LINN ENERGY, LLC
Form 10-K
March 30, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2006

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

Commission file number: 000-51719

LINN ENERGY, LLC

(Exact name of registrant as specified in its charter)

Delaware	**65-1177591**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 Travis Street, Suite 7000 **Houston, Texas**	**77002**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code

(281) 605-4100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Units Representing Limited Liability Company Interests	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No **x**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o
No **x**

Indicate by check mark whether 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check-mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No **x**

The aggregate market value of our voting and non-voting common equity held by non-affiliates of the registrant was approximately $276,160,952 million on June 30, 2006, based on $20.95 per unit, the last reported sales price of the units on The NASDAQ Global Market on such date.

As of February 28, 2007, there were 50,303,019 units outstanding.

As of February 28, 2007, there were 7,465,946 Class C units outstanding.

Documents Incorporated By Reference:

Certain information called for in Items 10, 11, 12, 13 and 14 of Part III are incorporated by reference from the registrant s definitive proxy statement for the annual meeting of unitholders to be held on June 19, 2007.

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GLOSSARY OF TERMS

As commonly used in the oil and gas industry and as used in this Annual Report on Form 10-K, 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 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 to 59.5 degrees Fahrenheit.

Development well. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dth. One decatherm, equivalent to one million British thermal units.

Developed acres. Acres spaced or assigned to productive wells.

Dry hole or *well.* A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production would exceed production expenses and taxes.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

FERC. Federal Energy Regulatory Commission.

Gross acres or *gross wells.* The total acres or wells, as the case may be, in which a working interest is owned.

MBbls. One thousand barrels of oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet.

Mcfe. One thousand cubic feet equivalent, determined using the ratio of six Mcf of gas to one Bbl of oil, condensate or natural gas liquids.

MMBbls. One million barrels of oil or other liquid hydrocarbons.

MMboe. One million barrels of oil equivalent determined using a ratio of six Mcf of gas to one Bbl of oil, condensate or natural gas liquids.

MMBtu. One million British thermal units.

MMcf. One million cubic feet.

MMcfe. One million cubic feet equivalent, determined using a ratio of six Mcf of gas to one Bbl of oil, condensate or natural gas liquids.

MMcfe/d. One MMcfe per day.

MMMBtu. One billion British thermal units.

Net acres or *net wells.* The sum of the fractional working interests owned in gross acres or gross wells, as the case may be.

NGLs. Natural gas liquids, which are the hydrocarbon liquids contained within gas.

NYMEX. The New York Mercantile Exchange.

Oil. Crude oil, condensate and natural gas liquids.

Productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceeds production expenses and taxes.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included in proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved reserves. Proved oil and gas reserves are the estimated quantities of gas, natural gas liquids and oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based on future conditions. The definition of proved reserves is in accordance with the Securities and Exchange Commission s definition set forth in Regulation S-X Rule 4-10 (a) and its subsequent staff interpretations and guidance.

Proved undeveloped drilling location. A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.

Proved undeveloped reserves or *PUDs.* Reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Recompletion. The completion for production of an existing wellbore in another formation from that which the well has been previously completed.

Reservoir. A porous and permeable underground formation containing a natural accumulation of economically productive oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reserves.

Standardized Measure. Standardized Measure, or standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities, is the present value of estimated future net revenues to be generated from the production of proved reserves, determined in accordance with the rules and regulations of the Securities and Exchange Commission (using prices and costs in effect as of the date of estimation) without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expenses or to depreciation, depletion and amortization and discounted using an annual discount rate of 10%. Our Standardized Measure does not include future income tax expenses because our reserves are owned by our subsidiary Linn Energy Holdings, LLC, which is not subject to income taxes.

Successful well. A well capable of producing oil and/or gas in commercial quantities.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves.

Unproved reserves. Lease acreage on which wells have not been drilled and where it is either probable or possible that the acreage contains reserves.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production.

Workover. Operations on a producing well to restore or increase production.

Part I

Item 1. Business and Properties

This Annual Report on Form 10-K contains forward-looking statements based on expectations, estimates and projections as of the date of this filing. These statements by their nature are subject to risks, uncertainties and assumptions and are influenced by various factors. As a consequence, actual results may differ materially from those expressed in the forward-looking statements. For more information see Forward-Looking Statements included at the end of this Item 1. Business and Properties and see also Item 1A. Risk Factors.

References to Linn

When referring to Linn Energy, LLC (Linn or the Company) and using phrases such as we, our, us, or the Company, our intent is to refer and its consolidated subsidiaries as a whole or on a divisional basis, depending on the context in which the statements are made.

Overview

Linn is an independent oil and gas company focused on the development and acquisition of long-lived properties in the United States that began operations in March 2003 and was formed as a Delaware limited liability company in April 2005. Linn is a holding company that conducts its operations through, and its operating assets are owned by, its wholly-owned subsidiaries. We completed our initial public offering (IPO) on January 13, 2006 and our units representing limited liability company interests (units) are listed on The NASDAQ Global Market under the symbol LINE.

Our strategy focuses on building core areas of operations in multiple regions within the United States with long-lived gas or oil reserves. Our core areas include:

- Appalachian Basin, which includes West Virginia, Pennsylvania, New York and Virginia;
- Western, which includes the Brea Olinda Field in the Los Angeles Basin of California;
- Mid-Continent, which includes the Sooner Trend of north central Oklahoma; and
- Texas Panhandle, which includes the Texas portion of the Hugoton-Panhandle Field (acquired in February 2007).

