LINN ENERGY, LLC
Form 10-Q
July 30, 2015

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 June 30, 2015

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 (IRS Employer Identification No.)
600 Travis, Suite 5100 Houston, Texas (Address of principal executive offices)	77002 (Zip Code)

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

600 Travis, Suite 4900
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 ¨

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

As of June 30, 2015, there were 355,204,907 units outstanding.

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GLOSSARY OF TERMS

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

Bbl. One stock tank barrel or 42 United States gallons liquid volume.
Bcf. One billion cubic feet.
Bcfe. One billion cubic feet equivalent, determined using a 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 a 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.

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

	June 30, 2015	December 31, 2014
	(in thousands, except unit amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$3,943	$1,809
Accounts receivable – trade, net	305,404	471,684
Derivative instruments	895,723	1,077,142
Assets held for sale	104,987	—
Other current assets	148,263	155,955
Total current assets	1,458,320	1,706,590
Noncurrent assets:		
Oil and natural gas properties (successful efforts method)	17,965,789	18,068,900
Less accumulated depletion and amortization	(5,513,440)	(4,867,682)
	12,452,349	13,201,218
Other property and equipment	696,300	669,149
Less accumulated depreciation	(173,013)	(144,282)
	523,287	524,867
Derivative instruments	704,099	848,097
Restricted cash	256,744	6,225
Other noncurrent assets	117,227	136,512
	1,078,070	990,834
Total noncurrent assets	14,053,706	14,716,919
Total assets	$15,512,026	$16,423,509
LIABILITIES AND UNITHOLDERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued expenses	$579,289	$814,809
Derivative instruments	3,333	—
Other accrued liabilities	157,384	167,736
Total current liabilities	740,006	982,545
Noncurrent liabilities:		
Credit facilities	3,178,175	2,968,175
Term loan	500,000	500,000
Senior notes, net	6,646,372	6,827,634
Derivative instruments	1,639	684
Other noncurrent liabilities	584,505	600,866
Total noncurrent liabilities	10,910,691	10,897,359

Commitments and contingencies (Note 10)

Unitholders' capital:		
355,204,907 units and 331,974,913 units issued and outstanding at June 30, 2015, and December 31, 2014, respectively	5,431,822	5,395,811
Accumulated deficit	(1,570,493)	(852,206)
	3,861,329	4,543,605
Total liabilities and unitholders' capital	$15,512,026	$16,423,509

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

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LINN ENERGY, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per unit amounts)			
Revenues and other:				
Oil, natural gas and natural gas liquids sales	$496,419	$967,850	$946,988	$1,906,727
Gains (losses) on oil and natural gas derivatives	(191,188)	(408,788)	233,593	(650,281)
Marketing revenues	10,733	30,273	44,477	60,819
Other revenues	5,864	7,616	13,317	13,273
	321,828	596,951	1,238,375	1,330,538
Expenses:				
Lease operating expenses	140,652	184,901	313,673	378,934
Transportation expenses	55,795	44,854	109,335	90,484
Marketing expenses	9,159	23,274	38,000	44,346
General and administrative expenses	98,650	66,906	177,618	146,134
Exploration costs	564	1,551	960	2,642
Depreciation, depletion and amortization	215,732	274,435	430,746	542,236
Impairment of long-lived assets	—	—	532,617	—
Taxes, other than income taxes	58,034	68,531	112,079	134,244
(Gains) losses on sale of assets and other, net	(17,996)	5,467	(30,283)	8,053
	560,590	669,919	1,684,745	1,347,073
Other income and (expenses):				
Interest expense, net of amounts capitalized	(146,100)	(134,300)	(289,201)	(268,113)
Gain on extinguishment of debt	9,151	—	15,786	—
Other, net	(6,146)	(2,549)	(8,359)	(4,852)
	(143,095)	(136,849)	(281,774)	(272,965)
Loss before income taxes	(381,857)	(209,817)	(728,144)	(289,500)
Income tax expense (benefit)	(2,730)	(1,947)	(9,857)	3,707
Net loss	$(379,127)	$(207,870)	$(718,287)	$(293,207)
Net loss per unit:				
Basic	$(1.12)	$(0.64)	$(2.15)	$(0.91)
Diluted	$(1.12)	$(0.64)	$(2.15)	$(0.91)
Weighted average units outstanding:				
Basic	340,934	328,844	335,817	328,588
Diluted	340,934	328,844	335,817	328,588
Distributions declared per unit	$0.313	$0.725	$0.625	$1.45

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

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LINN ENERGY, LLC
CONDENSED CONSOLIDATED STATEMENT OF UNITHOLDERS' CAPITAL
(Unaudited)

