LINN ENERGY, LLC
Form 10-Q
November 03, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the Quarterly Period Ended September 30, 2016

OR

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

For the transition period from _______________ to _______________

Commission File Number: 000-51719

LINN ENERGY, LLC
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	65-1177591 (I.R.S. Employer Identification No.)
600 Travis Houston, Texas (Address of principal executive offices)	77002 (Zip Code)

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

600 Travis, Suite 5100
Houston, Texas 77002
(Former address of principal executive offices)

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

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

As of October 31, 2016, there were 355,032,380 units outstanding.

TABLE OF CONTENTS

Table of Contents

GLOSSARY OF TERMS

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

Bbl. One stock tank barrel or 42 United States gallons liquid volume.
Bcf. One billion cubic feet.
Bcfe. One billion cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.
Btu. One British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees to 59.5 degrees Fahrenheit.
MBbls. One thousand barrels of oil or other liquid hydrocarbons.
MBbls/d. MBbls per day.
Mcf. One thousand cubic feet.
Mcfe. One thousand cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.
MMBbls. One million barrels of oil or other liquid hydrocarbons.
MMBtu. One million British thermal units.
MMcf. One million cubic feet.
MMcf/d. MMcf per day.
MMcfe. One million cubic feet equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of oil, condensate or natural gas liquids.
MMcfe/d. MMcfe per day.
MMMBtu. One billion British thermal units.
NGL. Natural gas liquids, which are the hydrocarbon liquids contained within natural gas.

Table of Contents

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	December 31, 2015
	(in thousands, except unit amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$800,507	$2,168
Accounts receivable – trade, net	213,108	216,556
Derivative instruments	1,447	1,220,230
Other current assets	121,092	95,593
Total current assets	1,136,154	1,534,547
Noncurrent assets:		
Oil and natural gas properties (successful efforts method)	18,193,256	18,121,155
Less accumulated depletion and amortization	(12,676,972)	(11,097,492)
	5,516,284	7,023,663
Other property and equipment	742,264	708,711
Less accumulated depreciation	(232,245)	(195,661)
	510,019	513,050
Derivative instruments	—	566,401
Restricted cash	205,204	257,363
Other noncurrent assets	35,287	33,234
	240,491	856,998
Total noncurrent assets	6,266,794	8,393,711
Total assets	$7,402,948	$9,928,258
LIABILITIES AND UNITHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	$363,003	$455,374
Derivative instruments	1,776	2,241
Current portion of long-term debt, net	2,828,848	3,714,693
Other accrued liabilities	46,299	119,593
Total current liabilities	3,239,926	4,291,901
Derivative instruments	1,199	857
Long-term debt, net	—	5,292,676
Other noncurrent liabilities	571,123	611,725
Liabilities subject to compromise	5,173,059	—
Commitments and contingencies (Note 10)		

Unitholders' deficit:		
355,142,363 units and 355,017,428 units issued and outstanding at September 30, 2016, and December 31, 2015, respectively	5,367,277	5,343,116
Accumulated deficit	(6,949,636)	(5,612,017)
	(1,582,359)	(268,901)
Total liabilities and unitholders' deficit	$7,402,948	$9,928,258

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

1

Table of Contents

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per unit amounts)			
Revenues and other:				
Oil, natural gas and natural gas liquids sales	$360,143	$427,245	$959,715	$1,374,233
Gains (losses) on oil and natural gas derivatives	274	549,029	(72,533)	782,622
Marketing revenues	18,352	15,723	47,177	60,200
Other revenues	6,896	6,307	21,468	19,624
	385,665	998,304	955,827	2,236,679
Expenses:				
Lease operating expenses	117,470	154,086	370,658	467,759
Transportation expenses	49,630	54,915	156,590	164,250
Marketing expenses	12,191	9,359	35,784	47,359
General and administrative expenses	50,202	60,113	196,377	237,731
Exploration costs	4	3,072	2,745	4,032
Depreciation, depletion and amortization	142,448	207,218	449,677	637,964
Impairment of long-lived assets	41,728	2,255,080	1,195,632	2,787,697
Taxes, other than income taxes	15,383	46,238	80,297	158,317
(Gains) losses on sale of assets and other, net	1,940	(166,980)	5,959	(197,263)
	430,996	2,623,101	2,493,719	4,307,846
Other income and (expenses):				
Interest expense, net of amounts capitalized	(40,105)	(138,383)	(213,758)	(427,584)
Gain on extinguishment of debt	—	197,741	—	213,527
Other, net	(269)	(1,701)	(1,437)	(10,060)
	(40,374)	57,657	(215,195)	(224,117)
Reorganization items, net	(116,276)	—	418,608	—
Loss before income taxes	(201,981)	(1,567,140)	(1,334,479)	(2,295,284)
Income tax expense (benefit)	(3,616)	2,177	3,140	(7,680)
Net loss	$(198,365)	$(1,569,317)	$(1,337,619)	$(2,287,604)
Net loss per unit:				
Basic	$(0.56)	$(4.47)	$(3.79)	$(6.72)
Diluted	$(0.56)	$(4.47)	$(3.79)	$(6.72)
Weighted average units outstanding:				
Basic	352,792	350,695	352,606	340,831
Diluted	352,792	350,695	352,606	340,831
Distributions declared per unit	$—	$0.313	$—	$0.938

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

Table of Contents

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENT OF UNITHOLDERS' DEFICIT
(Unaudited)

	Units	Unitholders' Capital	Accumulated Deficit	Total Unitholders' Deficit
	(in thousands)			
December 31, 2015	355,017	$5,343,116	$(5,612,017)	$(268,901)
Issuance of units	125	—	—	—
Unit-based compensation expenses		24,514	—	24,514
Other		(353)	—	(353)
Net loss		—	(1,337,619)	(1,337,619)
September 30, 2016	355,142	$5,367,277	$(6,949,636)	$(1,582,359)

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

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Cash flow from operating activities:		
Net loss	$(1,337,619)	$(2,287,604)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	449,677	637,964
Impairment of long-lived assets	1,195,632	2,787,697
Unit-based compensation expenses	24,514	47,918
Gain on extinguishment of debt	—	(213,527)
Amortization and write-off of deferred financing fees	12,514	23,798
(Gains) losses on sale of assets and other, net	4,660	(193,768)
Deferred income taxes	902	(8,263)
Reorganization items, net	(462,965)	—
Derivatives activities:		
Total (gains) losses	77,138	(785,520)
Cash settlements	508,082	858,368
Cash settlements on canceled derivatives	358,536	—
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable – trade, net	(3,750)	207,062
(Increase) decrease in other assets	(20,286)	2,683
Increase (decrease) in accounts payable and accrued expenses	55,172	(36,626)
Increase (decrease) in other liabilities	22,985	(5,413)
Net cash provided by operating activities	885,192	1,034,769
Cash flow from investing activities:		
Development of oil and natural gas properties	(142,396)	(503,206)
Purchases of other property and equipment	(36,936)	(51,529)
Decrease in restricted cash	53,418	—
Proceeds from sale of properties and equipment and other	(3,149)	364,195
Net cash used in investing activities	(129,063)	(190,540)
Cash flow from financing activities:		
Proceeds from sale of units	—	233,427
Proceeds from borrowings	978,500	1,405,000
Repayments of debt	(914,911)	(1,701,909)
Distributions to unitholders	—	(323,878)
Financing fees and offering costs	(692)	(8,774)
Excess tax benefit from unit-based compensation	—	(9,467)
Other	(20,687)	(95,631)
Net cash provided by (used in) financing activities	42,210	(501,232)
Net increase in cash and cash equivalents	798,339	342,997
Cash and cash equivalents:		
Beginning	2,168	1,809

Ending	$800,507	$344,806

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

Table of Contents

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Basis of Presentation

Nature of Business

Linn Energy, LLC ("LINN Energy" or the "Company") is an independent oil and natural gas company. LINN Energy's mission is to acquire, develop and maximize cash flow from a growing portfolio of long-life oil and natural gas assets. The Company's properties are located in eight operating regions in the United States ("U.S."), in the Rockies, the Hugoton Basin, California, the Mid-Continent, east Texas and north Louisiana ("TexLa"), the Permian Basin, Michigan/Illinois and south Texas.

Principles of Consolidation and Reporting

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

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation. Investments in noncontrolled entities over which the Company exercises significant influence are accounted for under the equity method.

