. See [Critical Accounting Policies and Estimates](#) below for additional information.

### *Taxes, Other Than Income Taxes*

Taxes, other than income taxes, which consist primarily of severance and ad valorem taxes, increased by approximately \$17 million or 64% to approximately \$45 million for the year ended December 31, 2010, from approximately \$28 million for the year ended December 31, 2009. Severance taxes, which are a function of revenues generated from production, increased by approximately \$14 million compared to the year ended

**Table of Contents**

December 31, 2009, primarily due to higher commodity prices and higher total production volume levels. Ad valorem taxes, which are based on the value of reserves and production equipment and vary by location, increased by approximately \$2 million compared to the year ended December 31, 2009, primarily due to property acquisitions in the Permian Basin region.

**Other Income and (Expenses)**

	Year Ended December 31,		
	2009	2010	Variance
	(in thousands)		
Interest expense, net of amounts capitalized	\$ (92,701)	\$ (193,510)	\$ (100,809)
Realized losses on interest rate swaps	(42,881)	(8,021)	34,860
Realized losses on canceled interest rate swaps	(60)	(123,865)	(123,805)
Unrealized gains on interest rate swaps	16,588	63,978	47,390
Other, net	(2,661)	(7,167)	(4,506)
	\$ (121,715)	\$ (268,585)	\$ (146,870)

Other income and (expenses) increased by approximately \$147 million during the year ended December 31, 2010, compared to the year ended December 30, 2009. During the year ended December 31, 2010, LINN canceled (before the contract settlement date) all of its interest rate swap agreements, resulting in higher realized losses of approximately \$124 million. These losses were partially offset by an increase in unrealized gains on interest rate swaps and a decrease in realized losses on interest rate swaps during the year ended December 31, 2010, compared to the year ended December 31, 2009. Additionally, in the second and third quarters of 2010, LINN entered into an amendment to its Credit Facility and issued the 2010 Issued Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus, which resulted in increased interest expense due to higher interest rates and higher amortization of financing fees. See *Debt* in *Liquidity and Capital Resources* below for additional details.

**Income Tax Benefit (Expense)**

LINN is a limited liability company treated as a partnership for federal and state income tax purposes, with the exception of the states of Texas and Michigan, with income tax liabilities and/or benefits of LINN passed through to unitholders. Limited liability companies are subject to Texas margin tax. Limited liability companies were also subject to state income taxes in Michigan during 2009 and 2010. In addition, certain of LINN's subsidiaries are Subchapter C-corporations subject to federal and state income taxes. LINN recognized an income tax expense of approximately \$4 million for the year ended December 31, 2010, compared to an income tax benefit of approximately \$4 million for the same period in 2009. Income tax expense increased primarily due to an increase in income in 2010 from LINN's taxable subsidiaries. In 2009, LINN released a valuation allowance on a significant portion of the deferred tax assets at LINN's taxable subsidiaries.

**Net Loss**

Net loss decreased by approximately \$184 million or 62% to approximately \$114 million for the year ended December 31, 2010, from approximately \$298 million for the year ended December 31, 2009. The decrease was primarily due to higher production revenues and higher gains on oil and natural gas derivatives, partially offset by higher expenses, including interest. See discussions above for explanations of variances.

**Adjusted EBITDA**

Adjusted EBITDA (a non-GAAP financial measure) increased by approximately \$166 million or 29% to approximately \$732 million for the year ended December 31, 2010, from approximately \$566 million for the year ended December 31, 2009. The increase was primarily due to higher production revenues resulting from higher

**Table of Contents**

commodity prices and higher total production volume levels, partially offset by lower realized gains on commodity derivatives. See discussions above for explanations of variances. See **Non-GAAP Financial Measures** for a reconciliation of adjusted EBITDA to its most directly comparable financial measure calculated and presented in accordance with GAAP.

**Adjusted Net Income**

Adjusted net income (a non-GAAP financial measure) increased by approximately \$12 million or 6% to approximately \$219 million for the year ended December 31, 2010, from approximately \$207 million for the year ended December 31, 2009. The increase was primarily due to higher production revenues, partially offset by higher expenses, including interest and income taxes, and higher realized losses on interest rate swaps. See discussions above for explanations of variances.

**Reserve Replacement Metrics**

LINN calculates two primary reserve metrics: (i) reserve replacement cost and (ii) reserve replacement ratio, to measure its ability to establish a long-term trend of adding reserves at a reasonable cost. The reserve replacement cost calculation provides an assessment of the cost of adding reserves that is ultimately included in depreciation, depletion and amortization expense. The reserve replacement ratio is an indicator of LINN's ability to replenish annual production volumes and grow reserves. The metrics are calculated as follow:

Reserve replacement cost per Mcfe	=	Oil and natural gas capital costs expended(1) Sum of reserve additions(2)
Reserve replacement ratio	=	Sum of reserve additions(2) Annual production

- (1) Oil and natural gas capital costs expended include the costs of property acquisition, exploration and development activities conducted to add reserves and exclude asset retirement costs. LINN expects to incur development costs in the future for proved undeveloped reserves; such future costs are excluded from costs expended and are not considered in the reserve replacement metrics presented herein.
- (2) Reserve additions include proved reserves (developed and undeveloped) and reflect reserve revisions for prices and performance, extensions, discoveries and other additions and acquisitions and do not include unproved reserve quantities.

The reserve replacement metrics are presented separately, both: (i) including and excluding the impact of price revisions on reserves, to demonstrate the effectiveness of LINN's drilling program exclusive of economic factors (such as price) outside of its control and (ii) including and excluding acquisitions, to demonstrate LINN's ability to add reserves through its drilling program and through acquisitions. Reserve replacement cost and reserve replacement ratio are non-GAAP financial measures. The methods used by LINN to calculate these measures may differ from methods used by other companies to compute similar measures. As a result, LINN's measures may not be comparable to similar measures provided by other companies. LINN believes that providing such measures is useful in evaluating the cost to add proved reserves; however, these measures should not be considered in isolation or as a substitute for GAAP measures. The reserve replacement cost per Mcfe and reserve replacement ratio are statistical indicators that have limitations, including their predictive and comparative value. The reserve replacement ratio is limited because it may vary widely based on the extent and timing of new discoveries, project sanctioning and property acquisitions. In addition, since the reserve replacement ratio does not consider the development cost or timing of future production of new reserves, it should not be used as a measure of value creation.

**Table of Contents**

The following presents reserve replacement cost and reserve replacement ratio including and excluding the effect of price revisions on reserves:

	Including Price Revisions Year Ended December 31,			Excluding Price Revisions Year Ended December 31,		
	2009	2010	2011	2009	2010	2011
<b>Costs per Mcfe of production:</b>						
Reserve replacement cost, including acquisitions	\$ 1.96	\$ 1.63	\$ 2.37	\$ 1.71	\$ 1.94	\$ 2.46
Reserve replacement cost, excluding acquisitions (finding and development cost)	\$ 2.03	\$ 0.79	\$ 1.94	\$ 1.59	\$ 1.57	\$ 2.15

**Percentage of production:**

Reserve replacement ratio, including acquisitions	165%	1,014%	674%	189%	854%	651%
Reserve replacement ratio, excluding acquisitions	88%	321%	244%	112%	161%	221%

Amounts used in these calculations and are derived directly from the table presented in Supplemental Oil and Natural Gas Data (Unaudited) in LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus. The following provides a reconciliation of oil and natural gas capital costs used in these calculations to its most directly comparable financial measure calculated and presented in accordance with GAAP:

	2009	Year Ended December 31,	
		2010	2011
		(in thousands)	
Costs incurred in oil and natural gas property acquisition, exploration and development	\$ 258,105	\$ 1,602,086	\$ 2,158,639
Less:			
Asset retirement costs		(371)	(2,427)
Property acquisition costs		(115,929)	(1,516,737)
Oil and natural gas capital costs expended, excluding acquisitions	\$ 141,805	\$ 244,908	\$ 639,475

**Liquidity and Capital Resources**

LINN utilizes funds from equity and debt offerings, bank borrowings and cash flow from operations for capital resources and liquidity. To date, the primary use of capital has been for acquisitions and the development of oil and natural gas properties. For the year ended December 31, 2011, LINN's total capital expenditures, excluding acquisitions, were approximately \$697 million. For the six months ended June 30, 2012, LINN's capital expenditures, excluding acquisitions, were approximately \$557 million. For 2012, LINN estimates its total capital expenditures, excluding acquisitions, will be approximately \$1.1 billion, including \$1.05 billion related to its oil and natural gas capital program. This estimate reflects amounts for the development of properties associated with acquisitions, is under continuous review and subject to ongoing adjustments. LINN expects to fund these capital expenditures primarily with cash flow from operations and bank borrowings.

As LINN pursues growth, it continually monitors the capital resources available to meet future financial obligations and planned capital expenditures. LINN's future success in growing reserves and production volumes will be highly dependent on the capital resources available and its success in drilling for or acquiring additional reserves. LINN actively reviews acquisition opportunities on an ongoing basis. If LINN were to make significant additional acquisitions for cash, it would need to borrow additional amounts under its Credit Facility, if available, or obtain additional debt or equity financing. LINN's Credit Facility and indentures governing its Senior Notes impose certain restrictions on LINN's ability to obtain additional debt financing. Based upon current expectations, LINN believes liquidity and capital resources will be sufficient to conduct its business and operations.



**Table of Contents****Statements of Cash Flows**

The following is a comparative cash flow summary:

	Year Ended December 31,			Six Months Ended	
	2009	2010	2011 (in thousands)	2011 June 30,	2012
<b>Net cash:</b>					
Provided by (used in) operating activities(1)	\$ 426,804	\$ 270,918	\$ 518,706	\$ 303,762	\$ (122,429)
Used in investing activities	(282,273)	(1,581,408)	(2,130,360)	(1,081,736)	(2,265,931)
Provided by (used in) financing activities	(150,968)	1,524,260	1,376,767	611,741	2,389,129
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (6,437)</b>	<b>\$ 213,770</b>	<b>\$ (234,887)</b>	<b>\$ (166,233)</b>	<b>\$ 769</b>

(1) The years ended December 31, 2009, December 31, 2010, and December 31, 2011, and the six months ended June 30, 2012, include premiums paid for derivatives of approximately \$94 million, \$120 million, \$134 million and \$583 million, respectively.

*Operating Activities*

Cash used in operating activities for the six months ended June 30, 2012, was approximately \$122 million, compared to approximately \$304 million for the six months ended June 30, 2011. The decrease was primarily due to approximately \$583 million in premiums paid for commodity derivatives during the six months ended June 30, 2012, compared to no premiums paid during the same period in 2011. Higher premiums and higher expenses were partially offset by increased revenues primarily due to higher production volumes.

Cash provided by operating activities for the year ended December 31, 2011, was approximately \$519 million, compared to approximately \$271 million for the year ended December 31, 2010. The increase was primarily due to higher production volumes and higher commodity prices partially offset by higher expenses.

Cash provided by operating activities was approximately \$271 million for the year ended December 31, 2010, compared to approximately \$427 million for the year ended December 31, 2009. The decrease was primarily due to approximately \$124 million in realized losses on canceled interest rate derivatives during the year ended December 31, 2010, compared to approximately \$49 million in realized net gains on canceled commodity derivatives during the year ended December 31, 2009.

Premiums paid during the six months ended June 30, 2012 and during 2011, 2010 and 2009 were for commodity derivative contracts that hedge future production. These derivative contracts provide LINN long-term cash flow predictability to manage its business, service debt and pay distributions and are primarily funded through LINN's Credit Facility. The amount of derivative contracts LINN enters into in the future will be directly related to expected future production.

**Table of Contents***Investing Activities*

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

	Year Ended December 31,			Six Months Ended	
	2009	2010	2011	June 30, 2011	2012
	(in thousands)				
<b>Cash flow from investing activities:</b>					
Acquisition of oil and natural gas properties, net of cash acquired	\$ (130,735)	\$ (1,351,033)	\$ (1,500,193)	\$ (847,780)	\$ (1,762,933)
Capital expenditures	(178,242)	(223,013)	(629,864)	(244,546)	(503,573)
Proceeds from sale of properties and equipment and other	26,704	(7,362)	(303)	10,590	575
	\$ (282,273)	\$ (1,581,408)	\$ (2,130,360)	\$ (1,081,736)	\$ (2,265,931)

The primary use of cash in investing activities is for capital spending, including acquisitions and the development of LINN's oil and natural gas properties. Cash used in investing activities for the six months ended June 30, 2012, primarily relates to the acquisitions of properties in the Hugoton Basin, Williston/Powder River Basin and East Texas regions. Cash used in investing activities for the year ended December 31, 2011, primarily relates to acquisitions of properties in the Williston Basin, Permian Basin and Mid-Continent Deep regions. The year ended December 31, 2011, also includes the deposit of approximately \$9 million returned to LINN by the other party to the purchase and sale agreement (PSA) terminated by LINN in 2010.

Cash used in investing activities for the year ended December 31, 2010, primarily relates to acquisitions and the development of properties in the Permian Basin, Mid-Continent Deep and Michigan regions. Proceeds from the sale of properties were lower for the year ended December 31, 2010, compared to the year ended December 31, 2009, primarily due to the proceeds received in 2009 related to the sale of acreage in central Oklahoma. The year ended December 31, 2010, also includes the deposit made by LINN of approximately \$9 million held by the other party to the PSA terminated by LINN. Cash used in investing activities for the year ended December 31, 2009, includes approximately \$114 million for the acquisition of properties in the Permian Basin region.

*Financing Activities*

Cash provided by financing activities for the six months ended June 30, 2012, was approximately \$2.4 billion, compared to approximately \$612 million for the six months ended June 30, 2011. The increase in financing cash flow needs was primarily attributable to increased acquisitions and development activity during the six months ended June 30, 2012.

**Table of Contents**

Cash provided by financing activities for the year ended December 31, 2011, was approximately \$1.4 billion compared to approximately \$1.5 billion for the year ended December 31, 2010. The decrease in financing cash flow needs was primarily attributable to the increase in cash provided by operating activities and the utilization of cash on hand. In comparison, cash used in financing activities was approximately \$151 million for the year ended December 31, 2009. The following provides a comparative summary of proceeds from borrowings and repayments of debt:

	Year Ended December 31,			Six Months Ended	
	2009	2010	2011 (in thousands)	2011 June,	2012
<b>Proceeds from borrowings:</b>					
Credit facility	\$ 401,500	\$ 1,050,000	\$ 1,790,000	\$ 615,000	\$ 2,155,000
Senior notes	237,703	2,250,816	744,240	744,240	1,799,802
	\$ 639,203	\$ 3,300,816	\$ 2,534,240	\$ 1,359,240	\$ 3,954,802
<b>Repayments of debt:</b>					
Credit facility	\$ (704,893)	\$ (2,150,000)	\$ (850,000)	\$ (615,000)	\$ (1,945,000)
Senior notes			(451,029)	(449,679)	
	\$ (704,893)	\$ (2,150,000)	\$ (1,301,029)	\$ (1,064,679)	\$ (1,945,000)

**Debt**

LINN's Credit Facility provides for a revolving credit facility up to the lesser of: (i) the then-effective borrowing base and (ii) the maximum commitment amount. In October 2011, as part of the semi-annual redetermination, a borrowing base of \$3.0 billion was approved by the lenders with a maximum commitment amount of \$1.5 billion. In February 2012, lenders approved an increase in the maximum commitment amount to \$2.0 billion. In May 2012, LINN entered into an amendment to its Credit Facility to increase the borrowing base to \$3.5 billion and extend the maturity date from April 2016 to April 2017. At June 30, 2012, available borrowing capacity was approximately \$646 million, which includes a \$4 million reduction in availability for outstanding letters of credit and a \$200 million reduction in availability related to a restriction on swap agreements outstanding associated with the Green River Acquisition. The \$200 million reduction in availability under the Credit Facility no longer applies since the acquisition has closed.

In July 2012, LINN entered into an amendment to its Credit Facility to increase the maximum commitment amount from \$2.0 billion to \$3.0 billion.

On February 28, 2011, LINN commenced cash tender offers and related consent solicitations to purchase any and all of its outstanding 2017 Senior Notes and 2018 Senior Notes.

In March 2011, in accordance with the provisions of the indentures governing its 2017 Senior Notes and the 2018 Senior Notes, LINN redeemed 35%, or \$87 million and \$90 million, respectively, of each of the original aggregate principal amount of the Original Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus.

In March 2011, in connection with its cash tender offers and related consent solicitations, LINN also accepted and purchased: (i) \$105 million of the aggregate principal amount of its outstanding 2017 Senior Notes (or 65% of the remaining outstanding principal amount of its 2017 Senior Notes), and (ii) \$126 million aggregate principal amount of its outstanding 2018 Senior Notes (or 76% of the remaining outstanding principal amount of its 2018 Senior Notes).

In May 2011, LINN issued \$750 million in aggregate principal amount of 6.50% senior notes due 2019 and used net proceeds of approximately \$729 million to repay all of the outstanding indebtedness under its Credit



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## **Table of Contents**

Facility, to fund or partially fund acquisitions and for general corporate purposes. On May 8, 2012, LINN filed a registration statement on Form S-4 to register exchange notes that are also substantially similar to the November 2019 Senior Notes. As of July 26, 2012, the registration statement has not been declared effective. The deadline for registration has passed and LINN will be required to pay additional interest which is expected to be less than \$500,000.

In June 2011, LINN repurchased an additional portion of its remaining outstanding 2017 Senior Notes and 2018 Senior Notes for approximately \$17 million (or 29% of the remaining outstanding principal amount of its 2017 Senior Notes) and approximately \$24 million (or 61% of the remaining outstanding principal amount of its 2018 Senior Notes), respectively. In December 2011, LINN also repurchased an additional portion of its remaining outstanding 2018 Senior Notes for approximately \$2 million (or 9% of the remaining outstanding principal amount of the 2018 Senior Notes). After giving effect to the tender offers and subsequent repurchases of the 2017 Senior Notes and the 2018 Senior Notes, aggregate principal amounts of \$41 million and \$14 million, respectively, remained outstanding at December 31, 2011.

In March 2012, LINN issued \$1.8 billion in aggregate principal amount of 6.25% senior notes due 2019 and used the net proceeds of the offering to fund the Hugoton Acquisition, to repay indebtedness outstanding under its revolving credit facility and for general corporate purposes.

LINN depends, in part, on its Credit Facility for future capital needs. In addition, LINN has drawn on the Credit Facility to fund or partially fund quarterly cash distribution payments, since it uses operating cash flow primarily for drilling and development of oil and natural gas properties and acquisitions and borrows as cash is needed. Absent such borrowings, LINN would have at times experienced a shortfall in cash available to pay the declared quarterly cash distribution amount. If an event of default occurs and is continuing under the Credit Facility, LINN would be unable to make borrowings to fund distributions. For additional information about this matter and other risk factors that could affect LINN, please read Risk Factors.

### ***Counterparty Credit Risk***

LINN accounts for its commodity derivatives and, when applicable, its interest rate derivatives at fair value. LINN's counterparties are current participants or affiliates of participants in its Credit Facility or were participants or affiliates of participants in its Credit Facility at the time it originally entered into the derivatives. The Credit Facility is secured by LINN's oil, natural gas and NGL reserves; therefore, LINN is not required to post any collateral. LINN does not receive collateral from its counterparties. LINN minimizes 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 LINN's minimum credit quality standard, or have a guarantee from an affiliate that meets LINN's minimum credit quality standard; and (iii) monitoring the creditworthiness of LINN's counterparties on an ongoing basis. In accordance with LINN's standard practice, its commodity derivatives and, when applicable, its interest rate derivatives are subject to counterparty netting under agreements governing such derivatives and therefore the risk of loss due to counterparty nonperformance is somewhat mitigated.

### ***Equity Distribution Agreement***

In August 2011, LINN entered into an equity distribution agreement, pursuant to which it may from time to time issue and sell units representing limited liability company interests having an aggregate offering price of up to \$500 million. In connection with entering into the agreement, LINN incurred expenses of approximately \$423,000. Sales of units, if any, will be made through a sales agent by means of ordinary brokers transactions, in block transactions, or as otherwise agreed with the agent. LINN expects to use the net proceeds from any sale of the units for general corporate purposes, which may include, among other things, capital expenditures, acquisitions and the repayment of debt.

**Table of Contents**

In September 2011, LINN issued and sold 16,060 units representing limited liability company interests at an average unit price of \$38.25 for proceeds of approximately \$602,000 (net of approximately \$12,000 in commissions). In December 2011, LINN issued and sold 772,104 units representing limited liability company interests at an average unit price of \$38.03 for proceeds of approximately \$29 million (net of approximately \$587,000 in commissions). In connection with the issue and sale of these units, LINN incurred professional service expenses of approximately \$139,000. LINN used the net proceeds for general corporate purposes including the repayment of a portion of the indebtedness outstanding under its Credit Facility.

In January 2012, LINN issued and sold 1,539,651 units representing limited liability company interests at an average unit price of \$38.02 for proceeds of approximately \$57 million (net of approximately \$2 million in commissions and professional service expenses). The net proceeds were used for general corporate purposes including the repayment of a portion of the indebtedness outstanding under LINN's Credit Facility. At June 30, 2012, units equaling approximately \$411 million in aggregate offering price remained available to be issued and sold under the agreement.

**Public Offering of Units**

In March 2011, LINN sold 16,726,067 units representing limited liability company interests at \$38.80 per unit (\$37.248 per unit, net of underwriting discount) for net proceeds of approximately \$623 million (after underwriting discount and offering expenses of approximately \$26 million). LINN used a portion of the net proceeds from the sale of these units to fund the March 2011 redemptions of a portion of the outstanding 2017 Senior Notes and 2018 Senior Notes and to fund the cash tender offers and related expenses for a portion of the remaining 2017 Senior Notes and 2018 Senior Notes. LINN used the remaining net proceeds from the sale of units to finance a portion of the March 31, 2011, acquisition in the Williston Basin.

In January 2012, LINN sold 19,550,000 units representing limited liability company interests at \$35.95 per unit (\$34.512 per unit, net of underwriting discount) for net proceeds of approximately \$674 million (after underwriting discount and offering expenses of approximately \$28 million). LINN used the net proceeds from the sale of these units to repay a portion of the indebtedness outstanding under its Credit Facility.

**Unit Repurchase Plan**

In October 2008, the Board of Directors of LINN authorized the repurchase of up to \$100 million of LINN's outstanding units from time to time on the open market or in negotiated purchases. In August 2011, LINN repurchased 400,000 units at an average unit price of \$32.98 for a total cost of approximately \$13 million. In addition, in October 2011, LINN repurchased 129,734 units at an average unit price of \$32.08 for a total cost of approximately \$4 million.

**Distributions**

Under LINN's limited liability company agreement, unitholders are entitled to receive a quarterly distribution of available cash to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses. The following provides a summary of distributions paid by LINN during the year ended December 31, 2011 and the six months ended June 30, 2012:

Date Paid	Period Covered by Distribution	Distribution Per Unit	Total Distribution (in millions)
May 2012	January 1 – March 31, 2012	\$ 0.725	\$ 144
February 2012	October 1 – December 31, 2011	\$ 0.69	\$ 138
November 2011	July 1 – September 30, 2011	\$ 0.69	\$ 122
August 2011	April 1 – June 30, 2011	\$ 0.69	\$ 123
May 2011	January 1 – March 31, 2011	\$ 0.66	\$ 116
February 2011	October 1 – December 31, 2010	\$ 0.66	\$ 106

## **Table of Contents**

On July 24, 2012, LINN's Board of Directors declared a cash distribution of \$0.725 per unit with respect to the second quarter of 2012. The distribution, totaling approximately \$145 million, was paid on August 14, 2012, to unitholders of record as of the close of business on August 7, 2012.

### ***Contingencies***

LINN has been named as a defendant in a number of lawsuits and is involved in various other disputes arising in the ordinary course of business, including claims from royalty owners related to disputed royalty payments and royalty valuations. LINN has established reserves that management currently believes are adequate to provide for potential liabilities based upon its evaluation of these matters. For a certain statewide class action royalty payment dispute where a reserve has not yet been established, LINN has denied that it has any liability on the claims and has raised arguments and defenses that, if accepted by the court, will result in no loss to LINN. Discovery related to class certification has concluded. Briefing and the hearing on class certification have been deferred by court order pending the resolution of interlocutory appeals of two unrelated class certification orders. As a result, LINN is unable to estimate a possible loss, or range of possible loss, if any. LINN is not currently a party to any litigation or pending claims that it believes would 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 years ended December 31, 2011, December 31, 2010, and December 31, 2009, and the six months ended June 30, 2012, LINN made no significant payments to settle any legal, environmental or tax proceedings. LINN 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.

In 2008, Lehman Brothers Holdings Inc. and Lehman Brothers Commodity Services Inc. (together "Lehman"), filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. In March 2011, LINN and Lehman entered into Termination Agreements under which LINN was granted general unsecured claims against Lehman in the amount of \$51 million (the "Company Claim"). In December 2011, a Chapter 11 Plan ("Plan") was approved by the Bankruptcy Court. Based on the recovery estimates described in the approved disclosure statement relating to the Plan, LINN expects to ultimately receive a substantial portion of the Company Claim. On April 19, 2012, an initial distribution under the Plan of approximately \$25 million was received by LINN resulting in a gain of approximately \$18 million, which is included in gains (losses) on oil and natural gas derivatives on the condensed consolidated statement of operations.

**Table of Contents****Commitments and Contractual Obligations**

The following summarizes, as of December 31, 2011, certain long-term contractual obligations that are reflected in the consolidated balance sheets and/or disclosed in the accompanying notes thereto:

Contractual Obligations	Total	2012	Payments Due			2017 and Beyond
			2013	2014	2015 2016	
			(in thousands)			
<b>Long-term debt obligations:</b>						
Credit facility	\$ 940,000	\$	\$	\$	940,000	\$
Senior notes	3,104,898					3,104,898
Interest <sup>(1)</sup>	2,130,681	268,718	537,436		519,317	805,210
<b>Operating lease obligations:</b>						
Office, property and equipment leases	31,477	5,652	9,367		7,405	9,053
<b>Other noncurrent liabilities:</b>						
Asset retirement obligations	71,142	2,847	3,353		3,438	61,504
<b>Other:</b>						
Commodity derivatives	17,563	14,060	1,772		1,731	
Charitable contributions	222	111	111			
	\$ 6,295,983	\$ 291,388	\$ 552,039		\$ 1,471,891	\$ 3,980,665

- (1) Represents interest on the Credit Facility computed at the weighted average LIBOR of 2.57% through maturity in April 2016 and interest on the 2019 Senior Notes, 2010 Issued Senior Notes, and the Original Senior Notes, as defined in Note 6 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus, computed at fixed rates of 11.75%, 9.875%, 6.50%, 8.625% and 7.75% through maturities in May 2017, July 2018, May 2019, April 2020 and February 2021, respectively.

**Non-GAAP Financial Measures**

The non-GAAP financial measures of adjusted EBITDA and adjusted net income, as defined by LINN, may not be comparable to similarly titled measures used by other companies. Therefore, these non-GAAP measures should be considered in conjunction with income from continuing operations and other performance measures prepared in accordance with GAAP, such as operating income or cash flow from operating activities. Adjusted EBITDA and adjusted net income should not be considered in isolation or as a substitute for GAAP measures, such as net income, operating income or any other GAAP measure of liquidity or financial performance.

**Adjusted EBITDA (Non-GAAP Measure)**

Adjusted EBITDA is a measure used by LINN's management to indicate (prior to the establishment of any reserves by its board of directors) the cash distributions LINN expects to make to its unitholders. Adjusted EBITDA is also a quantitative measure used throughout the investment community with respect to publicly-traded partnerships and limited liability companies.

LINN defines adjusted EBITDA as net income (loss) plus the following adjustments:

Net operating cash flow from acquisitions and divestitures, effective date through closing date;

Interest expense;



Depreciation, depletion and amortization;

Impairment of long-lived assets;

**Table of Contents**

Write-off of deferred financing fees;

(Gains) losses on sale of assets and other, net;

Provision for legal matters;

Loss on extinguishment of debt;

Unrealized (gains) losses on commodity derivatives;

Unrealized (gains) losses on interest rate derivatives;

Realized (gains) losses on interest rate derivatives;

Realized (gains) losses on canceled derivatives;

Realized gain on recovery of bankruptcy claim;

Unit-based compensation expenses;

Exploration costs;

Income tax (benefit) expense; and

Discontinued operations.

The following table presents a reconciliation of net income (loss) to adjusted EBITDA (unaudited):

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011 (in thousands)	2011	2012
Net income (loss)	\$ (298,192)	\$ (114,288)	\$ 438,439	\$ (209,573)	\$ 230,884
Plus:					
Net operating cash flow from acquisitions and divestitures, effective date through closing date	3,708	42,846	57,966	36,359	45,127
Interest expense, cash	74,185	129,691	249,085	125,181	129,652
Interest expense, noncash	18,516	63,819	10,640	644	42,257
Depreciation, depletion and amortization	201,782	238,532	334,084	145,711	260,782

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Impairment of long-lived assets		38,600			146,499
Write-off of deferred financing fees	204	2,076	1,189	1,189	7,889
(Gains) losses on sale of assets and other, net	(23,051)	3,008	124	(916)	991
Provision for legal matters		4,362	1,086	740	795
Loss on extinguishment of debt			94,612	94,372	
Unrealized (gains) losses on commodity derivatives	591,379	232,376	(192,951)	261,851	(250,406)
Unrealized gains on interest rate derivatives	(16,588)	(63,978)			
Realized losses on interest rate derivatives	42,881	8,021			
Realized (gains) losses on canceled derivatives	(48,977)	123,865	(26,752)		
Realized gain on recovery of bankruptcy claim					(18,277)
Unit-based compensation expenses	15,089	13,792	22,243	11,181	14,834
Exploration costs	7,169	5,168	2,390	995	817
Income tax (benefit) expense	(4,221)	4,241	5,466	5,868	9,430
Discontinued operations	2,351				
Adjusted EBITDA	\$ 566,235	\$ 732,131	\$ 997,621	\$ 473,602	\$ 621,274

**Table of Contents****Adjusted Net Income (Non-GAAP Measure)**

Adjusted net income is a performance measure used by Company management to evaluate its operational performance from oil and natural gas properties, prior to unrealized (gains) losses on derivatives, realized (gains) losses on canceled derivatives, realized gain on recovery of bankruptcy claim, impairment of long-lived assets, loss on extinguishment of debt and (gains) losses on sale of assets, net.

The following presents a reconciliation of net income (loss) to adjusted net income (unaudited):

	Year Ended December 31,			Six Months Ended	
	2009	2010	2011	2011	June 30, 2012
	(in thousands, except per unit amounts)				
Net income (loss)	\$ (298,192)	\$ (114,288)	\$ 438,439	\$ (209,573)	\$ 230,884
Plus:					
Unrealized (gains) losses on commodity derivatives	591,379	232,376	(192,951)	261,851	(250,406)
Unrealized gains on interest rate derivatives	(16,588)	(63,978)			
Realized (gains) losses on canceled derivatives	(48,977)	123,865	(26,752)		
Realized gain on recovery of bankruptcy claim					(18,277)
Impairment of long-lived assets		38,600			146,499
Loss on extinguishment of debt			94,612	94,372	
(Gains) losses on sale of assets and other, net	(23,051)	2,914	(17)	(986)	921
Discontinued operations	2,351				
<b>Adjusted net income</b>	<b>\$ 206,922</b>	<b>\$ 219,489</b>	<b>\$ 313,331</b>	<b>\$ 145,664</b>	<b>\$ 109,621</b>
Income (loss) from continuing operations per unit basic	\$ (2.50)	\$ (0.80)	\$ 2.52	\$ (1.25)	\$ 1.17
Plus, per unit:					
Unrealized (gains) losses on commodity derivatives	4.95	1.63	(1.11)	1.56	(1.26)
Unrealized gains on interest rate derivatives	(0.14)	(0.45)			
Realized (gains) losses on canceled derivatives	(0.41)	0.87	(0.15)		
Realized gain on recovery of bankruptcy claim					(0.09)
Impairment of long-lived assets		0.27			0.74
Loss on extinguishment of debt			0.54	0.56	
(Gains) losses on sale of assets and other, net	(0.19)	0.02		(0.01)	
Discontinued operations	0.02				
<b>Adjusted net income per unit basic</b>	<b>\$ 1.73</b>	<b>\$ 1.54</b>	<b>\$ 1.80</b>	<b>\$ 0.86</b>	<b>\$ 0.56</b>

**Critical Accounting Policies and Estimates**

The discussion and analysis of LINN's financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these

## **Table of Contents**

financial statements requires LINN to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. LINN evaluates its estimates and assumptions on a regular basis. LINN bases estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in the preparation of financial statements.