	Units	Unitholders' Capital	Accumulated Deficit	Total Unitholders' Capital
	(in thousands)			
December 31, 2014	331,975	$5,395,811	$(852,206)	$4,543,605
Sale of units, net of offering costs of $8,824	19,622	224,603	—	224,603
Issuance of units	3,608	—	—	—
Distributions to unitholders		(212,631)	—	(212,631)
Unit-based compensation expenses		33,711	—	33,711
Excess tax benefit from unit-based compensation and other		(9,672)	—	(9,672)
Net loss		—	(718,287)	(718,287)
June 30, 2015	355,205	$5,431,822	$(1,570,493)	$3,861,329

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

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LINN ENERGY, LLC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2015	2014
	(in thousands)	
Cash flow from operating activities:		
Net loss	$(718,287)	$(293,207)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	430,746	542,236
Impairment of long-lived assets	532,617	—
Unit-based compensation expenses	33,711	32,583
Gain on extinguishment of debt	(15,786)	—
Amortization and write-off of deferred financing fees	17,546	6,202
(Gains) losses on sale of assets and other, net	(25,894)	3,506
Deferred income taxes	(9,857)	3,475
Derivatives activities:		
Total (gains) losses	(236,653)	650,281
Cash settlements	566,343	(23,123)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable – trade, net	169,978	(61,891)
(Increase) decrease in other assets	3,523	(6,947)
Increase (decrease) in accounts payable and accrued expenses	(47,474)	113,582
Decrease in other liabilities	(27,031)	(51,062)
Net cash provided by operating activities	673,482	915,635
Cash flow from investing activities:		
Acquisition of oil and natural gas properties and joint-venture funding	—	(25,891)
Development of oil and natural gas properties	(416,347)	(805,617)
Purchases of other property and equipment	(29,287)	(31,411)
Proceeds from sale of properties and equipment and other	58,714	(11,730)
Net cash used in investing activities	(386,920)	(874,649)
Cash flow from financing activities:		
Proceeds from sale of units	233,427	—
Proceeds from borrowings	645,000	1,095,000
Repayments of debt	(850,051)	(616,124)
Distributions to unitholders	(212,631)	(480,583)
Financing fees and offering costs	(8,649)	(16,479)
Excess tax benefit from unit-based compensation	(9,467)	3,016
Other	(82,057)	(39,648)
Net cash used in financing activities	(284,428)	(54,818)
Net increase (decrease) in cash and cash equivalents	2,134	(13,832)
Cash and cash equivalents:		
Beginning	1,809	52,171
Ending	$3,943	$38,339

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

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LINN ENERGY, LLC
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, the Permian Basin, TexLa, South Texas and Michigan/Illinois.

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, 2014. 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 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’ capital or cash flows.

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 April 2015, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“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 in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU will be applied retrospectively as of the date of adoption and is effective for fiscal years beginning after December 15, 2015, and interim periods within those years (early adoption permitted). Adoption of this ASU is expected

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to result in a decrease to the Company's assets and liabilities in its consolidated balance sheets, with no impact to the consolidated statements of operations.

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 – Acquisitions, Divestiture and Joint-Venture Funding

The revenues and expenses related to certain oil and natural gas properties acquired in 2014 from subsidiaries of Devon Energy Corporation ("Devon" and the acquisition, the "Devon Assets Acquisition") are included in the condensed consolidated statements of operations of the Company as of August 29, 2014. The following unaudited pro forma financial information presents a summary of the Company's condensed combined results of operations for the three months and six months ended June 30, 2014, assuming the Devon Assets Acquisition had been completed as of January 1, 2014, including adjustments to reflect the values assigned to the net assets acquired. The pro forma financial information has been prepared for informational purposes only and does not purport to represent what the actual results of operations would have been had the transaction been completed as of the date assumed, nor is this information necessarily indicative of future consolidated results of operations. The pro forma financial information does not give effect to the costs of any integration activities or benefits that may result from the realization of future cost savings from operating efficiencies, or any other synergies that may result from the transaction.

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	(in thousands, except per unit amounts)	
Total revenues and other	$729,179	$1,608,294
Total operating expenses	$(750,486)	$(1,515,977)
Net loss	$(190,367)	$(252,672)
Net loss per unit:		
Basic	$(0.59)	$(0.78)
Diluted	$(0.59)	$(0.78)

The pro forma condensed combined results of operations includes adjustments to:

- Reflect the results of the Devon Assets Acquisition.
- Reflect incremental depreciation, depletion and amortization expense, using the unit-of-production method related to oil and natural gas properties acquired and an estimated useful life of 10 years for other property and equipment.
- Reflect incremental accretion expense related to asset retirement obligations on oil and natural gas properties acquired.
- Reflect an increase in interest expense related to incremental debt of $2.3 billion incurred to fund the purchase price.
- Reflect incremental amortization of deferred financing fees associated with debt incurred to fund the purchase price.