The reference to "Berry" herein refers to Berry Petroleum Company, LLC, which is an indirect 100% wholly owned subsidiary of LINN Energy. The reference to "LinnCo" herein refers to LinnCo, LLC, which is an affiliate of LINN Energy.

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

Bankruptcy Accounting

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

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

The accompanying condensed consolidated financial statements do not purport to reflect or provide for the consequences of the Chapter 11 proceedings. In particular, the condensed consolidated financial statements do not purport to show: (i) the realizable

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

Use of Estimates

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

Recently Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") that is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Components of this ASU will be applied either prospectively, retrospectively or under a modified retrospective basis (as applicable for the respective provision) as of the date of adoption and is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements and related disclosures.

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

In November 2015, the FASB issued an ASU that is intended to simplify the presentation of deferred taxes by requiring that all deferred taxes be classified as noncurrent, presented as a single noncurrent amount for each tax-paying component of an entity. The ASU is effective for fiscal years beginning after December 15, 2016; however, the Company early adopted it on January 1, 2016, on a retrospective basis. The adoption of this ASU resulted in the reclassification of previously-classified net current deferred taxes of approximately $22 million from "other current assets," as well as previously-classified net noncurrent deferred tax liabilities of approximately $11 million from "other noncurrent liabilities," to "other noncurrent assets" resulting in net noncurrent deferred taxes of approximately $11 million on the Company’s consolidated balance sheet at December 31, 2015. There was no impact to the consolidated statements of operations.

In April 2015, the FASB issued an ASU that is intended to simplify the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this ASU on January 1, 2016, on a retrospective basis. The adoption of this ASU resulted in the reclassification of approximately $37 million of unamortized deferred financing fees (which excludes deferred financing fees associated with the Company's Credit Facilities, as defined in Note 6, which were not reclassified) from an asset to a direct deduction from the carrying amount of the associated debt liability on the consolidated balance sheet at December 31, 2015. There was no impact to the consolidated statements of operations.

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

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

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

Chapter 11 Proceedings

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

The Debtors are operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has granted certain relief requested by the Debtors, allowing the Company to use its cash to fund the Chapter 11 proceedings, pursuant to an agreement with the first lien lenders, and giving the Company the authority to, among other things, continue to pay employee wages and benefits without interruption, to utilize its current cash management system and to make royalty payments. During the pendency of the Chapter 11 proceedings, all transactions outside the ordinary course of the Company's business require prior approval of the Bankruptcy Court. For goods and services provided following the Petition Date, the Company intends to pay vendors in full under normal terms.

Bank RSA

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

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

The Bank RSA provides that the Consenting Bank Creditors will support the use of the LINN Debtors' and Berry's cash collateral under specified terms and conditions, including adequate protection terms. The Bank RSA obligates the Debtors and the Consenting Bank Creditors to, among other things, support and not interfere with consummation of the restructuring transactions contemplated by the Bank RSA and, as to the Consenting Bank Creditors, vote their claims in favor of the Plan. The Bank RSA may be terminated upon the occurrence of certain events, including the failure to meet specified milestones relating to, among other requirements, the filing, confirmation and consummation of the Plan, and in the event of certain breaches by the parties under the Bank RSA. The Bank RSA is subject to termination if the effective date of the Plan has not

7

occurred within 250 days of the Petition Date. There can be no assurance that the restructuring transactions contemplated by the Bank RSA will be consummated.

Restructuring Support Agreement

On October 7, 2016, the LINN Debtors entered into a restructuring support agreement ("Original LINN RSA") with (i) certain holders of the Company's 12.00% senior secured second lien notes due December 2020 (such notes, the "Second Lien Notes," and such holders, the "Consenting Second Lien Noteholders") and (ii) certain holders of the Company's unsecured notes (such notes, the "Unsecured Notes," and such holders of the Unsecured Notes, the "Consenting Unsecured Noteholders," and together such Consenting Unsecured Noteholders with the Consenting Second Lien Noteholders, the "Consenting Noteholders").

On October 21, 2016, the LINN Debtors entered into the First Amended and Restated Restructuring Support Agreement ("LINN RSA") with (i) certain Consenting Second Lien Noteholders, (ii) certain Consenting Unsecured Noteholders and (iii) certain lenders (the "Consenting LINN Lenders," and together with the Consenting Noteholders, the "Consenting LINN Creditors") under the LINN Credit Facility. The LINN RSA amends and restates the Original LINN RSA and replaces the Bank RSA with respect to the terms of the restructuring of the LINN Debtors. The Bank RSA remains in full force and effect with respect to the restructuring of Berry and Linn Acquisition Company, LLC.

The LINN RSA sets forth, subject to certain conditions, the commitment of the LINN Debtors and the Consenting LINN Creditors to support a comprehensive restructuring of the LINN Debtors' long-term debt (the "Restructuring"). The LINN RSA obligates the LINN Debtors and the Consenting LINN Creditors to, among other things, support and not interfere with consummation of the Restructuring and, as to the Consenting LINN Creditors, vote their claims in favor of the Plan. The LINN RSA may be terminated upon the occurrence of certain events, including the failure to meet specified milestones relating to the filing, confirmation and consummation of the Plan, and in the event of certain breaches by the parties under the LINN RSA. The LINN RSA is subject to termination if the effective date of the Plan has not occurred by March 1, 2017. There can be no assurance that the Restructuring will be consummated.

Magnitude of Potential Claims

On July 11, 2016, the Debtors filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. The schedules and statements may be subject to further amendment or modification after filing. Holders of prepetition claims are required to file proofs of claims by the applicable deadline for filing certain proofs of claims in the Debtors' Chapter 11 cases, which was September 16, 2016, for general claims and is November 7, 2016, for governmental claims. Differences between amounts scheduled by the Debtors and claims by creditors will be investigated and resolved in connection with the claims resolution process.

Liabilities Subject to Compromise

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

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

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

	September 30, 2016 (in thousands)
Accounts payable and accrued expenses	$ 156,708
Accrued interest payable	159,422
Debt	4,856,929
Liabilities subject to compromise	$ 5,173,059

Reorganization Items, Net

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

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

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
	(in thousands)	
Legal and other professional advisory fees	$(25,604)	$ (46,114)
Unamortized deferred financing fees, discounts and premiums	—	(41,122)
Gain related to interest payable on the 12.00% senior secured second lien notes due December 2020 (1)	—	551,000
Terminated contracts	(92,957)	(47,848)
Other	2,285	2,692
Reorganization items, net	$(116,276)	$ 418,608

(1) Represents a noncash gain on the write-off of postpetition contractual interest through maturity, recorded to reflect the carrying value of the liability subject to compromise at its estimated allowed claim amount.

Rejection of Executory Contracts

Subject to certain exceptions, under the Bankruptcy Code, the Debtors may assume, assign or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and satisfaction of certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a prepetition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against the applicable Debtors' estate for damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with any of the Debtors in this Quarterly Report on Form 10-Q, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease with the applicable Debtor, is qualified by any overriding

9

rejection rights the Company has under the Bankruptcy Code. Further, nothing herein is or shall be deemed an admission with respect to any claim amounts or calculations arising from the rejection of any executory contract or unexpired lease and the Debtors expressly preserve all of their rights with respect thereto.

Effect of Filing on Creditors and Unitholders

Subject to certain exceptions, under the Bankruptcy Code, the filing of Bankruptcy Petitions automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover, collect or secure a claim arising prior to the Petition Date. Absent an order of the Bankruptcy Court, substantially all of the Debtors' prepetition liabilities are subject to settlement under the Bankruptcy Code. Although the filing of Bankruptcy Petitions triggered defaults on the Debtors' debt obligations, creditors are stayed from taking any actions against the Debtors as a result of such defaults, subject to certain limited exceptions permitted by the Bankruptcy Code. The Company did not record interest expense on its Second Lien Notes or senior notes for the three months ended September 30, 2016, or for the period from May 12, 2016, through September 30, 2016. For those periods, unrecorded contractual interest was approximately $100 million and $154 million, respectively.

Under the Bankruptcy Code, unless creditors agree otherwise, prepetition liabilities and postpetition liabilities must be satisfied in full before the holders of the Company's existing common units representing limited liability company interests ("units") are entitled to receive any settlement or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or unitholders, if any, will not be determined until confirmation and implementation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 proceedings to each of these constituencies or what types or amounts of settlements, if any, they will receive. A plan of reorganization could result in holders of the Debtors' liabilities and/or units receiving no settlement on account of their interests and cancellation of their holdings.