During the year ended December 31, 2006, we completed five acquisitions of oil and gas properties and related gathering and pipeline assets with total proved reserves of 263.7 Bcfe, for an aggregate purchase price of approximately $454.9 million, or an acquisition cost of approximately $1.72 per Mcfe. From inception in March 2003 through December 31, 2006, we completed 14 acquisitions of oil and gas properties and related gathering and pipeline assets, with total proved reserves of approximately 441.5 Bcfe, for an aggregate purchase price of approximately $656.4 million, or, including the amounts allocated to unproved leasehold, an acquisition cost of approximately $1.49 per Mcfe. As part of our business strategy, we continually evaluate opportunities to acquire additional oil and gas properties which complement our asset profile. See Acquisitions below for details about our most recent acquisitions in Texas and West Virginia, which are not included in our reserves at December 31, 2006.

Our proved reserves at December 31, 2006 were 454.1 Bcfe, of which approximately 60.3% were gas and 39.7% were oil. Approximately 69.2% were classified as proved developed, with a total proved Standardized Measure value of $552.3 million. At December 31, 2006, we operated 2,683, or 73.3%, of our 3,659 productive wells. Our average proved reserves-to-production ratio, or average reserve life, is approximately 29.5 years, based on our December 31, 2006 reserve report and annualized production for the fourth quarter ended December 31, 2006.

Item 1. Business and Properties - Continued

Acquisitions

The following table provides a summary of the oil and gas properties we have acquired from inception through the date of this report:

Year	# of Acquisitions	Gross Wells	Location	Aggregate Contract Price (in millions)
2003	4	498	West Virginia, Virginia, New York and Pennsylvania	$ 52.0
2004	2	698	Pennsylvania	25.9
2005	3	718	West Virginia and Virginia	124.5
2006	5	1,430	West Virginia, California and Oklahoma	451.7
2007	3	902	West Virginia and Texas	453.9
	17	4,246		$ 1,108.0

In February 2007, the Company completed the acquisition of certain oil and gas properties and related assets in the Texas Panhandle from Cavallo Energy, LP, acting through its general partner, Stallion Energy LLC (Stallion) for a contract price of $415.0 million, subject to customary post-closing adjustments (see Note 2 in Notes to Consolidated Financial Statements for additional details). In addition, in January 2007, the Company completed the acquisitions of certain gas properties located in the Appalachian Basin of West Virginia for an aggregate contract price of $39.0 million, subject to customary post-closing adjustments. These acquisitions were financed with a combination of private placement of our units and borrowings under the Company s credit facility.

Our acquisitions have been funded by a combination of debt and private placements of our units. During 2006, we completed a private placement of our units raising gross proceeds of $305.0 million and completed another private placement of our units with gross proceeds of $360.0 million in February 2007.

Strategy

Our goal is to provide stability and growth in distributions to our unitholders through continued successful drilling, acquisitions, increasing production of existing wells and pursuing operational and administrative efficiencies. The following is a summary of the key elements of our business strategy:

- acquire properties that increase cash available for distributions;
- build regional scale to maximize value and operating cash flows;
- grow through low risk, low cost development drilling and other enhancements;
- create post-acquisition value; and
- mitigate commodity price risk through hedging.

Certain key elements included in our business strategy are further explained below.

Acquire Properties and Build Regional Scale. Our acquisition program targets oil and gas properties that offer high-quality, long-lived production with predictable decline curves, as well as development drilling opportunities. From March 2003 through the first quarter of 2007, including preliminary estimates for our first quarter 2007 acquisitions, we have purchased approximately 795.0 Bcfe of proved reserves, at a total cost of approximately $1,109.7 million (includes preliminary purchase prices, which are subject to customary post-closing adjustments). Including the amounts allocated to unproved leasehold, our acquisition cost was approximately $1.40 per Mcfe over this time period. Our

acquisition program focuses both on acquiring new core areas, where the assets meet our strategic profile, and increasing our ownership in existing fields or core areas. Acquisitions will continue to play a key role in our future growth strategy.

Grow Through Development Activities. We seek to be the operator of our properties to design and develop capital maintenance and development drilling programs that not only replace our production, but add value through the growth of reserves and future operational synergies. During the third quarter of 2006, we acquired two drilling rigs to better manage and control costs related to our drilling programs. In addition to our own rigs, we have contracts in place for third party

Item 1. Business and Properties - Continued

drilling services that, together with our own rigs, provide the resources required to complete our drilling and development program for 2007 and beyond. Most of our wells, excluding those in Oklahoma, are relatively shallow, ranging from 3,000 to 6,000 feet, and drill through multiple productive zones. Our wells in Oklahoma range from 8,000 to 12,000 feet. Many of our wells are completed in multiple producing zones with commingled production. New producing wells generally have a total projected economic life in excess of 50 years. Our recent acquisitions provide an ample inventory of lower-risk development opportunities, which we believe will create post-acquisition value from our assets.

Hedging Program. We typically seek to hedge a significant portion of our anticipated future production volumes to reduce commodity price volatility risk. Managing this volatility, which we believe is likely to continue in the years ahead, provides a longer-term stability of cash flows. We currently have gas hedges in place covering substantially all of our anticipated production for the remainder of 2007 and a significant portion of estimated production from 2008 through 2011, at weighted average NYMEX prices per Btu of $7.80. In addition, we have a majority of our anticipated oil production hedged for the remainder of 2007 through 2011, at weighted average NYMEX prices per Bbl of $67.49. During 2006, settled hedges resulted in gains of approximately $25.5 million.

Core Operating Areas

Appalachian Basin. Our Appalachian Basin proved reserves represented 199.0 Bcfe, or 43%, of our total proved reserves at December 31, 2006, of which 60% were proved developed reserves. During 2006, the Appalachian Basin assets produced 8.0 Bcfe, or 74%, of the Company s 2006 production. During 2006, we invested approximately $43.1 million to drill 155 wells in the Appalachian Basin. In addition, in order to improve our drilling efficiency, we purchased two drilling rigs at a cost of approximately $2.2 million per rig in the latter part of 2006, and an additional rig in the first quarter of 2007. We also own certain pipelines which market and transport our gas as well as transport gas for third parties. In January 2007, we acquired additional reserves that we believe have significant development potential and also expanded our pipeline facilities. During 2007, we anticipate spending 30% to 50% of our total budget for drilling, development and pipeline expansion activities in the Appalachian Basin.