Divestiture – Pending

On July 2, 2015, the Company, through certain of its wholly owned subsidiaries, entered into a definitive purchase and sale agreement to sell its remaining position in Howard County in the Permian Basin for a contract price of approximately $281 million, subject to closing adjustments. The sale is anticipated to close in the third quarter of 2015, subject to closing conditions. There can be no assurance that all of the conditions to closing will be satisfied. At June 30, 2015, the Company's condensed consolidated balance sheet included current assets of approximately $105 million as "assets held for sale" and current liabilities of approximately $3 million included in "other accrued liabilities" classified as "held for sale" related to the sale.

Joint-Venture Funding – 2014

During January and February of 2014, the Company paid approximately $25 million, including interest, to complete the total funding commitment of $400 million related to the joint-venture agreement it entered into with an affiliate of Anadarko Petroleum Corporation ("Anadarko") in April 2012.

Note 3 – Unitholders' Capital

At-the-Market Offering Program

The Company's Board of Directors has authorized the sale of up to $500 million of units under an at-the-market offering program. Sales of units, if any, will be made under an equity distribution agreement by means of ordinary brokers' transactions, through the facilities of the NASDAQ Global Select Market, any other national securities exchange or facility thereof, a trading facility of a national securities association or an alternate trading system, to or through a market maker or directly on or through an electronic communication network, a "dark pool" or any similar market venue, at market prices, in block transactions, or as otherwise agreed with a sales agent. The Company expects to use the net proceeds from any sale of the units for general corporate purposes, which may include, among other things, capital expenditures, acquisitions and the repayment of debt.

During the six months ended June 30, 2015, the Company, under its equity distribution agreement, sold 3,621,983 units representing limited liability company interests at an average unit price of $12.37 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). At June 30, 2015, units totaling approximately $455 million in aggregate offering price remained available to be sold under the agreement.

Public Offering of Units

In May 2015, the Company sold 16,000,000 units representing limited liability company interests in an underwritten public offering at $11.79 per unit ($11.32 per unit, net of underwriting discount) for net proceeds of approximately $181 million (after underwriting discount and offering costs of approximately $8 million). The Company used the net proceeds from the sale of these units to repay a portion of the outstanding indebtedness under the LINN Credit Facility, which included debt initially incurred to fund the open market repurchases of a portion of its senior notes during 2015 (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 over the next four quarters. Distributions paid by the Company are presented on the condensed consolidated statement of unitholders' capital and the condensed consolidated statements of cash flows. On July 1, 2015, the Company's Board of Directors declared a cash distribution of $0.3125 per unit with respect to the second quarter of 2015, to be paid in three equal installments of $0.1042 per unit. The first monthly

distribution with respect to the second quarter of 2015, totaling approximately $37 million, was paid on July 16, 2015, to unitholders of record as of the close of business on July 13, 2015.

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:

	June 30, 2015	December 31, 2014
	(in thousands)	
Proved properties:		
Leasehold acquisition	$13,302,759	$13,362,642
Development	2,807,595	2,830,841
Unproved properties	1,855,435	1,875,417
	17,965,789	18,068,900
Less accumulated depletion and amortization	(5,513,440)	(4,867,682)
	$12,452,349	$13,201,218

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 no impairment charges for the three months ended June 30, 2015, or the six months ended June 30, 2014. During the first quarter of 2015, the Company recorded noncash impairment charges, before and after tax, of approximately $533 million associated with proved oil and natural gas properties. The impairment was due to a decline in commodity prices. The carrying values of the impaired proved properties were reduced to fair value, estimated using inputs characteristic of a Level 3 fair value measurement. For the six months ended June 30, 2015, the following impairment charges are included in “impairment of long-lived assets” on the condensed consolidated statement of operations:

- Shallow Texas Panhandle Brown Dolomite formation – $278 million;
- California region – $207 million;
- TexLa region – $33 million;
- South Texas region – $9 million; and
- Mid-Continent region – $6 million.

Note 5 – Unit-Based Compensation

During the six months ended June 30, 2015, the Company granted 3,471,095 restricted units and 697,120 phantom units to employees, primarily as part of its annual review of its employees’ compensation, including executives, with an aggregate fair value of approximately $42 million. The restricted units and phantom units vest over three years. A summary of unit-based compensation expenses included on the condensed consolidated statements of operations is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
General and administrative expenses	$11,044	$9,496	$27,677	$27,719
Lease operating expenses	2,157	1,587	6,034	4,864
Total unit-based compensation expenses	$13,201	$11,083	$33,711	$32,583
Income tax benefit	$4,877	$4,095	$12,456	$12,039

Cash-Based Performance Unit Awards

In January 2015, the Company also 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 June 30, 2015.