Process for Plan of Reorganization

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

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

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a Plan even if such Plan has not been accepted by all impaired classes of claims and equity interests. The precise requirements and evidentiary showing for confirming a Plan notwithstanding its rejection by one or more impaired classes of claims or equity interests depends upon a number of factors, including the status and seniority of the claims or equity interests in the rejecting class (i.e., unsecured or secured claims, subordinated or senior claims). Generally, with respect to units, a Plan may be "crammed down" even if the unitholders receive no recovery if the proponent of the Plan demonstrates that (1) no class junior to the units are receiving or retaining property under the Plan and (2) no class of claims or interests senior to the units are being paid more than in full.

On October 21, 2016, the Debtors filed a proposed Plan with the Bankruptcy Court.

Ability to Continue as a Going Concern

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

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

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

Covenant Violations

The Company’s filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company’s obligations under its Credit Facilities, its Second Lien Notes and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on the Company’s Second Lien Notes and senior notes, as well as the receipt of a going concern explanatory paragraph from the Company’s independent registered public accounting firm on the Company’s consolidated financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default. See Note 6 for additional details about the Company’s debt.

Credit Facilities

The Company’s Credit Facilities contain a requirement to deliver audited consolidated financial statements without a going concern or like qualification or exception. Consequently, the filing of the Company’s 2015 Annual Report on Form 10-K which included such explanatory paragraph resulted in a default under the LINN Credit Facility as of the filing date, March 15, 2016, subject to a 30 day grace period.

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

As a condition to closing the amendments, in April 2016, (a) the Company made a $100 million permanent repayment of a portion of the borrowings outstanding under the LINN Credit Facility and (b) the Company and certain of its subsidiaries provided control agreements over certain deposit accounts.

Pursuant to the terms of the amendment to the LINN Credit Facility and as a result of the execution of the Bank RSA, in May 2016, the Company made a $350 million permanent repayment of a portion of the borrowings outstanding under the LINN Credit Facility.

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

Second Lien Notes

The indenture governing the Second Lien Notes (“Second Lien Indenture”) required the Company to deliver mortgages by February 18, 2016, subject to a 45 day grace period. The Company elected to exercise its right to the grace period, which resulted in the Company being in default under the Second Lien Indenture.

On April 4, 2016, the Company entered into a settlement agreement with certain holders of the Second Lien Notes and agreed to deliver, and make arrangements for recordation of, the mortgages. The Company has since delivered and made arrangements for recordation of the mortgages.

The settlement agreement required the parties to commence good faith negotiations with each other regarding the terms of a potential comprehensive and consensual restructuring, including a potential restructuring under a Chapter 11 plan of reorganization. The settlement agreement provided that in the event the parties were unable to reach agreement on the terms of a consensual restructuring on or before the commencement of such Chapter 11 proceedings (or such later date as mutually agreed to by the parties), the parties would support entry by the Bankruptcy Court of a settlement order that, among other things, (i) approves the issuance of additional notes, in the principal amount of $1.0 billion plus certain accrued interest, on a proportionate basis to existing holders of the Second Lien Notes and (ii) releases the mortgages and other collateral upon the issuance of the additional notes (the “Settlement Order”).

The settlement agreement will terminate upon, among other events, entry by the Bankruptcy Court of a final, non-appealable order denying the Company’s motion seeking entry of the Settlement Order.

The Company failed to make an interest payment on its Second Lien Notes of approximately $68 million due June 15, 2016.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company’s obligations under the Second Lien Indenture. However, under the Bankruptcy Code, holders of the Second Lien Notes are stayed from taking any action against the Company as a result of the default.

Senior Notes

The Company deferred making interest payments totaling approximately $60 million due March 15, 2016, including approximately $30 million on LINN Energy’s 7.75% senior notes due February 2021, approximately $12 million on LINN Energy’s 6.50% senior notes due September 2021 and approximately $18 million on Berry’s 6.375% senior notes due September 2022, which resulted in the Company being in default under these senior notes. The indentures governing each of the applicable series of notes provided the Company a 30 day grace period to make the interest payments.

On April 14, 2016, within the 30 day interest payment grace period provided for in the indentures governing the notes, the Company and Berry made interest payments of approximately $60 million in satisfaction of their respective obligations.

The Company failed to make interest payments due on its senior notes subsequent to April 14, 2016.

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

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Note 3 – Unitholders' Deficit

Delisting from Stock Exchange

As a result of the Company's failure to comply with the NASDAQ Global Select Market ("NASDAQ") continued listing requirements, on May 24, 2016, the Company's units began trading over the counter on the OTC Markets Group Inc.'s Pink marketplace under the trading symbol "LINEQ."

At-the-Market Offering Program

The Company's Board of Directors had authorized the sale of up to $500 million of units under an at-the-market offering program, with sales of units, if any, to be made under an equity distribution agreement. No sales were made under the equity distribution agreement during the nine months ended September 30, 2016. During the nine months ended September 30, 2015, the Company, under its equity distribution agreement, sold 3,621,983 units representing limited liability company interests at an average price of $12.37 per unit for net proceeds of approximately $44 million (net of approximately $448,000 in commissions). In connection with the issuance and sale of these units, the Company also incurred professional services expenses of approximately $459,000. The Company used the net proceeds for general corporate purposes, including the open market repurchases of a portion of its senior notes (see Note 6).

Distributions

Under the Company's limited liability company agreement, unitholders are entitled to receive a distribution of available cash, which includes cash on hand plus borrowings less any reserves established by the Company's Board of Directors to provide for the proper conduct of the Company's business (including reserves for future capital expenditures, including drilling, acquisitions and anticipated future credit needs) or to fund distributions, if any, over the next four quarters. Monthly distributions were paid by the Company through September 2015. In October 2015, the Company's Board of Directors determined to suspend payment of the Company's distribution. The Company's Board of Directors will continue to evaluate the Company's ability to reinstate the distribution; however, as a result of the Chapter 11 proceedings, the Company cannot pay any distributions without the prior approval of the Bankruptcy Court. Distributions paid by the Company during 2015 are presented on the condensed consolidated statement of cash flows.

Note 4 – Oil and Natural Gas Properties

Oil and Natural Gas Capitalized Costs

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

	September 30, 2016	December 31, 2015
	(in thousands)	
Proved properties:		
Leasehold acquisition	$13,371,861	$13,361,171
Development	3,043,225	2,976,643
Unproved properties	1,778,170	1,783,341
	18,193,256	18,121,155
Less accumulated depletion and amortization	(12,676,972)	(11,097,492)
	$5,516,284	$7,023,663

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
California region	$—	$330,311	$984,288	$537,511
Mid-Continent region	18,586	366,865	148,289	372,568
Rockies region	23,142	1,182,337	49,819	1,182,337
TexLa region	—	375,567	—	408,667
Hugoton Basin region	—	—	—	277,914
South Texas region	—	—	—	8,700
	$41,728	$2,255,080	$1,182,396	$2,787,697

The impairment charges in 2016 were due to a decline in commodity prices, changes in expected capital development and a decline in the Company's estimates of proved reserves. The impairment charges in 2015 were due to a decline in commodity prices and the Company's estimates of proved reserves. The carrying values of the impaired proved properties were reduced to fair value, estimated using inputs characteristic of a Level 3 fair value measurement. The impairment charges are included in "impairment of long-lived assets" on the condensed consolidated statements of operations.
Impairment of Unproved Properties
The Company evaluates the impairment of its unproved oil and natural gas properties whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying values of unproved properties are reduced to fair value based on management's experience in similar situations and other factors such as the lease terms of the properties and the relative proportion of such properties on which proved reserves have been found in the past.
For the nine months ended September 30, 2016, the Company recorded noncash impairment charges (before and after tax) of approximately $13 million associated with unproved oil and natural gas properties in California. The Company recorded no impairment charges for unproved properties for the three months ended September 30, 2016, or the nine months ended September 30, 2015.
The impairment charges in 2016 were due to a decline in commodity prices and changes in expected capital development. The carrying values of the impaired unproved properties were reduced to fair value, estimated using inputs characteristic of a Level 3 fair value measurement. The impairment charges are included in "impairment of long-lived assets" on the condensed consolidated statement of operations.
Divestiture – 2015
On August 31, 2015, the Company, through certain of its wholly owned subsidiaries, completed the sale of its remaining position in Howard County in the Permian Basin. Cash proceeds received from the sale of these properties

were approximately

14

Table of Contents

$276 million, net of costs to sell of approximately $1 million, and the Company recognized a net gain of approximately $174 million for the three months ended September 30, 2015. The gain is included in “(gains) losses on sale of assets and other, net” on the condensed consolidated statements of operations. The Company used the net proceeds from the sale to repay a portion of the outstanding indebtedness under the LINN Credit Facility.