Below are expanded discussions of LINN's more significant accounting policies, estimates and judgments, i.e., those that reflect more significant estimates and assumptions used in the preparation of its financial statements.

### ***Recently Issued Accounting Standards***

In December 2011, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ) that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU requires disclosure of both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The ASU will be applied retrospectively and is effective for periods beginning on or after January 1, 2013. LINN is currently evaluating the impact, if any, of the adoption of this ASU on its consolidated financial statements and related disclosures.

In May 2011, the FASB issued an ASU that further addresses fair value measurement accounting and related disclosure requirements. The ASU clarifies the FASB's intent regarding the application of existing fair value measurement and disclosure requirements, changes the fair value measurement requirements for certain financial instruments, and sets forth additional disclosure requirements for other fair value measurements. The ASU is to be applied prospectively and is effective for periods beginning after December 15, 2011. The adoption of the requirements of the ASU, which expanded disclosures, had no effect on LINN's results of operations or financial position.

### ***Oil and Natural Gas Reserves***

Proved reserves are based on the quantities of oil, natural gas and NGL that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. The independent engineering firm DeGolyer and MacNaughton prepared a reserve and economic evaluation of all of LINN properties on a well-by-well basis as of December 31, 2011, and the reserve estimates reported herein were prepared by DeGolyer and MacNaughton. The reserve estimates were reviewed and approved by LINN's senior engineering staff and management, with final approval by its Executive Vice President and Chief Operating Officer.

Reserves and their relation to estimated future net cash flows impact LINN's depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. The process performed by the independent engineers to prepare reserve amounts included their estimation of reserve quantities, future producing rates, future net revenue and the present value of such future net revenue, based in part on data provided by LINN. The estimates of reserves conform to the guidelines of the SEC, including the criteria of reasonable certainty, as it pertains to expectations about the recoverability of reserves in future years.

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## **Table of Contents**

The accuracy of reserve estimates is a function of many factors including the following: the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions and the judgments of the individuals preparing the estimates. In addition, reserve estimates are a function of many assumptions, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil, natural gas and NGL eventually recovered. For additional information regarding estimates of reserves, including the standardized measure of discounted future net cash flows, see Supplemental Oil and Natural Gas Data (Unaudited) in LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus.

### ***Oil and Natural Gas Properties***

#### ***Proved Properties***

LINN accounts for oil and natural gas properties in accordance with the successful efforts method. In accordance with this method, all leasehold and development costs of proved properties are capitalized and amortized on a unit-of-production basis over the remaining life of the proved reserves and proved developed reserves, respectively.

LINN 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 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. The underlying commodity prices embedded in LINN's estimated cash flows are the product of a process that begins with New York Mercantile Exchange ( NYMEX ) forward curve pricing, adjusted for estimated location and quality differentials, as well as other factors that Company management believes will impact realizable prices. Costs of retired, sold or abandoned properties that constitute a part of an amortization base are charged or credited, net of proceeds, to accumulated depreciation, depletion and amortization unless doing so significantly affects the unit-of-production amortization rate, in which case a gain or loss is recognized currently. Gains or losses from the disposal of other properties are recognized currently. Expenditures for maintenance and repairs necessary to maintain properties in operating condition are expensed as incurred. Estimated dismantlement and abandonment costs are capitalized, net of salvage, at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves. LINN capitalizes interest on borrowed funds related to its share of costs associated with the drilling and completion of new oil and natural gas wells. Interest is capitalized only during the periods in which these assets are brought to their intended use. LINN capitalized interest costs of approximately \$2 million, \$1 million and \$300,000 for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, respectively.

#### ***Impairment of Proved Properties***

Based on the analysis described above, LINN recorded no impairment charge of proved oil and natural gas properties for the years ended December 31, 2011, and December 31, 2009. During the six months ended June 30, 2012, LINN recorded a noncash impairment charge, before and after tax, of approximately \$146 million associated with proved oil and natural gas properties related to a decline in commodity prices. For the year ended December 31, 2010, LINN recorded a noncash impairment charge, before and after tax, of approximately \$39 million primarily associated with proved oil and natural gas properties related to an unfavorable marketing contract. 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 charges are included in impairment of long-lived assets on the consolidated statements of operations.

**Table of Contents***Unproved Properties*

Costs related to unproved properties include costs incurred to acquire unproved reserves. Because these reserves do not meet the definition of proved reserves, the related costs are not classified as proved properties. The fair values of unproved 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 unproved 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. The market-based weighted average cost of capital rate is subjected to additional project-specific risk factors. Unproved leasehold costs are capitalized and amortized on a composite basis if individually insignificant, based on past success, experience and average lease-term lives. Individually significant leases are reclassified to proved properties if successful and expensed on a lease by lease basis if unsuccessful or the lease term expires. Unamortized leasehold costs related to successful exploratory drilling are reclassified to proved properties and depleted on a unit-of-production basis. LINN assesses unproved properties for impairment quarterly on the basis of its experience in similar situations and other factors such as the primary lease terms of the properties, the average holding period of unproved properties, and the relative proportion of such properties on which proved reserves have been found in the past.

*Exploration Costs*

Geological and geophysical costs, delay rentals, amortization and impairment of unproved leasehold costs and costs to drill exploratory wells that do not find proved reserves are expensed as exploration costs. The costs of any exploratory wells are carried as an asset if the well finds a sufficient quantity of reserves to justify its capitalization as a producing well and as long as LINN is making sufficient progress towards assessing the reserves and the economic and operating viability of the project. LINN recorded noncash leasehold impairment expenses related to unproved properties of approximately \$2 million, \$5 million and \$7 million for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, which are included in exploration costs on the consolidated statements of operations.

*Revenue Recognition*

Sales of oil, natural gas and NGL are recognized when the product has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable.

LINN has elected the entitlements method to account for natural gas production imbalances. Imbalances occur when LINN sells more or less than its entitled ownership percentage of total natural gas production. In accordance with the entitlements method, any amount received in excess of LINN's share is treated as a liability. If LINN receives less than its entitled share, the underproduction is recorded as a receivable. At December 31, 2011, and December 31, 2010, LINN had natural gas production imbalance receivables of approximately \$19 million and \$18 million, respectively, which are included in accounts receivable - trade, net on the consolidated balance sheets and natural gas production imbalance payables of approximately \$9 million and \$8 million, respectively, which are included in accounts payable and accrued expenses on the consolidated balance sheets.

LINN engages in the purchase, gathering and transportation of third-party natural gas and subsequently markets such natural gas to independent purchasers under separate arrangements. As such, LINN separately reports third-party marketing sales and natural gas marketing expenses.

*Asset Retirement Obligations*

LINN 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 when the obligation is incurred, and are amortized over proved developed reserves using the unit-of-production method. Accretion expense is included in

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## **Table of Contents**

depreciation, depletion and amortization on the consolidated statements of operations. The fair values of additions to the asset retirement obligations are 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 LINN's management at the time of the valuation and are the most sensitive and subject to change. Revisions in estimated liabilities can result from revisions of estimated inflation rates, escalating retirement costs and changes in the estimated timing of settling asset retirement obligations.

### ***Derivative Instruments***

LINN uses derivative financial instruments to reduce exposure to fluctuations in the prices of oil and natural gas. By removing a significant portion of the price volatility associated with future production, LINN expects to mitigate, but not eliminate, the potential effects of variability in cash flow from operations due to fluctuations in commodity prices. These transactions are primarily in the form of swap contracts and put options. A swap contract specifies a fixed price that LINN will receive from the counterparty as compared to floating market prices, and on the settlement date LINN will receive or pay the difference between the swap price and the market price. A put option requires LINN to pay the counterparty a premium equal to the fair value of the option at the purchase date and receive from the counterparty the excess, if any, of the fixed price floor over the market price at the settlement date. In addition, LINN may from time to time enter into derivative contracts in the form of interest rate swaps to minimize the effects of fluctuations in interest rates. Currently, LINN has no outstanding derivative contracts in the form of interest rate swaps.

Derivative instruments (including certain derivative instruments embedded in other contracts that require bifurcation) are recorded at fair value and included on the consolidated balance sheets as assets or liabilities. LINN did not designate these contracts as cash flow hedges; therefore, the changes in fair value of these instruments are recorded in current earnings. LINN uses certain pricing models to determine the fair value of its derivative financial instruments. 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 securities trade in active markets.

### ***Acquisition Accounting***

LINN accounts for business combinations under the acquisition method of accounting. Accordingly, LINN recognizes amounts for identifiable assets acquired and liabilities assumed equal to their estimated acquisition date fair values. Transaction and integration costs associated with business combinations are expensed as incurred.

LINN makes various assumptions in estimating the 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. The most significant assumptions relate to the estimated fair values of proved and unproved oil and natural gas properties. The fair values of these properties are measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation 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. The market-based weighted average cost of capital rate is subjected to additional project-specific risk factors. To compensate for the inherent risk of estimating and valuing unproved properties, the discounted future net revenues of probable and possible reserves are reduced by additional risk-weighting factors. In addition, when appropriate, LINN reviews comparable purchases and sales of oil and natural gas properties within the same regions, and uses that data as a proxy for fair market value; i.e., the amount a willing buyer and seller would enter into in exchange for such properties.



## **Table of Contents**

Any excess of the acquisition price over the estimated fair value of net assets acquired is recorded as goodwill while any excess of the estimated fair value of net assets acquired over the acquisition price is recorded in current earnings as a gain. Deferred taxes are recorded for any differences between the assigned values and the tax basis of assets and liabilities. Estimated deferred taxes are based on available information concerning the tax basis of assets acquired and liabilities assumed and loss carryforwards at the acquisition date, although such estimates may change in the future as additional information becomes known.

While the estimated fair values of the assets acquired and liabilities assumed have no effect on cash flow, they can have an effect on future results of operations. Generally, higher fair values assigned to oil and natural gas properties result in higher future depreciation, depletion and amortization expense, which results in decreased future net earnings. Also, a higher fair value assigned to oil and natural gas properties, based on higher future estimates of commodity prices, could increase the likelihood of impairment in the event of lower commodity prices or higher operating costs than those originally used to determine fair value. The recording of impairment expense has no effect on cash flow but results in a decrease in net income for the period in which the impairment is recorded.

### ***Legal, Environmental and Other Contingencies***

A provision for legal, environmental and other contingencies is charged to expense when the loss is probable and the cost can be reasonably estimated. Determining when expenses should be recorded for these contingencies and the appropriate amounts of the accrual is subject to an estimation process that requires subjective judgment of management. In many cases, management's judgment is based on the advice and opinions of legal counsel and other advisers, the interpretation of laws and regulations which can be interpreted differently by regulators and/or courts of law, the experience of LINN and other companies dealing with similar matters, and management's decision on how it intends to respond to a particular matter; for example, a decision to contest it vigorously or a decision to seek a negotiated settlement. LINN's management closely monitors known and potential legal, environmental and other contingencies and periodically determines when it should record losses for these items based on information available to LINN.

### ***Unit-Based Compensation***

LINN recognizes expense for unit-based compensation over the requisite service period in an amount equal to the fair value of unit-based payments granted to employees and nonemployee directors.

### **Quantitative and Qualitative Disclosures About Market Risk**

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about potential exposure to market risks. The term "market risk" refers to the risk of loss arising from adverse changes in commodity prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how LINN views and manages its ongoing market risk exposures. All of LINN's market risk sensitive instruments were entered into for purposes other than trading.

The following should be read in conjunction with the financial statements and related discussion included elsewhere in this registration statement.

### ***Commodity Price Risk***

LINN enters into derivative contracts with respect to a portion of its projected production through various transactions that provide an economic hedge of the risk related to the future commodity prices received. LINN does not enter into derivative contracts for trading purposes (see Note 7 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus).

## **Table of Contents**

At June 30, 2012, the fair value of fixed price swaps and put contracts that settle during the next 12 months was a net asset of approximately \$469 million. A 10% increase in the index oil and natural gas prices above the June 30, 2012, prices for the next 12 months would result in a net asset of approximately \$310 million which represents a decrease in the fair value of approximately \$159 million; conversely, a 10% decrease in the index oil and natural gas prices would result in a net asset of approximately \$634 million, which represents an increase in the fair value of approximately \$165 million.

### ***Interest Rate Risk***

At June 30, 2012, LINN had long-term debt outstanding under its Credit Facility of approximately \$1.2 billion, which incurred interest at floating rates. A 1% increase in the London Interbank Offered Rate ( LIBOR ) would result in an estimated \$12 million increase in annual interest expense.

### ***Counterparty Credit Risk***

LINN accounts for its commodity derivatives and, when applicable, its interest rate derivatives at fair value on a recurring basis (see Note 8 to LINN's historical audited financial statements for the year ended December 31, 2011, included elsewhere in this prospectus). The fair value of these derivative financial instruments includes the impact of assumed credit risk adjustments, which are based on LINN's and its counterparties published credit ratings, public bond yield spreads and credit default swap spreads, as applicable.

At June 30, 2012, the average public bond yield spread utilized to estimate the impact of LINN's credit risk on derivative liabilities was approximately 2.96%. A 1% increase in the average public bond yield spread would result in an estimated \$10,000 increase in net income for the six months ended June 30, 2012. At June 30, 2012, the credit default swap spreads utilized to estimate the impact of its counterparties' credit risk on derivative assets ranged between 0.00% and 4.72%. A 1% increase in each of the counterparties' credit default swap spreads would result in an estimated \$21 million decrease in net income for the six months ended June 30, 2012.

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**Table of Contents**

**BUSINESS**

**LinnCo**

We are a limited liability company formed in Delaware in April 2012. Upon completion of this offering, our only business will consist of owning LINN units. We will have no operations prior to the closing of this offering. As a result, our financial condition and results of operations following this offering will depend entirely upon the performance of LINN. We do not expect to have any income or cash flow other than distributions we receive in respect of our LINN units. When LINN makes distributions on the units, we will pay a dividend on our shares of the cash we receive in respect of our LINN units, net of reserves for income taxes payable by us. For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that our income tax liability will be between 2% and 5% of the cash distributed to us. On July 24, 2012, LINN declared a regular quarterly cash distribution of \$0.725 per unit, or \$2.90 per unit on an annualized basis. Accordingly, if LINN were to maintain its current annualized distribution of \$2.90 per unit through 2015, the amount reserved to pay income taxes of LinnCo is estimated to be between \$0.06 and \$0.15 per share for each of the periods ending December 31, 2012, 2013, 2014 and 2015.

We have elected to be treated as a corporation for U.S. federal income tax purposes. As a result, an owner of our shares will not report on its U.S. federal income tax return any of our items of income, gain, loss and deduction, nor will they receive a Schedule K-1. Our shareholders also will not be subject to state income tax filings in the various states in which LINN conducts operations as a result of owning our shares. Like shareholders of a corporation, our shareholders will be subject to U.S. federal income tax, as well as any applicable state or local income tax, on taxable dividends received by them. Please read [Material U.S. Federal Income Tax Consequences](#) for additional details.

**LINN**

**Overview**

LINN's mission is to acquire, develop and maximize cash flow from a growing portfolio of long-life oil and natural gas assets. LINN is an independent oil and natural gas company that began operations in March 2003 and completed its initial public offering ( IPO ) in January 2006. LINN's properties are located in the United States, primarily in the Mid-Continent, Hugoton Basin, Green River Basin, Permian Basin, Michigan/Illinois, California, Williston/Powder River Basin, and East Texas.

Proved reserves at December 31, 2011, were 3,370 Bcfe, of which approximately 34% were oil, 50% were natural gas and 16% were natural gas liquids ( NGL ). Approximately 60% were classified as proved developed, with a total standardized measure of discounted future net cash flows of \$6.6 billion. At December 31, 2011, LINN operated 7,759 or 69% of its 11,230 gross productive wells and had an average proved reserve-life index of approximately 22 years, based on the December 31, 2011, reserve report and fourth quarter 2011 annualized production.

**Recent Developments**

***Anadarko Joint Venture***

On April 3, 2012, LINN entered into a joint venture agreement with an affiliate of Anadarko whereby LINN will participate as a partner in the CO<sub>2</sub>-enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of \$400 million of Anadarko's development costs. The acquisition included approximately 16 MMBoe (96 Bcfe) of proved reserves as of the agreement date.

## **Table of Contents**

### ***Acquisitions***

On July 31, 2012, LINN completed the Green River Acquisition, which included certain oil and natural gas properties located in the Green River Basin area of southwest Wyoming, for total consideration of approximately \$990 million. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

On May 1, 2012, LINN completed the acquisition of properties located in east Texas for total consideration of approximately \$168 million. The acquisition included approximately 110 Bcfe of proved reserves as of the acquisition date.

On March 30, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Hugoton Basin area of southwestern Kansas for total consideration of \$1.17 billion. The acquisition included approximately 701 Bcfe of proved reserves as of the acquisition date.

Proved reserves as of the acquisition date for all of the above referenced acquisitions were estimated using the average oil and natural gas prices during the preceding 12-month period, determined as an unweighted average of the first-day-of-the-month prices for each month.

LINN regularly engages in discussions with potential sellers regarding acquisition opportunities. Such acquisition efforts may involve its participation in auction processes, as well as situations in which LINN believes it is the only party or one of a very limited number of potential buyers in negotiations with the potential seller. These acquisition efforts can involve assets that, if acquired, would have a material effect on its financial condition and results of operations.

### ***Distributions***

On July 24, 2012, LINN's Board of Directors declared a cash distribution of \$0.725 per unit with respect to the second quarter of 2012. The distribution, totaling approximately \$145 million, was paid on August 14, 2012, to unitholders of record as of the close of business on August 7, 2012.

On April 24, 2012, LINN's Board of Directors declared a cash distribution of \$0.725 per unit, or \$2.90 per unit on an annualized basis, with respect to the first quarter of 2012, which was paid on May 15, 2012 to unitholders of record at the close of business May 8, 2012.

On January 27, 2012, LINN's Board of Directors declared a cash distribution of \$0.69 per unit, or \$2.76 per unit on an annualized basis, with respect to the fourth quarter of 2011. The distribution, totaling approximately \$138 million, was paid on February 14, 2012, to unitholders of record as of the close of business on February 7, 2012.

### **Operating Regions**

LINN's properties are currently located in eight operating regions in the U.S.:

Mid-Continent, which includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays);

Hugoton Basin, which includes properties located primarily in Kansas and the Shallow Texas Panhandle;

Green River Basin, which includes properties located in southwest Wyoming;

Permian Basin, which includes areas in west Texas and southeast New Mexico;

Michigan/Illinois, which includes the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois;

California, which includes the Brea Olinda Field of the Los Angeles Basin;

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**Table of Contents**

Williston/Powder River Basin, which includes the Bakken formation in North Dakota and the Powder River Basin in Wyoming; and

East Texas, which includes properties located in east Texas.

***Mid-Continent***

The Mid-Continent region includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays). Wells in this diverse region produce from both oil and natural gas reservoirs at depths ranging from 1,500 feet to over 18,000 feet. The Granite Wash formation is currently being developed using horizontal drilling and multi-stage stimulations. In the northern Texas Panhandle and extending into western Oklahoma, the Cleveland formation is being developed as a horizontal oil play. Elsewhere in Oklahoma, several producing formations are being targeted using similar horizontal drilling and completion technologies. The majority of wells in this region are mature, low-decline oil and natural gas wells. Mid-Continent proved reserves represented approximately 37% of Pro Forma Proved Reserves. Of these reserves, 53% were classified as proved developed.

To more efficiently transport its natural gas in the Mid-Continent region to market, LINN owns and operates a network of natural gas gathering systems comprised of approximately 300 miles of pipeline and associated compression and metering facilities. In connection with the horizontal development activities in the Granite Wash, LINN continues to expand this gathering system which connects to numerous natural gas processing facilities in the region.

***Hugoton Basin***

The Hugoton Basin is a large oil and natural gas producing area located in the central portion of the Texas Panhandle extending into southwestern Kansas. LINN's Texas properties in the basin primarily produce from the Brown Dolomite formation at depths of approximately 3,200 feet. LINN's Kansas properties in the basin, acquired in March 2012, primarily produce from the Council Grove and Chase formations at depths ranging from 2,500 feet to 3,000 feet. Hugoton Basin proved reserves represented approximately 21% of Pro Forma Proved Reserves. Of these reserves, 87% were classified as proved developed.

To more efficiently transport its natural gas in the Texas Panhandle to market, LINN owns and operates a network of natural gas gathering systems comprised of approximately 665 miles of pipeline and associated compression and metering facilities that connect to numerous sales outlets in the area. LINN also owns and operates the Jayhawk natural gas processing plant in southwestern Kansas with a capacity of approximately 450 MMcfe/d, allowing LINN to extract maximum value from the liquids-rich natural gas produced in the area. LINN's production in the area is delivered to the plant via a system of approximately 2,100 miles of pipeline and related facilities operated by LINN, of which approximately 250 miles is owned by LINN.

***Green River Basin***

The Green River Basin region consists of properties acquired in July 2012 located in southwest Wyoming that primarily produce natural gas at depths ranging from 8,000 feet to 12,000 feet. Green River Basin proved reserves represented approximately 16% of LINN's Pro Forma Proved Reserves. Of these reserves, 53% were classified as proved developed.

***Permian Basin***

The Permian Basin is one of the largest and most prolific oil and natural gas basins in the U.S. LINN's properties are located in west Texas and southeast New Mexico and produce at depths ranging from 2,000 feet to 12,000 feet. The Wolfberry trend is located in the north central portion of the basin where LINN has been active drilling vertical oil wells since 2010. LINN also produces oil and natural gas from mature, low-decline wells including several waterflood properties located across the basin. Permian Basin proved reserves represented approximately 10% of Pro Forma Proved Reserves. Of these reserves, 56% were classified as proved developed.

**Table of Contents****Michigan/Illinois**

The Michigan/Illinois region includes properties producing from the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois. These wells produce at depths ranging from 600 feet to 4,000 feet. Michigan/Illinois proved reserves represented approximately 6% of Pro Forma Proved Reserves. Of these reserves, 91% were classified as proved developed.

**California**

The California region consists of the Brea Olinda Field of the Los Angeles Basin. The Brea Olinda Field was discovered in 1880 and produces from the shallow Pliocene formation to the deeper Miocene formation at depths ranging from 1,000 feet to 7,500 feet. California proved reserves represented approximately 4% of Pro Forma Proved Reserves. Of these reserves, 93% were classified as proved developed.

**Williston/Powder River Basin**

The Williston/Powder River Basin region includes the Bakken formation in North Dakota and the Powder River Basin in Wyoming. LINN's non-operated properties in the Williston Basin, one of the premier oil basins in the U.S., produce at depths ranging from 9,000 feet to 12,000 feet. LINN's properties in the Powder River Basin, acquired in April 2012, consist of a CO<sub>2</sub> flood operated by Anadarko in the Salt Creek Field. Williston/Powder River Basin proved reserves represented approximately 4% of Pro Forma Proved Reserves. Of these reserves, 63% were classified as proved developed.

**East Texas**

The East Texas region consists of properties acquired in May 2012 located in east Texas that primarily produce natural gas from the Cotton Valley formation at depths of approximately 11,000 feet. Proved reserves for these mature, low-decline producing properties, all of which are proved developed, represented approximately 2% of LINN's Pro Forma Proved Reserves.

**Drilling and Acreage**

The following sets forth the wells drilled during the periods indicated (gross refers to the total wells in which LINN had a working interest and net refers to gross wells multiplied by LINN's working interest):

	<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Gross wells:</b>			
Productive	72	138	292
Dry	1	1	2
	73	139	294
<b>Net development wells:</b>			
Productive	35	116	186
Dry	1	1	2
	36	117	188
<b>Net exploratory wells:</b>			
Productive			
Dry			





**Table of Contents**

The totals above do not include 8 and 25 lateral segments added to existing vertical wellbores during the years ended December 31, 2010, and December 31, 2009, respectively. There were no lateral segments added to existing vertical wellbores during the year ended December 31, 2011. At December 31, 2011, LINN had 85 gross (51 net) wells in process (no wells were temporarily suspended).

This information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation between the number of productive wells drilled and the quantities or economic value of reserves found. Productive wells are those that produce commercial quantities of oil, natural gas or NGL, regardless of whether they generate a reasonable rate of return.

The following sets forth information about LINN's drilling locations and net acres of leasehold interests as of December 31, 2011:

	<b>Total(1)</b>
Proved undeveloped	2,302
Other locations	4,154
<b>Total drilling locations</b>	<b>6,456</b>
Leasehold interests net acres (in thousands)	1,116

(1) Does not include optimization projects.

As shown in the table above, as of December 31, 2011, LINN had 2,302 proved undeveloped drilling locations (specific drilling locations as to which the independent engineering firm DeGolyer and MacNaughton assigned proved undeveloped reserves as of such date) and LINN had identified 4,154 additional unproved drilling locations (specific drilling locations as to which DeGolyer and MacNaughton has not assigned any proved reserves) on acreage that LINN has under existing leases. As successful development wells frequently result in the reclassification of adjacent lease acreage from unproved to proved, LINN expects that a significant number of its unproved drilling locations will be reclassified as proved drilling locations prior to the actual drilling of these locations.

**Productive Wells**

The following sets forth information relating to the productive wells in which LINN owned a working interest as of December 31, 2011. Productive wells consist of producing wells and wells capable of production, including wells awaiting pipeline or other connections to commence deliveries. Gross wells refers to the total number of producing wells in which LINN has an interest, and net wells refers to the sum of its fractional working interests owned in gross wells. The number of wells below does not include approximately 2,500 productive wells in which LINN owns a royalty interest only.

	Natural Gas Wells		Oil Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Operated(1)	3,889	2,925	3,870	3,578	7,759	6,503
Nonoperated(2)	1,843	369	1,628	207	3,471	576
	5,732	3,294	5,498	3,785	11,230	7,079

(1) LINN had 12 operated wells with multiple completions at December 31, 2011.

(2) LINN had no nonoperated wells with multiple completions at December 31, 2011.

**Table of Contents*****Developed and Undeveloped Acreage***

The following sets forth information relating to leasehold acreage as of December 31, 2011:

	Developed Acreage		Undeveloped Acreage		Total Acreage	
	Gross	Net	Gross (in thousands)	Net	Gross	Net
Leasehold acreage	2,352	1,060	133	56	2,485	1,116

**Production, Price and Cost History**

LINN's natural gas production is primarily sold under market sensitive price contracts, which typically sell at a differential to the New York Mercantile Exchange ( NYMEX ), Panhandle Eastern Pipeline ( PEPL ), El Paso Permian Basin, or MichCon city-gate natural gas prices due to the Btu content and the proximity to major consuming markets. LINN's natural gas production is sold to purchasers under percentage-of-proceeds contracts, percentage-of-index contracts or spot price contracts. By the terms of the percentage-of-proceeds contracts, LINN receives a percentage of the resale price received by the purchaser for sales of residual natural gas and NGL recovered after transportation and processing of natural gas. These purchasers sell the residual natural gas and NGL based primarily on spot market prices. Under percentage-of-index contracts, the price per MMBtu LINN receives for natural gas is tied to indexes published in *Gas Daily* or *Inside FERC Gas Market Report*. Although exact percentages vary daily, as of December 31, 2011, approximately 90% of LINN's natural gas and NGL production was sold under short-term contracts at market-sensitive or spot prices. At December 31, 2011, LINN had natural gas throughput delivery commitments under long-term contracts of approximately 784 MMcf for the year ended December 31, 2012, and approximately 31 Bcf to be delivered by August 2015.

LINN's oil production is primarily sold under market sensitive contracts, which typically sell at a differential to NYMEX, and as of December 31, 2011, approximately 90% of its oil production was sold under short-term contracts. At December 31, 2011, LINN had no delivery commitments for oil production.

As discussed in the Strategy section above, LINN enters into derivative contracts primarily in the form of swap contracts and put options to reduce the impact of commodity price volatility on its cash flow from operations. By removing a significant portion of the price volatility associated with future production, LINN expects to mitigate, but not eliminate, the potential effects of variability in cash flow due to fluctuations in commodity prices.

**Table of Contents**

The following sets forth information regarding average daily production, average prices and average costs for each of the periods indicated:

	Year Ended December 31,			Six Months Ended	
	2009	2010	2011	June 30, 2011	June 30, 2012
<b>Average daily production:</b>					
Natural gas (MMcf/d)	125	137	175	163	273
Oil (MBbls/d)	9.0	13.1	21.5	19.3	27.2
NGL (MBbls/d)	6.5	8.3	10.8	9.3	19.1
Total (MMcfe/d)	218	265	369	335	550
<b>Weighted average prices (hedged):(1)</b>					
Natural gas (Mcf)	\$ 8.27	\$ 8.52	\$ 8.20	\$ 8.68	\$ 5.93
Oil (Bbl)	\$ 110.94	\$ 94.71	\$ 89.21	\$ 88.35	\$ 92.86
NGL (Bbl)	\$ 28.04	\$ 39.14	\$ 42.88	\$ 44.70	\$ 33.21
<b>Weighted average prices (unhedged):(2)</b>					
Natural gas (Mcf)	\$ 3.51	\$ 4.24	\$ 4.35	\$ 4.66	\$ 2.52
Oil (Bbl)	\$ 55.25	\$ 75.16	\$ 91.24	\$ 94.34	\$ 92.12
NGL (Bbl)	\$ 28.04	\$ 39.14	\$ 42.88	\$ 44.70	\$ 33.21
<b>Average NYMEX prices:</b>					
Natural gas (MMBtu)	\$ 3.99	\$ 4.40	\$ 4.05	\$ 4.22	\$ 2.48
Oil (Bbl)	\$ 61.94	\$ 79.53	\$ 95.12	\$ 98.33	\$ 98.21
<b>Costs per Mcfe of production:</b>					
Lease operating expenses	\$ 1.67	\$ 1.64	\$ 1.73	\$ 1.69	\$ 1.42
Transportation expenses	\$ 0.23	\$ 0.20	\$ 0.21	\$ 0.20	\$ 0.32
General and administrative expenses(3)	\$ 1.08	\$ 1.02	\$ 0.99	\$ 1.02	\$ 0.84
Depreciation, depletion and amortization	\$ 2.53	\$ 2.46	\$ 2.48	\$ 2.40	\$ 2.60
Taxes, other than income taxes	\$ 0.35	\$ 0.47	\$ 0.58	\$ 0.59	\$ 0.56

- (1) Includes the effect of realized gains on derivatives of approximately \$401 million (excluding \$49 million realized net gains on canceled contracts), \$308 million, \$230 million (excluding \$27 million realized gains on canceled contracts), \$98 million and \$173 million (excluding approximately \$18 million realized gain on recovery of bankruptcy claim) for the years ended December 31, 2009, December 31, 2010, and December 31, 2011, and the six months ended June 30, 2011 and June 30, 2012, respectively.
- (2) Does not include the effect of realized gains (losses) on derivatives.
- (3) General and administrative expenses for the years ended December 31, 2009, December 31, 2010, and December 31, 2011, and the six months ended June 30, 2011 and June 30, 2012, include approximately \$15 million, \$13 million, \$21 million, \$11 million and \$14 million, respectively, of noncash unit-based compensation expenses. Excluding these amounts, general and administrative expenses for the years ended December 31, 2009, December 31, 2010, and December 31, 2011, and the six months ended June 30, 2011 and June 30, 2012, were \$0.90 per Mcfe, \$0.88 per Mcfe, \$0.83 per Mcfe, \$0.85 per Mcfe and \$0.70 per Mcfe, respectively. This measure is not in accordance with U.S. Generally Accepted Accounting Principles ( GAAP ) and thus is a non-GAAP measure, used by management to analyze LINN 's performance.

**Table of Contents****Reserve Data****Proved Reserves**

The following sets forth estimated proved oil, natural gas and NGL reserves and the standardized measure of discounted future net cash flows at December 31, 2011, based on reserve reports prepared by independent engineers, DeGolyer and MacNaughton:

<b>Estimated proved developed reserves:</b>	
Natural gas (Bcf)	998
Oil (MMBbls)	125
NGL (MMBbls)	48
Total (Bcfe)	2,034
<b>Estimated proved undeveloped reserves:</b>	
Natural gas (Bcf)	677
Oil (MMBbls)	64
NGL (MMBbls)	46
Total (Bcfe)	1,336
Estimated total proved reserves (Bcfe)	3,370
Proved developed reserves as a percentage of total proved reserves	60%
Standardized measure of discounted future net cash flows (in millions)(1)	\$ 6,615
<b>Representative NYMEX prices:(2)</b>	
Natural gas (MMBtu)	\$ 4.12
Oil (Bbl)	\$ 95.84

(1) This measure is not intended to represent the market value of estimated reserves.