Note 6 – Debt

The following summarizes the Company's outstanding debt:

	June 30, 2015	December 31, 2014
	(in thousands, except percentages)	
LINN credit facility [1]	$2,005,000	$1,795,000
Berry credit facility [2]	1,173,175	1,173,175
Term loan [3]	500,000	500,000
6.50% senior notes due May 2019	1,200,000	1,200,000
6.25% senior notes due November 2019	1,800,000	1,800,000
8.625% senior notes due April 2020	1,173,619	1,300,000
6.75% Berry senior notes due November 2020	275,177	299,970
7.75% senior notes due February 2021	994,000	1,000,000
6.50% senior notes due September 2021	650,000	650,000
6.375% Berry senior notes due September 2022	572,700	599,163
Net unamortized discounts and premiums	(19,124)	(21,499)
Total debt, net	10,324,547	10,295,809
Less current maturities	—	—
Total long-term debt, net	$10,324,547	$10,295,809

[1] Variable interest rates of 1.94% and 1.92% at June 30, 2015, and December 31, 2014, respectively.
[2] Variable interest rates of 2.69% and 2.67% at June 30, 2015, and December 31, 2014, respectively.
[3] Variable interest rates of 2.69% and 2.66% at June 30, 2015, and December 31, 2014, respectively.

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Fair Value

The Company's debt is recorded at the carrying amount in 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 notes using estimates based on prices quoted from third-party financial institutions, which is a Level 2 fair value measurement.

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Credit facilities	$3,178,175	$3,178,175	$2,968,175	$2,968,175
Term loan	500,000	500,000	500,000	500,000
Senior notes, net	6,646,372	5,247,250	6,827,634	5,703,649
Total debt, net	$10,324,547	$8,925,425	$10,295,809	$9,171,824

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 $500 million senior secured term loan, in aggregate subject to the then-effective borrowing base. Borrowing capacity under the revolving credit facility is limited to the lesser of: (i) the then-effective borrowing base reduced by the $500 million term loan and (ii) the maximum commitment amount of $4.0 billion, and is currently $3.55 billion. The maturity date is April 2019. At June 30, 2015, the borrowing base under the LINN Credit Facility was $4.05 billion and availability under the revolving credit facility was approximately $1.5 billion, which includes reductions for the $500 million term loan and $6 million of outstanding letters of credit.

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, in April and October. The administrative agent, at the direction of a super-majority of certain of the lenders, has the right to request one interim borrowing base redetermination per year. The Company also has the right to request one interim borrowing base redetermination per year, as well as the right to an additional interim redetermination each year in connection with certain acquisitions. The spring 2015 semi-annual redetermination was completed in May 2015, and the borrowing base under the LINN Credit Facility decreased from $4.5 billion to $4.05 billion as a result of lower commodity prices. Continued low or further declining commodity prices, reductions in the Company's capital budget and the resulting reserve write-downs, along with the maturity schedule of the Company's hedges, are expected to result in further decreases in the borrowing base at the October 2015 redetermination and may also impact future redeterminations.

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 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 Collateral Coverage Ratio of at least 2.5 to 1. 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. Additionally, the obligations under the LINN Credit Facility are guaranteed by all of the Company's material subsidiaries, other than Berry Petroleum Company, LLC ("Berry"), and are required to be guaranteed by any future material subsidiaries. The Company is in compliance with all financial and other covenants of the LINN Credit Facility.

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 1.5% and 2.5% 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 0.5% and 1.5% per annum (depending on the then-current level of borrowings under the LINN Credit Facility).

Interest is generally payable quarterly 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 between 0.375% and 0.5% (depending on the then-current level of borrowings under the LINN Credit Facility) on the average daily unused amount of the maximum commitment amount of the lenders.

The $500 million term loan has a maturity date of April 2019 and incurs interest based on either the LIBOR plus a margin of 2.5% per annum or the ABR plus a margin of 1.5% per annum, at the Company's election. Interest is generally payable quarterly 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. 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") currently has a borrowing base of $1.2 billion, subject to lender commitments. The maturity date is April 2019. At June 30, 2015, lender commitments under the facility were $1.2 billion but there was less than $1 million of available borrowing capacity, including outstanding letters of credit.

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, in April and October. A super-majority of the lenders under the Berry Credit Facility and Berry also have the right to request interim borrowing base redeterminations once between scheduled redeterminations. The spring 2015 semi-annual borrowing base redetermination was completed in May 2015, and the borrowing base under the Berry Credit Facility decreased from $1.4 billion to $1.2 billion as a result of lower commodity prices. Continued low or further declining commodity prices, reductions in the Company's capital budget and the resulting reserve write-downs, along with the maturity schedule of the Company's hedges, are expected to result in further decreases in the borrowing base at the October 2015 redetermination and may also impact future redeterminations.