Note 5 – Unit-Based Compensation

The Company granted no unit-based awards during the nine months ended September 30, 2016. A summary of unit-based compensation expenses included on the condensed consolidated statements of operations is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
General and administrative expenses	$4,832	$13,040	$19,238	$40,717
Lease operating expenses	1,129	1,167	5,276	7,201
Total unit-based compensation expenses	$5,961	$14,207	$24,514	$47,918
Income tax benefit	$2,203	$5,250	$9,058	$17,706

Cash-Based Performance Unit Awards

In January 2015, the Company granted 567,320 performance units (the maximum number of units available to be earned) to certain executive officers. The 2015 performance unit awards vest three years from the award date. The vesting of these units is determined based on the Company’s performance compared to the performance of a predetermined group of peer companies over a specified performance period, and the value of vested units is to be paid in cash. To date, no performance units have vested and no amounts have been paid to settle any such awards. Performance unit awards that are settled in cash are recorded as a liability with the changes in fair value recognized over the vesting period. Based on the performance criteria, there was no liability recorded for these performance unit awards at September 30, 2016.

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Note 6 – Debt
The following summarizes the Company's outstanding debt:

	September 30, 2016	December 31, 2015
	(in thousands, except percentages)	
LINN credit facility [1]	$1,654,745	$2,215,000
Berry credit facility [2]	891,259	873,175
Term loan [2]	284,241	500,000
6.50% senior notes due May 2019	562,234	562,234
6.25% senior notes due November 2019	581,402	581,402
8.625% senior notes due April 2020	718,596	718,596
6.75% Berry senior notes due November 2020	261,100	261,100
12.00% senior secured second lien notes due December 2020 [3]	1,000,000	1,000,000
Interest payable on senior secured second lien notes due December 2020 [3]	—	608,333
7.75% senior notes due February 2021	779,474	779,474
6.50% senior notes due September 2021	381,423	381,423
6.375% Berry senior notes due September 2022	572,700	572,700
Net unamortized discounts and premiums [4]	—	(8,694)
Net unamortized deferred financing fees [4]	(1,397)	(37,374)
Total debt, net	7,685,777	9,007,369
Less current portion, net [5]	(2,828,848)	(3,714,693)
Less liabilities subject to compromise [6]	(4,856,929)	—
Long-term debt, net	$—	$5,292,676

(1) Variable interest rates of 5.25% and 2.66% at September 30, 2016, and December 31, 2015, respectively.

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

(3) The issuance of the Second Lien Notes was accounted for as a troubled debt restructuring, which requires that interest payments on the Second Lien Notes reduce the carrying value of the debt with no interest expense recognized. During the nine months ended September 30, 2016, $551 million was written off to reorganization items in connection with the filing of the Bankruptcy Petitions. The remaining amount of approximately $57 million was classified as liabilities subject to compromise at September 30, 2016.

(4) Approximately $41 million in net discounts, premiums and deferred financing fees were written off to reorganization items in connection with the filing of the Bankruptcy Petitions.

(5) Due to existing and anticipated covenant violations, the Company's Credit Facilities and term loan were classified as current at September 30, 2016, and December 31, 2015. The current portion as of December 31, 2015, also includes approximately $128 million of interest payable on the Second Lien Notes due within one year.

(6) The Company's senior notes and Second Lien Notes were classified as liabilities subject to compromise at September 30, 2016.

Fair Value

The Company's debt is recorded at the carrying amount on the condensed consolidated balance sheets. The carrying amounts of the Company's credit facilities and term loan approximate fair value because the interest rates are variable and reflective of market rates. The Company uses a market approach to determine the fair value of its senior secured second lien notes and senior notes using estimates based on prices quoted from third-party financial institutions, which is a Level 2 fair value measurement.

16

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Senior secured second lien notes	$1,000,000	$466,250	$1,000,000	$501,250
Senior notes, net	3,856,929	1,202,887	3,812,676	662,179

Credit Facilities

LINN Credit Facility

The Company's Sixth Amended and Restated Credit Agreement ("LINN Credit Facility") provides for (1) a senior secured revolving credit facility and (2) a senior secured term loan, in aggregate subject to the then-effective borrowing base. The maturity date is April 2019, subject to a "springing maturity" based on the maturity of any outstanding LINN Energy junior lien debt. At September 30, 2016, the Company had approximately $1.7 billion in total borrowings outstanding (including outstanding letters of credit) under the revolving credit facility and approximately $284 million under the term loan, and there was no remaining availability.

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

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

The Company's obligations under the LINN Credit Facility are secured by mortgages on certain of its material subsidiaries' oil and natural gas properties and other personal property as well as a pledge of all ownership interests in the Company's direct and indirect material subsidiaries. The Company is required to maintain: 1) mortgages on properties representing at least 90% of the total value of oil and natural gas properties included on its most recent reserve report; 2) a minimum liquidity requirement equal to the greater of $500 million and 15% of the then effective available borrowing base after giving effect to certain redemptions or repurchases of certain debt; and 3) an EBITDA to Interest Expense ratio of at least 2.0 to 1.0 currently, 2.25 to 1.0 from March 31, 2017 through June 30, 2017 and 2.5 to 1.0 thereafter. Additionally, the obligations under the LINN Credit Facility are guaranteed by all of the Company's material subsidiaries, other than Berry, and are required to be guaranteed by any future material subsidiaries.

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

The term loan has a maturity date of April 2019, subject to a "springing maturity" based on the maturity of any outstanding LINN Energy junior lien debt, and incurs interest based on either the LIBOR plus a margin of 2.75% per annum or the ABR plus a margin of 1.75% per annum, at the Company's election. Interest is generally payable monthly for loans bearing interest based on the ABR and at the end of the applicable interest period for loans bearing interest at the LIBOR. The term loan may be repaid at the option of the Company without premium or penalty, subject to breakage costs. While the term loan is outstanding, the Company is required to maintain either: 1) mortgages on properties representing at least 80% of the total value of oil and natural gas properties included on its most recent reserve report, or 2) a Term Loan Collateral Coverage Ratio of at least 2.5 to 1.0. The Term Loan Collateral Coverage Ratio is defined as the ratio of the present value of future cash flows from proved reserves from the currently mortgaged properties to the lesser of: (i) the then-effective borrowing base and (ii) the maximum commitment amount and the aggregate amount of the term loan outstanding. The other terms and conditions of the LINN Credit Facility, including the financial and other restrictive covenants set forth therein, are applicable to the term loan.

Berry Credit Facility

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

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

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

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

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

The Company refers to the LINN Credit Facility and the Berry Credit Facility, collectively, as the "Credit Facilities." The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the Credit Facilities. However, under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of the default. The automatic stay under the Bankruptcy Code does not apply to letters of credit issued under the prepetition Credit Facilities and third parties may draw on their letters of credit if the terms of a particular letter of credit so provide. During the three months and nine months ended September 30, 2016, approximately $16 million and $20 million, respectively, in letters of credit draws were made from the Berry Credit Facility.

Senior Secured Second Lien Notes Due December 2020

On November 20, 2015, the Company issued $1.0 billion in aggregate principal amount of 12.00% senior secured second lien notes due December 2020 ("Second Lien Notes") in exchange for approximately $2.0 billion in aggregate principal amount of certain of its outstanding senior notes. The exchanges were accounted for as a troubled debt restructuring ("TDR"). TDR accounting requires that interest payments on the Second Lien Notes reduce the carrying value of the debt with no interest expense recognized.

In connection with the issuance of the Second Lien Notes, the Company entered into a Registration Rights Agreement with each of the holders (collectively, the "Registration Rights Agreements"). Under the Registration Rights Agreements, the Company agreed to use its reasonable efforts to file with the SEC and cause to become effective a registration statement relating to an offer to issue new notes having terms substantially identical to the Second Lien Notes in exchange for outstanding Second Lien Notes within 370 days following the issuance of the Second Lien Notes. In certain circumstances, the Company may be required to file a shelf registration statement to cover resales of the Second Lien Notes. The Company will be obligated to file one or more registration statements as described above only if the restrictive legend on the Second Lien Notes has not been removed and the Second Lien Notes are not freely tradable pursuant to Rule 144 under the Securities Act of 1933, as amended, as of the 370th day following the issuance of the Second Lien Notes. If the Company fails to satisfy these obligations, the Company may be required to pay additional interest to holders of the Second Lien Notes under certain circumstances.