(2) 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, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The average price used to estimate reserves is held constant over the life of the reserves.

During the year ended December 31, 2011, LINN's proved undeveloped reserves ( PUDs ) increased to 1,336 Bcfe from 935 Bcfe at December 31, 2010, representing an increase of 401 Bcfe. The increase was primarily due to 364 Bcfe added as a result of LINN's acquisitions in the Mid-Continent Deep, Permian Basin and Williston Basin regions and 346 Bcfe added as a result of its drilling activities in the Texas Panhandle Granite Wash, partially offset by PUDs developed during 2011.

During the year ended December 31, 2011, LINN incurred approximately \$307 million in capital expenditures to convert 178 Bcfe of reserves classified as PUDs at December 31, 2010. Based on the December 31, 2011 reserve report, the amounts of capital expenditures estimated to be incurred in 2012, 2013 and 2014 to develop LINN's PUDs are approximately \$765 million, \$836 million and \$556 million, respectively. The amount and timing of these expenditures will depend on a number of factors, including actual drilling results, service costs and product prices. Of the 1,336 Bcfe of PUDs at December 31, 2011, seven Bcfe remained undeveloped for five years or more; however, the property is included in LINN's 2012 development plan. All PUD properties are included in LINN's current five-year development plan.

Reserve engineering is inherently a subjective process of estimating underground accumulations of oil, natural gas and NGL that cannot be measured exactly. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Accordingly, reserve estimates may vary from the quantities of oil, natural gas and NGL that are ultimately recovered. Future prices received for production may vary, perhaps significantly, from the prices assumed for the purposes of estimating the standardized measure of discounted future net cash flows. The standardized measure of discounted future net

## **Table of Contents**

cash flows should not be construed as the market value of the reserves at the dates shown. The 10% discount factor required to be used under the provisions of applicable accounting standards may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with LINN or the oil and natural gas industry. The standardized measure of discounted future net cash flows is materially affected by assumptions about the timing of future production, which may prove to be inaccurate.

The reserve estimates reported herein were prepared by independent engineers, DeGolyer and MacNaughton. The process performed by the independent engineers to prepare reserve amounts included their estimation of reserve quantities, future producing rates, future net revenue and the present value of such future net revenue, is based in part on data provided by LINN. When preparing the reserve estimates, the independent engineering firm did not independently verify the accuracy and completeness of the information and data furnished by LINN with respect to ownership interests, production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the properties and sales of production. However, if in the course of their work, something came to their attention that brought into question the validity or sufficiency of any such information or data, they did not rely on such information or data until they had satisfactorily resolved their questions relating thereto. The estimates of reserves conform to the guidelines of the SEC, including the criteria of reasonable certainty, as it pertains to expectations about the recoverability of reserves in future years. The independent engineering firm also prepared estimates with respect to reserve categorization, using the definitions for proved reserves set forth in Regulation S-X Rule 4-10(a) and subsequent SEC staff interpretations and guidance.

LINN's internal control over the preparation of reserve estimates is a process designed to provide reasonable assurance regarding the reliability of LINN's reserve estimates in accordance with SEC regulations. The preparation of reserve estimates was overseen by LINN's Reservoir Engineering Advisor, who has Master of Petroleum Engineering and Master of Business Administration degrees and more than 25 years of oil and natural gas industry experience. The reserve estimates were reviewed and approved by LINN's senior engineering staff and management, with final approval by its Executive Vice President and Chief Operating Officer. LINN has not filed reserve estimates with any federal authority or agency, with the exception of the SEC.

## **Operational Overview**

### ***General***

LINN generally seeks to be the operator of its properties so that it can develop drilling programs and optimization projects that not only replace production, but add value through reserve and production growth and future operational synergies. Many of LINN's wells are completed in multiple producing zones with commingled production and long economic lives.

### ***Principal Customers***

For the year ended December 31, 2011, sales of oil, natural gas and NGL to Enbridge Energy Partners, L.P. and DCP Midstream Partners, LP accounted for approximately 21% and 19%, respectively, of LINN's total production volumes, or 40% in the aggregate. If LINN were to lose any one of its major oil and natural gas purchasers, the loss could temporarily cease or delay production and sale of its oil and natural gas in that particular purchaser's service area. If LINN were to lose a purchaser, it believes it could identify a substitute purchaser. However, if one or more of these large purchasers ceased purchasing oil and natural gas altogether, it could have a detrimental effect on the oil and natural gas market in general and on the volume of oil and natural gas that LINN is able to sell.

### ***Competition***

The oil and natural gas industry is highly competitive. LINN encounters strong competition from other independent operators and master limited partnerships in acquiring properties, contracting for drilling and other

## **Table of Contents**

related services and securing trained personnel. LINN is also affected by competition for drilling rigs and the availability of related equipment. In the past, the oil and natural gas industry has experienced shortages of drilling rigs, equipment, pipe and personnel, which has delayed development drilling and has caused significant price increases. LINN is unable to predict when, or if, such shortages may occur or how they would affect its drilling program.

### ***Operating Hazards and Insurance***

The oil and natural gas industry involves a variety of operating hazards and risks that could result in substantial losses from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. LINN may be liable for environmental damages caused by previous owners of property it purchases and leases. As a result, LINN may incur substantial liabilities to third parties or governmental entities, the payment of which could reduce or eliminate funds available for acquisitions, development or distributions, or result in the loss of properties. In addition, LINN participates in wells on a nonoperated basis and therefore may be limited in its ability to control the risks associated with the operation of such wells.

In accordance with customary industry practices, LINN maintains insurance against some, but not all, potential losses. LINN cannot provide assurance that any insurance it obtains will be adequate to cover any losses or liabilities. LINN has elected to self-insure for certain items for which it has determined that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on LINN's financial position and results of operations. For more information about potential risks that could affect LINN, please read Risk Factors.

### ***Title to Properties***

Prior to the commencement of drilling operations, LINN conducts a title examination and performs curative work with respect to significant defects. To the extent title opinions or other investigations reflect title defects on those properties, LINN is typically responsible for curing any title defects at its expense prior to commencing drilling operations. Prior to completing an acquisition of producing leases, LINN performs title reviews on the most significant leases and, depending on the materiality of properties, LINN may obtain a title opinion or review previously obtained title opinions. As a result, LINN has obtained title opinions on a significant portion of its properties and believes that it has satisfactory title to its producing properties in accordance with standards generally accepted in the industry. Oil and natural gas properties are subject to customary royalty and other interests, liens for current taxes and other burdens that do not materially interfere with the use of or affect the carrying value of the properties.

### ***Seasonal Nature of Business***

Seasonal weather conditions and lease stipulations can limit the drilling and producing activities and other operations in regions of the U.S. in which LINN operates. These seasonal conditions can pose challenges for meeting the well drilling objectives and increase competition for equipment, supplies and personnel, which could lead to shortages and increase costs or delay operations. For example, LINN's operations may be impacted by ice and snow in the winter and by electrical storms and high temperatures in the spring and summer, as well as by wild fires in the fall.

The demand for natural gas typically decreases during the summer months and increases during the winter months. Seasonal anomalies sometimes lessen this fluctuation. In addition, certain natural gas users utilize natural gas storage facilities and purchase some of their anticipated winter requirements during the summer, which can also lessen seasonal demand fluctuations.

## **Table of Contents**

### **Environmental Matters and Regulation**

LINN's operations are subject to stringent federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. LINN's operations are subject to the same environmental laws and regulations as other companies in the oil and natural gas industry. These laws and regulations may:

require the acquisition of various permits before drilling commences;

require the installation of expensive pollution control equipment;

restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities;

limit or prohibit drilling activities on lands lying within wilderness, wetlands, areas inhabited by endangered species and other protected areas;

require remedial measures to prevent pollution from former operations, such as pit closure and plugging of abandoned wells;

impose substantial liabilities for pollution resulting from operations; and

with respect to operations affecting federal lands or leases, require preparation of a Resource Management Plan, an Environmental Assessment, and/or an Environmental Impact Statement.

These laws, rules and regulations may also restrict the production rate of oil, natural gas and NGL below the rate that would otherwise be possible. The regulatory burden on the industry increases the cost of doing business and consequently affects profitability. Additionally, Congress and federal and state agencies frequently revise environmental laws and regulations, and any changes that result in more stringent and costly waste handling, disposal and cleanup requirements for the oil and natural gas industry could have a significant impact on operating costs.

The environmental laws and regulations applicable to LINN and its operations include, among others, the following U.S. federal laws and regulations:

Clean Air Act, and its amendments, which governs air emissions;

Clean Water Act, which governs discharges to and excavations within the waters of the U.S.;

Comprehensive Environmental Response, Compensation and Liability Act ( CERCLA ), which imposes liability where hazardous releases have occurred or are threatened to occur (commonly known as Superfund );

Energy Independence and Security Act of 2007, which prescribes new fuel economy standards and other energy saving measures;

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National Environmental Policy Act, which governs oil and natural gas production activities on federal lands;

Resource Conservation and Recovery Act ( RCRA ), which governs the management of solid waste;

Safe Drinking Water Act, which governs the underground injection and disposal of wastewater; and

U.S. Department of Interior regulations, which impose liability for pollution cleanup and damages.

Various states regulate the drilling for, and the production, gathering and sale of, oil, natural gas and NGL, including imposing production taxes and requirements for obtaining drilling permits. States also regulate the method of developing new fields, the spacing and operation of wells and the prevention of waste of resources. States may regulate rates of production and may establish maximum daily production allowables from natural gas wells based on market demand or resource conservation, or both. States do not regulate wellhead prices or



## **Table of Contents**

engage in other similar direct economic regulations, but there can be no assurance that they will not do so in the future. The effect of these regulations may be to limit the amounts of oil, natural gas and NGL that may be produced from LINN's wells and to limit the number of wells or locations it can drill. The oil and natural gas industry is also subject to compliance with various other federal, state and local regulations and laws. Some of those laws relate to occupational safety, resource conservation and equal opportunity employment.

LINN believes that it substantially complies with all current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on its financial condition or results of operations. Future regulatory issues that could impact LINN include new rules or legislation regulating greenhouse gas emissions, hydraulic fracturing and air emissions.

### ***Climate Change***

In response to recent studies suggesting that emissions of carbon dioxide and certain other gases may be contributing to warming of the Earth's atmosphere, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that require a reduction in emissions of greenhouse gases ( GHG ) from motor vehicles and trigger construction and operating permit review for GHG emissions from certain stationary sources. Thus, on June 3, 2010, the EPA issued a final rule to address permitting of GHG emissions from stationary sources under the Clean Air Act's Prevention of Significant Deterioration ( PSD ) and Title V programs. This final rule tailors the PSD and Title V programs to apply to certain stationary sources of GHG emissions in a multi-step process, with the largest sources first subject to permitting. In addition, on November 8, 2010, the EPA finalized new GHG reporting requirements for upstream petroleum and natural gas systems, which were added to the EPA's existing GHG reporting rule published in 2009. Facilities containing petroleum and natural gas systems that emit 25,000 metric tons or more of CO<sub>2</sub> equivalent per year will now be required to report annual GHG emissions to the EPA, with the first report due on September 28, 2012. In addition, both houses of Congress have considered legislation to reduce emissions of GHGs, and almost one-half of the states have already taken legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Any laws or regulations that may be adopted to restrict or reduce emissions of U.S. greenhouse gases could require LINN to incur increased operating costs, and could have an adverse effect on demand for oil and natural gas.

### ***Hydraulic Fracturing***

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons from tight formations. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing operations have historically been overseen by state regulators as part of their oil and natural gas regulatory programs. However, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act's Underground Injection Control Program and has recently released draft permitting guidance documents related to this newly asserted regulatory authority. Moreover, on November 23, 2011, the EPA announced that it was granting, in part, a petition to initiate rulemaking under the Toxic Substances Control Act ( TSCA ), relating to chemical substances and mixtures used in oil and natural gas exploration or production. Further, on May 11, 2012, the Department of the Interior's Bureau of Land Management ( BLM ) issued a proposed rule that, if adopted, would require public disclosure of chemicals used in hydraulic fracturing operations after fracturing operations have been completed and would strengthen standards for well-bore integrity and management of fluids that return to the surface during and after fracturing operations on federal and Indian lands. In addition, legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. If adopted, these bills could result in additional permitting requirements for hydraulic fracturing operations as well as various restrictions on those operations. These permitting requirements and restrictions could result in delays in operations at well sites and also increased costs to make wells productive.

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## **Table of Contents**

There are also certain governmental reviews either underway or being proposed that focus on environmental aspects of hydraulic-fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic-fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic-fracturing practices. Furthermore, a number of federal agencies are analyzing, or have been requested to review, a variety of environmental issues associated with hydraulic fracturing. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with initial results expected to be available by late 2012 and final results by 2014. In addition, the U.S. Department of Energy is conducting an investigation into practices the agency could recommend to better protect the environment from drilling using hydraulic-fracturing completion methods. Also, the U.S. Department of the Interior is considering disclosure requirements or other mandates for hydraulic fracturing on federal lands. These on-going or proposed studies, depending on their course and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the Safe Drinking Water Act or other regulatory mechanisms. Moreover, some states have adopted, and other states are considering adopting, regulations that could restrict hydraulic fracturing in certain circumstances. For example, both Texas and Louisiana have adopted disclosure regulations requiring varying degrees of disclosure of the constituents in hydraulic fracturing fluids. Any such added regulation in states where LINN operates could lead to operational delays, increased operating costs and additional regulatory burdens, and reduced production of oil and natural gas, which could adversely affect LINN's revenues and results of operations.

### ***Endangered Species Act***

The federal Endangered Species Act (ESA) restricts activities that may affect endangered and threatened species or their habitats. Some of LINN's operations may be located in areas that are designated as habitat for endangered or threatened species. LINN believes that it is currently in substantial compliance with the ESA. However, the designation of previously unprotected species as being endangered or threatened could cause LINN to incur additional costs or become subject to operating restrictions in areas where the species are known to exist.

### ***Air Emissions***

On April 17, 2012, the Environmental Protection Agency (EPA) issued final rules that subject oil and natural gas production, processing, transmission and storage operations to regulation under the New Source Performance Standards (NSPS) and National Emission Standards for Hazardous Air Pollutants (NESHAP) programs. The EPA rules include NSPS standards for completions of hydraulically fractured natural gas wells. These standards require that prior to January 1, 2015 owners/operators reduce VOC emissions from natural gas not sent to the gathering line during well completion either by flaring or by capturing the gas using green completions with a completion combustion device. Beginning January 1, 2015, operators must capture the gas and make it available for use or sale, which can be done through the use of green completions. The standards are applicable to newly fractured wells as well as existing wells that are refractured. Further, the finalized regulations also establish specific new requirements, effective in 2012, for emissions from compressors, controllers, dehydrators, storage tanks, gas processing plants and certain other equipment. These rules may require changes to our operations, including the installation of new equipment to control emissions. LINN is currently evaluating the effect these rules will have on its business.

LINN cannot predict how future environmental laws and regulations may impact its properties or operations. For the year ended December 31, 2011, LINN did not incur any material capital expenditures for installation of remediation or pollution control equipment at any of LINN's facilities. LINN is not aware of any environmental issues or claims that will require material capital expenditures during 2012 or that will otherwise have a material impact on its financial position or results of operations.

### ***Employees***

As of December 31, 2011, LINN employed approximately 824 personnel. None of the employees are represented by labor unions or covered by any collective bargaining agreement. LINN believes that its relationship with its employees is satisfactory.

**Table of Contents****MANAGEMENT**

Our business and affairs will be managed by a board of directors.

The following table sets forth specific information for our executive officers and directors. All of our directors are elected annually by, and may be removed by, LINN as the owner of our sole voting share. Executive officers are appointed for one-year terms.

<b>Name</b>	<b>Age</b>	<b>Position with LinnCo</b>	<b>Position with LINN</b>
Mark E. Ellis	56	Chairman, President and Chief Executive Officer; Director	Chairman, President and Chief Executive Officer; Director
Kolja Rockov	41	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer
Arden L. Walker, Jr.	52	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer
Charlene A. Ripley	48	Senior Vice President and General Counsel	Senior Vice President and General Counsel
David B. Rottino	46	Senior Vice President and Chief Accounting Officer	Senior Vice President of Finance, Business Development and Chief Accounting Officer
George A. Alcorn	80	Independent Director	Independent Director
David D. Dunlap	50	Independent Director	Independent Director
Terrence S. Jacobs	69	Independent Director	Independent Director
Michael C. Linn	60	Director	Founder and Director
Joseph P. McCoy	61	Independent Director	Independent Director
Jeffrey C. Swoveland	57	Independent Director	Independent Director

Mark E. Ellis is our Chairman, President and Chief Executive Officer and has served in such capacity since April 2012. Mr. Ellis was appointed to our board of directors in April 2012. He is also the Chairman, President and Chief Executive Officer of LINN and has served in such capacity since December 2011. He also serves on the board of LINN, to which he was appointed in January 2010. He previously served as President, Chief Executive Officer and Director of LINN from January 2010 to December 2011. From December 2007 to January 2010, Mr. Ellis served as President and Chief Operating Officer of LINN and from December 2006 to December 2007, Mr. Ellis served as Executive Vice President and Chief Operating Officer of LINN. Mr. Ellis serves on the boards of America's Natural Gas Alliance, Houston Museum of Natural Science, The Cynthia Woods Mitchell Pavilion, Industry Board of Petroleum Engineering at Texas A&M University and the Visiting Committee of Petroleum Engineering at the Colorado School of Mines.

Kolja Rockov is an Executive Vice President and Chief Financial Officer of LinnCo and has served in such capacity since April 2012. Mr. Rockov is also an Executive Vice President and the Chief Financial Officer of Linn Energy, LLC and has served in such capacity since March 2005. Mr. Rockov has more than 15 years of experience in the oil and natural gas finance industry. From October 2004 until he joined LINN in March 2005, Mr. Rockov served as a Managing Director in the Energy Group at RBC Capital Markets, where he was primarily responsible for investment banking coverage of the U.S. exploration and production sector. Mr. Rockov is a member of the Board of Small Steps Nurturing Center in Houston.

Arden L. Walker, Jr. is an Executive Vice President of LinnCo and has served in such capacity since April 2012. Mr. Walker is also an Executive Vice President and the Chief Operating Officer of Linn Energy, LLC and has

**Table of Contents**

served in such capacity since January 2011. From January 2010 to January 2011, Mr. Walker served as Senior Vice President and Chief Operating Officer of Linn Energy, LLC. Mr. Walker joined Linn Energy, LLC in February 2007 as Senior Vice President Operations and Chief Engineer to oversee its Texas, Oklahoma and California operations. He is currently responsible for oversight of LINN's operations in all regions. From April 2006 until he joined LINN in February 2007, Mr. Walker served as Asset Development Manager, San Juan Business Unit, for ConocoPhillips Company. From June 2004 to April 2006, Mr. Walker served as General Manager, Asset Development, in the San Juan Division for Burlington Resources. Mr. Walker is a member of the Society of Petroleum Engineers and Independent Petroleum Association of America. He currently serves on the Board of Directors for the Sam Houston Area Council of the Boy Scouts of America and Theatre Under The Stars.

Charlene A. Ripley is a Senior Vice President and the General Counsel and Corporate Secretary of LinnCo and has served in that position since April 2012. She is also a Senior Vice President and the General Counsel and Corporate Secretary of Linn Energy, LLC and has served in that position since April 2007. Prior to joining LINN, Ms. Ripley held the position of Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer at Anadarko Petroleum Corporation from 2006 until April 2007 and served as Vice President, General Counsel and Corporate Secretary from 2004 until 2006. Ms. Ripley currently chairs the Oil and Gas Practice Committee of the Institute for Energy Law and serves on the board of the Texas General Counsel Forum. In addition, Ms. Ripley serves on the advisory boards of the Women's Energy Network and Executive Women's Partnership of the Greater Houston Partnership and serves on several nonprofit boards including the Impact Youth Development Center, Girls Inc. and the American Heart Association of Houston. She is also a member of the United Way of Greater Houston Women's Initiative.

David B. Rottino is a Senior Vice President and the Chief Accounting Officer of LinnCo and has served in that position since April 2012. He is also the Senior Vice President of Finance, Business Development and Chief Accounting Officer of Linn Energy, LLC and has served in that position since July 2010. From June 2008 to July 2010, Mr. Rottino served as the Senior Vice President and Chief Accounting Officer of Linn Energy, LLC. He served as Vice President and E&P Controller for El Paso Corporation from June 2006 to May 2008. Prior to joining El Paso Corporation, Mr. Rottino served as Assistant Controller for ConocoPhillips from April 2006 to June 2006. He was Vice President and Chief Financial Officer for the Canadian division of Burlington Resources from July 2005 to April 2006. Mr. Rottino is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and Texas Society of Certified Public Accountants. In addition, he currently serves on the Board of Camp for All.

George A. Alcorn was appointed to our Board of Directors in April 2012. Mr. Alcorn is an independent director. Mr. Alcorn also serves on the board of LINN, to which he was appointed in January 2006, and is Chairman of LINN's Nominating and Governance Committee. Mr. Alcorn has served as President of Alcorn Exploration, Inc., a private exploration and production company, since 1982. Mr. Alcorn is also a member of the board of directors of EOG Resources, Inc. He is a past chairman of the Independent Petroleum Association of America and a founding member and past chairman of the Natural Gas Council.

David D. Dunlap was appointed to our Board of Directors in May 2012. Mr. Dunlap is an independent director. Mr. Dunlap also serves on the board of LINN, to which he was appointed in May 2012. Mr. Dunlap has served as Chief Executive Officer, since April 2010, and President, since February 2011, of Superior Energy Services, Inc. From 2007 until April 2010, Mr. Dunlap served as Executive Vice President Chief Operating Officer of BJ Services Company, a well services provider. Mr. Dunlap also currently serves on the board of directors of Superior Energy Services, Inc.

Terrence S. Jacobs was appointed to our Board of Directors in April 2012. Mr. Jacobs is an independent director. Mr. Jacobs also serves on the board of LINN, to which he was appointed in January 2006. Mr. Jacobs has served as LINN's Lead Director since January 2012. Since 1995, Mr. Jacobs has served as President and CEO of Penneco Oil Company, which provides ongoing leasing, marketing, exploration and drilling operations for natural gas and crude oil in Pennsylvania, West Virginia and Wyoming. Mr. Jacobs currently serves on the boards of directors of Penneco Oil Company and affiliates, CMS Mid-Atlantic, Inc., the Pennsylvania

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## **Table of Contents**

Independent Oil and Gas Association and Duquesne University. Mr. Jacobs served as President of the Independent Oil and Gas Association of Pennsylvania from 1999 to 2001 and from 2003 to 2005 and has served as a director of the Independent Petroleum Association of America for the states of Delaware, Maryland, Pennsylvania and New York West from 2000-2006. He is a member of the National Petroleum Council, and he is presently serving as Chairman of the Tax Committee of the Independent Petroleum Association of America. Mr. Jacobs is a Certified Public Accountant in Pennsylvania.

Michael C. Linn was appointed to our Board of Directors in April 2012. He is also the Founder of LINN and has served as a Director of LINN since December 2011. Prior to that, he was Executive Chairman of the Board of Directors of LINN since January 2010. He served as Chairman and Chief Executive Officer of LINN from December 2007 to January 2010; Chairman, President and Chief Executive Officer of LINN from June 2006 to December 2007; and President, Chief Executive Officer and Director of LINN from March 2003 to June 2006. Following his retirement as an officer of LINN, Mr. Linn formed MCL Ventures LLC, a private investment vehicle that will focus on purchasing oil and gas royalty as well as non-operated interests in oil and gas wells, subject to the non-competition provisions in his retirement agreement with LINN. Mr. Linn serves on the National Petroleum Council and Natural Gas Council. He serves on the board of the Independent Petroleum Association of America (IPAA) and is Chairman of the IPAA Political Action Committee and past Chairman of IPAA. He serves as the Texas Representative for the Legal and Regulatory Affairs Committee of the Interstate Oil and Gas Compact Commission. He previously served as Chairman of the National Gas Council and Director of the Natural Gas Supply Association. He is former President of the Independent Oil and Gas Associations of New York, Pennsylvania and West Virginia. His civic affiliations include serving on the boards of the Texas Heart Institute, Museum of Fine Arts, Houston, Texas Children's Hospital, Houston Children's Charity, Houston Police Foundation and on the Visitors Board of the MD Anderson Cancer Center. He is the Chairman of the Texas Children's Hospital Compensation Committee. In February 2012, Mr. Linn joined the board of directors of Nabors Industries Ltd.

Joseph P. McCoy was appointed to our Board of Directors in April 2012. Mr. McCoy is an independent director and will serve as Chairman of our Audit Committee. Mr. McCoy also serves on the board of LINN, to which he was appointed in September 2007, and is Chairman of LINN's Audit Committee. Mr. McCoy served as Senior Vice President and Chief Financial Officer of Burlington Resources Inc. from 2005 until 2006 and Vice President and Controller (Chief Accounting Officer) of Burlington Resources Inc. from 2001 until 2005. Prior to joining Burlington Resources, Mr. McCoy spent 27 years with Atlantic Richfield and affiliates in a variety of financial positions. Mr. McCoy joined the Board of Directors of Global Geophysical Services, Inc. and Scientific Drilling International during 2011 and served as a member of the board of directors of Rancher Energy, Inc. and BPI Energy Corp. from 2007 to 2009. Since 2006, other than his service on our board of directors and the other boards identified above, Mr. McCoy has been retired.

Jeffrey C. Swoveland was appointed to our Board of Directors in April 2012. Mr. Swoveland is an independent director. Mr. Swoveland also serves on the board of LINN, to which he was appointed in January 2006, and is Chairman of LINN's Compensation Committee. Since June 2009, Mr. Swoveland has served as the Chief Executive Officer of ReGear Life Sciences (formerly known as Coventina Healthcare Enterprises), a medical device company that develops and markets products which reduce pain and increase the rate of healing through therapeutic, deep tissue heating. From May 2006 to June 2009, Mr. Swoveland served as Chief Operating Officer of ReGear Life Sciences. From 2000 to 2006, he served as Chief Financial Officer of BodyMedia, a life-science and bioinformatics company. From 1994 to 2000, he served as Director of Finance, VP Finance & Treasurer and Interim Chief Financial Officer of Equitable Resources, Inc., a diversified natural gas company. Mr. Swoveland is also a member of the board of directors of PDC Energy.

### **Our Board of Directors**

All of our directors currently serve as directors of LINN. We anticipate that we will have an audit committee composed of our five independent directors, Messrs. Alcorn, Dunlap, Jacobs, McCoy and Swoveland, upon the closing of the sale of shares offered by this prospectus.

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## **Table of Contents**

### **Our Executive Compensation**

Our executive officers and employees are also executive officers of, or employed directly by, LINN. LINN will make compensation decisions for, and pay compensation directly to, such individuals, and they will not receive additional compensation from us. As such, we have not paid or accrued any obligations with respect to compensation or benefits for our executive officers or employees. We do not expect to pay any salaries, bonuses or equity awards to such executive officers or employees.

### **LINN's Executive Compensation**

#### ***Compensation Discussion and Analysis***

LINN uses traditional compensation elements of base salary, annual cash incentives, long-term equity based incentives, and employee benefits to deliver attractive and competitive compensation. LINN's executive compensation programs are administered by an independent compensation committee, with assistance from an independent consultant. LINN generally targets the median of its peer group for total compensation, while providing the Named Officers with an opportunity to earn higher levels of incentive pay based on company performance. LINN's Named Officers for 2011 discussed below are Michael C. Linn, its former Executive Chairman, Mark E. Ellis, its Chairman, President and Chief Executive Officer, Kolja Rockov, its Executive Vice President and Chief Financial Officer, Arden L. Walker, Jr., its Executive Vice President and Chief Operating Officer and Charlene A. Ripley, its Senior Vice President and General Counsel. Effective December 31, 2011, Michael C. Linn retired as an officer of LINN and Mark E. Ellis succeeded Mr. Linn as Chairman of LINN's board of directors. Mr. Linn continues to serve as a director.

This Compensation Discussion and Analysis addresses the following topics:

the role of the compensation committee of LINN's board of directors (the Compensation Committee) in establishing executive compensation;

LINN's process for setting executive compensation;

LINN's compensation philosophy and policies regarding executive compensation; and

LINN's compensation decisions with respect to Named Officers.

#### ***The Compensation Committee***

The Compensation Committee has overall responsibility for the approval, evaluation and oversight of all LINN's compensation plans, policies and programs. The fundamental responsibilities of the Compensation Committee are to: (i) establish the goals, objectives and policies relevant to the compensation of LINN's senior management, and evaluate performance in light of those goals to determine compensation levels, (ii) approve and administer LINN's incentive compensation plans, (iii) set compensation levels and make awards under incentive compensation plans that are consistent with LINN's compensation principles and its performance, and (iv) review LINN's disclosure relating to compensation. The Compensation Committee also has responsibility for evaluating compensation paid to LINN's non-employee directors.

#### ***The Compensation Setting Process***

##### ***Compensation Committee Meetings***

LINN's Compensation Committee holds regular quarterly meetings each year, which coincide with LINN's quarterly board meetings. It also holds additional meetings as required to carry out its duties. The Compensation Committee Chairman works with LINN's Corporate Secretary to establish each meeting agenda.

At the regular first quarter meeting, the Compensation Committee:

considers and approves changes in base salary for the upcoming year;

**Table of Contents**

reviews actual results compared to the pre-established performance measures for the previous year to determine annual cash incentive awards for the executive officers under LINN's Employee Incentive Compensation Plan, or EICP;

grants equity awards under LINN's Amended and Restated Long-Term Incentive Plan, as amended, or LTIP;

approves the performance measures under LINN's EICP for the upcoming year, which may include both quantitative financial measures and qualitative performance measures intended to focus on and reward activities that create unitholder value;

evaluates the compensation paid to independent directors and, to the extent it deems appropriate, approves any adjustments; and

reviews the summary results of LINN's board of directors' written evaluations of LINN's Chief Executive Officer, as well as LINN's Chief Executive Officer's self evaluation.

The Compensation Committee receives updates at each quarterly meeting on LINN's progress toward the goals set at the beginning of the year. At a special meeting of the Compensation Committee held in October, the Compensation Committee reviews and discusses a compensation analysis prepared by its independent compensation consultant (please see "Role of Compensation Consultant" below) and considers compensation for the succeeding calendar year.

The Compensation Committee meets in executive session to consider appropriate compensation for LINN's Chairman, President and Chief Executive Officer. With respect to compensation for all other Named Officers, the Compensation Committee generally meets with LINN's Chairman, President and Chief Executive Officer outside the presence of all the other executive officers. When individual compensation decisions are not being considered, the Compensation Committee typically meets in the presence of LINN's former Executive Chairman, the Chairman, President and Chief Executive Officer, the General Counsel and the Corporate Secretary. Depending upon the agenda for a particular meeting, the Compensation Committee may also invite other officers, LINN's compensation consultant, and a representative of the Compensation Committee's compensation consultant to participate in Compensation Committee meetings. The Compensation Committee also regularly meets in executive session without management.

*Role of Compensation Consultant*

The Compensation Committee's Charter grants the Compensation Committee the sole and direct authority to retain and terminate compensation advisors and to approve their fees. All such advisors report directly to the Compensation Committee, and all assignments are directed by the Compensation Committee Chairman. Prior to 2011, the Compensation Committee had engaged Towers Watson for the past five years as the Compensation Committee's independent compensation consultant. In 2011, the Compensation Committee elected to engage Meridian Compensation Partners, LLC to assist the Compensation Committee in assessing and determining competitive compensation packages for LINN's executive officers. Meridian did no other work for LINN in 2011.

In this capacity, Meridian, at the Compensation Committee's request and under the direction of the Compensation Committee Chairman, reviewed LINN's compensation program and structure generally and made recommendations on the program design. Meridian also assembled information regarding comparable executive positions among independent oil and natural gas producers. Meridian's data for 2011 was based primarily on survey sources, and to a lesser extent on data compiled from the public filings of a peer group of various companies.



**Table of Contents**

In 2011, LINN increased its compensation peer group slightly by adding independent oil and natural gas producers of a similar size, based on a number of criteria including enterprise value, market capitalization, revenues and assets. The chart below identifies the members of LINN's 2010 and 2011 peer groups.