In connection with the reduction in Berry's borrowing base, LINN Energy borrowed $250 million under the LINN Credit Facility, which it contributed to Berry to post as restricted cash with Berry's lenders. As directed by LINN Energy, the $250 million was deposited on Berry's behalf in a security account with the administrative agent subject to a security control agreement. Berry's ability to withdraw funds from this account is subject to a concurrent reduction of the borrowing base under the Berry Credit Facility or lender consent in connection with a redetermination of such borrowing base. The $250 million may be used to satisfy obligations under the Berry Credit Facility or, subject to restrictions in the indentures governing Berry's senior notes, may be returned to LINN Energy in the future. The amount is included in "restricted cash" on the condensed consolidated balance sheet.

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 mortgages on properties representing at least 80% of the present value of its oil and natural gas proved reserves. Berry is in compliance with all financial and other covenants of the Berry Credit Facility.

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 1.5% and 2.5% 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 0.5% and 1.5% per annum (depending on the then-current level of borrowings under the Berry Credit Facility). Interest is generally payable quarterly for loans bearing interest based on the Base Rate and at the end of the applicable interest period for loans bearing interest at the LIBOR. Berry is required to pay a commitment fee to the lenders under the Berry Credit Facility, which accrues at a rate per annum between 0.375% and 0.5% (depending on the then-current level of utilization under the Berry Credit Facility) 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.”

Repurchases of Senior Notes

During the six months ended June 30, 2015, the Company repurchased on the open market approximately $184 million of its outstanding senior notes as follows:

- 8.625% senior notes due April 2020 – $127 million;
- 6.75% Berry senior notes due November 2020 – $25 million;
- 7.75% senior notes due February 2021 – $6 million; and
- 6.375% Berry senior notes due September 2022 – $26 million.

In connection with the repurchases, the Company recorded a gain on extinguishment of debt of approximately $16 million for the six months ended June 30, 2015.

Repurchases of Senior Notes – Subsequent Event

In July 2015, the Company repurchased through privately negotiated transactions approximately $599 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 – $50 million;
- 6.75% Berry senior notes due November 2020 – $14 million;
- 7.75% senior notes due February 2021 – $30 million; and
- 6.50% senior notes due September 2021 – $148 million.

Senior Notes Covenants

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. The Company is in compliance with all financial and other covenants of its senior notes.

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. Berry is in compliance with all financial and other covenants of its senior notes.

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

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Note 7 – Derivatives
Commodity Derivatives
The Company seeks to hedge a significant portion of its forecasted production to reduce exposure to fluctuations in the prices of oil and natural gas and provide long-term cash flow predictability to manage its business, service debt and 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. As a result, currently, the Company directly hedges only its oil and natural gas production. The Company also hedges its exposure to natural gas differentials in certain operating areas but does not currently hedge exposure to oil differentials.
The Company enters 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. In connection with the 2013 acquisition of Berry, the Company assumed certain derivative contracts that Berry had entered into prior to the acquisition date, including swap contracts, collars and three-way collars. 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 summarizes derivative positions for the periods indicated as of June 30, 2015:

	July 1 - December 31, 2015	2016	2017	2018
Natural gas positions:				
Fixed price swaps (NYMEX Henry Hub):				
Hedged volume (MMMBtu)	59,506	121,841	120,122	36,500
Average price ($/MMBtu)	$5.19	$4.20	$4.26	$5.00
Put options (NYMEX Henry Hub):				
Hedged volume (MMMBtu)	36,222	76,269	66,886	—
Average price ($/MMBtu)	$5.00	$5.00	$4.88	$—
Oil positions:				
Fixed price swaps (NYMEX WTI): (1)				
Hedged volume (MBbls)	7,810	11,465	4,755	—
Average price ($/Bbl)	$87.12	$90.56	$89.02	$—
Three-way collars (NYMEX WTI):				
Hedged volume (MBbls)	552	—	—	—
Short put ($/Bbl)	$70.00	$—	$—	$—
Long put ($/Bbl)	$90.00	$—	$—	$—
Short call ($/Bbl)	$101.62	$—	$—	$—
Put options (NYMEX WTI):				
Hedged volume (MBbls)	1,727	3,271	384	—
Average price ($/Bbl)	$90.00	$90.00	$90.00	$—
Natural gas basis differential positions: (2)				
Panhandle basis swaps: (3)				
Hedged volume (MMMBtu)	43,939	59,954	59,138	16,425
Hedged differential ($/MMBtu)	$(0.33)	$(0.32)	$(0.33)	$(0.33)