Repurchases of Senior Notes

The Company made no repurchases of its senior notes during the nine months ended September 30, 2016. During the nine months ended September 30, 2015, the Company repurchased on the open market approximately $783 million of its outstanding senior notes as follows:

- 6.50% senior notes due May 2019 – $41 million;
- 6.25% senior notes due November 2019 – $316 million;
- 8.625% senior notes due April 2020 – $177 million;
- 6.75% Berry senior notes due November 2020 – $39 million;
- 7.75% senior notes due February 2021 – $36 million;
- 6.50% senior notes due September 2021 – $148 million; and
- 6.375% Berry senior notes due September 2022 – $26 million.

In connection with the repurchases, the Company paid approximately $557 million in cash and recorded a gain on extinguishment of debt of approximately $214 million for the nine months ended September 30, 2015.

Notes Covenants

The Second Lien Indenture contains covenants that, among other things, may limit the Company’s ability and the ability of the Company’s restricted subsidiaries to: (i) declare or pay distributions on, purchase or redeem the Company’s units or purchase or redeem the Company’s or its restricted subsidiaries’ indebtedness secured by liens junior in priority to liens securing the Second Lien Notes, unsecured indebtedness or subordinated indebtedness; (ii) make investments; (iii) incur or guarantee additional indebtedness or issue certain types of equity securities; (iv) create certain liens; (v) sell assets; (vi) consolidate, merge or transfer all or substantially all of the Company’s assets; (vii) enter into agreements that restrict distributions or other payments from the Company’s restricted subsidiaries to the Company; (viii) engage in transactions with affiliates; and (ix) create unrestricted subsidiaries.

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

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

In addition, any cash generated by Berry is currently being used by Berry to fund its activities. Historically, to the extent that Berry generated cash in excess of its needs and determined to distribute such amounts to LINN Energy, the indentures governing Berry’s senior notes limited the amount it could distribute to LINN Energy to the amount available under a “restricted payments basket,” and Berry could not distribute any such amounts unless it is permitted by the indentures to incur additional debt pursuant to the consolidated coverage ratio test set forth in the Berry indentures. During the pendency of the bankruptcy proceedings, Berry will not distribute cash to LINN Energy using the restricted payments basket.

19

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

Covenant Violations

The Company's filing of the Bankruptcy Petitions described in Note 2 constituted an event of default that accelerated the Company's obligations under its Credit Facilities, its Second Lien Notes and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on the Company's Second Lien Notes and senior notes, as well as the receipt of a going concern explanatory paragraph from the Company's independent registered public accounting firm on the Company's consolidated financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default.

Note 7 – Derivatives

Commodity Derivatives

Historically, the Company has hedged a portion of its forecasted production to reduce exposure to fluctuations in oil and natural gas prices and provide long-term cash flow predictability to manage its business, service debt and, if and when resumed, pay distributions. The current direct NGL hedging market is constrained in terms of price, volume, duration and number of counterparties, which limits the Company's ability to effectively hedge its NGL production. The Company has also hedged its exposure to natural gas differentials in certain operating areas but does not currently hedge exposure to oil differentials.

The Company has historically entered into commodity hedging transactions primarily in the form of swap contracts that are designed to provide a fixed price and, from time to time, put options that are designed to provide a fixed price floor with the opportunity for upside. The Company enters into these transactions with respect to a portion of its projected production or consumption to provide an economic hedge of the risk related to the future commodity prices received or paid. The Company does not enter into derivative contracts for trading purposes. The Company did not designate any of its contracts as cash flow hedges; therefore, the changes in fair value of these instruments are recorded in current earnings. See Note 8 for fair value disclosures about oil and natural gas commodity derivatives.

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

	October 1 - December 31, 2016	2017
Natural gas positions:		
Fixed price swaps (NYMEX Henry Hub):		
Hedged volume (MMMBtu)	33,580	83,950
Average price ($/MMBtu)	$ 3.05	$3.08
Oil positions:		
Fixed price swaps (NYMEX WTI):		
Hedged volume (MBbls)	—	730
Average price ($/Bbl)	$ —	$50.98

In accordance with a Bankruptcy Court order dated August 16, 2016, the Company was authorized to enter into postpetition hedging arrangements. In September 2016, the Company entered into commodity derivative contracts consisting of natural gas swaps for October 2016 through December 2017 and oil swaps for January 2017 through December 2017.

In April 2016 and May 2016, in connection with the Company's restructuring efforts, LINN Energy canceled (prior to the contract settlement dates) all of its then-outstanding derivative contracts for net proceeds of approximately $1.2 billion. The net proceeds were used to make permanent repayments of a portion of the borrowings outstanding under the LINN Credit Facility.

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Also, in May 2016 and July 2016, as a result of the Chapter 11 proceedings, Berry's counterparties canceled (prior to the contract settlement dates) all of Berry's then-outstanding derivative contracts for net proceeds of approximately $2 million. The net proceeds were used to make permanent repayments of a portion of the borrowings outstanding under the Berry Credit Facility.

Excluding settlements on canceled derivatives, the Company had no settlements on commodity derivatives for the three months ended September 30, 2016. Settled derivatives on natural gas production for the nine months ended September 30, 2016, included volumes of 77,734 MMMBtu at an average contract price of $4.50 per MMBtu. Settled derivatives on oil production for the nine months ended September 30, 2016, included volumes of 4,331 MBbls at an average contract price of $90.44 per Bbl. Settled derivatives on natural gas production for the three months and nine months ended September 30, 2015, included volumes of 47,864 MMMBtu and 142,031 MMMBtu, respectively, at an average contract price of $5.12 per MMBtu. Settled derivatives on oil production for the three months and nine months ended September 30, 2015, included volumes of 5,060 MBbls and 13,855 MBbls, respectively, at average contract prices of $87.53 per Bbl and $89.86 per Bbl.

The natural gas derivatives are settled based on the closing price of NYMEX Henry Hub natural gas on the last trading day for the delivery month, which occurs on the third business day preceding the delivery month, or the relevant index prices of natural gas published in Inside FERC's Gas Market Report on the first business day of the delivery month. The oil derivatives are settled based on the average closing price of NYMEX WTI crude oil for each day of the delivery month.

Balance Sheet Presentation

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

	September 30, 2016	December 31, 2015
	(in thousands)	
Assets:		
Commodity derivatives	$6,451	$1,812,375
Liabilities:		
Commodity derivatives	$7,979	$28,842

By using derivative instruments to economically hedge exposures to changes in commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk. The Company's counterparties are current participants or affiliates of participants in its Credit Facilities. The Credit Facilities are secured by the Company's oil, natural gas and NGL reserves; therefore, the Company is not required to post any collateral. The Company does not receive collateral from its counterparties. While the Company is in bankruptcy, the Bankruptcy Court's hedging order governs the provision of collateral securing any commodity derivatives.

The maximum amount of loss due to credit risk that the Company would incur if its counterparties failed completely to perform according to the terms of the contracts, based on the gross fair value of financial instruments, was approximately $6 million at September 30, 2016. The Company 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 the Company's minimum credit quality standard, or have a guarantee from an affiliate that meets the Company's minimum credit quality standard; and (iii) monitoring the creditworthiness of the Company's counterparties on an ongoing basis. In accordance with the Company's standard practice, its commodity derivatives are subject to counterparty netting under agreements governing such derivatives and therefore the risk of loss due to counterparty nonperformance is somewhat mitigated.

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Gains (Losses) on Derivatives
A summary of gains and losses on derivatives included on the condensed consolidated statements of operations is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Gains (losses) on oil and natural gas derivatives	$274	$549,029	$(72,533)	$782,622
Lease operating expenses [1]	(200)	(162)	(4,605)	2,898
Total gains (losses) on oil and natural gas derivatives	$74	$548,867	$(77,138)	$785,520

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

For the three months and nine months ended September 30, 2016, the Company received net cash settlements of approximately $93,000 and $867 million, respectively. In addition, during the nine months ended September 30, 2016, approximately $841 million in settlements (primarily in connection with the April 2016 and May 2016 commodity derivative cancellations) were paid directly by the counterparties to the lenders under the LINN Credit Facility as repayments of a portion of the borrowings outstanding. For the three months and nine months ended September 30, 2015, the Company received net cash settlements of approximately $292 million and $858 million, respectively.