Mid-Continent. Our Mid-Continent proved reserves of 74.0 Bcfe, acquired in third quarter of 2006, represented 16% of our total proved reserves at December 31, 2006, of which 52% were proved developed reserves. This area produced 1.0 Bcfe, or 9%, of the Company s 2006 production. During 2006, we invested approximately $3.9 million to drill four wells in the Mid-Continent. During 2007, we anticipate spending 10% to 15% of our total budget for development activities in the Mid-Continent region.

Western. Our Western operations, also acquired in third quarter of 2006, represented proved reserves of 32.0 MMboe, or 41%, of our total proved reserves at December 31, 2006, of which 87% were proved developed reserves. During 2006, the Western assets produced 312.0 MMboe, or 17%, of the Company s 2006 production. During 2007, we anticipate spending approximately 3% of our total budget for capital maintenance activities in the Brea-Olinda Field. In addition to oil and gas production, our Western operations also include the operation of a gas power generation facility that processes gas produced from our wells as well as third party gas. The power generated is used to reduce our operating costs and any excess power is sold. Reserve estimates related to contracts of third party gas totaled 10.0 Bcfe at December 31, 2006, which are not included in our reserve disclosures or amounts provided above.

Texas Panhandle. In February 2007, we completed our acquisition of oil and gas properties in the Texas Panhandle with proved reserves of approximately 51.0 MMboe, or 10%, of the Company s total proved reserves on a pro forma basis as of December 31, 2006. Of these, approximately 44% were proved developed reserves. We are continuing with the current development plan which deploys two drilling rigs. Currently we are developing our 2007 plan for this area and anticipate spending 30% to 40% of our total budget for drilling and development activities in the Texas Panhandle area.

Drilling Activity

We intend to concentrate our drilling activity on lower risk, development properties. The number, types, and location of wells we drill will vary depending on our capital budget, the cost of each well, anticipated production and the estimated recoverable reserves attributable to each well.

Item 1. Business and Properties - Continued

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

	Year Ended December 31,		
	2006	**2005**	**2004**
Gross Wells:			
Productive	154	110	90
Dry	5		
Total	159	110	90
Net Development Wells:			
Productive	147	105	82
Dry	5		
Total	152	105	82
Net Exploratory Wells:			
Productive			
Dry			
Total			

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

Historically, most of our drilling has been in the Appalachian Basin. At December 31, 2006, we had 16 (13.7 net) wells in process. From inception through December 31, 2006, we spent approximately $91.3 million to drill and complete 359 wells, substantially all of which are capable of producing oil and gas in commercial quantities.

The following table sets forth information, as of December 31, 2006, relating to our drilling locations and net acres of leasehold interests in our three core areas at that date:

	Appalachian Basin	**Western**	**Mid-Continent**	**Total**
Proved undeveloped	581	2	133	716
Other locations	538			538
Total drilling locations	1,119	2	133	1,254
Leasehold interests-net acres	174,000	810	53,896	228,706

With our February 2007 acquisition of oil and gas properties in the Texas Panhandle, we added 1,265 drilling locations, 347 of which were identified as proved undeveloped locations and 918 of which were identified as unproved locations.

As shown in the table above, as of December 31, 2006, we had 716 proved undeveloped drilling locations (specific drilling locations as to which our independent engineering firm, DeGolyer and MacNaughton, assigned proved undeveloped reserves as of such date) and we had identified 538 additional unproved drilling locations (specific drilling locations as to which DeGolyer and MacNaughton has not assigned any proved reserves) on acreage that we have under existing leases. As successful development wells frequently result in the reclassification of adjacent lease acreage from unproved to proved, we expect that a significant number of our unproved drilling locations will be reclassified as proved drilling locations prior to the actual drilling of these locations.

Item 1. Business and Properties - Continued

Oil and Gas Prices

Linn s gas production is generally sold under market sensitive price contracts, which typically sell at differentials to the NYMEX gas prices due to the Btu content and the proximity to major consuming markets. Our gas production is sold to purchasers under percentage-of-proceeds contracts, percentage-of-index contracts or spot price contracts. By the terms of the percentage-of-proceeds contracts, we receive a percentage of the resale price received by the purchaser for sales of residue gas and natural gas liquids recovered after transportation and processing of our gas. These purchasers sell the residue gas and natural gas liquids based primarily on spot market prices. Under percentage-of-index contracts, the price per MMBtu we receive for our gas is tied to indexes published in *Gas Daily* or *Inside FERC Gas Market Report.* Although exact percentages vary daily, as of February 2007, approximately 80% of our gas production was sold under short-term contracts at market-sensitive or spot prices. Similarly, oil production is generally sold under market sensitive long-term percentage-of-index contracts.

We enter into derivative transactions in the form of hedging arrangements to reduce the impact of commodity price volatility on our cash flow from operations. Currently, we use fixed price swaps and puts to hedge NYMEX oil and gas prices, which do not include the additional net premium we typically realize in the Appalachian Basin for gas. By removing the price volatility from a significant portion of our oil and gas production, we have mitigated, but not eliminated, the potential effects of fluctuating oil and gas prices on our cash flow from operations for those periods.

Oil and Gas Data

Proved Reserves

Proved oil and gas reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided by contractual arrangements, but not escalations based on future conditions. For additional information regarding estimates of oil and gas reserves, including estimates of proved and proved developed reserves, the standardized measure of discounted future cash flows and the changes in discounted future cash flows, see Supplementary Oil and Gas Data (Unaudited) in Item 8. Financial Statements and Supplementary Data.