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	July 1 - December 31, 2015	2016	2017	2018
NWPL Rockies basis swaps: (3)				
Hedged volume (MMMBtu)	29,731	65,794	38,880	10,804
Hedged differential ($/MMBtu)	$(0.23)	$(0.24)	$(0.19)	$(0.19)
MichCon basis swaps: (3)				
Hedged volume (MMMBtu)	4,710	7,768	7,437	2,044
Hedged differential ($/MMBtu)	$0.06	$0.05	$0.05	$0.05
Houston Ship Channel basis swaps: (3)				
Hedged volume (MMMBtu)	14,472	34,364	36,730	986
Hedged differential ($/MMBtu)	$(0.03)	$(0.02)	$(0.02)	$(0.08)
Permian basis swaps: (3)				
Hedged volume (MMMBtu)	2,558	4,219	4,819	1,314
Hedged differential ($/MMBtu)	$(0.21)	$(0.20)	$(0.20)	$(0.20)
SoCal basis swaps: (4)				
Hedged volume (MMMBtu)	16,560	32,940	—	—
Hedged differential ($/MMBtu)	$(0.03)	$(0.03)	$—	$—
Oil timing differential positions:				
Trade month roll swaps (NYMEX WTI): (5)				
Hedged volume (MBbls)	3,655	7,446	6,486	—
Hedged differential ($/Bbl)	$0.24	$0.25	$0.25	$—

(1) Includes certain outstanding fixed price oil swaps of approximately 5,384 MBbls which may be extended annually at a price of $100.00 per Bbl for each of the years ending December 31, 2017, and December 31, 2018, and $90.00 per Bbl for the year ending December 31, 2019, at counterparty election on a designated date in each respective preceding year. The extension for each year is exercisable without respect to the other years.

(2) Settle on the respective pricing index to hedge basis differential to the NYMEX Henry Hub natural gas price.

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

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

(5) The Company hedges the timing risk associated with the sales price of oil in the Mid-Continent, Hugoton Basin and Permian Basin regions. In these regions, the Company generally sells oil for the delivery month at a sales price based on the average NYMEX WTI price during that month, plus an adjustment calculated as a spread between the weighted average prices of the delivery month, the next month and the following month during the period when the delivery month is prompt (the "trade month roll").

During the six months ended June 30, 2015, the Company entered into commodity derivative contracts consisting of natural gas basis swaps for May 2015 through December 2017, to hedge exposure to differentials in certain producing areas, and oil swaps for April 2015 through December 2015. In addition, the Company entered into natural gas basis swaps for May 2015 through December 2016 to hedge exposure to the differential in California, where it consumes natural gas in its heavy oil development operations.

Settled derivatives on natural gas production for the three months and six months ended June 30, 2015, included volumes of 47,344 MMMBtu and 94,167 MMMBtu, respectively, at an average contract price of $5.12 per MMBtu.

Settled derivatives on oil production for the three months and six months ended June 30, 2015, included volumes of 4,820 MBbls and 8,795 MBbls, respectively, at average contract prices of $88.60 per Bbl and $91.20 per Bbl. Settled derivatives on natural gas production for the three months and six months ended June 30, 2014, included volumes of 44,136 MMMBtu and 87,787 MMMBtu, respectively, at an average contract price of $5.14 per MMBtu. Settled derivatives on oil production for the three months and six months ended June 30, 2014, included volumes of 6,230 MBbls and 12,391 MBbls, respectively, at an average contract price of $92.39 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:

	June 30, 2015	December 31, 2014
	(in thousands)	
Assets:		
Commodity derivatives	$1,636,607	$2,014,815
Liabilities:		
Commodity derivatives	$41,757	$90,260

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 or were participants or affiliates of participants in its Credit Facilities at the time it originally entered into the derivatives. 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. 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 $1.6 billion at June 30, 2015. 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.

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Gains (losses) on oil and natural gas derivatives	$(191,188)	$(408,788)	$233,593	$(650,281)
Lease operating expenses [(1)]	3,986	—	3,060	—
	$(187,202)	$(408,788)	$236,653	$(650,281)

Total gains (losses) on oil and natural gas derivatives

(1) Consists of gains and losses on derivatives used to hedge natural gas consumption which were entered into in March 2015.

For the three months and six months ended June 30, 2015, the Company received net cash settlements of approximately $284 million and $566 million, respectively. For the three months and six months ended June 30, 2014, the Company paid net cash settlements of approximately $9 million and $23 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:

	June 30, 2015		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$1,636,607	$(36,785)	$1,599,822
Liabilities:			
Commodity derivatives	$41,757	$(36,785)	$4,972

	December 31, 2014		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$2,014,815	$(89,576)	$1,925,239
Liabilities:			
Commodity derivatives	$90,260	$(89,576)	$684

[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 (2% for the six months ended June 30, 2015); and (iv) a credit-adjusted risk-free interest rate (average of 5.5% for the six months ended June 30, 2015). 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 presents a reconciliation of the Company's asset retirement obligations (in thousands):

Asset retirement obligations at December 31, 2014	$497,570
Liabilities added from drilling	1,875
Liabilities reclassified as held for sale	(2,000)
Current year accretion expense	14,888
Settlements	(2,920)
Revision of estimates	(15,228)
Asset retirement obligations at June 30, 2015	$494,185