Note 8 – Fair Value Measurements on a Recurring Basis

The Company accounts for its commodity derivatives at fair value (see Note 7) on a recurring basis. The Company determines the fair value of its oil and natural gas derivatives utilizing pricing models that use a variety of techniques, including market quotes and pricing analysis. Inputs to the pricing models include publicly available prices and forward price curves generated from a compilation of data gathered from third parties. Company management validates the data provided by third parties by understanding the pricing models used, obtaining market values from other pricing sources, analyzing pricing data in certain situations and confirming that those instruments trade in active markets. Assumed credit risk adjustments, based on published credit ratings, public bond yield spreads and credit default swap spreads are applied to the Company’s commodity derivatives.

Fair Value Hierarchy

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

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

	September 30, 2016		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$6,451	$(5,004)	$1,447
Liabilities:			
Commodity derivatives	$7,979	$(5,004)	$2,975

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

	December 31, 2015		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$1,812,375	$(25,744)	$1,786,631
Liabilities:			
Commodity derivatives	$28,842	$(25,744)	$3,098

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

Note 9 – Asset Retirement Obligations

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

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

Asset retirement obligations at December 31, 2015	$523,541
Liabilities added from drilling	449
Current year accretion expense	23,199
Settlements	(7,862)
Revision of estimates	356
Asset retirement obligations at September 30, 2016	$539,683

Note 10 – Commitments and Contingencies

For certain statewide class action royalty payment disputes, the Company filed notices advising that it had filed for bankruptcy protection and seeking a stay, which was granted. In addition, the Company is involved in various other disputes arising in the ordinary course of business. The Company 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 nine months ended September 30, 2016, and September 30, 2015, the Company made no significant payments to settle any legal, environmental or tax proceedings. The Company regularly analyzes current information and accrues for probable liabilities on the disposition of certain matters as necessary. Liabilities for loss contingencies arising from claims, assessments, litigation or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

The commencement of the Chapter 11 proceedings automatically stayed certain actions against the Company, including actions to collect prepetition liabilities or to exercise control over the property of the Company’s bankruptcy estates. The Company intends to seek authority to pay all general claims in the ordinary course of business notwithstanding the commencement of the Chapter 11 proceedings in a manner consistent with the LINN RSA and Bank RSA. The Plan in the Chapter 11 proceedings, if

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

confirmed, will provide for the treatment of claims against the Company's bankruptcy estates, including prepetition liabilities that have not otherwise been satisfied or addressed during the Chapter 11 proceedings. See Note 2 for additional information.

Note 11 – Earnings Per Unit

Basic earnings per unit is computed by dividing net earnings attributable to unitholders by the weighted average number of units outstanding during each period. Diluted earnings per unit is computed by adjusting the average number of units outstanding for the dilutive effect, if any, of unit equivalents. The Company uses the treasury stock method to determine the dilutive effect.

The following table provides a reconciliation of the numerators and denominators of the basic and diluted per unit computations for net loss:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except per unit data)			
Net loss	$(198,365)	$(1,569,317)	$(1,337,619)	$(2,287,604)
Allocated to participating securities	—	—	—	(3,081)
	$(198,365)	$(1,569,317)	$(1,337,619)	$(2,290,685)
Basic net loss per unit	$(0.56)	$(4.47)	$(3.79)	$(6.72)
Diluted net loss per unit	$(0.56)	$(4.47)	$(3.79)	$(6.72)
Basic weighted average units outstanding	352,792	350,695	352,606	340,831
Dilutive effect of unit equivalents	—	—	—	—
Diluted weighted average units outstanding	352,792	350,695	352,606	340,831

Basic units outstanding excludes the effect of weighted average anti-dilutive unit equivalents related to approximately 1 million unit options and warrants for both the three months and nine months ended September 30, 2016, and approximately 4 million and 5 million unit options and warrants for the three months and nine months ended September 30, 2015, respectively. All equivalent units were antidilutive for both the three months and nine months ended September 30, 2016, and September 30, 2015.

Note 12 – Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes, with the exception of the state of Texas, in which income tax liabilities and/or benefits are passed through to its unitholders. Limited liability companies are subject to Texas margin tax. In addition, certain of the Company's subsidiaries are Subchapter C-corporations subject to federal and state income taxes. As such, with the exception of the state of Texas and certain subsidiaries, the Company is not a taxable entity, it does not directly pay federal and state income taxes and recognition has not been given to federal and state income taxes for the operations of the Company. Amounts recognized for income taxes are reported in "income tax expense (benefit)" on the condensed consolidated statements of operations.

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

Note 13 – Supplemental Disclosures to the Condensed Consolidated Statements of Cash Flows
Supplemental disclosures to the condensed consolidated statements of cash flows are presented below:

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Cash payments for interest, net of amounts capitalized	$163,828	$386,118
Cash payments for income taxes	$4,774	$627
Cash payments for reorganization items, net	$8,866	$—
Noncash investing activities:		
Accrued capital expenditures	$26,792	$98,404

For purposes of the condensed consolidated statements of cash flows, the Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. At September 30, 2016, and December 31, 2015, "restricted cash" on the condensed consolidated balance sheets includes approximately $197 million and $250 million, respectively, related to the $250 million that LINN Energy borrowed under the LINN Credit Facility and contributed to Berry in May 2015 to post with Berry's lenders in connection with the reduction in the Berry Credit Facility's borrowing base, as well as associated interest income. Restricted cash also includes approximately $8 million and $7 million at September 30, 2016, and December 31, 2015, respectively, of cash deposited by the Company into a separate account designated for asset retirement obligations in accordance with contractual agreements.

During the nine months ended September 30, 2016, approximately $841 million in commodity derivative settlements (primarily in connection with the April 2016 and May 2016 commodity derivative cancellations) were paid directly by the counterparties to the lenders under the LINN Credit Facility as repayments of a portion of the borrowings outstanding, and are reflected as noncash transactions by the Company. In addition, during the three months and nine months ended September 30, 2016, approximately $16 million and $20 million, respectively, in letters of credit draws were made from the Berry Credit Facility as requested by certain vendors owed prepetition amounts from the Company.

At December 31, 2015, net outstanding checks of approximately $21 million were reclassified and included in "accounts payable and accrued expenses" on the condensed consolidated balance sheets. At September 30, 2016, no net outstanding checks were reclassified. Net outstanding checks are presented as cash flows from financing activities and included in "other" on the condensed consolidated statements of cash flows.

Note 14 – Related Party Transactions

LinnCo

LinnCo, an affiliate of LINN Energy, was formed on April 30, 2012. LinnCo's initial sole purpose was to own units in LINN Energy. In connection with the 2013 acquisition of Berry, LinnCo amended its limited liability company agreement to permit, among other things, the acquisition and subsequent contribution of assets to LINN Energy. All of LinnCo's common shares are held by the public. As of September 30, 2016, LinnCo had no significant assets or operations other than those related to its interest in LINN Energy and owned approximately 71% of LINN Energy's outstanding units.

In March 2016, LinnCo filed a Registration Statement on Form S-4 related to an offer to exchange each outstanding unit representing limited liability company interests of LINN Energy for one common share representing limited liability company interests of LinnCo. The initial offer expired on April 25, 2016, and on April 26, 2016, LinnCo commenced a subsequent offering period that expired on August 1, 2016. During the exchange period, 123,100,715 LINN Energy units were exchanged for an equal number of LinnCo shares. As a result of the exchanges of LINN

Energy units for LinnCo shares, LinnCo’s

25

ownership of LINN Energy's outstanding units increased from approximately 37% at December 31, 2015, to approximately 71% at September 30, 2016.

LINN Energy has agreed to provide to LinnCo, or to pay on LinnCo's behalf, any financial, legal, accounting, tax advisory, financial advisory and engineering fees, and other administrative and out-of-pocket expenses incurred by LinnCo, along with any other expenses incurred in connection with any public offering of shares in LinnCo or incurred as a result of being a publicly traded entity. These expenses include costs associated with annual, quarterly and other reports to holders of LinnCo shares, tax return and Form 1099 preparation and distribution, NASDAQ listing fees, printing costs, independent auditor fees and expenses, legal counsel fees and expenses, limited liability company governance and compliance expenses and registrar and transfer agent fees. In addition, the Company has agreed to indemnify LinnCo and its officers and directors for damages suffered or costs incurred (other than income taxes payable by LinnCo) in connection with carrying out LinnCo's activities. All expenses and costs paid by LINN Energy on LinnCo's behalf are expensed by LINN Energy.