Company Name	2010 Peer Group	2011 Peer Group
Cabot Oil & Gas Corporation		Ö
Concho Resources Inc.	Ö	Ö
Cimarex Energy Co.	Ö	Ö
Denbury Resources Inc.	Ö	Ö
Newfield Exploration Company	Ö	Ö
Noble Energy, Inc.	Ö	Ö
Petrohawk Energy Corporation	Ö	Ö
Pioneer Natural Resources Company	Ö	Ö
Plains Exploration & Production Company	Ö	Ö
QEP Resources, Inc.		Ö
Range Resources Corporation	Ö	Ö
SM Energy Company		Ö
Southwestern Energy Company	Ö	Ö
Ultra Petroleum Corp.	Ö	Ö
Whiting Petroleum Corporation		Ö

LINN also employs an individual as a consultant to support it in managing its executive compensation process. The consultant did not provide any other services to LINN in 2011.

*Role of Executive Officers*

Except with respect to his own compensation, LINN's Chairman, President and Chief Executive Officer, with assistance from LINN's consultant, plays an important role in the Compensation Committee's establishment of compensation levels for LINN's executive officers. The most significant aspects of his role in the process are:

evaluating performance

recommending EICP award targets and quantitative and qualitative performance measures under LINN's EICP;

recommending base salary levels, actual EICP awards and LTIP awards; and

advising the Compensation Committee with respect to achievement of performance measures under the EICP.

***LINN's Executive Compensation Program****Compensation Objectives*

LINN's executive compensation program is intended to align the interests of its executive officers with the interests of unitholders by motivating LINN's executive officers to focus on those actions which achieve strong financial and operating results and ultimately grow the company. LINN believes that profitable growth, both organically and through acquisitions, drives its ability to maintain and increase distributions to its unitholders. The alignment of interests between unitholders and executive officers of LINN is primarily reflected through LINN's executive officers' participation in LINN's EICP and LTIP. In addition, LINN's program is designed to achieve the following objectives:

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attract and retain talented executive officers by providing total compensation levels competitive with that of executives holding comparable positions in similarly-situated organizations;

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**Table of Contents**

provide total compensation that is supported by individual performance;

provide a performance-based compensation component that balances rewards for short-term and long-term results and is tied to company performance; and

encourage the long-term commitment of LINN's executive officers to LINN and to its unitholders' long-term interests.

*Compensation Strategy*

To accomplish its objectives, LINN seeks to offer a total direct compensation program to its executive officers that, when valued in its entirety, serves to attract, motivate and retain executives with the character, experience and professional accomplishments required for LINN to continue to grow and develop. LINN seeks to align executive compensation with its unitholders' interests by placing a significant portion of total direct compensation at risk. At risk means the executive officer will not realize full value unless 1) for EICP awards, performance goals are achieved, approximately 65% of which are directly tied to LINN's financial performance, and 2) for restricted units, LINN maintains or increases both its unit price and per unit distribution. To appropriately incentivize its executive officers to take a long-term view, unit based awards under LINN's LTIP are the largest component of its at risk compensation.

LINN's executive compensation program consists of three principal elements: (i) base salary, (ii) potential for annual cash incentive compensation awards under LINN's EICP based upon the achievement of specific company performance objectives, and (iii) opportunities to earn unit-based awards under LINN's LTIP, which provide long-term incentives that are intended to encourage the achievement of superior results over time and to align the interests of executive officers with those of LINN's unitholders.

To ensure that the total compensation package LINN offers its executive officers is competitive, Meridian develops an assessment of market levels of compensation through both an analysis of survey data and information disclosed in peer companies' public filings. While the Compensation Committee considers this data when assessing the reasonableness of the executive officers' total compensation, it also considers a number of other factors including: (i) historical compensation levels, (ii) the specific role the executive plays within the company, (iii) the individual performance of the executive, and (iv) the relative compensation levels among LINN's executive officers. There is no pre-established policy or target for the Compensation Committee's allocation of total compensation between long-term compensation in the form of LTIP awards and short-term compensation in the form of base salary and EICP awards. The allocation is at the discretion of the Compensation Committee and generally is based upon an analysis of how LINN's peer companies use long-term and short-term compensation to compensate their executive officers. Each year the Compensation Committee reviews this peer company data when setting EICP targets and LTIP awards for that year but also considers other factors when granting LTIP awards, including LINN's performance and the individual Named Officer's performance.

***2011 Executive Compensation Components***

For 2011, the principal components of compensation for Named Officers were:

Short term compensation:

base salary

employee incentive compensation plan

Long-term equity compensation in the form of restricted units

Other benefits



**Table of Contents**

*Short Term Compensation*

*Base Salary.* LINN provides Named Officers and other employees with a base salary to provide them with a reasonable base level of monthly income relative to their role and responsibilities. Each of LINN’s Named Officers has an employment agreement that provides for a minimum level of base salary and upward adjustments at the discretion of the Board. For a summary of the material terms of the Named Officers employment agreements, please see Narrative Disclosure to the 2011 Summary Compensation Table in LINN’s Proxy Statement for the April 24, 2012 Annual Shareholder Meeting.

Salary levels are typically considered annually as part of LINN’s performance review process as well as upon a promotion or other change in job responsibilities. During its review of base salaries for executive officers, the Compensation Committee primarily considers:

survey and published peer data provided by the Compensation Committee’s independent compensation consultant;

internal review of the executive’s compensation, both individually and relative to other executive officers; and

recommendations by LINN’s Chairman, President and Chief Executive Officer.

For 2011, reviewing peer data and considering the other factors mentioned above under Compensation Strategy, the Compensation Committee increased the base salary of each of the Named Officers to maintain base salary around the median of LINN’s peers.

*Employee Incentive Compensation Program*

**EICP Award Targets**

LINN’s EICP is an annual cash incentive program which provides guidelines for the calculation of annual cash incentive based compensation. The EICP program is intended to focus on and reward achievement of near term financial, operating and strategic priorities that LINN believes drive long-term value for unitholders. The Compensation Committee reviews peer data in setting EICP award targets and for 2011, using peer data as a guide, set EICP award targets for each Named Officer as a percentage of base salary.

EICP award targets for LINN’s Named Officers in 2011 were set as follows:

<b>Named Officer</b>	<b>% of Base Salary</b>
Mark E. Ellis	100%
Kolja Rockov	90%
Arden L. Walker, Jr.	90%
Charlene A. Ripley	80%
Michael C. Linn	80%

**Performance Measures**

In early 2011, the Compensation Committee established 1) targets for quantitative performance measures based on LINN’s 2011 budget targets and budget ranges (other than unitholder return) and 2) qualitative strategic pathways designed to align with LINN’s strategy and future vision for the company. To ensure the right level of focus on the quantitative financial measures, the Compensation Committee decided to weight the quantitative measures at 65% and the qualitative measures at 35% in the determination of the total EICP payout.

To provide the Compensation Committee the flexibility it needs to adjust for and react to macroeconomic events, such as dramatic changes in commodity prices or volatile capital markets, the Compensation Committee



**Table of Contents**

prefers not to rely on a formulaic approach based on pre-established thresholds resulting in automatic payouts. The Compensation Committee always retains discretion to adjust actual awards as it thinks appropriate given all the circumstances at the time of award. See Actual Results below for the specific 2011 quantitative performance measures and budget targets and the qualitative strategic pathways. To determine the EICP payout levels for 2011, the Compensation Committee reviewed 1) LINN's performance on the quantitative performance measures described below, and 2) LINN's progress on and achievement of the qualitative strategic pathways.

**Quantitative Performance Measures**

For 2011, 65% percent of each Named Officer's EICP Award opportunity was based on LINN's performance with respect to the following measures set at the beginning of 2011:

- a) **Operations** - measured by actual production volumes and cash costs (including lease operating expenses and general and administrative expenses) compared to LINN's budget;
  
  - b) **Ability to Pay Distribution** - measured by
    - 1. LINN's cash flow (defined as Adjusted EBITDA less interest expense) compared to its budget for 2011; and
  
    - 2. LINN's Distribution Coverage Ratio as compared to its budget. Distribution coverage ratio is defined as Distributable Cash Flow for 2011 divided by total cash distributions. Distributable Cash Flow is defined as Adjusted EBITDA (defined below) less cash interest expense and maintenance capital.
  
  - c) **Relative Unitholder Return** - measured by LINN's total return for fiscal year 2011 compared to that of a peer group of energy master limited partnerships, selected due to management's and the Compensation Committee's view that these companies most closely align with the peer group considered by analysts and investors when comparing LINN's total return. The Compensation Committee selected the following peer group for comparison of total return: EV Energy Partners, L.P., Inergy, L.P., Buckeye Partners, L.P., El Paso Pipeline Partners, L.P., Breitburn Energy L.P., Magellan Midstream Partners, L.P. and Nustar Energy L.P.
- LINN defined Adjusted EBITDA as net income (loss) from continuing operations plus:

Net operating cash flow from acquisitions and divestitures, effective date through closing date;

Interest expense;

Depreciation, depletion and amortization;

Impairment of long-lived assets;

Write off of deferred financing fees and other;

(Gains) losses on sale of assets and other, net;

Provision for legal matters;

Loss on extinguishment of debt;

Unrealized (gains) losses on commodity derivatives;

Unrealized (gains) losses on interest rate derivatives;

Realized (gains) losses on interest rate derivatives;

Realized (gains) losses on canceled derivatives;

Unit-based compensation expenses;

Exploration costs; and

Income tax (benefit) expense.



**Table of Contents**

In setting the measures in January 2011, the Compensation Committee determined that the measures above should be weighted equally because the Compensation Committee believed that each was a factor important to LINN's overall performance and none should be given more importance or weight than the others. See "Actual Results" below for how the Compensation Committee actually considered the objectives.

**Qualitative Strategic Pathways**

The other 35% of the EICP award opportunity was based on LINN's achievement of or progress made on the following qualitative strategic pathways, which were recommended by LINN's management and reviewed by the Compensation Committee in January 2011:

- a) Consistent Operational Results and Execution;
- b) Acquisitions Excellence;
- c) Culture, People Development and Growth; and
- d) Access to Capital/Optimizing Capital Structure.

**Actual Results**

65% of the total EICP award opportunity is allocated to the quantitative performance measures described above. Upon completion of the fiscal year, the Compensation Committee reviewed and assessed LINN's performance for each quantitative measure relative to its budget, as revised throughout the year (other than unitholder return) and made a subjective determination with respect to LINN's achievement as compared to those metrics. In December 2011, after consultation with LINN's Chairman, President and Chief Executive Officer, the Compensation Committee also made the decision to consider the additional metric of cash flow per unit due to the Compensation Committee's view that it is a better metric than absolute cash flow to demonstrate LINN's ability to pay its distribution.

Results for 2011 were as follows:

	Revised Budget Target*	Revised Budget Range*	2011 Estimated Performance as of January 2012 <sup>1</sup>
<b>Operations</b>			
Volumes (MMcfe/day)	393	364-422	369
Cash Costs (Lease Operating Expenses and General and Administrative Expenses) (in millions)	\$ 317	\$ 301-333	\$ 343
Cash Costs (Lease Operating Expenses and General and Administrative Expenses) (\$/Mcf)	\$ 2.21	\$ 2.32-2.10	\$ 2.52
<b>Ability to Pay Distributions</b>			
Cash Flow (Adjusted EBITDA less Interest Expense) (in millions)	\$ 745	\$ 690-800	\$ 758
Cash Flow/Unit (Cash flow divided by units outstanding)	\$ 4.01	\$ 3.71-4.31	\$ 4.36
Distribution Coverage Ratio	1.22x	1.10-1.34x	1.25x

\* Budget targets and ranges were updated throughout the year to reflect acquisition activity, debt and equity offerings and distribution increase.

(1)

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The Compensation Committee based its decisions on estimates of 2011 performance available at the January 2012 Committee Meeting. Actual final results were released in LINN's Annual Report on Form 10-K for the year ended December 31, 2011 and LINN's Earnings Release, filed on Current Report on Form 8-K, each filed on February 23, 2012.

**Table of Contents**

**Relative Unitholder Return in 2011\*:**

**Relative Unitholder Return Over Three Years\*:**

\* In each case, this information was compiled by us using publicly available information. The charts above do not represent the annual performance graph required by Item 201(e) of Regulation S-K, which can be found in Item 5 of LINN's Annual Report on Form 10-K for the year ended December 31, 2011, filed on February 23, 2012.

**Table of Contents**

The Compensation Committee then reviewed LINN’s performance relative to the qualitative strategic pathways, which comprise the other 35% of the total EICP award opportunity, and determined that LINN had outstanding success with respect to all objectives.

Objective	Outstanding Results
Consistent Operational Results and Execution	Ö
Acquisitions Excellence	Ö
Culture People Development and Growth	Ö
Access to Capital/Optimizing Capital Structure	Ö

In its consideration of the quantitative measures, the Compensation Committee noted that due to, among other things, cost pressures and variability in production volumes, LINN’s performance on the Operations portion of the quantitative measures just met or fell below targets. In reviewing the other quantitative measures, the Compensation Committee focused on:

- 1) LINN’s positive total shareholder return relative to its peer group over the past three years; and
- 2) LINN’s exceeding its budget targets in cash flow, cash flow per unit, and distribution coverage ratio, each demonstrating the accretive nature of the acquisitions made in 2011.

In reviewing the qualitative measures, the Compensation Committee reviewed examples of LINN’s success in each category and focused on:

- 1) LINN’s ability to source, execute, close and integrate accretive acquisition opportunities which resulted in a total of approximately \$1.5 billion in asset acquisitions closed throughout 2011;
- 2) LINN’s focus on maintaining a strong corporate culture while growing the company which allows it to continue to attract and retain key employees;
- 3) LINN’s ability to quickly and opportunistically access capital markets and optimize its capital structure (liquidity position, debt and equity balance, short-term and long-term debt balance, and credit facility structure);
- 4) LINN’s broadening its investor base for both debt and equity;
- 5) LINN’s significant increase in its hedging capacity and efforts at counterparty diversification;
- 6) LINN’s success in capital program execution and its maintenance of safe and environmentally sound operations; and
- 7) LINN’s significant involvement in its community.

After reviewing the results of the quantitative and qualitative measures with a focus on the above mentioned factors, and comparing LINN’s overall performance in 2011 with its exceptional performance in 2010, the Compensation Committee also used subjective discretion and determined that an overall award of 125% of each Named Officer’s EICP award target was appropriate.

Generally, the Compensation Committee believes that company performance is a reflection of executive officer performance in total. The Compensation Committee may, however, apply discretion upward or downward to reflect individual performance. For 2011, the Compensation

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Committee did not make any differentiation in EICP awards due to individual performance; thus each Named Officer (other than Mr. Ellis whose award was rounded to slightly higher than 125%) received approximately 125% of his or her EICP award target. As an example, Mr. Rockov, whose EICP award target was 90% of his base salary, received an award of approximately 112.5% of his base salary.

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## **Table of Contents**

### *Long-Term Incentive Compensation*

LINN's LTIP encourages participants to focus on LINN's long-term performance and provides an opportunity for executive officers and other employees to increase their stake in LINN through grants of LINN units based on a three-year vesting period. Long-term incentive awards benefit LINN by:

enhancing the link between the creation of unitholder value and long-term executive incentive compensation;

maintaining significant forfeitable equity stakes among executives thereby fostering retention; and

maintaining competitive levels of total compensation.

LTIP awards are typically made in January and have been intended primarily as forward looking long-term incentives; however, the Compensation Committee considers LINN's performance in the prior year in determining the size of the award. In determining the size of the awards generally, the Compensation Committee uses peer data as a guide and targets the total value of each grant such that each Named Officer's LTIP award, when combined with base salary and bonus, would place the executives' total direct compensation between the median and 75th percentile of similarly situated executives in LINN's compensation peer group. The Compensation Committee always has discretion to award above the 75th percentile in years where it determines that exceptional performance is achieved and below the median of the peer group in years of poor performance or when economic conditions dictate.

In determining the individual awards, the Compensation Committee considered the market data, LINN's outstanding performance for the previous year, its subjective evaluation of the individual performances of each Named Officer and how that Named Officer contributed to LINN's achievement of quantitative and qualitative performance measures.

The Compensation Committee currently grants all of its awards as restricted units. The Compensation Committee believes that granting only restricted units results in a simple, straightforward LTIP program and closely aligns LINN with how other energy master limited partnerships are currently using long term incentive awards. Because LINN's Named Officers receive distributions on vested and unvested units at the same rate as all LINN's unitholders, the Compensation Committee believes that restricted units closely align management's interests with those of LINN's unitholders, by providing incentive to maintain or increase the level of distributions.

In January 2011, the Compensation Committee considered the following factors in its decision to grant LTIP awards for 2011 at substantially higher levels than in 2010: 1) LINN's outstanding performance and profitable growth in 2010 and 2) LINN's desire to retain its senior management team to focus on achievement of its strategic objectives over the next several years. The Compensation Committee intends to continue to utilize LTIP awards as a means of rewarding extraordinary performance and profitable growth. Reflecting LINN's performance in 2011 (as discussed above under *Actual Results*), grants made in January 2012 fell more in line with the Compensation Committee's usual practice of awarding at levels to place total compensation between the median and 75th percentile.

### *Restricted Unit Awards*

Under the terms of LINN's LTIP, restricted units are subject to a vesting period of at least three years and contain such other terms as the Compensation Committee may determine. For LINN's Named Officers, its Executive Restricted Unit Grant Agreement provides for vesting in equal installments over three years and provides that upon termination of employment with LINN (a) by LINN other than for Cause, (b) by the officer with Good Reason, or (c) by reason of death, Disability or retirement (as those terms are defined herein under the section titled *Payments Made Upon Termination Without Cause or For Good Reason*), all restrictions lapse and the grant immediately vests in full.

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## **Table of Contents**

Participants, including Named Officers, who receive restricted unit grants under the LTIP receive quarterly distributions on all the units awarded (whether vested or unvested), with the units being retained in LINN's transfer agent's custody and subject to restrictions on sale or transfer until vested. The Compensation Committee does not include amounts received from quarterly cash distributions in its calculations of total direct compensation for comparison to LINN's compensation peer group.

### *Unit Ownership Guidelines*

In August 2009, the Compensation Committee adopted minimum unit ownership guidelines for LINN's executive officers and independent directors. Each of LINN's Named Officers is required to own such number of units representing a value that is the multiple of his or her base salary listed below:

Chairman, President and Chief Executive Officer: 5 times base salary

Executive Vice Presidents: 4 times base salary

Senior Vice Presidents: 3 times base salary

LINN's independent directors are required to own units representing a value that is three times the annual cash retainer for independent directors. The calculation of the applicable number of units is determined as of the last day of the fiscal year based on the average high and low closing price of LINN's units on the NASDAQ Global Select Market for the prior 12 months and salary or cash retainer in effect as of the last day of the year. The Compensation Committee has discretion to allow sufficient time to permit the Named Officer or director to regain compliance with these guidelines should he or she fall out of compliance due to fluctuating unit price. The Compensation Committee believes that continued unit ownership by LINN's executives and independent directors helps tighten the alignment among the interests of board members, executives, and unitholders and demonstrate the Named Officers' and directors' confidence in LINN.

### *Other Benefits*

*Termination Arrangements and Change in Control Provisions.* LINN maintains employment agreements with its Named Officers to encourage their continued service during the term of the agreement. Please read Narrative Disclosure to the 2011 Summary Compensation Table in LINN's Proxy Statement for the April 24, 2012 Annual Shareholder Meeting. These agreements provide for severance compensation to be paid if the officer's employment is terminated under certain conditions as outlined in the applicable agreement, such as following a change in control, termination by LINN without cause, termination by the Named Officer for Good Reason, termination by LINN for cause, death or Disability.

The employment and other compensatory agreements between LINN and its Named Officers and the related severance provisions are designed to meet the following objectives:

**Change of Control.** In certain scenarios, a merger or acquisition of LINN by another person may be in the best interests of LINN's unitholders. LINN provides severance compensation to the Named Officers if such officer's employment terminates following a change of control transaction to promote the ability of the officer to act in the best interests of LINN's unitholders even though his or her employment could be terminated as a result of the transaction.

**Termination without Cause.** If LINN terminates the employment of certain executive officers without cause as defined in the applicable agreement, LINN is obligated to pay the officer certain compensation and other benefits as described in greater detail in Potential Payments Upon Termination or Change of Control below. LINN believes these payments are appropriate because the terminated officer is generally bound by confidentiality obligations for five years, and nonsolicitation and non-compete provisions for one year after termination. Both parties have mutually agreed to severance terms that would be in place prior to any termination event. This provides LINN with more flexibility to make a change in senior management if such a change is in the best interests of LINN and its unitholders.





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**Table of Contents**

*Perquisites.* LINN believes in a simple, straight-forward compensation program and as such, Named Officers have not in the past been provided unique perquisites or other personal benefits. The Compensation Committee periodically reviews LINN's charitable contributions, the use of aircraft, vehicles and potential perquisites that could result in personal benefits to LINN's Named Officers. Other than as described below, consistent with LINN's general strategy, no perquisites or other personal benefits exceeded \$10,000 for any of LINN's Named Officers in 2011.

Other than LINN's Former Executive Chairman and its Chairman, President and Chief Executive Officer, Named Officers and employees are discouraged from personal use of company leased aircraft. In July 2011, in an effort to provide for maximum efficiency and security in travel, the Compensation Committee elected to begin providing 25 hours of flight time (prorated for 2011) on company paid private aircraft per calendar year to each of LINN's Former Executive Chairman and its Chairman, President and Chief Executive Officer, at an approximate value of \$200,000 per year. Upon his retirement as Executive Chairman effective December 31, 2011, this benefit ceased for Mr. Linn (please read Narrative Disclosure to the 2011 Summary Compensation Table in LINN's Proxy Statement for the April 24, 2012 Annual Shareholder Meeting for a description of Mr. Linn's Retirement Agreement).

In January 2012, in an effort to provide for consistent personal income tax treatment among LINN's Named Officers, the Compensation Committee authorized reimbursement, in an amount up to \$10,000 per year, for personal income tax preparation services for each of LINN's Named Officers. In addition, in January 2012, the Compensation Committee authorized the reimbursement of certain tax preparation expenses incurred in 2011 for Mr. Ellis up to \$15,000.

*Retirement Savings Plan.* All employees, including LINN's Named Officers, may participate in LINN's Retirement Savings Plan, or 401(k) Plan. LINN provides this plan to help its employees save for retirement in a tax-efficient manner. Employees, including Named Officers, can contribute the maximum amount allowed by law. LINN currently makes a matching contribution equal to 100% of the first 6% of eligible compensation contributed by the employee on a before-tax basis. As contributions are made throughout the year, plan participants become fully vested in the amounts contributed.

*Nondiscriminatory Health and Welfare Benefits.* All eligible employees, including LINN's Named Officers, may participate in LINN's health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance.

***Tax and Accounting Implications***

*Code Section 162(m).* Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to the principal executive officer, the principal financial officer and the three additional most highly compensated executive officers of a company (other than the principal executive officer or the principal financial officer), as reported in that company's most recent proxy statement. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation; however, due to LINN's status as a publicly traded partnership for tax purposes rather than a publicly held corporation, LINN believes that the provisions of Section 162(m) are inapplicable to it.

*Code Section 280G and Code Section 4999.* LINN considers the impact of Sections 280G and 4999 of the Code in determining its post-termination compensation, and provides reimbursement for any excise tax, interest and penalties incurred if payments or benefits received due to a change of control would be subject to an excise tax under Section 4999 of the Code.

*Code Section 409A.* Section 409A of the Code provides that deferrals of compensation under a nonqualified deferred compensation plan or arrangement are to be included in an individual's current gross income to the

**Table of Contents**

extent that such deferrals are not subject to a substantial risk of forfeiture and have not previously been included in the individual's gross income, unless certain requirements are met. LINN structures its executive officer employment agreements, change of control plan and incentive plans, each to the extent they are subject to Section 409A, to be in compliance with Section 409A.

*Accounting for Unit-Based Compensation.* LINN recognizes expense for unit-based compensation over the requisite service period, in an amount equal to the fair value of unit-based payments granted.

***Unitholder Advisory Vote on Executive Compensation***

At LINN's 2011 Annual Meeting, its unitholders cast a non-binding, advisory vote on LINN's executive compensation policies and decisions as disclosed in the Proxy Statement related to the 2011 Annual Meeting. Approximately 93% of the units voted on the matter were cast in favor of the compensation decisions and policies as disclosed. The Compensation Committee considered this result and determined that it was not necessary at this time to make any changes to LINN's compensation policies and decisions in response to the advisory vote.

**Table of Contents****2011 LINN SUMMARY COMPENSATION TABLE**

The following table sets forth certain information with respect to the compensation paid for the fiscal year ended December 31, 2011 to LINN's Chief Executive Officer, its Chief Financial Officer, its three other most highly compensated executive officers (the Named Officers).

(a) Name and Principal Position at LINN	(b) Year	(c) Salary (\$)	(d) Bonus (\$) <sup>(2)</sup>	(e) Unit Awards (\$) <sup>(3)</sup>	(f) Option Awards (\$) <sup>(3)</sup>	(g) Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	(h) All other Compensation (\$) <sup>(5)</sup>	(i) Total (\$) <sup>(6)</sup>
<b>Michael C. Linn</b> Former Executive Chairman of the Board <sup>(1)</sup>	2011	630,000	505,000	3,292,120		126,000	6,147,700	10,700,820
	2010	630,000		2,782,911		885,000	14,700	4,312,611
	2009	630,000		4,436,732		1,185,000	9,800	6,261,532
<b>Mark E. Ellis</b> Chairman, President and Chief Executive Officer <sup>(1)</sup>	2011	750,000		7,201,460		1,000,000	79,700	9,031,160
	2010	600,000		2,968,446		1,050,000	14,700	4,633,146
	2009	415,000		1,796,927	74,671	775,000	9,800	3,071,398
<b>Kolja Rockov</b> Executive Vice President and Chief Financial Officer	2011	415,000		2,469,071		470,000	14,700	3,368,771
	2010	315,000		1,113,180		470,000	14,700	1,912,880
	2009	300,000		1,172,963	48,744	385,000	9,800	1,916,507
<b>Arden L. Walker, Jr.</b> Executive Vice President and Chief Operating Officer	2011	415,000		2,057,566		470,000	14,700	2,957,266
	2010	300,000		788,514		345,000	14,700	1,448,214
	2009	260,000		763,686	31,735	270,000	9,800	1,335,221
<b>Charlene A. Ripley</b> Senior Vice President and General Counsel	2011	375,000		1,646,060		375,000	14,700	2,410,760
	2010	300,000		742,111		360,000	14,700	1,416,811
	2009	275,000		768,710	31,941	255,000	9,800	1,340,451

- (1) Mr. Linn retired from his position as Executive Chairman of LINN effective December 31, 2011. He remains a director of LINN. Mr. Ellis became Chairman of the Board of LINN effective December 31, 2011.
- (2) The amount shown for Mr. Linn reflects payment of EICP at target guaranteed to him pursuant to his Retirement Agreement described below.
- (3) The amounts in columns (e) and (f) reflect the aggregate grant date fair value of awards granted under LINN's LTIP, computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 5 to LINN's audited consolidated financial statements for the fiscal year ended December 31, 2011, included in its Annual Report on Form 10-K for the year ended December 31, 2011.
- (4) The amounts in column (g) reflect the cash awards approved by the Compensation Committee under LINN's EICP for performance in 2009, 2010 and 2011. The 2009 amounts were not actually paid until February 2010, the 2010 amounts were not actually paid until February 2011 and the 2011 amounts were



**Table of Contents**

- not actually paid until February 2012. The amount shown for Mr. Linn reflects the payment of the excess EICP above his target pursuant to his Retirement Agreement described below.
- (5) For each officer, the amount shown in column (h) reflects matching contributions allocated by us to each of LINN's Named Officers pursuant to the Retirement Savings Plan (which is more fully described beginning on page 24 of LINN's Proxy Statement under the heading "Other Benefits"). Mr. Linn's amount also includes 1) a payment of \$6 million made in December 2011 in connection with his Retirement Agreement described below and 2) \$133,000 paid by LINN for personal usage of company leased aircraft. Mr. Ellis's amount includes 1) an amount of \$15,000 authorized by the Committee to reimburse Mr. Ellis for certain tax preparation expenses and 2) \$50,000 paid by the Company for personal usage of company leased aircraft.
- (6) Distributions paid during 2011 on issued, but unvested units pursuant to the equity awards are not shown in column (i) because the fair value shown in column (e) reflects the value of distributions. Distributions are paid to LINN's Named Officers at the same rate as all LINN unitholders, currently \$2.76 per unit on an annualized basis. Distributions paid in 2009, 2010 and 2011 are shown below.

	2011	2010	2009
	(\$)	(\$)	(\$)
<b>Executive</b>			
Michael C. Linn	676,928	808,692	940,880
Mark E. Ellis	814,447	531,471	453,333
Kolja Rockov	317,393	265,106	359,874
Arden L. Walker, Jr.	242,614	176,070	193,992
Charlene Ripley	210,848	181,156	189,995

**Narrative Disclosure to the 2011 Summary Compensation Table**

*Michael C. Linn, Former Executive Chairman of the Board of Directors.*

In connection with his retirement, LINN entered into a Retirement Agreement with Mr. Linn, dated November 29, 2011, which replaces and supersedes Mr. Linn's existing employment agreement. The terms of the Retirement Agreement provide for a lump sum cash retirement payment to Mr. Linn of \$6 million, as well as payment of his target bonus for 2011 of \$505,000, each of which was paid prior to December 31, 2011. Mr. Linn is also entitled to receive, not later than March 15, 2012, payment of any bonus amount in excess of the target bonus. Following the Committee's declaration of bonus awards at 125% of target, Mr. Linn was paid \$126,000 on February 17, 2012. Mr. Linn continues to be eligible for coverage under LINN's benefit plans, subject to his payment of 100% of the applicable premiums that would otherwise be payable under COBRA.

Mr. Linn's service as a director will constitute a continuation of service with LINN for purposes of the vesting of his existing restricted units granted under LINN's LTIP, provided that his grant agreements were amended to provide for full vesting in the event he is not re-nominated or reelected as a director. The grant agreements governing Mr. Linn's existing unit options were amended to provide for extension of the option term until the earlier of the existing expiration date or one year following termination of his service as a director.

The Retirement Agreement also contains certain confidentiality provisions, non-compete and non-solicitation obligations and other customary provisions and provides for a general release.

*Mark E. Ellis, Chairman, President and Chief Executive Officer.*

LINN entered into a First Amended and Restated Employment Agreement with Mr. Ellis, effective December 17, 2008, as amended effective January 1, 2010, that provides for an annual base salary not less than \$600,000, subject to annual review and upward adjustment by the Compensation Committee. Mr. Ellis is entitled to receive incentive compensation payable at the discretion of the Compensation Committee. The Compensation Committee may set, in advance, an annual target bonus. Mr. Ellis is eligible for awards under the LTIP at the

**Table of Contents**

discretion of the Compensation Committee. Under the LTIP and the related grant agreements, Mr. Ellis receives distributions payable on all vested and unvested restricted units at the same rate as that paid to all LINN unitholders, currently \$2.76 per unit on an annualized basis.

Mr. Ellis's agreement contains certain confidentiality and non-compete obligations that restrict his ability to compete with LINN's business for up to one year following his termination, unless the termination occurs within the change of control period (as defined in the agreement).

*Kolja Rockov, Executive Vice President and Chief Financial Officer.*

LINN entered into a Third Amended and Restated Employment Agreement with Mr. Rockov, effective December 17, 2008, that provides for an annual base salary of not less than \$285,000, subject to annual review and upward adjustment by the Compensation Committee. The remaining terms governing Mr. Rockov's compensation under the agreement are the same as Mr. Ellis's employment agreement.

*Arden L. Walker, Jr., Executive Vice President and Chief Operating Officer.*

LINN entered into a First Amended and Restated Employment Agreement with Mr. Walker, effective December 17, 2008, and as amended on April 26, 2011, that provides for an annual base salary of \$415,000, subject to annual review and upward adjustment by the Compensation Committee. The remaining terms governing Mr. Walker's compensation under the agreement are the same as Mr. Ellis's employment agreement.

*Charlene A. Ripley, Senior Vice President and General Counsel.*

LINN entered into a First Amended and Restated Employment Agreement with Ms. Ripley, effective December 17, 2008, that provides for an annual base salary of \$255,000, subject to annual review and upward adjustment by the Compensation Committee. The remaining terms governing Ms. Ripley's compensation under the agreement are the same as Mr. Ellis's employment agreement. Ms. Ripley's agreement does not contain confidentiality and non-compete provisions.

Please read "Quantification of Payments on Termination" below for a summary of the compensation upon termination provisions of each Named Officer's employment agreement.