Note 10 – Commitments and Contingencies

The Company has been named as a defendant in a number of lawsuits, including claims from royalty owners related to disputed royalty payments and royalty valuations. With respect to a certain statewide class action case, the parties have agreed on a scheduling order, which provides for briefing on the class certification issues in late 2015 and the first part of 2016. The Company has denied that it has liability on the claims asserted in the case and has denied that class certification is proper. If the Court accepts the Company's arguments, there will be no liability to the Company in the case. For another statewide class action royalty payment dispute, briefing on class certification issues is expected to be completed during the fall of 2015. The Company has denied that it has any liability on the claims and has denied that class certification is proper. If the Court accepts the Company's arguments, there will be no liability to the Company in the case. The Company is unable to estimate a possible loss, or range of possible loss, if any, in these cases. 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 six months ended June 30, 2015, and June 30, 2014, 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.

In 2008, Lehman Brothers Holdings Inc. and Lehman Brothers Commodity Services Inc. (together "Lehman"), filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. In March 2011, the Company and Lehman entered into Termination Agreements under which the Company was granted general unsecured claims against Lehman in the amount of $51 million (the "Company Claim"). In December 2011, a Chapter 11 Plan ("Lehman Plan") was approved by the Bankruptcy Court. In both April 2015 and April 2014, the Company received approximately $3 million of the Company Claim, of which both amounts are included in "gains (losses) on oil and natural gas derivatives" on the condensed consolidated statements of operations. In the aggregate, the Company has received approximately $49 million of the Company Claim.

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.

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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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands, except per unit data)			
Net loss	$(379,127)	$(207,870)	$(718,287)	$(293,207)
Allocated to participating securities	(1,662)	(2,154)	(3,273)	(4,306)
	$(380,789)	$(210,024)	$(721,560)	$(297,513)
Basic net loss per unit	$(1.12)	$(0.64)	$(2.15)	$(0.91)
Diluted net loss per unit	$(1.12)	$(0.64)	$(2.15)	$(0.91)
Basic weighted average units outstanding	340,934	328,844	335,817	328,588
Dilutive effect of unit equivalents	—	—	—	—
Diluted weighted average units outstanding	340,934	328,844	335,817	328,588

Basic units outstanding excludes the effect of weighted average anti-dilutive unit equivalents related to approximately 5 million unit options and warrants for both the three months and six months ended June 30, 2015, and approximately 6 million for both the three months and six months ended June 30, 2014. All equivalent units were antidilutive for both the three months and six months ended June 30, 2015, and June 30, 2014.

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 of the Company 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.

Note 13 – Supplemental Disclosures to the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows

"Other accrued liabilities" reported on the condensed consolidated balance sheets include the following:

	June 30, 2015	December 31, 2014
	(in thousands)	
Accrued interest	$101,003	$105,310
Accrued compensation	36,632	44,875
Asset retirement obligations	16,187	16,187
Other	3,562	1,364
	$157,384	$167,736

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

	Six Months Ended June 30,	
	2015	2014
	(in thousands)	
Cash payments for interest, net of amounts capitalized	$280,018	$264,141
Cash payments for income taxes	$601	$—
Noncash investing activities:		
Accrued capital expenditures	$105,115	$316,427

Included in "acquisition of oil and natural gas properties and joint-venture funding" on the condensed consolidated statement of cash flows for the six months ended June 30, 2014, is approximately $25 million paid by the Company to fund the commitment related to the joint-venture agreement entered into with Anadarko in April 2012 (see Note 2).

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. "Restricted cash" on the condensed consolidated balance sheet at June 30, 2015, includes $250 million LINN Energy borrowed under the LINN Credit Facility and contributed to Berry in May 2015 to post as restricted cash with Berry's lenders in connection with the reduction in the Berry Credit Facility's borrowing base. Restricted cash also includes approximately $7 million and $6 million at June 30, 2015, and December 31, 2014, respectively, of cash deposited by the Company into a separate account designated for asset retirement obligations in accordance with contractual agreements.

The Company manages its working capital and cash requirements to borrow only as needed from its Credit Facilities. At June 30, 2015, and December 31, 2014, net outstanding checks of approximately $13 million and $95 million, respectively, were reclassified and included in "accounts payable and accrued expenses" on the condensed consolidated balance sheets. 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, LLC ("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 June 30, 2015, LinnCo had no significant assets or operations other than those related to its interest in LINN Energy and owned approximately 37% of LINN Energy's outstanding units.

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.