The following table presents our estimated net proved oil and gas reserves and the present value of our estimated proved reserves at December 31, 2006, 2005 and 2004, based on reserve reports prepared by DeGolyer and MacNaughton at December 31, 2006 and reserve reports prepared by Schlumberger Data and Consulting Services at December 31, 2005 and 2004. The Standardized Measure values shown in the table are not intended to represent the market value of our estimated oil and gas reserves at such dates.

	December 31,		
	2006	**2005**	**2004**
Reserve Data: (1)			
Estimated net proved reserves:			
Gas (Bcf)	274.0	191.9	118.9
Oil (MMBbls)	30.0	0.2	0.1
Total (Bcfe)	454.1	193.2	119.8
Proved developed (Bcfe)	314.1	125.2	74.4
Proved undeveloped (Bcfe)	140.0	68.0	45.4
Proved developed reserves as a % of total proved reserves	69.2 %	64.8 %	62.1 %
Standardized Measure (in millions) (2)	$ 552.3	$ 552.1	$ 215.0
Representative Oil and Gas Prices:			
Gas NYMEX Henry Hub per MMBtu	$ 5.64	$ 10.08	$ 6.18
Oil NYMEX West Texas Intermediate per Bbl	$ 61.05	$ 57.98	$ 43.36

(1) Excludes the Texas Panhandle reserves of 51.0 MMboe and reserves for the two Appalachian Basin acquisitions discussed above.

(2) Does not give effect to derivative transactions. For a description of our derivative transactions, see Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation - Statements of Cash Flows - Operating Activities in this Annual Report on Form 10-K.

Item 1. Business and Properties - Continued

The data in the above table are estimates. Oil and gas reserve engineering is inherently a subjective process of estimating underground accumulations of oil and gas that cannot be measured exactly. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Accordingly, reserve estimates may vary from the quantities of oil and gas that are ultimately recovered.

These reserve estimates are reviewed and approved by our senior engineering staff and management, with final approval by our Chief Operating Officer. The process performed by DeGolyer and MacNaughton to estimate the December 31, 2006 reserve amounts and by Schlumberger Data and Consulting Services to estimate the December 31, 2005 and 2004 reserve amounts included their preparation of our estimated reserve quantities, future producing rates, future net revenue and the present value of such future net revenue. The independent engineering firms also prepared our estimates with respect to reserve categorization, using the definitions for proved reserves set forth in Regulation S-X Rule 4-10 (a) and subsequent Securities and Exchange Commission (SEC) staff interpretations and guidance. In the conduct of their preparation of the reserve estimates, neither DeGolyer and MacNaughton nor Schlumberger Data and Consulting Services independently verified the accuracy and completeness of information and data furnished by the Company with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the properties and sales of production. However, if in the course of their work, something came to their attention which brought into question the validity or sufficiency of any such information or data, they did not rely on such information or data until they had satisfactorily resolved their questions relating thereto. Their estimates of reserves conform to the guidelines of the SEC, including the criteria of reasonable certainty, as it pertains to expectations about the recoverability of reserves in future years, under existing economic and operating conditions. We have not filed reserve estimates with any Federal authority or agency, with the exception of the SEC, since the last fiscal year ended.

Future prices received for production may vary, perhaps significantly, from the prices assumed for purposes of our estimate of Standardized Measure. The Standardized Measure shown should not be construed as the market value of the reserves at the dates shown. The 10% discount factor used to calculate Standardized Measure, which is required by Statements of Financial Accounting Standards (SFAS) No. 69, *Disclosures about Oil and Gas Producing Activities,* is not necessarily the most appropriate discount rate. The Standardized Measure, no matter what discount rate is used, is materially affected by assumptions as to timing of future production, which may prove to be inaccurate.

Production and Price History

The following table sets forth information regarding net production of oil and gas and certain price information for each of the periods indicated:

	Year Ended December 31,		
	2006	**2005**	**2004**
Production:			
Gas production (MMcf)	8,599	4,720	3110
Oil production (MBbls)	370	20	10
Total production (MMcfe)	10,818	4,839	3,112
Average daily production (Mcfe/d)	29,638	13,258	8,526
Weighted Average Realized Prices: (1)			
Gas (Mcf)	$ 9.79	$ 6.92	$ 5.73
Oil (Bbl) (2)	$ 58.68	$ 52.55	$ 37.83
Total (Mcfe)	$ 9.79	$ 6.97	$ 5.74

(1) Includes the effect of realized gains and losses on oil and gas derivatives.

(2) The majority of our oil production, which is in California, is sold pursuant to a long-term contract at 79% of NYMEX, and with gravity increase due to NGLs being mixed into the oil stream, prices realized average approximately 82% of NYMEX.

Item 1. Business and Properties - Continued

Productive Wells

The following table sets forth information relating to the productive wells in which we owned a working interest as of December 31, 2006. Productive wells consist of producing wells and wells capable of production, including gas wells awaiting pipeline connections to commence deliveries. Gross wells refers to the total number of producing wells in which we have an interest, and net wells refers to the sum of our fractional working interests owned in gross wells.

	Gas Wells		Oil Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Operated (1)	2,301	1,425	380	360	2,681	1,785
Non-operated (2)	819	518	159	71	978	589
Total	3,120	1,943	539	431	3,659	2,374

(1) Three operated wells had multiple completions at December 31, 2006.

(2) One non-operated well had multiple completions at December 31, 2006.