**Table of Contents****2011 GRANTS OF PLAN BASED AWARDS**

(a) Name	(b) Grant Date <sup>(1)</sup>	(c) Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) (Target) <sup>(2)</sup>	(d) All Other Unit Awards; Number of Units (#)	(g) Grant Date Fair Value of Unit and Option Awards (\$) <sup>(3)</sup>
Michael C. Linn	1/28/2011	504,000	85,266	3,292,120
Mark E. Ellis	1/28/2011	750,000	186,518	7,201,460
Kolja Rockov	1/28/2011	373,500	63,949	2,469,071
Arden L. Walker, Jr.	1/28/2011	373,500	53,291	2,057,566
Charlene A. Ripley	1/28/2011	300,000	42,633	1,646,060

- (1) In each case, the grant date is the same as the date of committee approval. In addition, the Compensation Committee approved the following restricted unit grants to LINN's Named Officers (other than Mr. Linn who retired as an officer, effective December 31, 2011) on January 26, 2012:

Name	Restricted Unit Award	Value at Grant Date
Mark E. Ellis	136,277	\$ 5,080,407
Kolja Rockov	54,511	\$ 2,032,170
Arden L. Walker, Jr.	54,511	\$ 2,032,170
Charlene A. Ripley	32,707	\$ 1,219,317

- (2) In January 2011, the Compensation Committee set EICP targets for 2011 as a percentage of base salary. There is no threshold or maximum payout; the Compensation Committee has discretion to adjust the actual award above or below the target. The amount shown represents the payout at target; the actual awards for 2011 (awarded on January 26, 2012) are shown in column (g) of the Summary Compensation Table.
- (3) The amounts shown in column (g) represent the grant date fair value for each award under FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 5 to LINN's audited consolidated financial statements for the fiscal year ended December 31, 2011, included in LINN's Annual Report on Form 10-K for the year ended December 31, 2011.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2011**

Name	Option Awards				Unit Awards	
	Units Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$)	Option Expiration Date (1)	Number of Units That Have Not Vested (#)	Market Value of Unvested Units (\$)(2)
Mike Linn (3)	55,625		21.00	1/19/2016		
Mike Linn (3)	75,875		21.70	1/29/2018		
Mike Linn (4)					92,721	3,515,053
Mike Linn (5)					72,727	2,757,081
Mike Linn (6)					85,266	3,232,434
Mark Ellis (3)	50,000		32.18	12/18/2016		
Mark Ellis (3)	50,000		23.61	12/18/2017		
Mark Ellis (3)	125,000		21.70	1/29/2018		
Mark Ellis (7)	90,510	45,255	15.95	2/4/2019		
Mark Ellis (4)					37,553	1,423,634
Mark Ellis (5)					77,576	2,940,906
Mark Ellis (6)					186,518	7,070,897
Kolja Rockov (3)	111,250		21.00	1/19/2016		
Kolja Rockov (3)	85,000		27.94	12/6/2016		
Kolja Rockov (3)	83,350		21.70	1/29/2018		
Kolja Rockov (7)	59,084	29,541	15.95	2/4/2019		
Kolja Rockov (4)					24,513	929,288
Kolja Rockov (5)					29,091	1,102,840
Kolja Rockov (6)					63,949	2,424,307
Arden Walker (3)	50,000		33.00	2/5/2017		
Arden Walker (3)	45,850		21.70	1/29/2018		
Arden Walker (7)	38,467	19,233	15.95	2/4/2019		
Arden Walker (4)					15,960	605,044
Arden Walker (5)					20,606	781,173
Arden Walker (6)					53,291	2,020,262
Charlene Ripley (3)	30,000		35.00	4/11/2017		
Charlene Ripley (3)	54,200		21.70	1/29/2018		
Charlene Ripley (7)	38,717	19,358	15.95	2/4/2019		
Charlene Ripley (4)					16,065	609,024
Charlene Ripley (5)					19,394	735,227
Charlene Ripley (6)					42,633	1,616,217

- 1 Options expire ten years from date of grant.
- 2 Based on the closing sales price of our common units on December 30, 2011 of \$37.91.
- 3 These unit options are fully vested as of the date of this Registration Statement.
- 4 These restricted unit awards vest in three equal installments on January 19, 2010, 2011, 2012.
- 5 These restricted unit awards vest in three equal installments on January 27, 2011, 2012 and 2013.
- 6 These restricted unit awards vest in three equal installments on January 28, 2012, 2013 and 2014.
- 7 These unit options vest in three equal installments on January 19, 2010, 2011 and 2012.



**Table of Contents****2011 OPTION EXERCISES AND UNITS VESTED**

(a) Name	Option Awards		Unit Awards	
	(b) Number of Units Acquired on Exercise (#)	(c) Value Realized on Exercise (\$)	(d) Number of Units Acquired on Vesting (#)	(e) Value Realized on Vesting (\$) <sup>(1)</sup>
Michael C. Linn <sup>(2)</sup>	106,649	1,545,500	151,686	5,832,722
Mark E. Ellis <sup>(3)</sup>			93,291	3,599,107
Kolja Rockov <sup>(4)</sup>			50,359	1,938,216
Arden L. Walker, Jr. <sup>(5)</sup>			32,481	1,250,792
Charlene A. Ripley <sup>(6)</sup>			33,112	1,274,509

- 1 The value realized represents the total fair market value of the shares on the vesting date reported as earned compensation during 2011.
- 2 Mr. Linn vested and sold 54,075 units to satisfy statutory federal payroll tax withholding requirements.
- 3 Mr. Ellis vested and sold 32,201 units to satisfy statutory federal payroll tax withholding requirements.
- 4 Mr. Rockov vested and sold 16,245 units to satisfy statutory federal payroll tax withholding requirements.
- 5 Mr. Walker vested and sold 9,575 units to satisfy statutory federal payroll tax withholding requirements.
- 6 Ms. Ripley vested and sold 9,811 units to satisfy statutory federal payroll tax withholding requirements.

**PENSION BENEFITS**

LINN does not provide pension benefits for its Named Officers or other employees. Retirement benefits are provided through the Retirement Savings Plan, as discussed previously.

**NON-QUALIFIED DEFERRED COMPENSATION**

LINN does not have a non-qualified deferred compensation plan. The Retirement Savings Plan is a 401(k) deferred compensation arrangement and a qualified plan under section 401(a) of the Internal Revenue Code (Code).

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL****Payments Made Upon Termination For Any Reason**

Under each of LINN's Named Officer's employment agreement, regardless of the manner in which his or her employment terminates, the executive will be entitled to receive amounts earned (but unpaid) during his term of employment. Such amounts include:

earned, but unpaid base salary;

unused vacation pay;

amounts contributed and vested through our Retirement Savings Plan; and

any other amounts that may be reimbursable by us to the Named Officer under his or her employment agreement.



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**Table of Contents**

**Payments Made Upon Termination Without Cause or for Good Reason**

In addition to the payments described above, in the event of termination by us other than for Cause or termination by the executive for Good Reason except in the event of a change of control, each Named Officer's employment agreement provides for severance payments equal to two times the Named Officer's highest base salary in effect at any time during the 36 months prior to the date of the termination. Each Named Officer will also receive his earned, but unpaid EICP awards determined as follows:

(i) If the Named Officer was employed for the entire previous year but was terminated prior to the Compensation Committee finally determining his or her EICP award for the preceding year, then the Named Officer will be deemed to have been awarded 100% of his target EICP award for that year; or

(ii) If the Named Officer was employed for the entire previous year and the Compensation Committee had already finally determined the EICP award for the preceding year by the date of termination, but it had not yet been paid, then the Named Officer will receive the actual amount of the EICP award; *plus* in either case

an amount representing a pro-rata, deemed (assuming an award at 100% of his or her target) EICP award for the fiscal year in which the termination date occurs. LINN will also pay its portion of COBRA continuation coverage, as well as pay certain costs of continuing medical coverage after the expiration of the maximum required period under COBRA. The footnotes to the table below describes each Named Officer's specific severance payments.

In addition, in the event of termination by LINN other than for Cause or termination by the Named Officer for Good Reason, all outstanding restricted unit and unit option awards will vest in full.

LINN will have Cause to terminate the Named Officer's employment by reason of any of the following: a) his or her conviction of, or plea of *nolo contendere* to, any felony or to any crime or offense causing substantial harm to LINN (whether or not for personal gain) or involving acts of theft, fraud, embezzlement, moral turpitude or similar conduct; b) his or her repeated intoxication by alcohol or drugs during the performance of his or her duties; c) his or her willful and intentional misuse of any of LINN's funds; d) embezzlement by him or her; e) his or her willful and material misrepresentations or concealments on any written reports submitted to LINN; f) his or her willful and intentional material breach of his or her employment agreement; g) his or her willful and material failure to follow or comply with the reasonable and lawful written directives of the Board of Directors of LINN; or h) conduct constituting a material breach of our then current (A) Code of Business Conduct and Ethics of LINN, and any other written policy referenced therein, or (B) the Code of Ethics for Chief Executive Officer and Senior Financial Officers of LINN, if applicable, provided that in each case the Named Officer knew or should have known such conduct to be a breach.

*Good Reason* will mean any of the following to which the Named Officer will not consent in writing: (i) a reduction in his or her then current base salary; (ii) failure by LINN to pay in full on a current basis (A) any of the compensation or benefits described in the Named Officer's employment agreement that are due and owing, or (B) any amounts that are due and owing to the Named Officer under any long-term or short-term or other incentive compensation plans, agreements or awards; (iii) material breach of any provision of the Named Officer's employment agreement by us; (iv) any material reduction in the Named Officer's title, authority or responsibilities; or (v) a relocation of the Named Officer's primary place of employment to a location more than fifty (50) miles from LINN's then current location in Houston, Texas.

If the Named Officer is terminated for Cause or voluntarily terminates his or her employment without Good Reason, the Named Officer will receive only the amounts identified under Payments Made Upon Termination For Any Reason.

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## **Table of Contents**

### **Payments Made Upon Death or Disability**

In the event of the death or Disability of a Named Officer, he or she will receive amounts earned (but unpaid) during his term of employment as described above. In addition, upon the death or Disability of a Named Officer, all outstanding restricted units and unit option awards will vest in full.

*Disability* means the earlier of (a) written determination by a physician selected by LINN and reasonably agreed to by the Named Officer that the Named Officer has been unable to perform substantially his or her usual and customary duties for a period of at least one hundred twenty (120) consecutive days or a non-consecutive period of one hundred eighty (180) days during any twelve-month period as a result of incapacity due to mental or physical illness or disease; and (b) Disability as such term is defined in LINN's applicable long-term disability insurance plan.

### **Payments Made Upon a Termination Following a Change of Control**

LINN's LTIP and the employment agreements with each Named Officer provide certain benefits if his or her employment is terminated by LINN without Cause (as defined above) or by the Named Officer for Good Reason (as defined above) during the period beginning six (6) months prior to a Change of Control and ending two (2) years following the Change of Control.

In addition to the earned benefits and amounts listed under the heading Payments Made Upon Termination For Any Reason, the Named Officer will receive:

a lump sum severance payment that ranges from two to three times the sum of the Named Officer's base salary at the highest rate in effect at any time during the thirty-six (36) month period immediately preceding the termination date, *plus* the highest EICP award that the Employee was paid in the thirty-six (36) months immediately preceding the Change of Control;

COBRA continuation coverage as described above upon a termination without Cause or for Good Reason;

his or her earned, but unpaid EICP award determined as described above upon a termination without Cause or for Good Reason;

an amount equal to the excise tax charged to the Named Officer as a result of the receipt of any change of control payments; and

all restricted unit and unit options awards held by the Named Officer will automatically vest and become exercisable.

With respect to the definition of Change of Control, each of the Named Officers' employment agreements are the same. Change of Control means the first to occur of:

1. The acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14(d) (2) of the Exchange Act) (a Person) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty-five percent (35%) or more of either (A) the then-outstanding equity interests of LINN (the Outstanding Linn Energy Equity) or (B) the combined voting power of the then-outstanding voting securities of LINN entitled to vote generally in the election of directors of LINN (the Outstanding Linn Energy Voting Securities); provided, however, that, for purposes of this Section 1, the following acquisitions will not constitute a Change of Control: (1) any acquisition directly from LINN, (2) any acquisition by LINN, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by LINN or any affiliated company, or (4) any acquisition by any corporation or other entity pursuant to a transaction that complies with Section (3)(A), Section (3)(B) or Section (3)(C) below;

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**Table of Contents**

2. Any time at which individuals who, as of the date hereof, constitute the Board (the Incumbent Board) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by LINN's unitholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board;
  
3. Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving LINN or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of LINN, or the acquisition of assets or equity interests of another entity by LINN or any of its subsidiaries (each, a Business Combination), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Linn Energy Equity and the Outstanding Linn Energy Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then-outstanding equity interests and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation or other entity that, as a result of such transaction, owns LINN or all or substantially all of LINN's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Linn Energy Equity and the Outstanding Linn Energy Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of LINN or such corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, thirty-five percent (35%) or more of, respectively, the then-outstanding equity interests of the corporation or other entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or other entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation or equivalent body of any other entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or
  
4. Consummation of a complete liquidation or dissolution of LINN.

**Excise Taxes**

If any benefits payable or otherwise provided under each Named Officer's employment agreement would be subject to the excise tax imposed by Section 4999 of the Code (Excise Tax), then we will provide for the payment of, or otherwise reimburse the executive for, an amount up to such Excise Tax and any related taxes, fees or penalties thereon.

**Non-Competition Provisions**

The non-competition provisions of the employment agreements of each of the Named Officers are described above in Narrative Disclosure to the 2011 Summary Compensation Table.

**Table of Contents****Quantification of Payments on Termination**

The chart below reflects the amount of compensation to each of LINN's Named Officers (other than Mr. Linn whose employment with LINN terminated on December 31, 2011) in the event of termination of such officer's employment pursuant to his or her employment agreement and our LTIP. The amount of compensation payable to each Named Officer upon voluntary termination with Good Reason, involuntary termination other than for Cause, termination following a Change of Control and the occurrence of the Disability or death of the executive is shown below. The amounts shown are calculated assuming that such termination was effective as of December 31, 2011, and thus include amounts earned through such time (other than amounts payable pursuant to LINN's Retirement Savings Plan) and are estimates of the amounts which would be paid to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of the Named Officer's actual separation from LINN.

Name and Reason for Termination			Health Benefits (\$)	Early Vesting of Equity Awards \$(a)	Estimated Tax Gross Up \$(5)	Total (\$)
	Severance Pay (\$)	Bonus \$(4)				
<b>Mark E. Ellis (1)</b>						
Without cause or good reason	1,500,000	750,000	40,105	12,429,238		14,719,343
Change of Control	5,400,000	750,000	60,157	12,429,238		18,639,395
Disability or Death		750,000		12,429,238		13,179,238
<b>Kolja Rockov (2)</b>						
Without cause or good reason	830,000	373,500	29,357	5,105,155		6,338,012
Change of Control	2,212,500	373,500	36,697	5,105,155		7,727,852
Disability or Death		373,500		5,105,155		5,478,655
<b>Arden L. Walker, Jr. (2)</b>						
Without cause or good reason	830,000	373,500	27,767	3,828,836		5,060,103
Change of Control	1,900,000	373,500	27,767	3,828,836		6,130,103
Disability or Death		373,500		3,828,836		4,202,336
<b>Charlene A. Ripley (3)</b>						
Without cause or good reason	750,000	300,000	31,670	3,385,569		4,467,239
Change of Control	1,470,000	300,000	31,670	3,385,569		5,187,239
Disability or Death		300,000		3,385,569		3,685,569

- (a) Closing price of LINN units on December 30, 2011 was \$37.91. All awards under the LTIP fully vest upon termination without cause, good reason, disability or a change of control (as each is defined in the respective employment agreements).
- (1) If Mr. Ellis's employment is terminated without cause or by employee for good reason, his employment agreement provides that, in addition to the amounts earned but unpaid, (1) he will receive a lump sum severance payment of two times his base salary at the highest rate in effect at any time during the thirty-six (36) month period immediately preceding the termination (Severance Pay), (2) LINN will pay its portion of COBRA continuation coverage, as well as pay certain costs of continuing medical coverage for Mr. Ellis for up to six months after the expiration of the maximum required period under COBRA; and 3) all of Mr. Ellis's granted but unvested awards under the LTIP shall immediately vest.

If Mr. Ellis is terminated without cause or by him for good reason during the period beginning six (6) months prior to a Change of Control and ending two (2) years following a Change of Control (COC Period), he is entitled to the same severance benefits described above, except that 1) the Severance Pay will be three times the sum of a) his highest base salary in effect at any time during the 36 month period immediately preceding termination (Highest Base Salary) and b) his highest annual EICP award in the 36 months prior to the change of control (Highest EICP Award) and 2) the period for continued coverage of medical benefits will be up to eighteen months after the expiration of the maximum required by COBRA. Mr. Ellis will also receive a gross up of any Excise Tax (Excise Tax Gross Up) and of any Section 409A penalties and interest.

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**Table of Contents**

- (2) If either of Mr. Rockov or Mr. Walker is terminated without cause or by him for good reason, his employment agreement provides for severance benefits substantially similar to Mr. Ellis. If Mr. Rockov or Mr. Walker is terminated without cause or by him for good reason during the COC Period, each will be entitled to substantially the same benefits as Mr. Ellis except that 1) his Severance Pay is 2.5 times the sum of his Highest Base Salary and Highest EICP Award and 2) the period for continued coverage of medical benefits will be up to twelve months after the expiration of the maximum required period under COBRA. Mr. Rockov's and Mr. Walker's employment agreements include the Excise Tax Gross Up but no gross up for penalties or interest under Section 409A.
- (3) If Ms. Ripley is terminated without cause or by her for good reason, her employment agreement provides for severance benefits substantially similar to Mr. Ellis. If Ms. Ripley is terminated without cause or by her for good reason during the COC Period, she will be entitled to substantially the same benefits as Mr. Ellis, except 1) Severance Pay shall be two times the sum of her Highest Base Salary and Highest EICP Award and 2) the period for continued coverage of medical benefits will remain up to six months after the expiration of the maximum required period under COBRA. Ms. Ripley's employment agreement includes the Excise Tax Gross Up but no gross up for penalties or interest under Section 409A.
- (4) The amounts listed under Bonus represent each Named Officer's target EICP award for 2011. As described above under Payments Made Upon Termination Without Cause or for Good Reason, if the Named Officer was employed for the entire previous year but was terminated prior to the Compensation Committee finally determining his or her EICP award for the preceding year (in the hypothetical case presented in the table above, on December 31, 2011), he or she would have received his or her target EICP award. The Compensation Committee determined actual EICP awards for 2011 performance on January 26, 2012; the actual awards for each Named Officer are identified in column (g) of the Summary Compensation Table, but are not reflected in the table above.
- (5) Using a hypothetical termination date of December 31, 2011, LINN determined that none of its Named Officers would have excess parachute payments as defined in Section 280G of the Code; thus none would be entitled to a tax gross up.

**Our Director Compensation**

Officers or employees of Linn Energy, LLC who also serve as our directors will not receive additional compensation. Each independent director will receive an annual fee of \$7,500 for his services to us plus \$500 for each meeting of the board of directors or a committee of the board of directors of LinnCo that he attends from LINN. In addition, each independent director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees of LinnCo. Each director is indemnified by us for actions associated with being a director to the full extent permitted under Delaware law.

**LINN's Director Compensation**

LINN uses a combination of cash and unit-based incentive compensation to attract and retain qualified candidates to serve on its Board. In setting director compensation, LINN considers the significant amount of time that directors expend in fulfilling their duties to LINN as well as the skill level required by us of members of LINN's Board.

*Annual Retainer and Fees.* In 2011, each independent director (as determined by LINN's Board pursuant to applicable NASDAQ listing standards) received the following cash compensation for serving on our Board:

An annual cash retainer of \$50,000 paid in four installments quarterly;

A per meeting fee of \$1,500, payable quarterly;

A per committee meeting fee of \$1,000, payable quarterly; and

Committee chair fees (each payable quarterly) of:

\$15,000 for the Audit Committee chair;





**Table of Contents**

\$7,500 for the Nominating and Governance Committee chair; and

\$10,000 for the Compensation Committee chair.

In January 2012, in connection with the appointment of a lead director of the Board, the Committee approved a \$10,000 per year fee to be paid to the lead director beginning in 2012.

*Restricted Unit Grant.* In January 2011, the Compensation Committee approved an annual grant of 4,663 restricted units to each of LINN's independent directors. Restricted units are granted under LINN's LTIP and vest over three years. The restricted units have the same terms and conditions as grants made to LINN's Named Officers.

**2011 Director Summary Compensation Table**

The table below summarizes the compensation we paid to LINN's independent directors for the fiscal year ended December 31, 2011.

(a) Name <sup>(1)</sup>	(b) Fees Earned or Paid in Cash (\$)	(c) Unit Awards (\$) <sup>(2)(3)</sup>	(d) Option Awards (\$) <sup>(2)</sup>	(e) All Other Compensation (\$) <sup>(4)</sup>	(f) Total (\$)
George A. Alcorn	90,000	180,038		54,170	324,208
Terrence S. Jacobs	82,500	180,038		54,170	316,708
Joseph P. McCoy	97,500	180,038		46,070	323,608
Jeffrey C. Swoveland	92,500	180,038		54,170	326,708

- (1) Michael C. Linn, LINN's former Executive Chairman, and Mark E. Ellis, LINN's Chairman, President and Chief Executive Officer, are not included in this table as each was LINN's employee in 2011 and thus received no additional compensation for his service as director. Mr. Linn's and Mr. Ellis's compensation is shown in the Summary Compensation Table above.
- (2) Reflects the aggregate grant date fair value of 2011 awards computed in accordance with FASB ASC Topic 718. The following represents outstanding unit grant awards as of December 31, 2011:

Director	Phantom Unit Awards (#)	Value at Grant Date (\$)	Vested Phantom Units (#)	Vested Unit Options (#)	Strike Price (\$)	Restricted Unit Awards (#)	Value at Grant Date (\$)
George A. Alcorn	9,946	277,918	9,946	2,000	20.18	10,117	293,683
Terrence S. Jacobs	9,946	277,918	9,946			10,117	293,683
Joseph P. McCoy	6,946	196,798	6,946			10,117	293,683
Jeffrey C. Swoveland	9,946	277,918	9,946	10,000	20.18	10,117	293,683

- (3) In addition, the Committee approved the following restricted unit grants to LINN's directors on January 26, 2012:

Director	Restricted Unit Awards (#)	Value at Grant Date (\$)
George A. Alcorn	4,770	177,826
Terrence S. Jacobs	4,770	177,826
Michael C. Linn	4,770	177,826
Joseph P. McCoy	4,770	177,826
Jeffrey C. Swoveland	4,770	177,826

(4) Reflects the dollar amount of distributions paid in 2011 on the phantom and restricted units reported in (2) above.

**Table of Contents****Security Ownership of Certain Beneficial Owners and Management**

Prior to this offering, none of our directors or officers have owned any of our shares or voting shares.

The following table sets forth as of July 27, 2012, the number of LINN units beneficially owned by: (i) each person who is known to LINN to beneficially own more than 5% of a class of units; (ii) the current directors and nominees of LINN's board of directors; (iii) each of the following 2011 named officers of LINN: Michael C. Linn, LINN's former Executive Chairman, Mark E. Ellis, LINN's Chairman, President and Chief Executive Officer, Kolja Rockov, LINN's Executive Vice President and Chief Financial Officer, Arden L. Walker, Jr., LINN's Executive Vice President and Chief Operating Officer and Charlene A. Ripley, LINN's Senior Vice President and General Counsel; and (iv) all directors and executive officers of LINN as of July 27, 2012 as a group. LINN obtained certain information in the table from filings made with the SEC. Unless otherwise noted, each beneficial owner has sole voting power and sole investment power.

Name of Beneficial Owner <sup>(1)</sup>	Units Beneficially Owned	Percentage of Units Beneficially Owned
Mark E. Ellis <sup>(2)(3)(4)</sup>	1,151,410	*
Kolja Rockov <sup>(2)(3)(5)</sup>	747,626	*
Arden L. Walker, Jr. <sup>(2)(3)(6)</sup>	392,118	*
Charlene A. Ripley <sup>(2)(3)(7)</sup>	316,004	*
George A. Alcorn <sup>(2)(3)(8)</sup>	25,615	*
David D. Dunlap <sup>(2)(3)</sup>	4,770	*
Terrence S. Jacobs <sup>(2)(3)(9)</sup>	248,365	*
Michael C. Linn <sup>(2)(3)</sup>	574,326	*
Joseph P. McCoy <sup>(2)(3)</sup>	29,710	*
Jeffrey C. Swoveland <sup>(2)(3)(10)</sup>	31,615	*
All executive officers and directors as a group (11 persons) <sup>(11)</sup>	3,755,219	1.88%

\* Less than 1% of class based on 199,557,167 units outstanding as of June 30, 2012.

- (1) To LINN's knowledge after reviewing Schedule 13G/Ds filed with the SEC, LINN is not aware of any holders who beneficially own more than 5% of its units.
- (2) The address of each beneficial owner, unless otherwise noted, is c/o Linn Energy, LLC, 600 Travis, Suite 5100, Houston, Texas 77002.
- (3) Includes unvested restricted unit awards that vest in equal installments, generally over approximately three years. Please see Outstanding Equity Awards at December 31, 2011 for vesting schedule of unvested awards for all except Mr. Dunlap. Mr. Dunlap joined our Board in May 2012. His restricted units vest in equal 1/3 installments beginning January 19, 2014.
- (4) Includes 360,765 units underlying options currently exercisable. Includes 407,228 units Mr. Ellis has pledged to secure certain personal accounts.
- (5) Includes 400 units as custodian under certain Uniform Gifts to Minors Accounts (UGMA) for immediate family members as to which Mr. Rockov disclaims beneficial ownership. Includes 205,225 units Mr. Rockov has pledged to secure certain personal accounts and 368,225 units underlying options currently exercisable.
- (6) Includes 153,550 units underlying options currently exercisable.
- (7) Includes 142,275 units underlying options currently exercisable.
- (8) Includes 2,000 units underlying options currently exercisable.
- (9) Includes 4,250 units owned indirectly by Mr. Jacobs as UGMA custodian for immediate family members and 140,000 units owned indirectly by Mr. Jacobs through Penneco Exploration Co LLC, a company of which, through a trust, Mr. Jacobs owns 50% of the voting interests.
- (10) Includes 10,000 units underlying options currently exercisable.
- (11) Percentage ownership of executive officer and directors is based on total units outstanding as of June 30, 2012.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Our Relationship with Linn Energy, LLC**

*General.* On the completion of this offering, we will own LINN units representing approximately % of LINN s outstanding units. LINN controls our management and operations through its ownership of our sole voting share.

*Omnibus Agreement.* Concurrent with the closing of this offering, we will enter into an agreement with LINN (the Omnibus Agreement ) pursuant to which LINN will agree to provide us certain financial, legal, accounting, tax advisory, financial advisory and engineering services or to pay on our behalf or reimburse us for any expenses incurred in connection with securing these services from third parties, as well as printing costs and other administrative and out-of-pocket expenses we incur, along with any other expenses we will incur in connection with this offering or any future offering of our shares or as a result of being a publicly traded entity, including costs associated with annual, quarterly and other reports to our shareholders, tax return and Form 1099 preparation and distribution, NASDAQ listing fees, printing costs, independent auditor fees and expenses, legal counsel fees and expenses and registrar and transfer agent fees. LINN will also provide us with cash management services, including treasury services with respect to the payment of dividends and allocation of reserves for taxes. These cash management services are intended to optimize the use of our cash on hand and to reduce the likelihood of a change in the amount of any dividend paid to our shareholders across periods other than as a result of any change in the amount of distributions paid by LINN. In addition, LINN will indemnify us for damages suffered or costs incurred (other than income taxes payable by us) in connection with carrying out our activities.

*Future Offerings.* We will purchase from LINN a number of LINN units equal to the number of shares we sell in any future offering for an amount equal to the net proceeds of such offering (after deducting underwriting discounts but before payment of other offering expenses). As a result, LINN will indirectly bear the cost of any underwriting discounts associated with future offerings of our shares.

**Indemnification of Officers and Directors**

Our limited liability company agreement provides that we will generally indemnify officers and members of our board of directors to the fullest extent permitted by the law against all losses, claims, damages or similar events. Our limited liability company agreement is filed as an exhibit to the registration statement. Subject to any terms, conditions or restrictions set forth in our limited liability company agreement, Section 18-108 of the Delaware Limited Liability Company Act (the LLC Act ) empowers a Delaware limited liability company to indemnify and hold harmless any member or manager or other person from and against all claims and demands whatsoever. We have also entered into individual indemnity agreements with each of our executive officers and directors which supplement the indemnification provisions in our limited liability company agreement.

## **Table of Contents**

### **DESCRIPTION OF OUR SHARES**

The shares represent limited liability company interests in us. The holders of shares are entitled to receive dividends and exercise the rights or privileges available to shareholders under our limited liability company agreement. Please read Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement. Upon the completion of this offering, assuming the underwriters do not exercise their option to purchase additional shares, we will have \_\_\_\_\_ shares outstanding.

#### **Voting Rights**

The shares you own will not entitle you to vote on the election of our directors. LINN owns the voting share entitled to vote to elect our directors and will elect all of our directors. Owners of our shares will vote only on the specified matters described in Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Voting Rights.

As a holder of LINN units, we will be entitled to vote on all matters on which holders of LINN units are entitled to vote, which provides our shareholders the ability to indirectly influence LINN's management. We will submit a vote of our shareholders, as described in Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Voting Rights, any matter submitted to us by LINN for a vote of holders of LINN units. We will vote our LINN units in the same manner that our shareholders vote (or refrain from voting) their shares for or against a proposal, including non-votes or abstentions.

#### **Dividends**

We will pay dividends on our shares of the cash we receive as distributions in respect of our LINN units, net of reserves for income taxes payable by us within five business days after we receive such distributions. If distributions are made on the LINN units other than in cash, we will pay a dividend on our shares in substantially the same form, provided that we will sell a portion of such distribution to reserve for income taxes payable by us, and provided further that if LINN makes a distribution on the LINN units in the form of additional LINN units, we would distribute an equal number of additional shares to our shareholders such that, immediately following such distributions, the number of our shares outstanding is equal to the number of LINN units we hold. Our board of directors may choose to withhold some of the cash we receive as distributions in respect of our LINN units as reserves for income taxes payable by us, which would cause the dividends that we pay on our shares to be less than the distributions we receive from LINN.

#### **Issuance of Additional Shares**

Our limited liability company agreement authorizes us to issue an unlimited number of additional shares and voting shares for the consideration and on the terms and conditions determined by our board of directors, and to make awards of common and derivative shares pursuant to employee benefit plans, without the approval of our shareholders. Our shareholders will not have preemptive rights to acquire additional shares or our other securities.

#### **Maintenance of Ratio of Shares to Units**

Our limited liability company agreement provides that the number of our outstanding shares will at all times equal the number of LINN units we own. In connection with any future offering of our shares, LINN will sell us a number of LINN units equal to the number of shares sold in such offering for an amount equal to the net proceeds of such offering. If there is a change in the number of LINN units we own, we will issue to all shareholders a share dividend or effect a share split or combination to provide that at all times the number of shares outstanding equals the number of LINN units we own. In addition, if we make any award of common or derivative shares in connection with any employee benefit plan, LINN will sell us, upon the earlier of the

## **Table of Contents**

issuance of such common shares or the exercise or vesting of such derivative shares, an equal number of LINN units for the same consideration, if any, we receive from the award recipient. In the event of a share repurchase, LINN would agree to purchase an equal number of LINN units from us, or take any other such action as may be reasonable, to maintain the one-to-one ratio of shares to LINN units.

### **Transfer Agent and Registrar**

American Stock Transfer & Trust Company has agreed to act as our transfer agent and will serve as registrar and transfer agent for the shares. We pay all fees charged by the transfer agent for transfers of shares, except for the following fees that will be paid by shareholders:

surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;

special charges for services requested by a holder of a shares; and

other similar fees or charges.

There will be no charge to holders for disbursements of our cash dividends. We will indemnify the transfer agent, its agents and each of their shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

The transfer agent may at any time resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and has accepted the appointment within 30 days after notice of the resignation or removal, we are authorized to act as the transfer agent and registrar until a successor is appointed.

### **Transfer of Shares**

By transfer of shares in accordance with our limited liability company agreement, each transferee of shares will be admitted as a shareholder with respect to the shares transferred when such transfer and admission is reflected on our books and records. Additionally, each transferee of shares:

becomes the record holder of the shares;

automatically agrees to be bound by the terms and conditions of, and is deemed to have executed and delivered our limited liability company agreement;

represents that the transferee has the capacity, power and authority to enter into the limited liability company agreement;

grants powers of attorney to our officers and any liquidator of our company as specified in the limited liability company agreement; and

is deemed to have the consents and waivers contained in our limited liability company agreement.