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LINN ENERGY, LLC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

For the three months and six months ended June 30, 2015, LinnCo incurred total general and administrative expenses and certain offering costs of approximately $1.1 million and $2.5 million, respectively, of which approximately $2.2 million had been paid by LINN Energy on LinnCo’s behalf as of June 30, 2015. The expenses for the three months and six months ended June 30, 2015, include approximately $492,000 and $983,000, respectively, related to services provided by LINN Energy necessary for the conduct of LinnCo’s business, such as accounting, legal, tax, information technology and other expenses.

For the three months and six months ended June 30, 2014, LinnCo incurred total general and administrative expenses and certain offering costs of approximately $749,000 and $1.5 million, respectively, all of which had been paid by LINN Energy on LinnCo’s behalf as of June 30, 2014. The expenses for the three months and six months ended June 30, 2014, include approximately $471,000 and $941,000, respectively, related to services provided by LINN Energy necessary for the conduct of LinnCo’s business, such as accounting, legal, tax, information technology and other expenses. In addition, during the six months ended June 30, 2014, LINN Energy paid approximately $11 million on LinnCo’s behalf for general and administrative expenses incurred by LinnCo in 2013.

During the three months and six months ended June 30, 2015, the Company paid approximately $40 million and $80 million, respectively, in distributions to LinnCo attributable to LinnCo’s interest in LINN Energy. During the three months and six months ended June 30, 2014, the Company paid approximately $93 million and $186 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 six months ended June 30, 2015, the Company incurred expenditures of approximately $2 million and $5 million, respectively, and for the three months and six months ended June 30, 2014, the Company incurred expenditures of approximately $8 million and $12 million, respectively, related to services rendered by Superior and its subsidiaries.

Note 15 – Subsidiary Guarantors

Linn Energy, LLC’s May 2019 senior notes, November 2019 senior notes, April 2020 senior notes, February 2021 senior notes and September 2021 senior notes 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
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 2015

	Linn Energy, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$35	$1,244	$2,664	$—	$3,943
Accounts receivable – trade, net	—	222,090	83,314	—	305,404
Accounts receivable – affiliates	3,693,834	28,630	—	(3,722,464)	—
Derivative instruments	—	880,189	15,534	—	895,723
Assets held for sale	—	104,987	—	—	104,987
Other current assets	—	105,032	43,238	(7)	148,263
Total current assets	3,693,869	1,342,172	144,750	(3,722,471)	1,458,320
Noncurrent assets:					
Oil and natural gas properties (successful efforts method)	—	12,998,067	4,967,722	—	17,965,789
Less accumulated depletion and amortization	—	(4,649,099)	(923,731)	59,390	(5,513,440)
	—	8,348,968	4,043,991	59,390	12,452,349
Other property and equipment	—	574,789	121,511	—	696,300
Less accumulated depreciation	—	(159,264)	(13,749)	—	(173,013)
	—	415,525	107,762	—	523,287
Derivative instruments	—	703,123	976	—	704,099
Restricted cash	—	6,582	250,162	—	256,744
Notes receivable – affiliates	160,900	—	—	(160,900)	—
Advance to affiliate	—	—	171,044	(171,044)	—
Investments in consolidated subsidiaries	8,277,148	—	—	(8,277,148)	—
Other noncurrent assets, net	100,442	5,198	11,587	—	117,227
	8,538,490	714,903	433,769	(8,609,092)	1,078,070
Total noncurrent assets	8,538,490	9,479,396	4,585,522	(8,549,702)	14,053,706
Total assets	$12,232,359	$10,821,568	$4,730,272	$(12,272,173)	$15,512,026
LIABILITIES AND UNITHOLDERS’ CAPITAL					
Current liabilities:					
Accounts payable and accrued expenses	$963	$388,422	$189,904	$—	$579,289
Accounts payable – affiliates	—	3,693,834	28,630	(3,722,464)	—
Advance from affiliate	—	171,044	—	(171,044)	—
Derivative instruments	—	—	3,333	—	3,333
Other accrued liabilities	86,234	53,359	17,798	(7)	157,384
Total current liabilities	87,197	4,306,659	239,665	(3,893,515)	740,006

Noncurrent liabilities:					
Credit facilities	2,005,000	—	1,173,175	—	3,178,175
Term loan	500,000	—	—	—	500,000
Senior notes, net	5,785,692	—	860,680	—	6,646,372
Notes payable – affiliates	—	160,900	—	(160,900)	—
Derivative instruments	—	1,051	588	—	1,639
Other noncurrent liabilities	—	388,565	195,940	—	584,505
Total noncurrent liabilities	8,290,692	550,516	2,230,383	(160,900)	10,910,691
Unitholders' capital:					
Units issued and outstanding	5,424,963	4,831,136	2,609,158	(7,433,435)	5,431,822
Accumulated income (deficit)	(1,570,493)	1,133,257	(348,934)	(784,323)	(1,570,493)
	3,854,470	5,964,393	2,260,224		