For the three months and nine months ended September 30, 2016, LinnCo incurred total general and administrative expenses, reorganization expenses and offering costs of approximately $1.0 million and $5.2 million, respectively, including approximately $603,000 and $1.8 million, respectively, related to services provided by LINN Energy. Of the expenses and costs incurred during the nine months ended September 30, 2016, approximately $5.1 million had been paid by LINN Energy on LinnCo's behalf as of September 30, 2016.

For the three months and nine months ended September 30, 2015, LinnCo incurred total general and administrative expenses and certain offering costs of approximately $965,000 and $2.8 million, respectively, including approximately $491,000 and $1.5 million, respectively, related to services provided by LINN Energy. All of the expenses and costs incurred during the nine months ended September 30, 2015, had been paid by LINN Energy on LinnCo's behalf as of September 30, 2015.

The Company did not pay any distributions to LinnCo during the three months or nine months ended September 30, 2016. During the three months and nine months ended September 30, 2015, the Company paid approximately $41 million and $121 million, respectively, in distributions to LinnCo attributable to LinnCo's interest in LINN Energy.

Other

One of the Company's directors is the President and Chief Executive Officer of Superior Energy Services, Inc. ("Superior"), which provides oilfield services to the Company. For the three months and nine months ended September 30, 2016, the Company incurred expenditures of approximately $1 million and $4 million, respectively, and for the three months and nine months ended September 30, 2015, the Company incurred expenditures of approximately $2 million and $7 million, respectively, related to services rendered by Superior and its subsidiaries.

Note 15 – Subsidiary Guarantors

Linn Energy, LLC's senior notes due May 2019, senior notes due November 2019, senior notes due April 2020, Second Lien Notes, senior notes due February 2021 and senior notes due September 2021 are guaranteed by all of the Company's material subsidiaries, other than Berry Petroleum Company, LLC, which is an indirect 100% wholly owned subsidiary of the Company.

The following condensed consolidating financial information presents the financial information of Linn Energy, LLC, the guarantor subsidiaries and the non-guarantor subsidiary in accordance with SEC Regulation S-X Rule 3 10. The condensed consolidating financial information for the co-issuer, Linn Energy Finance Corp., is not presented as it has no assets, operations or cash flows. The financial information may not necessarily be indicative of the financial position or results of operations had the guarantor subsidiaries or non-guarantor subsidiary operated as independent entities. There are no restrictions on the Company's ability to obtain cash dividends or other distributions of funds from the guarantor subsidiaries.

LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS
September 30, 2016

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$311,180	$459,680	$29,647	$—	$800,507
Accounts receivable – trade, net	—	165,650	47,458	—	213,108
Accounts receivable – affiliates	1,785,051	35,567	—	(1,820,618)	—
Derivative instruments	—	1,447	—	—	1,447
Other current assets	18,677	82,864	19,551	—	121,092
Total current assets	2,114,908	745,208	96,656	(1,820,618)	1,136,154
Noncurrent assets:					
Oil and natural gas properties (successful efforts method)	—	13,171,180	5,022,076	—	18,193,256
Less accumulated depletion and amortization	—	(9,992,670)	(2,755,015)	70,713	(12,676,972)
	—	3,178,510	2,267,061	70,713	5,516,284
Other property and equipment	—	621,947	120,317	—	742,264
Less accumulated depreciation	—	(213,586)	(18,659)	—	(232,245)
	—	408,361	101,658	—	510,019
Restricted cash	—	7,580	197,624	—	205,204
Notes receivable – affiliates	137,400	—	—	(137,400)	—
Investments in consolidated subsidiaries	2,263,182	—	—	(2,263,182)	—
Other noncurrent assets	—	17,102	18,257	(72)	35,287
	2,400,582	24,682	215,881	(2,400,654)	240,491
Total noncurrent assets	2,400,582	3,611,553	2,584,600	(2,329,941)	6,266,794
Total assets	$4,515,490	$4,356,761	$2,681,256	$(4,150,559)	$7,402,948
LIABILITIES AND UNITHOLDERS' CAPITAL (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$—	$293,729	$69,274	$—	$363,003
Accounts payable – affiliates	—	1,785,051	35,567	(1,820,618)	—
Derivative instruments	—	82	1,694	—	1,776
Current portion of long-term debt, net	1,937,589	—	891,259	—	2,828,848
Other accrued liabilities	374	43,426	2,499	—	46,299
Total current liabilities	1,937,963	2,122,288	1,000,293	(1,820,618)	3,239,926
Derivative instruments	—	1,199	—	—	1,199
Notes payable – affiliates	—	137,400	—	(137,400)	—
Other noncurrent liabilities	—	396,772	174,423	(72)	571,123
Liabilities subject to compromise	4,168,822	67,439	936,798	—	5,173,059

Unitholders' capital (deficit):					
Units issued and outstanding	5,358,341	4,831,412	2,798,713	(7,621,189)	5,367,277
Accumulated deficit	(6,949,636)	(3,199,749)	(2,228,971)	5,428,720	(6,949,636)
	(1,591,295)	1,631,663	569,742	(2,192,469)	(1,582,359)
Total liabilities and unitholders' capital (deficit)	$4,515,490	$4,356,761	$2,681,256	$(4,150,559)	$7,402,948

27

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2015

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$1,073	$72	$1,023	$—	$2,168
Accounts receivable – trade, net	—	170,503	46,053	—	216,556
Accounts receivable – affiliates	2,920,082	8,621	—	(2,928,703)	—
Derivative instruments	—	1,207,012	13,218	—	1,220,230
Other current assets	25,090	49,606	20,897	—	95,593
Total current assets	2,946,245	1,435,814	81,191	(2,928,703)	1,534,547
Noncurrent assets:					
Oil and natural gas properties (successful efforts method)	—	13,110,094	5,011,061	—	18,121,155
Less accumulated depletion and amortization	—	(9,557,283)	(1,596,165)	55,956	(11,097,492)
	—	3,552,811	3,414,896	55,956	7,023,663
Other property and equipment	—	597,216	111,495	—	708,711
Less accumulated depreciation	—	(183,139)	(12,522)	—	(195,661)
	—	414,077	98,973	—	513,050
Derivative instruments	—	566,401	—	—	566,401
Restricted cash	—	7,004	250,359	—	257,363
Notes receivable – affiliates	175,100	—	—	(175,100)	—
Investments in consolidated subsidiaries	3,940,444	—	—	(3,940,444)	—
Other noncurrent assets	—	17,178	16,057	(1)	33,234
	4,115,544	590,583	266,416	(4,115,545)	856,998
Total noncurrent assets	4,115,544	4,557,471	3,780,285	(4,059,589)	8,393,711
Total assets	$7,061,789	$5,993,285	$3,861,476	$(6,988,292)	$9,928,258
LIABILITIES AND UNITHOLDERS’ CAPITAL (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$1,285	$336,962	$117,127	$—	$455,374
Accounts payable – affiliates	—	2,920,082	8,621	(2,928,703)	—
Derivative instruments	—	—	2,241	—	2,241
Current portion of long-term debt, net	2,841,518	—	873,175	—	3,714,693
Other accrued liabilities	49,861	52,997	16,735	—	119,593
Total current liabilities	2,892,664	3,310,041	1,017,899	(2,928,703)	4,291,901
Derivative instruments	—	857	—	—	857
Long-term debt, net	4,447,308	—	845,368	—	5,292,676
Notes payable – affiliates	—	175,100	—	(175,100)	—

Other noncurrent liabilities	—	399,676	212,050	(1)	611,725
Unitholders’ capital (deficit):					
Units issued and outstanding	5,333,834	4,831,758	2,798,713	(7,621,189)	5,343,116
Accumulated deficit	(5,612,017)	(2,724,147)	(1,012,554)	3,736,701	(5,612,017)
	(278,183)	2,107,611	1,786,159	(3,884,488)	(268,901)
Total liabilities and unitholders’ capital (deficit)	$7,061,789	$5,993,285	$3,861,476	$(6,988,292)	$9,928,258