Until a share has been transferred on our books and records, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the share as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.



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**Table of Contents**

**DESCRIPTION OF THE LINN UNITS**

The LINN units represent limited liability company interests in LINN. The holders of units are entitled to participate in distributions and exercise the rights or privileges available to unitholders under LINN's limited liability company agreement. Please read Description of the Limited Liability Company Agreements LINN's Limited Liability Company Agreement. As of \_\_\_\_\_, 2012, LINN had \_\_\_\_\_ units outstanding. No other member interests are outstanding.

**LINN's Cash Distribution Policy**

LINN must distribute on a quarterly basis all of its available cash to holders of the LINN units. LINN's limited liability company agreement defines available cash as, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by the LINN board of directors to:

provide for the proper conduct of business (including reserves for future capital expenditures, future debt service requirements, and anticipated credit needs); and

comply with applicable laws, debt instruments or other agreements;

*plus* all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made.

Working capital borrowings are borrowings that will be made under LINN's revolving credit facility and in all cases are used solely for working capital purposes or to pay distributions to unitholders. LINN is prohibited from making any distributions to unitholders if it would cause an event of default, or if an event of default is existing, under its credit facility.

LINN's ability to pay distributions is also subject to restrictions contained in the Credit Facility and the indentures governing its Senior Notes.

**Timing of Distributions**

LINN pays distributions on its units within 45 days after each March 31, June 30, September 30 and December 31 to unitholders of record on the applicable record date.

**Issuance of Additional Units**

LINN's limited liability company agreement authorizes it to issue an unlimited number of additional securities and rights to buy securities for the consideration and on the terms and conditions determined by its board of directors without the approval of the unitholders. It is possible that LINN will fund acquisitions through the issuance of additional units or other equity securities. Holders of any additional units LINN issues will be entitled to share equally with the then-existing holders of units in its distributions of available cash. In addition, the issuance of additional units or other equity securities may dilute the value of the interests of the then-existing holders of units in LINN's net assets. In accordance with Delaware law and the provisions of its limited liability company agreement, LINN may also issue additional securities that, as determined by its board of directors, may have special voting rights to which the units are not entitled. The holders of units will not have preemptive rights to acquire additional units or other securities.

**Voting Rights**

Unitholders have the right to vote with respect to the election of LINN's board of directors, certain amendments to its limited liability company agreement, the merger of LINN or the sale of all or substantially all of its assets, and the dissolution of LINN. See Description of the Limited Liability Company Agreements LINN's Limited Liability Company Agreement Voting Rights.



## **Table of Contents**

### **Exchange Listing**

LINN's units are traded on The NASDAQ Global Select Market under the symbol LINE.

### **Transfer Agent and Registrar**

American Stock Transfer & Trust Company is LINN's transfer agent and serves as registrar and transfer agent for the units. LINN pays all fees charged by the transfer agent for transfers of units, except for the following fees that will be paid by unitholders:

surety bond premiums to replace lost or stolen certificates, taxes and other governmental charges;

special charges for services requested by a holder of a unit; and

other similar fees or charges.

There will be no charge to holders for disbursements of LINN's cash distributions. LINN will indemnify the transfer agent, its agents and each of their shareholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

The transfer agent may at any time resign, by notice to LINN, or be removed by LINN. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and has accepted the appointment within 30 days after notice of the resignation or removal, LINN is authorized to act as the transfer agent and registrar until a successor is appointed.

### **Transfer of Units**

By transfer of units in accordance with LINN's limited liability company agreement, each transferee of units will be admitted as a unitholder with respect to the units transferred when such transfer and admission is reflected on LINN's books and records. Additionally, each transferee of units:

becomes the record holder of the units;

automatically agrees to be bound by the terms and conditions of, and is deemed to have executed LINN's limited liability company agreement;

represents that the transferee has the capacity, power and authority to enter into the limited liability company agreement;

grants powers of attorney to LINN's officers and any liquidator of LINN as specified in the limited liability company agreement; and

makes the consents and waivers contained in the limited liability company agreement.

Until a unit has been transferred on LINN's books, it and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations.



**Table of Contents**

**DESCRIPTION OF THE LIMITED LIABILITY COMPANY AGREEMENTS**

The following information and the information included under *Description of our Shares* and *Description of the LINN Units* summarizes the material information contained in our limited liability company agreement and LINN's limited liability company agreement. For more detailed information, you should read LINN's limited liability company agreement, which is included as exhibit 3.1 to LINN's Current Report on Form 8-K filed September 7, 2010 and incorporated by reference as an exhibit to our registration statement filed with the SEC in connection with this offering, and our limited liability company agreement, a copy of which has been filed as an exhibit to our registration statement filed with the SEC in connection with this offering. Please read *Where You Can Find More Information*.

**Our Limited Liability Company Agreement**

We summarize the following provisions of our limited liability company agreement elsewhere in this prospectus:

with regard to dividends, please read *Description of our Shares* *Dividends*.

with regard to issuances of additional shares, please read *Description of our Shares* *Issuance of Additional Shares*.

with regard to the transfer of shares, please read *Description of our Shares* *Transfer of Shares*.

*Organization and Duration*

LinnCo was formed in April 2012 and will remain in existence until dissolved, wound up and terminated in accordance with our limited liability company agreement.

*Purpose*

Our sole purpose is to hold LINN units, to provide for our officers and directors to exercise, at the direction of our shareholders, all the rights of a LINN unitholder under LINN's Limited Liability Company Agreement and the LLC Act, and to take any other action permitted by or in accordance with our limited liability company agreement.

*U.S. Federal Income Tax Status as a Corporation*

We have elected to be treated as a corporation for U.S. federal income tax purposes.

*Shareholders*

LINN is our founding member and owns our sole voting share. Our other members will be the owners of common shares. LINN, as the holder of our sole voting share, will have the sole right to elect our directors.

*Capital Contributions*

Shareholders are not obligated to make additional capital contributions, except as described below under *Limited Liability*.

*Limited Liability*

The LLC Act provides that a shareholder who receives a distribution and knew at the time of the distribution that the distribution was in violation of the LLC Act will be liable to us for the amount of the distribution for three years from the date of the distribution. Under the LLC Act, we may not make a distribution to a shareholder if, after the distribution, all of our liabilities, other than liabilities to shareholders in respect of their shares and liabilities for which the recourse of creditors is limited to specific property of LinnCo, would exceed the fair



## **Table of Contents**

value of our assets. For the purpose of determining the fair value of our assets, the LLC Act provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in our assets only to the extent that the fair value of that property exceeds the nonrecourse liability. Under the LLC Act, an assignee who becomes a shareholder is liable for the obligations of his assignor to make contributions to us, except that the assignee is not obligated for liabilities unknown to him at the time he became a shareholder and that could not be ascertained from our limited liability company agreement.

### *The Board*

Our business and affairs will be managed by a board of directors. Members of the board will be elected, and may be removed, solely by the owner of the voting share. The initial board will consist of seven directors, and its membership at the closing of this offering will be identical to LINN's board of directors. The authority and function of the board of directors will be identical to the authority and functions of a board of directors of a corporation organized under the General Corporation Law of the State of Delaware, or DGCL, although the directors' fiduciary duties will be limited as described in Board of Directors; Fiduciary Duties.

The board will hold regular meetings from time to time and special meetings at any time as may be necessary. Regular meetings may be held without notice on dates set by the board from time to time. Special meetings of the board may be called on one day's notice to each director upon request of the chairman of the board, or upon the written request of any three directors. A quorum for a regular or special meeting will exist when a majority of the directors are participating in the meeting either in person or by conference telephone. Any action required or permitted to be taken at a meeting may be taken without a meeting, without prior notice and without a vote if all of the directors then in office sign a written consent authorizing the action.

The board can establish committees composed of one or more directors and can delegate power and authority without limitation to these committees. We anticipate that we will have an audit committee composed of our five independent directors, Messrs. Alcorn, Dunlap, Jacobs, McCoy and Swoveland, upon the closing of this offering. We do not anticipate having any other board committees, including a compensation committee or a nominating and corporate governance committee. See Risk Factors Risks Inherent in an Investment in LinnCo We are a controlled company within the meaning of the NASDAQ's rules and intend to rely on exemptions from various corporate governance requirements immediately following the closing of this offering. Pursuant to the Omnibus Agreement, LINN will be responsible for any compensation paid to our officers and directors. See Certain Relationships and Related Transactions Our Relationship with Linn Energy, LLC Omnibus Agreement.

### *Officers and Employees*

The board can appoint and terminate officers at any time as it may determine. The board can delegate power and authority to officers, employees and agents including the power to represent us and bind us in accordance with the scope of their duties. The authority and function of our officers will be identical to the authority and functions of officers of a corporation organized under the DGCL, except with respect to fiduciary duties. LINN's employees are expected to provide us with services required for our operation and administration. The costs of these services will be borne by LINN. Our initial officers will be the same individuals who serve as officers of LINN.

### *Capital Structure*

Our present capital structure consists of two classes of shares: (1) the common shares, which are the class of shares being sold in this offering; and (2) the voting shares, of which there is currently one share outstanding, held by LINN. We are authorized to issue an unlimited number of additional voting shares and shares of the class being sold in this offering. Additional classes of shares may be created with the approval of the board, provided

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## **Table of Contents**

that any such additional class must be approved by a vote of holders of a majority of our outstanding shares and by the holder(s) of our voting share(s), voting as separate classes. Our shareholders will not have preemptive or preferential rights to acquire additional shares or other securities.

### *Dissolution and Winding Up*

We will be dissolved and wound up only: (1) upon entry of a judicial decree of dissolution of us, (2) upon an election by our board of directors that is approved by the owner(s) of the voting share(s) and by the holders of a majority of the outstanding shares of the class sold in this offering, voting as separate classes, (3) if we cease to own any LINN units (whether as a result of a merger of LINN or otherwise) and the owner(s) of the voting share(s) approve such dissolution, (4) in the event of a sale or other disposition of all or substantially all of our assets other than in connection with certain non-cash mergers involving LINN, (5) if at any time we have no members, unless a member is admitted to LinnCo and LinnCo is continued without dissolution in accordance with the LLC Act, (6) a merger of LINN in which securities of another entity are exchanged for all of the outstanding LINN units, unless (a) LINN's successor is treated as a partnership for U.S. federal income tax purposes and (b) such successor agrees in writing to assume LINN's obligations under our limited liability company agreement and the Omnibus Agreement, (7) if we are required to tender all of our LINN units upon an election by a person to purchase all of the outstanding LINN units pursuant to the limited call right provided in LINN's limited liability company agreement or any similar provision applicable to LINN units or (8) the sale by LINN of all or substantially all of its assets in one or more transactions for cash and a distribution of such cash to LINN unitholders. In the event that we are dissolved, our affairs will be wound up and all our remaining assets, after payments to creditors and satisfaction of other obligations, will be distributed to the holders of the outstanding shares.

If LINN or its successor is treated as a corporation for U.S. federal income tax purposes, LINN or such successor will have the right to cause us to merge with and into LINN, in which case our shareholders would receive distributions in kind of LINN units and other property we own, if any, after payments to creditors and satisfaction of other obligations.

### *Non-Citizen Assignee; Redemption*

If we or LINN becomes subject to federal, state or local laws or regulations that, in the reasonable determination of our board of directors, create a substantial risk of cancellation or forfeiture of any property we or LINN have an interest in because of the nationality, citizenship or other related status of any shareholder or assignee, we may redeem, upon 30 days' advance notice, the shares held by such shareholder or assignee at their current market price. To avoid any cancellation or forfeiture, our board of directors may require each shareholder or assignee to furnish information about his nationality, citizenship or related status. If a shareholder or assignee fails to furnish information about his nationality, citizenship or other related status within 30 days after a request for the information or our board of directors determines after receipt of the information that a shareholder or assignee is not an eligible citizen, such shareholder or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee who is not a substituted shareholder, a non-citizen assignee does not have the right to direct the voting of his shares and may not receive distributions in kind upon the liquidation of LinnCo.

### *Exculpation and Indemnification*

Notwithstanding any express or implied provision of our limited liability company agreement, or any other legal duty or obligation, none of our directors or officers or the owner(s) of the voting share(s) or its officers, directors or affiliates will be liable to us, our affiliates or any other person for breach of fiduciary duty, except for acts or omissions not in good faith. Additionally, our directors will not be responsible for any misconduct or negligence on the part of an agent appointed by our board of directors in good faith. See [Fiduciary Duties](#) for a description of good faith.

## **Table of Contents**

Under our limited liability company agreement and subject to specified limitations, we will indemnify to the fullest extent permitted by law, from and against all losses, expenses (including attorneys' fees), judgments, fines, damages, penalties, interest, liabilities and settlement amounts actually and reasonably incurred by any director or officer, or while serving as a director or officer, any person who is or was serving as a director, officer, employee, partner, manager, fiduciary or trustee of any or our affiliates. However, such directors, officers and persons are only entitled to indemnification if they acted in good faith and, with respect to any criminal proceeding or action, had no reasonable cause to believe that such conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere shall not itself create a presumption that such good faith standard was not met. Additionally, we may indemnify any person who is or was an employee (other than an officer) or agent of us or LINN who is a party to a threatened, pending or completed action, suit or proceeding, to the extent permitted by law and authorized by our board of directors.

Any indemnification under our limited liability company agreement will be paid by LINN directly or indirectly on our behalf. We are authorized to purchase, or have LINN purchase on our behalf, insurance against liabilities asserted against and expenses incurred by directors, officers and persons in connection with our activities or their activities on our behalf, regardless of whether we would have the power to indemnify the person against liabilities under our limited liability company agreement.

### *Amendments*

Amendments to our limited liability company agreement may be proposed only by or with the consent of our board of directors. Except as provided below, amendments to our limited liability company agreement and to our certificate of formation can be approved in writing solely by the owner(s) of our voting share(s). Approval of a majority of our outstanding shares and voting shares, voting as separate classes, is required for any amendment which:

is determined by our board of directors, in its good faith, to have a material adverse effect on the preferences or rights of our shareholders;

reduces the time for any notice to which the holders of our shares may be entitled;

enlarges the obligations of our shareholders;

alters the circumstances under which LinnCo could be dissolved and wound up; or

changes the term of existence of LinnCo.

Certain amendments will not be considered material and may be made by our board of directors without the approval of our shareholders, including amendments:

made in order to meet the requirements of applicable securities and other laws and regulations and exchange rules;

to effect the intent expressed in this prospectus of the provisions of our limited liability company agreement;

to facilitate the ability of our shareholders to obtain the benefits of, or to otherwise facilitate the consummation of, a Terminal Transaction;

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that our board of directors determines in its good faith will not have a material adverse effect on the preferences or rights associated with the shares;

to change our name, the location of our principal place of business, our registered agent or our registered office;

to effect the admission, substitution, withdrawal or removal of members in accordance with our limited liability company agreement;



**Table of Contents**

to effect the merger of us into, or the conveyance of all of our assets to, a newly-formed entity if the sole purpose of that merger or conveyance is to effect a mere change in the legal form into another limited liability entity that is taxed as a corporation for U.S. federal income tax purposes;

to effect a change that the board of directors determines to be necessary or appropriate for us to qualify or continue our qualification as an entity in which the members have limited liability under the laws of any state or to ensure that we will be treated as an association taxable as a corporation or otherwise taxed as an entity for U.S. federal income tax purposes;

to effect a change in the fiscal or taxable year of LinnCo;

to effect an amendment that is necessary, in the opinion of our counsel, to prevent us, members of our board, or our officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;

to effect an amendment that our board of directors determines to be necessary or appropriate for the authorization and the issuance of additional common shares or voting shares;

to effect any amendment expressly permitted in our limited liability company agreement to be made by the board of directors acting alone;

to effect an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of our limited liability company agreement;

to effect a merger, conversion or conveyance effected in accordance with our limited liability company agreement;

that are necessary as a result of an amendment to the limited liability company agreement of LINN; and

to effect any other amendments substantially similar to any of the matters described in the clauses above.

The provision of our limited liability company agreement preventing the amendments having the effects described above can be amended upon the approval of the holders of a majority of our outstanding shares and by the holder(s) of our voting share(s), voting as separate classes. For more information regarding the voting rights of our shareholders and other amendments we may make, please read [Voting Rights](#).

*Meetings; Approvals*

All notices of meetings of shareholders shall be sent or otherwise given in accordance with our limited liability company agreement not less than 10 nor more than 60 days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the purpose or purposes for which the meeting is called, as determined by the board of directors or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the common and voting shareholders. Any previously scheduled meeting of the shareholders may be postponed, and any special meeting of the shareholders may be canceled, by resolution of the board of directors upon public notice given prior to the date previously scheduled for such meeting of shareholders.

Any action required or permitted to be taken by our shareholders (other than actions by the owner(s) of our voting share(s), which may be taken by written consent) must be taken at a duly called annual or special meeting of shareholders and may not be taken by any consent in writing by

such shareholders.

**Table of Contents**

Special meetings of our shareholders may only be called by a majority of our board of directors or by the owner(s) of our voting share(s). The owners of the class of shares being sold in this offering do not have the right to call a meeting of the shareholders. Shareholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding shares of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum unless any action by the shareholders requires approval by holders of a greater percentage of the shares, in which case the quorum shall be the greater percentage.

All matters submitted to the shareholders for approval will be determined by a majority of the votes cast by holders of the shares entitled to vote, except where a greater percentage is required by the LLC Act, by the rules of any national securities exchange on which our shares are listed, or by our limited liability company agreement.

Shares held in nominee or street name accounts will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of shares under our limited liability company agreement will be delivered to the record holder who is entitled to vote at such meeting by us or by the transfer agent.

*Voting Rights*

The following matters require the shareholder vote specified below:

Election of members of the board of directors	<p>The shares that are being sold in this offering are not entitled to vote to elect our board of directors.</p> <p>The sole voting share that is entitled to vote to elect our board of directors is owned by LINN.</p>
Issuance of additional common or voting shares	No approval right.
Creation of additional classes of shares	Majority of outstanding shares and a majority of our voting share(s), voting as separate classes.
Amendment, alteration, repeal or waiver of any provision of our limited liability company agreement	<p>Majority of outstanding shares and a majority of our voting share(s), voting as separate classes, for certain amendments as described in Amendments.</p> <p>Certain amendments will not be considered material and may be made by our board of directors without the approval of our shareholders, as described in Amendments.</p>
Amendment, alteration, repeal or waiver of any provision of the Omnibus Agreement	Majority of outstanding shares and a majority of our voting share(s), voting as separate classes, if such amendment materially adversely affects the preferences or rights of our shareholders (as determined in the good faith of our board of directors).

**Table of Contents**

Certain amendments to the Omnibus Agreement will not be considered material and may be made by our board of directors without the approval of our shareholders, including amendments:

to effect the intent of the provisions of the Omnibus Agreement;

to facilitate the ability of our shareholders to obtain the benefits of, or otherwise facilitate the consummation of, a Terminal Transaction;

to reflect any change in circumstances as a result of certain non-cash mergers involving LINN; or

that our board of directors determines in its good faith will not have a material adverse effect on the preferences or rights associated with the shares.

Merger of LinnCo or the sale of all or substantially all of its assets (other than to effect a mere change in legal form) Majority of outstanding shares and a majority of our voting share(s), voting as separate classes.

Dissolution of LinnCo (other than in connection with a Terminal Transaction) Majority of outstanding shares and a majority of our voting share(s), voting as separate classes.  
LINN will not be prohibited from exercising any voting rights with respect to any shares it may own.

*Fiduciary Duties*

Our limited liability company agreement has modified, waived and limited fiduciary duties of our directors and officers that would otherwise apply at law or in equity and replaced such duties with a contractual duty requiring our directors and officers to act in good faith. For purposes of our limited liability company agreement, a person shall be deemed to have acted in good faith if the person subjectively believes that the action or omission of action is in, or not opposed to, the best interests of LinnCo. In addition, any action or omission of action shall be deemed to be in, or not opposed to, the best interests of LinnCo and our shareholders if such action or omission of action is in, or not opposed to, the best interest of LINN and all its unitholders, taken together.

In taking (or refraining from taking) any action or making any recommendation to our shareholders, our directors and officers, in determining whether such action or recommendation is in the best interest of LinnCo and our shareholders, will be permitted, but not required, to take into account the totality of the relationship between LINN and LinnCo. Accordingly, any actions taken by our board will be deemed to be in good faith and in or not opposed to the best interest of LinnCo and our shareholders if such actions are in, or not opposed to, the best interest of LINN and all of its unitholders, taken together. In addition, when acting in their individual capacities or as officers or directors of LINN or any affiliate of LINN, our directors will not be required to act in good faith and will not be obligated to take into account the interests of LinnCo or our shareholders when taking (or refraining from taking) any action or making any recommendation.

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## Table of Contents

Our limited liability company agreement permits affiliates of our directors to engage in other business interests or activities in preference to or to the exclusion of us and to engage in business interests that directly compete with us, provided that the affiliate does not engage in such competing businesses as a result of or using confidential information provided by or on behalf of us to such director. Additionally, our directors do not have any contractual obligation or express or implied legal duty to present business opportunities to us that become available to their affiliates, and neither we nor any of our shareholders have any rights in any business ventures of a director, and the pursuit of any such ventures, even if in competition with us, are not a breach of any duty of such director otherwise existing at law, in equity or otherwise.

### *Agreement to be Bound by Limited Liability Company Agreement; Power of Attorney*

By purchasing one of our shares, you will be admitted as a shareholder of our company and will be deemed to have agreed to be bound by the terms of our limited liability company agreement. Under that agreement, each shareholder and each person who acquires a share from a shareholder grants to our board of directors (and, if appointed, a liquidator) a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants our board of directors the authority to make certain amendments to, and to make consents and waivers under and in accordance with, our limited liability company agreement. Such power of attorney shall be irrevocable and deemed coupled with an interest and shall survive a shareholder's death, disability, dissolution, bankruptcy or termination.

### *Covenants*

Our limited liability company agreement provides that our activities will be limited to owning LINN units and further includes covenants that prohibit us from:

borrowing money or issuing debt;

selling, pledging or otherwise transferring any LINN units (other than in connection with a Terminal Transaction);

issuing options, warrants or other securities entitling the holder to purchase our shares (other than in connection with employee benefit plans);

liquidating, merging (other than to effect a mere change in legal form) or recapitalizing;

revoking or changing our election to be treated as a corporation for U.S. federal income tax purposes;

using the proceeds from sales of our shares other than to purchase LINN units; or

agreeing to any amendment to the Omnibus Agreement that has a material adverse effect on the preferences or rights of any shareholder, other than any amendment that (A) effects the intent of the provisions of the Omnibus Agreement, (B) facilitates the ability of the shareholders to obtain the benefits of, or otherwise facilitates the consummation of, a Terminal Transaction, (C) reflects any change in circumstances as a result of certain non-cash mergers involving LINN, or (D) the board of directors determines, in its good faith, will not have a material adverse effect on the preferences or rights of the shares.

These provisions can be amended or waived by the owners of a majority of our outstanding common and voting shares, voting as separate classes, as described above under Meetings; Approvals.

In addition, LINN has agreed under our limited liability company agreement that neither it nor any of its subsidiaries will take any action that would result in LINN and its subsidiaries ceasing to control the voting power of LinnCo except (1) in connection with a Terminal Transaction in which LINN's successor: (A) is treated as a partnership for U.S. federal income tax purposes; and (B) assumes all of LINN's obligations under

our limited liability company agreement and the Omnibus Agreement; or (2) upon the vote of a majority of the common shareholders.

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## **Table of Contents**

These covenants can be amended or waived by the owners of a majority of our outstanding shares as described under Meetings; Approvals above.

### *Terminal Transactions Involving LINN*

*Mergers.* If the LINN unitholders are asked to approve a merger of LINN with another entity, we will submit the merger for a vote of our shareholders and will vote our LINN units in the same manner that our shareholders vote (or refrain from voting) their shares.

*Cash Consideration.* In a merger involving LINN in which LINN unitholders receive cash, you will be entitled to receive any cash we receive for our LINN units, net of income taxes payable by us. In the event of an all-cash merger of LINN, we will dissolve and wind up our affairs after such distribution.

*Non-Cash Consideration.* In a merger involving LINN in which LINN unitholders receive securities of another entity, you will be entitled to receive the securities received in connection with such merger. In the event of such a merger in which LINN is not the surviving entity, we will dissolve and wind up our affairs unless:

LINN's successor would be treated as a partnership for U.S. federal income tax purposes; and

the surviving entity agrees to assume the obligations of LINN under our limited liability company agreement and the Omnibus Agreement.

*Tender Offers.* If a third party makes a tender offer for LINN units, LINN may, but will not be obligated to, cooperate with such third party to extend such tender offer to our shareholders or otherwise facilitate participation of our shareholders in the tender offer for LINN units.

*Going Private Transaction.* If at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding LINN units at a price equal to the higher of the current market price (as defined in LINN's limited liability company agreement) and the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election. In this case, we will be required to tender all of our outstanding LINN units and distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs.

*Sale of All or Substantially All of LINN's Assets.* If LINN sells all or substantially all of its assets in one or more transactions for cash and makes a distribution of such cash to its unitholders, we will distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs.

*Change in Tax Treatment of LINN.* If LINN or its successor ceases to be treated as a partnership for U.S. federal income tax purposes, LINN or such successor will have the right to cause us to merge with and into LINN, in which case each of our shareholders would receive a distribution in kind of the LINN units and other property we own, if any, after payments to creditors and satisfaction of other obligations.

The transactions described above are referred to as Terminal Transactions.

### *Limited Call Rights*

If at any time LINN or any of its affiliates own 80% or more of our then-outstanding shares, LINN has the right, which it may assign to any of its affiliates, to purchase all, but not less than all, of our remaining outstanding shares as of a record date selected by LINN, on at least 10 but not more than 60 days notice. If LINN elects to exercise this purchase right, the purchase price per share will equal the greater of:

the highest cash price paid by LINN or any of its affiliates for any of our shares purchased within the 90 days preceding the date on which LINN first mails notice of its election to shareholders; and

the current market price as of the date three days before the date the notice is mailed.



## **Table of Contents**

If a person acquires more than 90% of the outstanding LINN units, such person may require us to tender all of our outstanding LINN units for cash, in which case we will distribute the cash we receive to our shareholders pro rata. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs. See [Terminal Transactions Involving LINN Going Private Transaction](#) above.

### *Merger, Sale or Other Disposition of Assets*

Other than in connection with a Terminal Transaction, our board of directors is generally prohibited, without the prior approval of the holders of a majority of our outstanding common shares and by the holder(s) of our voting share(s) from causing us to, among other things, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, including by way of merger, consolidation or otherwise.

Our board of directors may merge us into, or convey all of our assets to, a newly-formed entity if the sole purpose of that merger or conveyance is to effect a mere change in our legal form into another limited liability entity that will be treated as a corporation for U.S. federal income tax purposes.

Our shareholders are not entitled to dissenters' rights of appraisal under the limited liability company agreement or applicable Delaware law in connection with any merger or consolidation, sale of all or substantially all of our assets or any other transaction or event.

### *Books and Records*

We are required to keep appropriate books of our business at our principal offices. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax purposes, our year end is December 31.

We will furnish or make available to record holders of shares, an annual report containing audited financial statements and a report on those financial statements by our independent public accountants in accordance with the requirements of the Securities Exchange Act of 1934 (the Exchange Act. ). Except for our fourth quarter, we will also furnish or make available summary financial information in accordance with the requirements of the Exchange Act.

### *Right to Inspect Books and Records*

In addition to the reports referred to above in [Books and Records](#), our limited liability company agreement provides that a shareholder can, for a purpose reasonably related to his interest as a shareholder, upon reasonable demand and at his own expense, have furnished to him:

a current list of the name and last known address of each shareholder;

a copy of our tax returns;

information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each shareholder and the date on which each became a shareholder; and

copies of our limited liability company agreement, our certificate of formation, related amendments and powers of attorney under which they have been executed.

Our board of directors may, and intends to, keep confidential from our shareholders information that it believes to be in the nature of trade secrets or other information, the disclosure of which our board of directors believes in good faith is not in our best interests, information that could damage our company, or information that we are required by law, by the rules of any national securities exchange on which the shares are listed or by agreements with a third party to keep confidential. These provisions are deemed to replace the default provisions under Section 18-305 of the LLC Act.



**Table of Contents**

*Anti-Takeover Provisions*

Our limited liability company agreement contains specific provisions that are intended to discourage a person or group from attempting to take control of LinnCo or LINN without the approval of our board of directors. Specifically, our limited liability company agreement provides that we will elect to have Section 203 of the Delaware General Corporation Law apply to transactions in which an interested shareholder (as described below) seeks to enter into a merger or business combination with us. In addition, LINN has agreed not to engage in any business combination with any entity or person deemed to be an interested shareholder (as described below) to the same extent as if such entity or person were an interested shareholder with respect to LINN under Section 203. Under these provisions, such a holder will not be permitted to enter into a merger or business combination with us or LINN unless:

prior to such time, our board of directors approved either the business combination or the transaction that resulted in the shareholder s becoming an interested shareholder;

upon consummation of the transaction that resulted in the shareholder s becoming an interested shareholder, the interested shareholder owned at least 85% of the outstanding shares at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned:

by persons who are directors and also officers;

by employee benefit plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of the shareholders, and not by written consent, by the affirmative vote of at least a majority of the outstanding voting shares that are not owned by the interested shareholder.

Section 203 defines business combination to include:

any merger or consolidation involving the company and the interested shareholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the company involving the interested shareholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the company of any shares of the company to the interested shareholder;

any transaction involving the company that has the effect of increasing the proportionate share of the shares of any class or series of the company beneficially owned by the interested shareholder; or

the receipt by the interested shareholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the company.

In general, by reference to Section 203, an interested shareholder is any entity or person who or which beneficially owns (or within three years did own) 15% or more of the outstanding voting shares of the company and any entity or person affiliated with or controlling or controlled by

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such entity or person. In addition, our limited liability company agreement specifically includes as an interested shareholder any entity or person that beneficially owns (or within three years did own) a voting interest equal to 15% or more of the outstanding LINN units by way of holding our shares or LINN units, or a combination thereof; provided, that this limitation does not include any entity or person that holds a voting interest above the 15% limitation as a result of action taken solely by us or our affiliates. For purposes of determining whether an entity or person is an interested shareholder, the number of our shares and LINN units deemed to be outstanding shall include the shares and LINN units owned by such entity or person but shall not include unissued shares and LINN units that may be

## **Table of Contents**

issuable pursuant to an agreement or upon exercise of conversion rights, warrants or options, or otherwise. No entity or person deemed to be an interested shareholder pursuant to the above provisions will have any voting rights with respect to any business combination involving us or LINN until such business combination is approved by us or LINN, as the case may be, in accordance with Section 203.

The existence of these provisions would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for shares held by shareholder.

### **LINN's Limited Liability Company Agreement**

#### *Organization*

Linn Energy, LLC was formed in April 2005 and will remain in existence until dissolved in accordance with its limited liability company agreement.

#### *Purpose*

Under LINN's limited liability company agreement, it is permitted to engage, directly or indirectly, in any activity that its board of directors approves and that a limited liability company organized under Delaware law lawfully may conduct; provided, that the board of directors shall not cause LINN to engage, directly or indirectly, in any business activities that it determines would cause it to be treated as an association taxable as a corporation or otherwise taxable as an entity for U.S. federal income tax purposes.

Although LINN's board of directors has the ability to cause it and its operating subsidiaries to engage in activities other than the exploitation, development and production of natural gas reserves, LINN's board of directors has no current plans to do so. The board of directors is authorized in general to perform all acts it deems to be necessary or appropriate to conduct LINN's business.

#### *Board of Directors; Fiduciary Duties*

LINN's limited liability company agreement provides that its business and affairs shall be managed under the direction of its board of directors, which shall have the power to appoint its officers. The limited liability company agreement further provides that the authority and function of the board of directors and officers shall be identical to the authority and functions of a board of directors and officers of a corporation organized under the Delaware General Corporation Law, or DGCL. Finally, LINN's limited liability company agreement provides that except as specifically provided therein, the fiduciary duties and obligations owed to the limited liability company and to the members shall be the same as the respective duties and obligations owed by officers and directors of a corporation organized under the DGCL to their corporation and stockholders, respectively.