Developed and Undeveloped Acreage

The following table sets forth information as of December 31, 2006, relating to our leasehold acreage:

	Developed Acreage		Undeveloped Acreage		Total Acreage	
	Gross	Net	Gross	Net	Gross	Net
Operated	213,086	143,203	65,429	56,279	278,515	199,482
Non-operated	133,300	29,224			133,300	29,224
Total	346,386	172,427	65,429	56,279	411,815	228,706

Oil and Gas Operational Overview

General

We seek to be the operator of wells in which we have an interest. As operator, we design and manage the drilling and enhancement activities and supervise operation and maintenance activities on a day-to-day basis. We purchased two drilling rigs during 2006, an additional rig in the first quarter of 2007, and currently have contracts in place for additional third-party drilling rigs needed to carry out our 2007 drilling program. In the third quarter of 2006, the Company began, for the first time, operating its own drilling rigs, staffed with Company personnel. Company personnel also perform drilling activities using leased equipment, and did so prior to the purchase of its own rigs. In addition, we employ drilling, production and reservoir engineers, geologists and other specialists who work to improve production rates, increase reserves and lower the cost of operating our oil and gas properties.

Principal Customers

For the year ended December 31, 2006, sales of oil and gas to Dominion Resources, Inc. and ConocoPhillips accounted for approximately 53% and 14%, respectively, of our total volumes, or 67% in the aggregate. If we were to lose any one of our major oil and gas purchasers, the loss could temporarily cease or delay production and sale of our oil and gas in that particular purchaser s service area. If we were to lose a purchaser, we believe we could identify a substitute purchaser. However, if one or more of these large gas purchasers ceased purchasing oil and gas altogether, it could have a detrimental effect on the oil and gas market in general and on the volume of oil and gas that we are able to sell.

Competition

The oil and gas industry is highly competitive. We encounter strong competition from other independent operators and from major oil companies in acquiring properties, contracting for drilling equipment and securing trained personnel. Many of these competitors have financial and technical resources and staffs substantially larger than ours. As a result, our competitors may be able to pay more for desirable leases, or to evaluate, bid for and purchase a greater number of properties or prospects, than our financial or human resources permit.

Item 1. Business and Properties - Continued

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

Competition is also strong for attractive oil and gas producing properties, undeveloped leases and drilling rights, and we cannot guarantee that we will be able to compete satisfactorily when attempting to make further acquisitions.

Title to Properties

As it is customary in the oil and gas industry, we initially conduct only a cursory review of the title to our properties on which we do not have proved reserves. Prior to the commencement of drilling operations on those properties, we conduct a thorough title examination and perform curative work with respect to significant defects. To the extent title opinions or other investigations reflect title defects on those properties; we are typically responsible for curing any title defects at our expense prior to commencing drilling operations. Prior to completing an acquisition of producing gas leases, we perform title reviews on the most significant leases and, depending on the materiality of properties, we may obtain a title opinion or review previously obtained title opinions. As a result, we have obtained title opinions on a significant portion of our oil and gas properties and believe that we have satisfactory title to our producing properties in accordance with standards generally accepted in the oil and gas industry. Our oil and gas properties are subject to customary royalty and other interests, liens for current taxes and other burdens which we believe do not materially interfere with the use of or affect our carrying value of the properties.

Seasonal Nature of Business

Seasonal weather conditions and lease stipulations can limit our drilling and producing activities and other operations in certain areas of the United States that we operate in (primarily in parts of the Appalachian Basin and Oklahoma) and, as a result, we perform the majority of our drilling during the summer months in these areas. These seasonal anomalies can pose challenges for meeting our well drilling objectives and increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay our operations. The demand for gas typically decreases during the summer months and increases during the winter months. Seasonal anomalies such as mild winters or hot summers sometimes lessen this fluctuation. In addition, certain gas users utilize gas storage facilities and purchase some of their anticipated winter requirements during the summer. This can also lessen seasonal demand fluctuations.

Derivative Activity

We enter into derivative transactions with third parties with respect to oil and gas prices and interest rates to achieve more predictable cash flows and to reduce our exposure to short-term fluctuations in gas prices and interest rates. For a more detailed discussion of our derivative activities, see Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation and Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Appalachia Gas Gathering Activities

Gathering for Ourselves

In order to more efficiently transport our gas to market, we own and operate a network of gas gathering systems comprised of over 900 miles of pipeline and associated compression and metering facilities which connect to numerous sales outlets on eight interstate and eight intrastate pipelines. The interstate market outlets are Dominion Transmission Inc. (West Virginia and Pennsylvania), Columbia Gas Transmission Corp. (West Virginia and Pennsylvania), Cranberry Pipeline (West Virginia), Texas Eastern Pipeline (Pennsylvania), Transco Pipeline (Pennsylvania), Equitrans (West Virginia and Pennsylvania), Equitable Gas Company (West Virginia and Pennsylvania), and Carnegie Gas Company (West Virginia). The intrastate market outlets are Dominion Peoples (Pennsylvania), Dominion Hope (West Virginia), TW Phillips Oil & Gas Company, Inc. (Pennsylvania), Equitable Gas Company (West Virginia and Pennsylvania), Cabot Oil & Gas Corporation (West Virginia), Allegheny Power (West Virginia), National Fuel Gas Distribution (New York) and Lumberport Shinnston Gas Company (West Virginia).

We gather more than 90% of our current production. Our ownership and control of these lines enables us to:

- realize faster connection of newly drilled wells to the existing system;
- better control pipeline operating pressures and capacity to maximize our production;

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Item 1. Business and Properties - Continued

- control compression costs and fuel use;
- maintain system integrity;
- control the monthly nominations on the receiving pipelines to prevent imbalances and penalties; and
- closely track sales volumes and receipts to ensure all production values are realized.

Gathering for Others

We perform limited gas gathering activities for others on non-jurisdictional gathering, primarily in Pennsylvania. The fee charged to third party producers is set by contract and ranges from $0.10 to $0.44 per Mcf plus line loss and any compressor fuel. We aggregate these volumes with our production and sell all the gas through our meters to the same purchasers. These revenues are collected and distributed to the third party producers in the normal course of our revenue distribution cycle. Most of our gas gathering lines are not subject to United States Department of Transportation (US DOT) safety regulations.