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended September 30, 2016

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
Revenues and other:					
Oil, natural gas and natural gas liquids sales	$—	$ 257,902	$ 102,241	$ —	$ 360,143
Gains on oil and natural gas derivatives	—	166	108	—	274
Marketing revenues	—	9,249	9,103	—	18,352
Other revenues	—	5,123	1,773	—	6,896
	—	272,440	113,225	—	385,665
Expenses:					
Lease operating expenses	—	71,422	46,048	—	117,470
Transportation expenses	—	40,986	8,644	—	49,630
Marketing expenses	—	6,933	5,258	—	12,191
General and administrative expenses	—	34,809	15,393	—	50,202
Exploration costs	—	4	—	—	4
Depreciation, depletion and amortization	—	105,304	39,951	(2,807)	142,448
Impairment of long-lived assets	—	41,728	—	—	41,728
Taxes, other than income taxes	2	19,075	(3,694)	—	15,383
(Gains) losses on sale of assets and other, net	—	2,310	(370)	—	1,940
	2	322,571	111,230	(2,807)	430,996
Other income and (expenses):					
Interest expense, net of amounts capitalized	(27,595)	(95)	(12,415)	—	(40,105)
Interest expense – affiliates	—	(2,479)	—	2,479	—
Interest income – affiliates	2,479	—	—	(2,479)	—
Equity in losses from consolidated subsidiaries	(171,817)	—	—	171,817	—
Other, net	(116)	(84)	(69)	—	(269)
	(197,049)	(2,658)	(12,484)	171,817	(40,374)
Reorganization items, net	(1,314)	(27,047)	(87,915)	—	(116,276)
Loss before income taxes	(198,365)	(79,836)	(98,404)	174,624	(201,981)
Income tax expense (benefit)	—	(3,650)	34	—	(3,616)
Net loss	$(198,365)	$ (76,186)	$(98,438)	$ 174,624	$ (198,365)

29

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Three Months Ended September 30, 2015

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
Revenues and other:					
Oil, natural gas and natural gas liquids sales	$—	$286,993	$140,252	$—	$427,245
Gains on oil and natural gas derivatives	—	521,365	27,664	—	549,029
Marketing revenues	—	6,004	9,719	—	15,723
Other revenues	—	4,635	1,672	—	6,307
	—	818,997	179,307	—	998,304
Expenses:					
Lease operating expenses	—	86,745	67,341	—	154,086
Transportation expenses	—	41,121	13,794	—	54,915
Marketing expenses	—	3,633	5,726	—	9,359
General and administrative expenses	—	38,549	21,564	—	60,113
Exploration costs	—	3,072	—	—	3,072
Depreciation, depletion and amortization	—	142,211	63,057	1,950	207,218
Impairment of long-lived assets	—	1,744,449	510,631	—	2,255,080
Taxes, other than income taxes	—	31,718	14,520	—	46,238
(Gains) losses on sale of assets and other, net	—	(169,613)	2,633	—	(166,980)
	—	1,921,885	699,266	1,950	2,623,101
Other income and (expenses):					
Interest expense, net of amounts capitalized	(117,096)	197	(21,484)	—	(138,383)
Interest expense – affiliates	—	(2,207)	—	2,207	—
Interest income – affiliates	2,207	—	—	(2,207)	—
Gain on extinguishment of debt	193,363	—	4,378	—	197,741
Equity in losses from consolidated subsidiaries	(1,646,256)	—	—	1,646,256	—
Other, net	(1,535)	(76)	(90)	—	(1,701)
	(1,569,317)	(2,086)	(17,196)	1,646,256	57,657
Loss before income taxes	(1,569,317)	(1,104,974)	(537,155)	1,644,306	(1,567,140)
Income tax expense	—	2,174	3	—	2,177
Net loss	$(1,569,317)	$(1,107,148)	$(537,158)	$1,644,306	$(1,569,317)

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Nine Months Ended September 30, 2016

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
Revenues and other:					
Oil, natural gas and natural gas liquids sales	$—	$ 674,177	$285,538	$—	$959,715
Gains (losses) on oil and natural gas derivatives	—	(74,175)	1,642	—	(72,533)
Marketing revenues	—	26,861	20,316	—	47,177
Other revenues	—	15,834	5,634	—	21,468
	—	642,697	313,130	—	955,827
Expenses:					
Lease operating expenses	—	232,101	138,557	—	370,658
Transportation expenses	—	124,072	32,518	—	156,590
Marketing expenses	—	21,493	14,291	—	35,784
General and administrative expenses	—	131,064	65,313	—	196,377
Exploration costs	—	2,745	—	—	2,745
Depreciation, depletion and amortization	—	318,067	139,980	(8,370)	449,677
Impairment of long-lived assets	—	171,431	1,030,588	(6,387)	1,195,632
Taxes, other than income taxes	4	59,679	20,614	—	80,297
(Gains) losses on sale of assets and other, net	—	6,096	(137)	—	5,959
	4	1,066,748	1,441,724	(14,757)	2,493,719
Other income and (expenses):					
Interest expense, net of amounts capitalized	(165,185)	146	(48,719)	—	(213,758)
Interest expense – affiliates	—	(8,417)	—	8,417	—
Interest income – affiliates	8,417	—	—	(8,417)	—
Equity in losses from consolidated subsidiaries	(1,677,262)	—	—	1,677,262	—
Other, net	(1,358)	—	(79)	—	(1,437)
	(1,835,388)	(8,271)	(48,798)	1,677,262	(215,195)
Reorganization items, net	497,773	(40,336)	(38,829)	—	418,608
Loss before income taxes	(1,337,619)	(472,658)	(1,216,221)	1,692,019	(1,334,479)
Income tax expense	—	2,944	196	—	3,140
Net loss	$(1,337,619)	$ (475,602)	$(1,216,417)	$ 1,692,019	$(1,337,619)

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
For the Nine Months Ended September 30, 2015

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
Revenues and other:					
Oil, natural gas and natural gas liquids sales	$—	$904,014	$470,219	$—	$1,374,233
Gains on oil and natural gas derivatives	—	756,165	26,457	—	782,622
Marketing revenues	—	35,501	24,699	—	60,200
Other revenues	—	14,521	5,103	—	19,624
	—	1,710,201	526,478	—	2,236,679
Expenses:					
Lease operating expenses	—	283,333	184,426	—	467,759
Transportation expenses	—	124,872	39,378	—	164,250
Marketing expenses	—	29,990	17,369	—	47,359
General and administrative expenses	—	157,878	79,853	—	237,731
Exploration costs	—	4,032	—	—	4,032
Depreciation, depletion and amortization	—	433,649	199,088	5,227	637,964
Impairment of long-lived assets	—	2,069,866	782,631	(64,800)	2,787,697
Taxes, other than income taxes	2	98,267	60,048	—	158,317
Gains on sale of assets and other, net	—	(194,612)	(2,651)	—	(197,263)
	2	3,007,275	1,360,142	(59,573)	4,307,846
Other income and (expenses):					
Interest expense, net of amounts capitalized	(364,037)	2,048	(65,595)	—	(427,584)
Interest expense – affiliates	—	(7,824)	—	7,824	—
Interest income – affiliates	7,824	—	—	(7,824)	—
Gain on extinguishment of debt	202,318	—	11,209	—	213,527
Equity in losses from consolidated subsidiaries	(2,124,493)	—	—	2,124,493	—
Other, net	(9,214)	(123)	(723)	—	(10,060)
	(2,287,602)	(5,899)	(55,109)	2,124,493	(224,117)
Loss before income taxes	(2,287,604)	(1,302,973)	(888,773)	2,184,066	(2,295,284)
Income tax benefit	—	(7,622)	(58)	—	(7,680)
Net loss	$(2,287,604)	$(1,295,351)	$(888,715)	$2,184,066	$(2,287,604)

Table of Contents
LINN ENERGY, LLC (DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2016

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
Cash flow from operating activities:					
Net loss	$(1,337,619)	$(475,602)	$(1,216,417)	$1,692,019	$(1,337,619)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation, depletion and amortization	—	318,067	139,980	(8,370)	449,677
Impairment of long-lived assets	—	171,431	1,030,588	(6,387)	1,195,632
Unit-based compensation expenses	—	24,514	—	—	24,514
Amortization and write-off of deferred financing fees	11,288	—	1,226	—	12,514
(Gains) losses on sale of assets and other, net	—	5,534	(874)	—	4,660
Equity in losses from consolidated subsidiaries	1,677,262	—			