LINN's limited liability company agreement permits affiliates of its directors to engage in other business interests or activities in preference to or to the exclusion of LINN and to engage in business interests that directly compete with LINN, provided that the affiliate does not engage in such competing businesses as a result of or using confidential information provided by or on behalf of LINN to such director. Additionally, LINN's directors do not have any contractual obligation or express or implied legal duty to present business opportunities to LINN that become available to their affiliates, and neither LINN nor any of its subsidiaries or members have any rights in any business ventures of a director.

In addition, LINN's limited liability company agreement establishes a conflicts committee of its board of directors, consisting solely of independent directors, which will be authorized to review transactions involving potential conflicts of interest. If the conflicts committee approves such a transaction, or if a transaction is on terms generally available from third parties or an action is taken that is fair and reasonable to LINN, unitholders will not be able to assert that such approval constituted a breach of fiduciary duties owed to them by LINN's directors and officers.

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## **Table of Contents**

### *Agreement to be Bound by Limited Liability Company Agreement; Power of Attorney*

By purchasing units in LINN, LinnCo will be admitted as a unitholder of LINN and will be deemed to have agreed to be bound by the terms of its limited liability company agreement. Pursuant to this agreement, each unitholder and each person who acquires a unit from a unitholder grants to LINN Energy's Chief Executive Officer, President and Secretary (and, if appointed, a liquidator) a power of attorney to, among other things, execute and file documents required for its qualification, continuance or dissolution. The power of attorney also grants the Chief Executive Officer, President and Secretary (and, if appointed, a liquidator) the authority to make certain amendments to, and to make consents and waivers under and in accordance with, LINN's limited liability company agreement.

### *Capital Contributions*

Unitholders are not obligated to make additional capital contributions, except as described below under **Limited Liability**.

### *Limited Liability*

*Unlawful Distributions.* The LLC Act provides that a unitholder who receives a distribution and knew at the time of the distribution that the distribution was in violation of the LLC Act shall be liable to the company for the amount of the distribution for three years from the date of the distribution. Under the LLC Act, a limited liability company may not make a distribution to a unitholder if, after the distribution, all liabilities of the company, other than liabilities to unitholders with respect to their membership interests and liabilities for which the recourse of creditors is limited to specific property of the company, would exceed the fair value of the assets of the company. For the purpose of determining the fair value of the assets of a company, the LLC Act provides that the fair value of property subject to liability for which recourse of creditors is limited shall be included in the assets of the company only to the extent that the fair value of that property exceeds the nonrecourse liability. Under the LLC Act, an assignee who becomes a substituted unitholder of a company is liable for the obligations of his assignor to make contributions to the company, except the assignee is not obligated for liabilities unknown to him at the time he became a unitholder and that could not be ascertained from the limited liability company agreement.

*Failure to Comply with the Limited Liability Provisions of Jurisdictions in Which LINN Does Business.* LINN's subsidiaries currently conduct business in the States of Texas, Oklahoma, Kansas, Louisiana, New Mexico, Michigan, Illinois, California, North Dakota and Wyoming. They may decide to conduct business in other states, and maintenance of limited liability for LINN, as a member of its operating subsidiaries, may require compliance with legal requirements in the jurisdictions in which the operating subsidiaries conduct business, including qualifying the subsidiaries to do business there. Limitations on the liability of unitholders for the obligations of a limited liability company have not been clearly established in many jurisdictions. LINN operates in a manner that its board of directors considers reasonable and necessary or appropriate to preserve the limited liability of its unitholders.

### *Voting Rights*

The following matters require the unitholder vote specified below:

Election of members of the board of directors

LINN currently has seven directors. Its limited liability company agreement provides that it will have a board of not less than three and no more than eleven members. Holders of LINN units, voting together as a single class, will elect its directors. Please read **Election of Members of LINN's Board of Directors**.

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**Table of Contents**

Issuance of additional units	No approval right.
Amendment of the limited liability company agreement	Certain amendments may be made by LINN's board of directors without the approval of the unitholders. Other amendments generally require the approval of a unit majority. Please read Amendment of the Limited Liability Company Agreement.
Merger of LINN or the sale of all or substantially all of its assets	Unit majority.
Dissolution of LINN <i>Issuance of Additional Securities</i>	Unit majority.

LINN's limited liability company agreement authorizes it to issue an unlimited number of additional securities and authorizes it to buy securities for the consideration and on the terms and conditions determined by its board of directors without the approval of the unitholders.

From time to time, LINN may fund acquisitions through the issuance of additional units or other equity securities. Holders of any additional units LINN issues will be entitled to share pro rata with the then-existing holders of units in its distributions of available cash. In addition, the issuance of additional units or other equity securities may dilute the value of the interests of the then-existing holders of units in LINN's net assets.

In accordance with Delaware law and the provisions of its limited liability company agreement, LINN may also issue additional securities that, as determined by its board of directors, may have special voting or other rights to which the units are not entitled.

The holders of units will not have preemptive or preferential rights to acquire additional units or other securities.

*Election of Members of LINN's Board of Directors*

At each annual meeting of unitholders, members of LINN's board of directors are elected by its unitholders and are subject to re-election on an annual basis.

*Removal of Members of the Board of Directors*

Any director may be removed, with or without cause, by the holders of a majority of the outstanding units then entitled to vote at an election of directors.

*Amendment of the Limited Liability Company Agreement*

*General.* Amendments to LINN's limited liability company agreement may be proposed only by or with the consent of LINN's board of directors. To adopt a proposed amendment, other than the amendments discussed below, LINN's board of directors is required to seek written approval of the holders of the number of units required to approve the amendment or call a meeting of LINN's unitholders to consider and vote upon the proposed amendment. Except as described below, an amendment must be approved by a unit majority.

**Table of Contents**

*Prohibited Amendments.* No amendment may be made that would:

enlarge the obligations of any unitholder without its consent, unless approved by at least a majority of the type or class of member interests so affected;

provide that LINN is not dissolved upon an election to dissolve LINN by the board of directors that is approved by a unit majority;

change the term of existence of LINN; or

give any person the right to dissolve LINN other than its board of directors' right to dissolve it with the approval of a unit majority. The provision of LINN's limited liability company agreement preventing the amendments having the effects described in any of the clauses above can be amended upon the approval of the holders of at least 75% of the outstanding units, voting together as a single class.

*No Unitholder Approval.* LINN's board of directors may generally make amendments to its limited liability company agreement without the approval of any unitholder or assignee to reflect:

a change in LINN's name, the location of its principal place of business, its registered agent or its registered office;

the admission, substitution, withdrawal or removal of members in accordance with its limited liability company agreement;

the merger of LINN or any of its subsidiaries into, or the conveyance of all of its assets to, a newly-formed entity if the sole purpose of that merger or conveyance is to effect a mere change in the legal form into another limited liability entity;

a change that the board of directors determines to be necessary or appropriate for LINN to qualify or continue its qualification as a company in which the members have limited liability under the laws of any state or to ensure that neither it, its operating subsidiaries nor any of its subsidiaries will be treated as an association taxable as a corporation or otherwise taxed as an entity for U.S. federal income tax purposes;

an amendment that is necessary, in the opinion of our counsel, to prevent LINN, members of its board, or its officers, agents or trustees from in any manner being subjected to the provisions of the Investment Company Act of 1940, the Investment Advisors Act of 1940, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974, or ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed;

an amendment that the board of directors determines to be necessary or appropriate for the authorization of additional securities or rights to acquire securities;

any amendment expressly permitted in the limited liability company agreement to be made by the board of directors acting alone;



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an amendment effected, necessitated or contemplated by a merger agreement that has been approved under the terms of the limited liability company agreement;

any amendment that LINN's board of directors determines to be necessary or appropriate for the formation by it of, or its investment in, any corporation, partnership or other entity, as otherwise permitted by its limited liability company agreement;

a change in LINN's fiscal year or taxable year and related changes;

a merger, conversion or conveyance effected in accordance with the limited liability company agreement; and

any other amendments substantially similar to any of the matters described in the clauses above.

## **Table of Contents**

In addition, LINN's board of directors may make amendments to its limited liability company agreement without the approval of any unitholder or assignee if its board of directors determines that those amendments:

do not adversely affect the unitholders (including any particular class of unitholders as compared to other classes of unitholders) in any material respect;

are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute;

are necessary or appropriate to facilitate the trading of units or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the units are or will be listed for trading, compliance with any of which the board of directors deems to be in the best interests of LINN and its unitholders;

are necessary or appropriate for any action taken by the board of directors relating to splits or combinations of units under the provisions of the limited liability company agreement; or

are required to effect the intent expressed in this prospectus or the intent of the provisions of the limited liability company agreement or are otherwise contemplated by the limited liability company agreement.

*Opinion of Counsel and Unitholder Approval.* LINN's board of directors will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to its unitholders or result in our being treated as an entity for U.S. federal income tax purposes if one of the amendments described above under **No Unitholder Approval** should occur. No other amendments to LINN's limited liability company agreement will become effective without the approval of holders of at least 90% of the units unless it obtains an opinion of counsel to the effect that the amendment will not affect the limited liability under applicable law of any unitholder.

Any amendment that would have a material adverse effect on the rights or preferences of any type or class of outstanding units in relation to other classes of units will require the approval of at least a majority of the type or class of units so affected. Any amendment that reduces the voting percentage required to take any action is required to be approved by the affirmative vote of unitholders whose aggregate outstanding units constitute not less than the voting requirement sought to be reduced.

### *Merger, Sale or Other Disposition of Assets*

LINN's board of directors is generally prohibited, without the prior approval of the holders of a unit majority from causing it to, among other things, sell, exchange or otherwise dispose of all or substantially all of its assets in a single transaction or a series of related transactions, including by way of merger, consolidation or other combination, or approving on our behalf the sale, exchange or other disposition of all or substantially all of the assets of its subsidiaries, provided that its board of directors may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of its assets without that approval. The board of directors may also sell all or substantially all of LINN's assets under a foreclosure or other realization upon the encumbrances above without that approval.

If the conditions specified in LINN's limited liability company agreement are satisfied, LINN's board of directors may merge LINN or any of its subsidiaries into, or convey all of its assets to, a newly-formed entity if the sole purpose of that merger or conveyance is to effect a mere change in its legal form into another limited liability entity. The unitholders are not entitled to dissenters' rights of appraisal under the limited liability company agreement or applicable Delaware law in the event of a merger or consolidation, a sale of all or substantially all of the assets or any other transaction or event.

## **Table of Contents**

### *Termination and Dissolution*

LINN will continue as a company until terminated under its limited liability company agreement. LINN will dissolve upon: (1) the election of its board of directors to dissolve it if approved by the holders of a unit majority; (2) the sale, exchange or other disposition of all or substantially all of the assets and properties of LINN and its subsidiaries; or (3) the entry of a decree of judicial dissolution of LINN.

### *Liquidation and Distribution of Proceeds*

Upon dissolution of LINN, the liquidator authorized to wind up LINN's affairs will, acting with all of the powers of the board of directors of LINN that the liquidator deems necessary or desirable in its judgment, sell or otherwise dispose of LINN's assets. The liquidator will first apply the proceeds of liquidation to the payment of LINN's creditors and then distribute any remaining proceeds to the LINN unitholders in accordance with, and to the extent of, the positive balances in their respective capital accounts in their units, as adjusted to reflect any gain or loss upon the sale or other disposition of LINN's assets in liquidation. The liquidator may defer liquidation or distribution of LINN's assets for a reasonable period of time or distribute assets to unitholders in kind if it determines that a sale would be impractical or would cause undue loss to LINN's unitholders.

### *Anti-Takeover Provisions*

LINN's limited liability company agreement contains specific provisions that are intended to discourage a person or group from attempting to take control of LINN without the approval of the board of directors. Specifically, the limited liability company agreement provides that LINN will elect to have Section 203 of the Delaware General Corporation Law apply to transactions in which an interested unitholder (as described below) seeks to enter into a merger or business combination with it. Under this provision, such a holder will not be permitted to enter into a merger or business combination with LINN unless:

prior to such time, LINN's board of directors approved either the business combination or the transaction that resulted in the unitholder's becoming an interested unitholder;

upon consummation of the transaction that resulted in the unitholder's becoming an interested unitholder, the interested unitholder owned at least 85% of the outstanding units at the time the transaction commenced, excluding for purposes of determining the number of units outstanding those units owned:

by persons who are directors and also officers;

by employee unit plans in which employee participants do not have the right to determine confidentially whether units held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of the unitholders, and not by written consent, by the affirmative vote of at least a majority of the outstanding voting units that are not owned by the interested unitholder.

Section 203 defines "business combination" to include:

any merger or consolidation involving the company and the interested unitholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the company involving the interested unitholder;

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subject to certain exceptions, any transaction that results in the issuance or transfer by the company of any units of the company to the interested unitholder;

any transaction involving the company that has the effect of increasing the proportionate share of the units of any class or series of the company beneficially owned by the interested unitholder; or

the receipt by the interested unitholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the company.

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## **Table of Contents**

In general, by reference to Section 203, an interested unitholder is any entity or person who or which beneficially owns (or within three years did own) 15% or more of the outstanding voting units of the company and any entity or person affiliated with or controlling or controlled by such entity or person.

The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by LINN's board of directors, including discouraging attempts that might result in a premium over the market price for units held by unitholders.

### *Limited Call Right*

If at any time any person owns more than 90% of the then-issued and outstanding membership interests of any class, such person will have the right, which it may assign in whole or in part to any of its affiliates or to LINN, to acquire all, but not less than all, of the remaining membership interests of the class held by unaffiliated persons as of a record date to be selected by LINN's management, on at least 10 but not more than 60 days' notice. The unitholders are not entitled to dissenters' rights of appraisal under the limited liability company agreement or applicable Delaware law if this limited call right is exercised. The purchase price in the event of this purchase is the greater of:

the highest cash price paid by such person for any membership interests of the class purchased within the 90 days preceding the date on which such person first mails notice of its election to purchase those membership interests; or

the closing market price as of the date three days before the date the notice is mailed.

As a result of this limited call right, a holder of membership interests in LINN may have his membership interests purchased at an undesirable time or price. Please read *Risk Factors* *Risks Inherent in an Investment in LinnCo*. Your shares are subject to limited call rights that could result in your having to involuntarily sell your shares at a time or price that may be undesirable. The tax consequences to a unitholder of the exercise of this call right are the same as a sale by that unitholder of his units in the market. Please read *Material U.S. Federal Income Tax Consequences*.

### *Meetings; Voting*

All notices of meetings of unitholders shall be sent or otherwise given in accordance with Section 11.4 of LINN's limited liability company agreement not less than 10 nor more than 60 days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted (no business other than that specified in the notice may be transacted) or (ii) in the case of the annual meeting, those matters which the board of directors, at the time of giving the notice, intends to present for action by the unitholders (but any proper matter may be presented at the meeting for such action). The notice of any meeting at which directors are to be elected shall include the name of any nominee or nominees who, at the time of the notice, the board of directors intends to present for election. Any previously scheduled meeting of the unitholders may be postponed, and any special meeting of the unitholders may be canceled, by resolution of the board of directors upon public notice given prior to the date previously scheduled for such meeting of unitholders.

Any action required or permitted to be taken by the unitholders must be effected at a duly called annual or special meeting of unitholders and may not be effected by any consent in writing by such unitholders.

Meetings of the unitholders may only be called by a majority of the board of directors. Unitholders may vote either in person or by proxy at meetings. The holders of a majority of the outstanding units of the class or classes for which a meeting has been called represented in person or by proxy shall constitute a quorum unless any action by the unitholders requires approval by holders of a greater percentage of the units, in which case the quorum shall be the greater percentage.

## **Table of Contents**

Each record holder of a unit has a vote according to his percentage interest in LINN, although additional units having special voting rights could be issued. Please read Issuance of Additional Securities. Units held in nominee or street name accounts will be voted by the broker or other nominee in accordance with the instruction of the beneficial owner unless the arrangement between the beneficial owner and its nominee provides otherwise.

Any notice, demand, request, report or proxy material required or permitted to be given or made to record holders of units under the limited liability company agreement will be delivered to the record holder by LINN or by the transfer agent.

### *Non-Citizen Assignees; Redemption*

If LINN or any of its subsidiaries is or becomes subject to federal, state or local laws or regulations that, in the reasonable determination of the board of directors, create a substantial risk of cancellation or forfeiture of any property that it has an interest in because of the nationality, citizenship or other related status of any unitholder or assignee, LINN may redeem, upon 30 days advance notice, the units held by the unitholder or assignee at their current market price. To avoid any cancellation or forfeiture, the board of directors may require each unitholder or assignee to furnish information about his nationality, citizenship or related status. If a unitholder or assignee fails to furnish information about his nationality, citizenship or other related status within 30 days after a request for the information or the board of directors determines after receipt of the information that the unitholder or assignee is not an eligible citizen, the unitholder or assignee may be treated as a non-citizen assignee. In addition to other limitations on the rights of an assignee who is not a substituted unitholder, a non-citizen assignee does not have the right to direct the voting of his units and may not receive distributions in kind upon the liquidation of LINN.

### *Exculpation and Indemnification*

Notwithstanding any express or implied provision of its limited liability company agreement, or any other legal duty or obligation, none of LINN's officers, directors or affiliates will be liable to LINN, LINN's affiliates or any other person for breach of fiduciary duty, except for a breach of the duty of loyalty to LINN or its members, for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law, or for any transaction from which a director derived an improper personal benefit. Additionally, LINN's directors will not be responsible for any misconduct or negligence on the part of an agent appointed by LINN's board of directors in good faith.

Under the terms of its limited liability company agreement and subject to specified limitations, LINN will indemnify to the fullest extent permitted by law, from and against all losses, expenses (including attorneys' fees), judgments, fines, penalties, interest, settlement amounts, claims, damages or similar events any director or officer, or while serving as a director or officer, any person who is or was serving as a tax matters member or as a director, officer, tax matters member, employee, partner, manager, fiduciary or trustee of LINN or any of its affiliates. However, such directors, officers and persons are only entitled to indemnification if they acted in good faith and in a manner reasonably believed to be in (or not opposed to) LINN's best interests and, with respect to any criminal proceeding or action, had no reasonable cause to believe that such conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere shall not itself create a presumption that such good faith and reasonable belief standards were not met. Additionally, LINN may indemnify any person who is or was an employee (other than an officer) or agent of LINN who is a party to a threatened, pending or completed action, suit or proceeding, to the extent permitted by law and authorized by LINN's board of directors.

Any indemnification under the limited liability company agreement will only be out of LINN's assets. LINN is authorized to purchase insurance against liabilities asserted against and expenses incurred by directors, officers and persons in connection with LINN's activities or their activities on behalf of LINN, regardless of whether it would have the power to indemnify the person against liabilities under its limited liability company agreement.

## **Table of Contents**

### *Books and Reports*

LINN is required to keep appropriate books of its business at its principal offices. The books are maintained for both tax and financial reporting purposes on an accrual basis. For tax and fiscal reporting purposes, LINN's fiscal year is the calendar year.

LINN will furnish or make available to record holders of units, within 120 days after the close of each fiscal year, an annual report containing audited financial statements and a report on those financial statements by its independent public accountants. Except for our fourth quarter, LINN will also furnish or make available summary financial information within 90 days after the close of each quarter.

LINN will furnish each record holder of a unit with information reasonably required for tax reporting purposes within 90 days after the close of each calendar year. This information is expected to be furnished in summary form so that some complex calculations normally required of unitholders can be avoided. LINN's ability to furnish this summary information to unitholders will depend on the cooperation of unitholders in supplying it with specific information. Every unitholder will receive information to assist him in determining his federal and state tax liability and filing his federal and state income tax returns, regardless of whether he supplies LINN with information.

### *Right To Inspect LINN's Books and Records*

LINN's limited liability company agreement provides that a unitholder can, for a purpose reasonably related to his interest as a unitholder, upon reasonable demand and at his own expense, have furnished to him:

a current list of the name and last known address of each unitholder;

a copy of LINN's tax returns;

information as to the amount of cash, and a description and statement of the agreed value of any other property or services, contributed or to be contributed by each unitholder and the date on which each became a unitholder;

copies of the limited liability company agreement, the certificate of formation of LINN, related amendments and powers of attorney under which they have been executed;

information regarding the status of LINN's business and financial condition; and

any other information regarding its affairs as is just and reasonable.

LINN's board of directors may, and intends to, keep confidential from its unitholders information that it believes to be in the nature of trade secrets or other information, the disclosure of which the board of directors believes in good faith is not in LINN's best interests, information that could damage LINN or its business, or information that it is required by law, by the rules of any national securities exchange on which the shares are listed or by agreements with a third party to keep confidential.

**Table of Contents**

**Comparison of LINN s Units with Our Shares**

The following table compares important features of the LINN units with our shares.

Numbers of units and shares	LINN Units units outstanding as of	, 2012.	LinnCo Shares One voting share currently outstanding.
			shares to be issued in this offering.
Distributions and Dividends	On a quarterly basis, LINN is required to distribute to the owners of all classes of its units an amount equal to its available cash.		On a quarterly basis, LinnCo is required to pay a dividend equal to the amount of cash received from LINN in respect of the LINN units owned by LinnCo, less reserves for income taxes payable by LinnCo.
			For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that LinnCo s income tax liability will be between 2% and 5% of the cash distributed to LinnCo.
Dissolution	LINN will dissolve upon: (1) the election of its board of directors to dissolve it if approved by the holders of a unit majority; (2) the sale, exchange or other disposition of all or substantially all of the assets and properties of LINN and its subsidiaries; or (3) the entry of a decree of judicial dissolution of LINN.		We will be dissolved and wound up only (1) upon entry of a judicial decree, (2) upon an election by our board of directors that is approved by the owner(s) of the voting share(s) and by the holders of a majority of the outstanding shares of the class sold in this offering, voting as separate classes, (3) if we cease to own any LINN units (whether as a result of a merger of LINN or otherwise) and the owner(s) of the voting share(s) approve such dissolution, (4) in the event of a sale or other disposition of all or substantially all of our assets other than in connection with certain non-cash mergers involving LINN, (5) if at any time we have no members, unless a member is admitted to LinnCo and LinnCo is continued without dissolution in accordance with the LLC Act, (6) a merger of LINN in which securities of another entity are exchanged for all of the outstanding LINN units, unless (a) LINN s successor is treated as a partnership for U.S. federal income tax purposes and (b) such successor agrees in writing to assume LINN s obligations under our limited liability company agreement and the Omnibus Agreement, (7) if we are required to tender all of our LINN units upon an election by a person



**Table of Contents**

**LINN Units**

**LinnCo Shares**

Voting

Unitholders have the right to vote with respect to the election of LINN's directors, certain amendments to LINN's limited liability company agreement, the merger of LINN or the sale of all or substantially all of its assets and the dissolution of LINN.

to purchase all of the outstanding LINN units pursuant to the limited call right provided in LINN's limited liability company agreement or any similar provision applicable to LINN units or (8) the sale by LINN of all or substantially all of its assets in one or more transactions for cash and a distribution of such cash to LINN unitholders. In the event that we are dissolved, our affairs will be wound up and all our remaining assets, after payments to creditors and satisfaction of other obligations, will be distributed to the holders of the outstanding shares.

If LINN or its successor is treated as a corporation for U.S. federal income tax purposes, LINN or such successor will have the right to cause us to merge with and into LINN, in which case our shareholders would receive distributions in kind of LINN units and other property we own, if any, after payments to creditors and satisfaction of other obligations.

Our shareholders are not entitled to vote to elect our board of directors.

Our shareholders will be entitled to vote on certain fundamental matters affecting us, such as certain amendments to our limited liability company agreement, certain mergers of our company, the sale of all or substantially all of our assets and our voluntary dissolution and winding up.

We will submit to a vote of our shareholders any matter submitted by LINN to a vote of its unitholders, including the election of LINN's directors. We will vote the LINN units that we hold in the same manner as the owners of our shares vote (or refrain from voting) their shares on those matters.

**Table of Contents**

	<b>LINN Units</b>	<b>LinnCo Shares</b>
Limited Call Rights	<p>If at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding units at a price equal to the higher of the current market price (as defined in</p> <p>LINN's limited liability company agreement) or the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election.</p>	<p>If LINN or any of its affiliates own 80% or more of our shares, LINN has the right, which it may assign to any of its affiliates, to purchase all of our remaining outstanding shares, at a purchase price not less than the then-current market price of our shares.</p> <p>In addition, we may be required to sell our LINN units in the event that a person owns more than 90% of the outstanding LINN units and exercises the call right associated therewith. In such event, we will distribute to the holders of outstanding shares of all classes any cash we receive, net of any income taxes payable by us and after payments to creditors and satisfaction of other obligations, and our shares will be canceled and we will be dissolved.</p>
Listing Exchange	<p>Units are traded on the NASDAQ Global Select Market under the symbol LINE.</p>	<p>We have applied to list our shares on the NASDAQ Global Select Market under the symbol LNCO.</p> <p>The voting share(s) will not be listed for trading on any stock exchange.</p>

**Table of Contents**

**SHARES ELIGIBLE FOR FUTURE SALE**

Upon completion of the offering, we will have outstanding \_\_\_\_\_ shares. All of the shares sold in the offering will be freely tradable without restriction.

Prior to the offering, there has been no public trading market for our shares. Sales of substantial amounts of shares in the open market, or the perception that those sales could occur, could adversely affect prevailing market prices and could impair our ability to raise capital in the future through the sale of our equity securities.

Our limited liability company agreement provides that we may issue an unlimited number of common shares and voting shares without a vote of our shareholders. Any issuance of additional common shares would result in a corresponding decrease in the proportionate ownership interest in us represented by, and could adversely affect the dividends to and market price of, shares then outstanding. Please read [Description of Our Shares](#) [Issuance of Additional Shares](#).

**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

**Scope of Discussion**

The following is a discussion of the material U.S. federal income tax consequences relating to an investment in the shares. This discussion is limited to holders that hold the shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code). For purposes of this discussion, holder means either a U.S. holder (as defined below) or a non-U.S. holder (as defined below) or both, as the context may require.

This discussion does not address any aspect of non-income taxation, any state, local or foreign taxation or the effect of any tax treaty. Moreover, this discussion does not address all of the U.S. federal income tax consequences that may be relevant to holders in light of their particular circumstances or, except as specifically discussed below, to holders who may be subject to special treatment under U.S. federal income tax laws, such as:

banks, thrifts, insurance companies and other financial institutions;

tax-exempt organizations;

partnerships or other pass-through entities (or their investors or beneficiaries);

regulated investment companies and mutual funds;

real estate investment trusts;

dealers or traders in stocks and securities, foreign currencies or notional principal contracts;

holders subject to the alternative minimum tax provisions of the Code;

certain expatriates or former long-term residents of the United States;

U.S. holders that have a functional currency other than the U.S. dollar;

personal holding companies;

controlled foreign corporations, passive foreign investment companies or corporations that accumulate earnings to avoid U.S. federal income tax;

holders that own, or are deemed to own, more than 5% of the shares;

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holders that received shares as compensation for the performance of services or pursuant to the exercise of options or warrants; or

holders that hold shares as part of a hedge, conversion or constructive sale transaction, straddle, wash sale or other risk reduction transaction or other integrated transaction.

If a partnership (including an entity or other arrangement treated as a partnership for U.S. federal income tax purposes) is an owner of shares, the tax treatment of a partner will generally depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partners of partnerships that are owners of shares should consult their tax advisors.

All statements as to matters of law and legal conclusions, but not as to factual matters, contained in this section, unless otherwise noted, are the opinions of Baker Botts L.L.P. ( Counsel ).

In providing this opinion, Counsel has examined and is relying upon the truth and accuracy at all relevant times of this prospectus, the registration statement of which this prospectus forms a part, representations made by us and LINN and such other records and documents as in Counsel s judgment are necessary or appropriate to enable Counsel to provide this opinion. Counsel has not, however, undertaken any independent investigation of any factual matter set forth in any of the foregoing.

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**Table of Contents**

This opinion is based upon Counsel's interpretation of the Code, its regulations, court decisions, published positions of the Internal Revenue Service ( IRS ) and other applicable authorities, all as in effect on the date of this prospectus and all of which are subject to change or differing interpretations, possibly with retroactive effect. This opinion is rendered as of the date of this prospectus, and Counsel assumes no obligation to advise us or you of any change in fact, circumstances or law which may alter, affect or modify this opinion. This opinion is not binding on the IRS or a court, and no ruling has been or will be obtained from the IRS regarding any of the matters addressed in this opinion. As a result, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position contrary to the matters addressed in this opinion.

**THIS DISCUSSION IS NOT A SUBSTITUTE FOR AN INDIVIDUAL ANALYSIS OF THE TAX CONSEQUENCES RELATING TO AN INVESTMENT IN THE SHARES. WE URGE YOU TO CONSULT YOUR OWN TAX ADVISOR CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU IN LIGHT OF YOUR FACTS AND CIRCUMSTANCES AND ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

**LINN Partnership Status**

Section 7704 of the Code provides that publicly traded partnerships will, as a general rule, be treated as corporations for U.S. federal income tax purposes. However, an exception, referred to as the Qualifying Income Exception, exists with respect to publicly traded partnerships of which 90% or more of the gross income for every taxable year consists of qualifying income within the meaning of Section 7704(d) of the Code. If a publicly traded partnership meets this exception and has not elected to be treated as a corporation, it will be treated as a partnership for U.S. federal income tax purposes.

Qualifying income includes income and gains derived from the exploration, development, mining or production, processing, transportation and marketing of natural resources, including crude oil, natural gas and products thereof. Other types of qualifying income include interest (other than from a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. LINN estimates that less than 5% of its current gross income is not qualifying income; however, this estimate could change from time to time.

Subject to the assumptions, qualifications and limitations set forth above, Counsel is of the opinion that at least 90% of LINN's current gross income constitutes qualifying income, that LINN will be treated as a partnership for U.S. federal income tax purposes and that LINN's principal operating subsidiary, Linn Energy Holdings, LLC (the Operating Company ), will be disregarded as an entity separate from LINN for U.S. federal income tax purposes. In providing this opinion, Counsel has relied upon representations made by LINN that:

neither LINN nor the Operating Company has elected or will elect to be treated as a corporation; and

for each taxable year since LINN's inception, more than 90% of LINN's gross income will be income that Counsel has opined or will opine is qualifying income within the meaning of Section 7704(d) of the Code.

**LinnCo U.S. Federal Income Taxation**

We have elected to be treated as a corporation for U.S. federal income tax purposes. Thus, we are obligated to pay U.S. federal income tax on our net taxable income. Currently, the maximum regular U.S. federal income tax rate for a corporation is 35%, but we may be subject to a 20% alternative minimum tax on our alternative minimum taxable income to the extent that the alternative minimum tax exceeds our regular income tax.

Although the Code generally provides that a regulated investment company does not pay an entity-level income tax, provided that it distributes all or substantially all of its income, we do not meet the current tests for

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## **Table of Contents**

qualification as a regulated investment company under the Code because most or substantially all of our investments will consist of investments in LINN units. The regulated investment company tax rules therefore have no application to us.

### **Consequences to U.S. Holders**

The following is a discussion of the material U.S. federal income tax consequences that will apply to U.S. holders. The term "U.S. holder" means a beneficial owner of shares that, for U.S. federal income tax purposes, is:

an individual citizen or resident alien of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

### ***Distributions on the Shares***

Because we are a corporation, rather than a partnership, for U.S. federal income tax purposes, a holder will not receive a Schedule K-1 from us and will not include its allocable share of our income, gains, losses or deductions in computing the holder's own taxable income. Distributions paid with respect to our shares will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits. Our earnings and profits generally will equal the taxable income allocated to us by LINN, with certain adjustments. These adjustments include recovering depreciation, depletion and intangible drilling costs more slowly than permitted in computing taxable income and will generally result in our having earnings and profits in excess of our taxable income. Distributions in excess of our earnings and profits will be treated first as a tax-free return of capital to the extent of the U.S. holder's tax basis in the shares and will reduce (but not below zero) such basis. A distribution in excess of our earnings and profits and the U.S. holder's tax basis in the shares will be treated as capital gain realized on the sale or exchange of such shares. All distributions on our shares will be reportable to holders on Form 1099-DIV.

We estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, you will recognize an amount of taxable dividend income that will be between 0% and 60% of the cash dividends paid to you during each such period. The excess of the cash dividends that you receive over your taxable dividend income during each such period will reduce your tax basis in your shares. After December 31, 2015, the ratio of taxable dividend income to cash dividends may increase due to reduced depletion deductions if the rate of LINN's oil and natural gas production from LINN's reserves declines over time and reduced depreciation deductions allowable in each succeeding year under the accelerated depreciation schedule applicable to LINN's assets. Moreover, as described above, all distributions made in excess of our earnings and profits and a holder's tax basis in our shares will be taxable to the holder in full as capital gain. These estimates are based upon assumptions with respect to LINN's earnings from its operations, the amount of those earnings allocated to us, our income tax liabilities and the amount of the distributions paid to us by LINN, including assumptions that LINN will not significantly decrease its drilling activity and that there will not be an issuance of significant additional units by LINN without a corresponding increase in the aggregate tax deductions generated by LINN. These estimates and assumptions are subject to, among other things, numerous business, economic, regulatory, legislative, competitive and political uncertainties beyond our control, including the enactment of proposed legislation that would eliminate the current deduction of intangible drilling costs and other tax incentives to the oil and natural gas industry, or a significant increase in oil and natural gas prices. Further, the estimates are based on current tax law and tax reporting positions that we and LINN will adopt and with which the IRS could

## **Table of Contents**

disagree. Accordingly, we cannot assure you that these estimates will prove to be correct. The actual ratio of taxable dividend income to cash dividends could be higher or lower than expected, and any differences could be material and could materially affect the value of the shares.

Distributions that are treated as dividends generally will be taxable as ordinary income to U.S. holders but (i) are expected to be treated as qualified dividend income that is currently subject to reduced rates of U.S. federal income taxation for non-corporate U.S. holders and (ii) may be eligible for the dividends received deduction available to corporate U.S. holders, in each case provided that certain holding period requirements are met. Qualified dividend income is currently taxable to non-corporate U.S. holders at a maximum U.S. federal income tax rate of 15% for taxable years beginning before January 1, 2013. Thereafter, qualified dividend income will be taxed at ordinary income rates unless further legislative action is taken. The reduced maximum tax rate on dividends will not apply to dividends received to the extent that the U.S. holder elects to treat such dividends as investment income, which may be offset by investment expense.

Certain limitations apply to the availability of the dividends received deduction for corporate holders, including limitations on the aggregate amount of the deduction that may be claimed and limitations based on the holding period of the shares on which the dividend is paid, which holding period may be reduced if the holder engages in risk reduction transactions with respect to its shares.

U.S. holders should consult their own tax advisors regarding the holding period and other requirements that must be satisfied in order to qualify for the reduced maximum tax rate on dividends and the dividends received deduction.

### ***Sale, Exchange or Other Taxable Disposition of Shares***

Generally, the sale, exchange or other taxable disposition of shares will result in taxable gain or loss to a U.S. holder equal to the difference between (1) the amount of cash plus the fair market value of any other property received by such U.S. holder in the sale, exchange or other taxable disposition and (2) such U.S. holder's adjusted tax basis in the shares. A U.S. holder's adjusted tax basis in the shares will generally equal its cost for the shares, decreased (but not below zero) by the amount of any distributions treated as a tax-free return of capital as described above under Distributions on the Shares.

Gain or loss recognized on the sale, exchange or other taxable disposition of shares will generally be capital gain or loss and will be long-term capital gain or loss if the shares are held for more than one year. A reduced tax rate on capital gain generally will apply to long-term capital gain of a non-corporate U.S. holder. There are limitations on the deductibility of capital losses.

### ***Investment by Tax-Exempt Investors and Regulated Investment Companies***

A tax-exempt investor will not have unrelated business taxable income attributable to its ownership of shares or to its sale, exchange or other disposition of shares unless its ownership of shares is debt-financed. In general, shares would be debt-financed if the tax-exempt investor incurs debt to acquire shares or otherwise incurs or maintains a debt that would not have been incurred or maintained if those shares had not been acquired.

Distributions that constitute dividends with respect to the shares will result in income that is qualifying income for a regulated investment company or a mutual fund. Furthermore, any gain from the sale, exchange or other disposition of shares will constitute gain from the sale, exchange or other disposition of stock or securities and will also result in income that is qualifying income for a regulated investment company. Finally, the shares will constitute qualifying assets to regulated investment companies, which generally must own at least 50% in qualifying assets and not more than 25% in certain non-qualifying assets at the end of each quarter, provided such regulated investment companies do not violate certain percentage ownership limitations with respect to the shares.



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## **Table of Contents**

### ***Backup Withholding and Information Reporting***

In general, distributions in respect of the shares, and the proceeds of a sale, exchange or other taxable disposition of the shares, paid to a U.S. holder are subject to information reporting and may be subject to U.S. federal backup withholding unless the U.S. holder (i) is an exempt recipient or (ii) provides us with a correct taxpayer identification number and certifies that it is not subject to backup withholding. Backup withholding is not an additional tax. Any amount withheld from a payment to a U.S. holder under the backup withholding rules is allowable as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

### **Consequences to Non-U.S. Holders**

The following is a discussion of the material U.S. federal income tax consequences that will apply to non-U.S. holders. The term non-U.S. holder means a beneficial owner of shares (other than a partnership) who is not a U.S. holder.

### ***Distributions on the Shares***

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with a trade or business carried on by the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base of the non-U.S. holder in the United States). A non-U.S. holder that is eligible for a reduced rate of withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for refund with the IRS. Under applicable Treasury Regulations, a non-U.S. holder (including, in the case of certain non-U.S. holders that are entities, the owner or owners of these entities) will be required to satisfy certain certification requirements as set forth on IRS Form W-8BEN (or other applicable form) in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty.

Dividends that are effectively connected with a trade or business carried on by the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base of the non-U.S. holder in the United States) generally are not subject to the withholding tax described above but instead are subject to U.S. federal income tax on a net income basis at applicable graduated U.S. federal income tax rates. A non-U.S. holder must satisfy certain certification requirements, including, if applicable, the furnishing of an IRS Form W-8ECI (or other applicable form), for its effectively connected dividends to be exempt from the withholding tax described above. Dividends that are effectively connected with a corporate non-U.S. holder's conduct of a trade or business in the United States may be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty).

To the extent distributions paid on our shares exceed our current and accumulated earnings and profits, such distributions will constitute a return of capital and will reduce the adjusted tax basis in such shares, but not below zero. The amounts of any such distribution in excess of such adjusted tax basis will be treated as gain from the sale of shares and will have the tax consequences described under **Sale, Exchange or Other Taxable Disposition of Shares** below.

### ***Sale, Exchange or Other Taxable Disposition of Shares***

Subject to the discussion below under **Other Recently Enacted Legislation**, a non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on a sale, exchange or other taxable disposition of shares, unless:

the non-U.S. holder is an individual present in the United States for 183 days or more during the taxable year of that disposition and certain other conditions are met;

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**Table of Contents**

the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if a tax treaty applies, the gain is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States);

our shares constitute a United States real property interest by reason of our being a United States real property holding corporation (USRPHC) and the regularly traded exception (discussed below) does not apply to such non-U.S. holder; or

the non-U.S. holder does not qualify for an exemption from backup withholding, as discussed in Information Reporting and Backup Withholding below.

An individual non-U.S. holder described in the first bullet point above will be taxed on his or her gains from the sale, exchange or other taxable disposition of shares at a flat rate of 30% (or such lower rate as may be specified by an applicable income tax treaty), which may be offset by certain U.S. source capital losses of such non-U.S. holder provided that such non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Non-U.S. holders that recognize gain from the sale, exchange or other taxable disposition of shares described in the second bullet point above will be subject to U.S. federal income tax on a net income basis at applicable graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the United States, and in the case of corporate non-U.S. holders, the branch profits tax discussed above also may apply.

If a non-U.S. holder is subject to U.S. federal income tax because of our status as a USRPHC and the regularly traded exception (discussed below) does not apply to such non-U.S. holder, then, in the case of any disposition of shares by the non-U.S. holder, the purchaser may be required to deduct and withhold a tax equal to 10% of the amount realized on the disposition. Non-U.S. holders subject to U.S. federal income tax will also be subject to certain U.S. filing and reporting requirements. We believe that we are a USRPHC. Nevertheless, such income tax and such withholding will not apply unless such non-U.S. holder's shares (including shares that are attributed to such holder under applicable attribution rules) represent more than 5% of the total fair market value of all of the shares at any time during the five-year period ending on the date of disposition of such shares by the non-U.S. holder, assuming that the shares are regularly traded on an established securities market within the meaning of applicable Treasury Regulations, which provide that a class of interests that is traded on an established securities market located in the United States is considered to be regularly traded for any calendar quarter during which it is regularly quoted by brokers or dealers making a market in these interests. We expect to satisfy this regularly traded exception, but this cannot be assured. Prospective investors should consult their own tax advisors regarding the application of the regularly traded exception.

***Information Reporting and Backup Withholding***

In general, backup withholding will apply to dividends in respect of the shares paid to a non-U.S. holder unless such non-U.S. holder has provided the required certification that it is not a United States person and the payor does not have actual knowledge (or reason to know) that the non-U.S. holder is a United States person or such non-U.S. holder otherwise establishes an exemption from backup withholding. Dividends paid to a non-U.S. holder generally will be exempt from backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption from backup withholding. Generally, information regarding the amount of distributions paid, the name and address of the recipient and the amount, if any, of tax withheld will be reported to the IRS and to the recipient even if no tax was required to be withheld. Copies of these information reports may also be made available under the provisions of an applicable treaty or other agreement to the tax authorities of the country in which the non-U.S. holder is a resident for purposes of such treaty or agreement.

In general, backup withholding and information reporting will apply to the payment of proceeds from the disposition of shares by a non-U.S. holder through a U.S. office of a broker unless such non-U.S. holder has provided the required certification that it is not a United States person and the payor does not have actual

## **Table of Contents**

knowledge (or reason to know) that the holder is a United States person, or such non-U.S. holder otherwise establishes an exemption. In general, backup withholding and information reporting will not apply to the payment of proceeds from the disposition of shares by a non-U.S. holder through the non-U.S. office of a broker, except that, in the case of a broker that is a United States person or has certain specified relationships or connections with the United States, information reporting will apply unless the broker has documentary evidence in its files that the holder is not a United States person and the broker does not have actual knowledge (or reason to know) that the holder is a United States person and certain other conditions are satisfied, or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the non-U.S. holder is a United States person.

Backup withholding is not an additional tax. Any amount withheld from a payment to a non-U.S. holder under the backup withholding rules is allowable as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

### **Medicare Tax**

Recently enacted legislation requires certain holders who are individuals, estates or trusts to pay a 3.8% unearned income Medicare contribution tax on, among other things, dividends on and capital gains from the sale or other disposition of shares for taxable years beginning after December 31, 2012. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of shares.

### **Other Recently Enacted Legislation**

An additional withholding tax will apply to certain types of payments made after December 31, 2012 (unless certain proposed regulations providing otherwise are finalized, as discussed further below), to foreign financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax will be imposed on dividends on, or gross proceeds from the sale or other disposition of, the shares paid to a foreign financial institution or to a non-financial foreign entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. If the payee is a foreign financial institution, it must enter into an agreement with the U.S. Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes. The United States Treasury Department and the IRS have recently issued proposed regulations that, if finalized, would provide that the withholding described above would not apply to payments made before January 1, 2014 (with respect to dividends on the shares) or January 1, 2015 (with respect to gross proceeds from the sale or other disposition of the shares). The proposed regulations will not be effective until issued in final form, and there can be no assurance as to when those final regulations will be issued or the particular form they might take.

Prospective purchasers of shares should consult their own tax advisors with respect to the tax consequences of these rules.

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**Table of Contents**

**ERISA CONSIDERATIONS**

The following is a summary of material considerations arising under the Employee Retirement Income Security Act of 1974, as amended ( ERISA ) and the prohibited transaction provisions of the Code that may be relevant to a prospective purchaser of our shares. The discussion does not purport to deal with all aspects of ERISA or section 4975 of the Code that may be relevant to particular shareholders in light of their particular circumstances.

We base the foregoing discussion on current provisions of ERISA and the Code, existing ERISA and Code regulations, DOL administrative rulings, and reported judicial decisions. No assurance can be given that legislative, administrative or judicial changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes.

**Fiduciary Requirements**

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of ERISA ( ERISA Plan ) should consider carefully whether an investment in our shares is consistent with its fiduciary responsibilities under ERISA. In particular, the ERISA fiduciary responsibilities require an ERISA Plan 's investments to be (1) prudent and in the best interests of the ERISA Plan, its participants and its beneficiaries, (2) diversified in order to minimize the risk of large losses, unless it is clearly prudent not to do so and (3) authorized under the terms of the ERISA Plan 's governing documents (provided the documents are consistent with ERISA). In determining whether an investment in our shares is prudent for purposes of ERISA, the appropriate fiduciary of an ERISA Plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA Plan 's portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA Plan, taking into consideration the risk of loss and opportunity for gain (or other return) from the investment, diversification, cash flow and funding requirements of the ERISA Plan 's portfolio.

The fiduciary of an individual retirement account ( IRA ) or a governmental plan, church plan or plan that does not cover common-law employees that is not subject to Title I of ERISA ( Non-ERISA Plan ) may only make investments that are authorized by the appropriate governing documents and under applicable state law.

**Prohibited Transaction Issues**

Fiduciaries of ERISA Plans and fiduciaries or other persons making the investment decision for an IRA or Non-ERISA Plan should consider the application of the prohibited transaction provisions of ERISA and the Code in making their investment decision. Under the prohibited transaction rules, an ERISA Plan, IRA and Non-ERISA Plan are prohibited from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person with respect to an ERISA Plan or an IRA or Non-ERISA Plan is subject to (1) an initial 15% excise tax on the amount involved in any prohibited transaction involving the assets of the plan or IRA and (2) an excise tax equal to 100% of the amount involved if any prohibited transaction is not timely corrected. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA is maintained (or his beneficiary), the IRA will lose its tax-exempt status and its assets will be deemed to have been distributed to such individual in a taxable distribution (and no excise tax will be imposed) on account of the prohibited transaction. In addition, a fiduciary who permits an ERISA Plan to engage in a transaction that the fiduciary knows or should know is a prohibited transaction may be liable to the ERISA Plan for any loss the ERISA Plan incurs as a result of the transaction or for any profits earned by the fiduciary in the transaction.

**Plan Asset Issues**

Certain rules apply in determining whether the fiduciary requirements of ERISA and the prohibited transaction provisions of ERISA and the Code apply to an entity because one or more investors in the equity interests in the entity is an ERISA Plan or an IRA or a Non-ERISA Plan subject to section 4975 of the Code. An

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## **Table of Contents**

ERISA Plan fiduciary should consider the relevance of the fiduciary requirements of ERISA and the prohibited transaction provisions of ERISA and the Code with respect to ERISA's prohibition on improper delegation of control over or responsibility for plan assets and ERISA's imposition of co-fiduciary liability with respect to who participates in, permits (by action or inaction) the occurrence of or fails to remedy a known breach by another fiduciary.

Regulations of the U.S. Department of Labor ( DOL ) defining plan assets, known as the Plan Asset Regulations, generally provide that when an ERISA Plan or a Non-ERISA Plan or an IRA acquires a security that is an equity interest in an entity and the security is neither a publicly offered security nor a security issued by an investment company registered under the Investment Company Act of 1940, the ERISA or Non-ERISA Plan's or IRA's assets include both the equity interest and an undivided interest in each of the underlying assets of the issuer of such equity interest, unless one or more exceptions specified in the Plan Asset Regulations are satisfied.

For purposes of the Plan Asset Regulations, a publicly offered security is a security that is freely transferable, part of a class of securities that is widely held, and either (a) is sold to the ERISA Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities to which such security is a part is registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public has occurred or (b) is part of a class of securities that is registered under Section 12 of the Exchange Act. The Plan Asset Regulations provide that a security is widely held only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and one another. A security will not fail to be widely held because the number of independent investors falls below 100 subsequent to the initial offering thereof as a result of events beyond the control of the issuer. The Plan Asset Regulations provide that whether a security is freely transferable is a factual question to be determined on the basis of all the relevant facts and circumstances.

We anticipate that our shares to be sold in this offering will meet the criteria of publicly offered securities under the Plan Asset Regulations, although no assurances can be given in this regard. The underwriters expect (although no assurance can be given) that our shares will be (1) held beneficially by more than 100 independent persons at the conclusion of the offering and thus widely held, (2) freely transferable as no restrictions will be imposed on the transfer of our shares and (3) sold as part of an offering pursuant to an effective registration statement under the Securities Act of 1933. As a result, we anticipate that our shares will be timely registered under the Exchange Act.

Governmental plans, certain church plans and non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or section 4975 of the Code, may nevertheless be subject to other federal, state, local, non-U.S. or other laws that are substantially similar to the foregoing provisions of ERISA or the Code ( Similar Laws ).

### **Careful Consideration of ERISA and Code Issues Is Recommended**

The foregoing discussion is not intended as a substitute for careful consideration of issues under ERISA and the Code which may be relevant to a person purchasing our shares with plan assets. The ERISA and prohibited transaction provisions and regulations applicable to persons investing plan assets are complex and are subject to varying interpretations. Moreover, the effect of such laws and regulations and the potential availability of exemptions thereto will vary with the particular circumstances of each prospective holder and in reviewing this prospectus these matters should be considered. *Each fiduciary or other person considering the purchase of our shares on behalf of, or with the assets of, any ERISA plan, IRA or Non-ERISA Plan is advised to consult with its legal advisor concerning the matters described above regarding issues under ERISA, section 4975 of the Code and Similar Laws.*

**Table of Contents**

**UNDERWRITING**

Barclays Capital Inc. and \_\_\_\_\_ are acting as representatives of the underwriters and as joint book-running managers of this offering. Under the terms of an underwriting agreement, which will be filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of shares shown opposite its name below:

Underwriter	Number of Shares
Barclays Capital Inc.	
Total	

The underwriting agreement provides that the underwriters' obligation to purchase shares depends on the satisfaction of the conditions contained in the underwriting agreement including:

the obligation to purchase all of the shares offered hereby (other than those shares covered by their option to purchase additional shares as described below), if any of the shares are purchased;

the representations and warranties made by us to the underwriters are true;

there is no material change in our business the financial markets; and

we deliver customary closing documents to the underwriters.

**Commissions and Expenses**

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay us for the shares.

	No Exercise	Full Exercise
Per share	\$	\$
Total	\$	\$

The representatives of the underwriters have advised us that the underwriters propose to offer the shares directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of \$ \_\_\_\_\_ per share. After the offering, the representatives may change the offering price and other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

The expenses of the offering that are payable by us are estimated to be approximately \$1 million (excluding underwriting discounts and a structuring fee). We will pay Barclays Capital Inc. a structuring fee equal to \_\_\_\_\_ % of the gross proceeds of this offering, up to a cap of \$ \_\_\_\_\_, for the evaluation, analysis and structuring of our company.

**Option to Purchase Additional Shares**

We have granted the underwriters an option exercisable for 30 days after the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of \_\_\_\_\_ shares at the public offering price less underwriting discounts and a structuring fee. This option may be exercised if the underwriters sell more than \_\_\_\_\_ shares in connection with this offering. To the extent that this option is exercised, each

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underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting Section.

## **Table of Contents**

### **Lock-Up Agreements**

We and LINN have agreed that, without the prior written consent of Barclays Capital Inc., we will not directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares or LINN units (including, without limitation, shares or LINN units that may be deemed to be beneficially owned by us or LINN in accordance with the rules and regulations of the SEC and shares or LINN units that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for shares or LINN units or sell or grant options, rights or warrants with respect to any shares or securities convertible into or exchangeable for shares or LINN units (other than the sale of the shares to the underwriters in this offering), (2) enter into any swap or other derivative transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares or LINN units, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares or, with certain exceptions, LINN units or securities convertible, exercisable or exchangeable into shares or LINN units or any of our other securities (4) publicly disclose the intention to do any of the foregoing for a period of 180 days, with respect to our shares, and 90 days, with respect to LINN units, after the date of this prospectus.

The applicable restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the applicable restricted period we issue an earnings release or material news or a material event relating to us occurs; or

prior to the expiration of the applicable restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the applicable period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of a material event, unless such extension is waived in writing by Barclays Capital Inc.

Barclays Capital Inc., in its sole discretion, may release the shares or LINN units and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release shares or LINN units and other securities from lock-up agreements, Barclays Capital Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares or LINN units and other securities for which the release is being requested and market conditions at the time. Barclays Capital Inc. has informed us that it does not presently intend to release any shares or LINN units or other securities subject to the lock-up agreements.

### **Offering Price Determination**

Prior to this offering, there has been no public market for the shares. The initial public offering price will be negotiated between the representatives and us. In determining the initial public offering price of the shares, the representatives will consider:

estimates of distributions to LINN's unitholders and dividends to our shareholders;

the history and prospects for the energy industry;

LINN's financial information;

the prevailing securities markets at the time of this offering; and

the recent market prices of, and the demand for, publicly traded shares of companies similar to LINN.



**Indemnification**

We and LINN each have agreed, jointly and severally, to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

## **Table of Contents**

### **Stabilization, Short Positions and Penalty Bids**

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the shares, in accordance with Regulation M under the Exchange Act:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Syndicate covering transactions involve purchases of the shares in the open market after the distribution has been completed in order to cover syndicate short positions.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the shares originally sold by the syndicate member are purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the shares or preventing or retarding a decline in the market price of the shares. As a result, the price of the shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NASDAQ Global Select Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the shares. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

### **Electronic Distribution**

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representatives on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

## **Table of Contents**

### **NASDAQ Global Select Market**

We have applied to list the shares on the NASDAQ Global Select Market under the symbol LNCO. In connection with that listing application, the underwriters have undertaken to sell the minimum number of shares to the minimum number of beneficial owners necessary to meet the NASDAQ Global Select Market listing requirements.

### **Passive Market Making**

In connection with the offering, underwriters and selling group members may engage in passive market making transactions in LinnCo shares and LINN units on the NASDAQ Global Select Market in accordance with Rule 103 of Regulation M under the Exchange Act during the period before the commencement of offers or sales of shares and units and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker's bid that bid must be lowered when specified purchase limits are exceeded.

### **Discretionary Sales**

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

### **Stamp Taxes**

If you purchase shares offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

### **Selling Restrictions**

#### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any shares which are the subject of the offering contemplated by this Prospectus (the shares) may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are qualified investors as defined under the Prospectus Directive;
- (b) by the Underwriters to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Barclays Capital Inc. for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall result in a requirement for LinnCo or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including

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## **Table of Contents**

the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### **United Kingdom**

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ( "Qualified Investors" ) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order" ) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons" ). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

### **Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia ( "Corporations Act" )) in relation to the shares has been or will be lodged with the Australian Securities & Investments Commission ( "ASIC" ). This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

- (i) a sophisticated investor under section 708(8)(a) or (b) of the Corporations Act;
  - (ii) a sophisticated investor under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
  - (iii) a person associated with the company under section 708(12) of the Corporations Act; or
  - (iv) a professional investor within the meaning of section 708(11)(a) or (b) of the Corporations Act,
- and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and

(b) you warrant and agree that you will not offer any of the shares for resale in Australia within 12 months of those shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### **Hong Kong**

The shares may not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of the issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the shares which are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) or any rules made under that Ordinance.



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## **Table of Contents**

### **India**

This prospectus has not been and will not be registered as a prospectus with the Registrar of Companies in India or with the Securities and Exchange Board of India. This prospectus or any other material relating to these securities is for information purposes only and may not be circulated or distributed, directly or indirectly, to the public or any members of the public in India and in any event to not more than 50 persons in India. Further, persons into whose possession this prospectus comes are required to inform themselves about and to observe any such restrictions. Each prospective investor is advised to consult its advisors about the particular consequences to it of an investment in these securities. Each prospective investor is also advised that any investment in these securities by it is subject to the regulations prescribed by the Reserve Bank of India and the Foreign Exchange Management Act and any regulations framed thereunder.

### **Japan**

No securities registration statement ( SRS ) has been filed under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) ( FIEL ) in relation to the shares. The shares are being offered in a private placement to qualified institutional investors ( *tekikaku-kan-toshika* ) under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the FIEL (the Ministry of Finance Ordinance No. 14, as amended) ( QIIs ), under Article 2, Paragraph 3, Item 2 i of the FIEL. Any QII acquiring the shares in this offer may not transfer or resell those shares except to other QIIs.

### **Korea**

The shares may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The shares have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the shares may not be resold to Korean residents unless the purchaser of the shares complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the shares.

### **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Future Act, Chapter 289 of Singapore (the SFA ), (ii) to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to Section 275 (1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed and purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
  - (b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole whole purpose is to hold investments and each beneficiary is an accredited investor,
- shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the shares under Section 275 of the SFA except:

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**Table of Contents**

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions, specified in Section 275 of the SFA;
- (ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (iii) where no consideration is or will be given for the transfer; or
- (iv) where the transfer is by operation of law.

By accepting this prospectus, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

**Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ( DFSA ). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

**FINRA Rules**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for LINN or for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of us or LINN. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of certain of the underwriters in this offering are lenders under LINN's Credit Facility and, accordingly, if LINN elects to use the proceeds it receives from LinnCo to repay debt outstanding under its Credit Facility, those lenders would indirectly receive a portion of the net proceeds from this offering.

**Table of Contents**

**VALIDITY OF THE SHARES**

The validity of the shares will be passed upon for us by Baker Botts L.L.P., Houston, Texas. Certain legal matters in connection with the shares offered hereby will be passed upon for the underwriters by Latham & Watkins LLP, Houston, Texas.

**EXPERTS**

The consolidated financial statements of Linn Energy, LLC as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, and the financial statements of LinnCo, LLC as of June 30, 2012, and for the period from April 30, 2012 (inception) to June 30, 2012, have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The statement of revenues and direct operating expenses of the assets acquired by Linn Energy, LLC from BP America Production Company (Hugoton Acquisition) for the year ended December 31, 2011, and the statements of revenues and direct operating expenses of the assets acquired by Linn Energy, LLC from BP America Production Company (Green River Acquisition) for the years ended December 31, 2011 and 2010, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Certain estimates of the proved oil and natural gas reserves of Linn Energy, LLC included or incorporated by reference herein were based in part upon engineering reports prepared by DeGolyer and MacNaughton, independent petroleum engineers. These estimates are included or incorporated by reference herein in reliance on the authority of such firm as an expert in such matters.



**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 regarding the shares. This prospectus does not contain all of the information found in the registration statement. For further information regarding us, LINN and the shares offered by this prospectus, you may desire to review the full registration statement, including its exhibits and schedules, filed under the Securities Act. The registration statement of which this prospectus forms a part, including its exhibits and schedules, may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of the materials may also be obtained from the SEC at prescribed rates by writing to the public reference room maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

The SEC maintains a web site on the Internet at <http://www.sec.gov>. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's web site and can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Upon completion of this offering, we will file with or furnish to the SEC periodic reports and other information. These reports and other information may be inspected and copied at the public reference facilities maintained by the SEC or obtained from the SEC's website as provided above. Our website is located at [www.linnco.com](http://www.linnco.com) and will be activated immediately following this offering. We expect to make available our periodic reports and other information filed with or furnished to the SEC free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference herein and does not constitute a part of this prospectus.

We intend to furnish or make available to our unitholders annual reports containing our audited financial statements and furnish or make available to our unitholders quarterly reports containing our unaudited interim financial information, including the information required by Form 10-Q, for the first three fiscal quarters of each fiscal year.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These statements may include, but are not limited to, statements about Linn Energy, LLC s:

business strategy;

acquisition strategy;

financial strategy;

drilling locations;

oil, gas and natural gas liquid ( NGL ) reserves;

realized oil, gas and NGL prices;

production volumes;

lease operating expenses, general and administrative expenses and development costs;

future operating results; and

plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as may, will, could, should, expect, plan, project, intend, anticipate, believe, potential, pursue, target, continue, the negative of such terms or other comparable terminology.

The forward-looking statements contained in this prospectus are largely based on our and LINN s expectations, which reflect estimates and assumptions made by our respective management. These estimates and assumptions reflect our and LINN s best judgment based on currently known market conditions and other factors. Although we believe such estimates to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond our control. In addition, management s assumptions may prove to be inaccurate. We caution that the forward-looking statements contained in this prospectus are not guarantees of future performance and that such statements may not be realized or the forward-looking statements or events may not occur. Actual results may differ materially from those anticipated or implied in forward-looking statements due to factors described in this prospectus or any prospectus supplement and in the reports and other information we file with the SEC. These forward-looking statements speak only as of the date made, and other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**Table of Contents**

**INDEX TO FINANCIAL STATEMENTS**

<b>LinnCo, LLC Financial Statements</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Balance Sheet as of June 30, 2012</u>	F-3
<u>Statement of Operations for the period from April 30, 2012 (inception) to June 30, 2012</u>	F-4
<u>Statement of Shareholders' Equity for the period from April 30, 2012 (inception) to June 30, 2012</u>	F-5
<u>Statement of Cash Flows for the period from April 30, 2012 (inception) to June 30, 2012</u>	F-6
<u>Notes to Financial Statements</u>	F-7
<b>Linn Energy, LLC Pro Forma Financial Statements</b>	
<u>Pro Forma Condensed Combined Balance Sheet as of June 30, 2012 (Unaudited)</u>	F-9
<u>Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2012 (Unaudited)</u>	F-10
<u>Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2011 (Unaudited)</u>	F-11
<u>Notes to Pro Forma Condensed Combined Financial Statements (Unaudited)</u>	F-12
<b>Linn Energy, LLC Financial Statements</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F-20
<u>Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010</u>	F-21
<u>Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009</u>	F-22
<u>Consolidated Statements of Unitholders' Capital for the years ended December 31, 2011, 2010 and 2009</u>	F-23
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009</u>	F-24
<u>Notes to Consolidated Financial Statements</u>	F-25
<b>Linn Energy, LLC Interim Financial Statements</b>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2012 (Unaudited) and December 31, 2011</u>	F-64
<u>Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2012 and June 30, 2011 (Unaudited)</u>	F-65
<u>Condensed Consolidated Statement of Unitholders' Capital for the six months ended June 30, 2012 (Unaudited)</u>	F-66
<u>Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and June 30, 2011 (Unaudited)</u>	F-67
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	F-68
<b>Linn Energy, LLC Statements of Revenues and Direct Operating Expenses of the Assets Acquired from BP America Production Company (Hugoton Acquisition)</b>	
<u>Report of Independent Auditors</u>	F-86
<u>Statements of Revenues and Direct Operating Expenses for the year ended December 31, 2011 (Audited) and the three months ended March 31, 2012 and 2011 (Unaudited)</u>	F-87
<u>Notes to Statements of Revenues and Direct Operating Expenses</u>	F-88
<b>Linn Energy, LLC Statements of Revenues and Direct Operating Expenses of the Assets Acquired from BP America Production Company (Green River Acquisition)</b>	
<u>Report of Independent Auditors</u>	F-92
<u>Statements of Revenues and Direct Operating Expenses for the years ended December 31, 2011 and 2010 (Audited) and the six months ended June 30, 2012 and 2011 (Unaudited)</u>	F-93
<u>Notes to Statements of Revenues and Direct Operating Expenses</u>	F-94

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholder

LinnCo, LLC

We have audited the accompanying balance sheet of LinnCo, LLC (the Company) as of June 30, 2012, and the related statements of operations, shareholder's equity, and cash flows for the period from April 30, 2012 (inception) to June 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LinnCo, LLC as of June 30, 2012, and the results of its operations and its cash flows for the period from April 30, 2012 (inception) to June 30, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Houston, Texas

September 24, 2012

F-2

**Table of Contents****LinnCo, LLC****BALANCE SHEET**

	<b>June 30, 2012</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 1,000
Accounts receivable related party	634,208
Deferred offering costs	748,100
Total assets	\$ 1,383,308
<b>LIABILITIES AND SHAREHOLDER S EQUITY</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 634,208
Total liabilities	634,208
<b>Shareholder s equity:</b>	
Voting shares; unlimited shares authorized; 1 share issued and outstanding	1,000
Shares; unlimited shares authorized; no shares issued	
Additional paid-in capital	903,218
Accumulated deficit	(155,118)
	749,100
Total liabilities and shareholder s equity	\$ 1,383,308

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

**Table of Contents**

**LinnCo, LLC**

**STATEMENT OF OPERATIONS**

	<b>April 30, 2012 (Inception) To June 30, 2012</b>
General and administrative expenses	\$ 155,118
Net loss	\$ (155,118)

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

F-4

**Table of Contents**

**LinnCo, LLC**

**STATEMENT OF SHAREHOLDER S EQUITY**

	April 30, 2012 (Inception) To June 30, 2012				Total Shareholder s Equity
	Shareholder s Equity Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	
Issuance of voting share to Linn Energy, LLC	1	\$ 1,000	\$	\$	\$ 1,000
Capital contributions from Linn Energy, LLC			903,218		903,218
Net loss				(155,118)	