Purchase for Resale

We own the Bessie 8 Pipeline in Pennsylvania and purchase and re-sell production from other producers connected to it. We intend to reconfigure other gas gathering systems to bring additional volumes online, both Company and third party owned, to the Bessie 8 Pipeline to increase throughput volumes and revenues.

Other Recent Developments

In October 2006, the Company completed a Class B Unit and Unit Purchase Agreement with a group of institutional investors whereby it privately placed 9,185,965 Class B units at a price of $20.55 per unit, and 5,534,687 units at a price of $21.00 per unit, for aggregate gross proceeds of $305.0 million (the Class B Private Placement). Proceeds, net of expenses of approximately $0.3 million, from the Class B Private Placement were used to repay indebtedness. In January 2007, at a special meeting of Linn unitholders, unitholders approved the one-for-one conversion of each of the Class B units into units.

In February 2007, the Company completed a Class C Unit and Unit Purchase Agreement with a group of institutional investors whereby it privately placed 7,465,946 Class C units at a price of $25.06 per unit and 6,650,144 units at a price of $26.00 per unit, for aggregate gross proceeds of $360.0 million, (the Class C Private Placement) which were used to finance the Stallion acquisition and the acquisitions of gas properties in West Virginia. See Note 4 in Notes to Consolidated Financial Statements for additional details about our private placements of our units.

Environmental Matters and Regulation

We believe that our properties and operations are in compliance with applicable environmental laws and regulations, and our operations to date have not resulted in any material environmental liabilities. To protect against potential environmental risk, we typically obtain Phase I environmental assessments of any properties to be acquired prior to completing each acquisition.

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

- require the acquisition of various permits before drilling commences;
- require the installation of expensive pollution control equipment;

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

- limit or prohibit drilling activities on lands lying within wilderness, wetlands and other protected areas;

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

- impose substantial liabilities for pollution resulting from our operations; and

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

These laws, rules and regulations may also restrict the rate of oil and gas production below the rate that would otherwise be possible. The regulatory burden on the oil and gas industry increases the cost of doing business and consequently affects profitability. Additionally, Congress and federal and state agencies frequently revise environmental laws and regulations, and

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Item 1. Business and Properties - Continued

any changes that result in more stringent and costly waste handling, disposal and clean-up requirements for the oil and gas industry could have a significant impact on our operating costs. We believe that we substantially comply with all current applicable environmental laws and regulations and that our continued compliance with existing requirements will not have a material adverse impact on our financial condition and results of operations. However, we cannot predict how future environmental laws and regulations may impact our properties or operations. For the year ended December 31, 2006, we did not incur any material capital expenditures for installation of remediation or pollution control equipment at any of our facilities. We are not aware of any environmental issues or claims that will require material capital expenditures during 2007 or that will otherwise have a material impact on our financial position or results of operations.

Environmental laws and regulations that have a material impact on the oil and gas industry include the following:

National Environmental Policy Act. Oil and gas production activities on federal lands are subject to the National Environmental Policy Act (NEPA). NEPA requires federal agencies, including the Department of Interior, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will typically prepare an Environmental Assessment to assess the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. All of our current development and production activities, as well as proposed development plans, on federal lands require governmental permits that are subject to the requirements of NEPA. This process has the potential to delay the development of oil and gas projects.

Resource Conservation and Recovery Act. The Resource Conservation and Recovery Act (RCRA), and comparable state statutes, regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous wastes and the disposal of non-hazardous wastes. Under the auspices of the Environmental Protection Agency (EPA), individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced waters and most of the other wastes associated with the development and production of oil, gas or geothermal energy constitute solid wastes, which are regulated under the less stringent non-hazardous waste provisions, but there is no guarantee that the EPA or individual states will not adopt more stringent requirements for the handling of non-hazardous wastes or recategorize some non-hazardous wastes as hazardous for future regulation.

We believe that we are currently in substantial compliance with the requirements of RCRA and related state and local laws and regulations, and that we hold all necessary and up-to-date permits, registrations and other authorizations to the extent that our operations require them under such laws and regulations. Although we do not believe the current costs of managing our wastes as they are presently classified to be significant, any legislative or regulatory reclassification of oil and gas development and production wastes could increase our costs to manage and dispose of such wastes.

Comprehensive Environmental Response, Compensation and Liability Act. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as the Superfund law, imposes joint and several liability, without regard to fault or legality of conduct, on persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the owner or operator of the site where the release occurred and companies that disposed or arranged for the disposal of the hazardous substance at the site. Under CERCLA, such persons may be liable for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We currently own, lease, or operate numerous properties that have been used for oil and gas development and production for many years. Although we believe we have utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes or hydrocarbons may have been released on or under the properties owned or leased by us, or on or under other locations, including off-site locations, where such substances have been taken for disposal. In addition, some of these properties have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes or hydrocarbons was not under

our control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove previously disposed substances and wastes, remediate contaminated property or perform remedial plugging or pit closure operations to prevent future contamination.

Federal Water Pollution Control Act. The Federal Water Pollution Control Act, also known as the Clean Water Act, and analogous state laws impose restrictions and strict controls on the discharge of pollutants, including produced waters and other oil and gas wastes, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by EPA or the relevant state. The Clean Water Act also prohibits the discharge of

Item 1. Business and Properties - Continued

dredge and fill material in regulated waters, including wetlands, unless authorized by a permit issued by the U.S. Army Corps of Engineers. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the federal Clean Water Act and analogous state laws and regulations. We believe we are in substantial compliance with the requirements of the Clean Water Act.

Clean Air Act. The Clean Air Act, and associated state laws and regulations, regulate emissions of various air pollutants through the issuance of permits and the imposition of other requirements. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. Some of our new facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to comply with new emission limitations. These regulations may increase the costs of compliance for some facilities, and federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance. We believe that we are in substantial compliance with the requirements of the Clean Air Act.

Other Laws and Regulation. The Kyoto Protocol to the United Nations Framework Convention on Climate Change (the Protocol) became effective in February 2005. Under the Protocol, participating nations are required to implement programs to reduce emissions of certain gases, typically referred to as greenhouse gases that are suspected of contributing to global warming. The United States is not currently a participant in the Protocol, and Congress has resisted recent proposed legislation directed at reducing greenhouse gas emissions. However, there has been support in various regions of the country for legislation that requires reductions in greenhouse gas emissions, and some states have already adopted legislation addressing greenhouse gas emissions from various sources, primarily power plants. The oil and gas industry is a direct source of certain greenhouse gas emissions, namely carbon dioxide and methane, and future restrictions on such emissions could impact our future operations. Our operations are not adversely impacted by current state and local climate change initiatives and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing greenhouse gas emissions would impact our business.

Other Regulation of the Oil and Gas Industry

The oil and gas industry is extensively regulated by numerous federal, state and local authorities. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, which frequently increases the regulatory burden. Also, numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and gas industry increases our cost of doing business and, consequently, affects our profitability, these burdens do not affect us any differently or to any greater or lesser extent than they affect other companies in the industry with similar types, quantities and locations of production.

Legislation continues to be introduced in Congress and development of regulations continues in the Department of Homeland Security and other agencies concerning the security of industrial facilities, including oil and gas facilities. Our operations may be subject to such laws and regulations. Presently, it is not possible to accurately estimate the costs we would incur to comply with any such facility security laws or regulations, but such expenditures could be substantial.

Drilling and Production. Our operations are subject to various types of regulation at the federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations. Most states, and some counties and municipalities, in which we operate regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the surface use and restoration of properties upon which wells are drilled;

- the plugging and abandoning of wells; and
- notice to surface owners and other third parties.

State laws regulate the size and shape of drilling and spacing of units or proportion of units governing the pooling of oil and gas properties. Some states allow forced pooling or integration of tracts to facilitate development while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce our interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, prohibit the venting or flaring of gas and impose requirements regarding the ratability of production. These laws and regulations may limit the amount of oil and gas we can produce from our wells or limit the number of wells or the locations at which we can drill. Moreover, each state typically imposes a production or severance tax with respect to the production and sale of oil, gas and natural gas liquids within its jurisdiction.

Item 1. Business and Properties - Continued

Oil and Gas Transportation and Pricing. The availability, terms and cost of transportation significantly affect sales of oil and gas. The interstate transportation and sale of oil and gas are subject to federal regulation, primarily by the Federal Energy Regulatory Commission, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters. Federal and state regulations govern the price and terms for access to oil and gas pipeline transportation. The Federal Energy Regulatory Commission s regulations for interstate oil and gas transmission in some circumstances may also affect the intrastate transportation of oil and gas.

Although oil and gas prices are currently unregulated, Congress historically has been active in the area of oil and gas regulation. We cannot predict whether new legislation to regulate oil and gas might be proposed, what proposals, if any, might actually be enacted by Congress or the various state legislatures, and what effect, if any, the proposals might have on the operations of the underlying properties. Sales of condensate and oil and gas liquids are not currently regulated and occur at market prices.

State Regulation. The various states regulate the drilling for, and the production, gathering and sale of, oil and gas, including imposing severance taxes and requirements for obtaining drilling permits. States also regulate the method of developing new fields, the spacing and operation of wells and the prevention of waste of oil and gas resources. States may regulate rates of production and may establish maximum daily production allowables from gas wells based on market demand or resource conservation, or both. States do not regulate wellhead prices or engage in other similar direct economic regulation, but there can be no assurance that they will not do so in the future. The effect of these regulations may be to limit the amounts of oil and gas that may be produced from our wells and to limit the number of wells or locations we can drill. The oil and gas industry is also subject to compliance with various other federal, state and local regulations and laws. Some of those laws relate to occupational safety, resource conservation and equal opportunity employment. We do not believe that compliance with these laws will have a material adverse effect on our financial position or results of operations.

Item 1. Business and Properties - Continued

Executive Officers of the Company

Our executive officers as of February 28, 2007, were as follows:

Name	Age	Position with Our Company
Michael C. Linn	55	Chairman, President and Chief Executive Officer
Kolja Rockov	36	Executive Vice President and Chief Financial Officer
Mark E. Ellis	50	Executive Vice President and Chief Operating Officer
Lisa D. Anderson	45	Senior Vice President and Chief Accounting Officer
Roland Chip P. Keddie	54	Senior Vice President Administration and Secretary
Thomas A. Lopus	48	Senior Vice President Eastern Operations
Arden L. Walker, Jr.	47	Senior Vice President Western Operations
David J. Grecco	40	Vice President and General Counsel

Michael C. Linn is the Chairman, President and Chief Executive Officer of our Company and has served in such capacity since June 2006. Prior to that, from March 2003, he was the President, Chief Executive Officer and Director. From 2000 to 2003 Mr. Linn was President of Allegheny Interests, Inc., a private gas and oil investment company. From 1980 to 1999, Mr. Linn served as General Counsel (1980-1982), Vice President (1982-1987), President (1987-1990) and CEO (1990-1999) of Meridian Exploration, a private Appalachian Basin gas and oil company which was sold to Columbia Natural Gas Company in 1999. Both Allegheny Interests and Meridian Exploration were wholly-owned by Mr. Linn and his family. Mr. Linn is a member of the Independent Petroleum Association of America (IPAA), the largest national trade association of independent gas and oil producers. The members of the IPAA elected Mr. Linn to be the Chairman for the 2005 to 2007 term. He currently serves as a member of the Natural Gas Council and the National Petroleum Council and sits on the board of the Natural Gas Supply Association.

Kolja Rockov is the Executive Vice President and Chief Financial Officer of our Company. From October 2004 until he joined Linn in March 2005, Mr. Rockov served as a Managing Director in the Energy Group at RBC Capital Markets, where he was primarily responsible for investment banking coverage of the U.S. exploration and production sector. From September 2000 until October 2004, Mr. Rockov was a Director at RBC Capital Markets. Prior to September 2000, Mr. Rockov held various senior positions with Dain Rauscher Wessels and Rauscher Pierce Refsnes, Inc., predecessors of RBC Capital Markets.

Mark E. Ellis is the Executive Vice President and Chief Operating Officer of our Company and joined Linn in December 2006. From April 2006, until he joined Linn, Mr. Ellis served as President of the Lower 48 for ConocoPhillips Company. Prior to joining ConocoPhillips, from October 2004, Mr. Ellis served as Senior Vice President of North American Production for Burlington Resources. Prior to that, from November 2000, Mr. Ellis was President of Burlington Resources Canada Ltd. Mr. Ellis joined Burlington Resources in 1985 and began his career with The Superior Oil Company in 1979. Mr. Ellis is a member of the Society of Petroleum Engineers and a past board member of the New Mexico Oil & Gas Association. While in Calgary, he was a member of the Board of Governors of the Canadian Association of Petroleum Producers. Mr. Ellis currently serves on the Board of The Center for Hearing and Speech in Houston, Industry Board of Petroleum Engineering at Texas A&M University and the Visiting Committee of Petroleum Engineering at the Colorado School of Mines.

Lisa D. Anderson is the Senior Vice President and Chief Accounting Officer of our Company. Ms. Anderson oversees the Company s accounting, financial reporting and internal control functions. Before joining Linn in July 2006, she was the Managing Director leading the Financial Reporting Risk Services practice for Protiviti. From January 2002 to August 2005, she served as a Managing Director with Jefferson Wells, and prior to 2002, she was an Assurance

Partner with KPMG LLP. Ms. Anderson is a member of the American Institute of Certified Public Accountants, Texas Society of CPAs and the Institute of Internal Auditors. In addition, she has served on the Presidential Advisory and the Educational Curriculum Committees of the Texas Society of Certified Public Accountants.

Roland Chip P. Keddie is the Senior Vice President Administration and Secretary of our Company and has served in such capacity since April 2003. From January 2001 until April 2003, Mr. Keddie held the position of Project Landman with EOG Resources, Inc. and was responsible for various land services in the Appalachian Basin with a special emphasis on coal bed methane projects. Mr. Keddie formed Gateway Resources Management, LLC, a professional land services business, in October 1999 and was its sole member and President until January 2001. He currently serves as a board member of the

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Item 1. Business and Properties - Continued

Independent Oil and Gas Association of Pennsylvania and is a member of the American Association of Petroleum Landmen, the Independent Oil and Gas Association of New York, the Independent Oil and Gas Association of West Virginia and the Independent Petroleum Association of America.

Thomas A. Lopus is the Senior Vice President Eastern Operations. Mr. Lopus joined Linn in April 2006, as Senior Vice President Operations, to oversee the Company s drilling and production, engineering, land and geology operations. In February 2007, Mr. Lopus was appointed to his current position with responsibility for managing our existing assets in the Appalachian basin and any future assets we might acquire east of the Mississippi River. From March 2005 to March 2006, Mr. Lopus served as President of PNG Inc., a petroleum engineering consulting business. From February 2002 until March 2005, Mr. Lopus was Senior Vice President Operations of Equitable Resources, Inc. From February 2000 until February 2002, Mr. Lopus was Vice President of WELLOGIX, an energy software firm based in Houston.

Arden L. Walker, Jr. is the Senior Vice President Western Operations. Mr. Walker joined Linn in February 2007 to oversee our Western operations, which includes our California, Oklahoma and Texas assets. In addition, Mr. Walker will serve in the capacity of chief engineer for Linn, responsible for our future reserve review and booking processes. From April 2006 until he joined Linn, Mr. Walker served as Asset Development Manager, San Juan Business Unit for ConocoPhillips Company. Since June 2004, Mr. Walker served as General Manager, Asset Development in San Juan Division for Burlington Resources. Mr. Walker began his career with El Paso Exploration Company in 1982. Mr. Walker is a member of the Society of Petroleum Engineers and has served on the Board for Farmington Boys and Girls Club since 2004.

David J. Grecco is the Vice President and General Counsel of our Company and has served in such capacity since February 2006. Mr. Grecco joined our Company as General Counsel in December 2005. From September 1997 until October 2005, Mr. Grecco was employed as an attorney with the law firm Kirkpatrick & Lockhart Nicholson Graham LLP. Prior to that, Mr. Grecco was employed by Rockwell International Corporation from March 1993 through June 1996.

Item 1. Business and Properties - Continued

Employees

As of February 28, 2007, we employed approximately 220 personnel. We also contract for the services of independent consultants involved in land, regulatory, accounting, financial and other disciplines as needed. None of our employees are represented by labor unions or covered by any collective bargaining agreement. We believe that our relationship with our employees is satisfactory.

Principal Executive Offices

We are a Delaware limited liability company with headquarters in Texas. Our principal executive offices are located at 600 Travis Street, Suite 7000, Houston, Texas 77002. Our main telephone number is (281) 605-4100.

Company Website

Our internet address is http://www.linnenergy.com. We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website should not be considered a part of, or incorporated by reference into, this Annual Report on Form 10-K.

The SEC maintains an internet website that contains these reports at http://www.sec.gov. Any materials that we file with the SEC may be read or copied at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information concerning the operation of the Public Reference Room may be obtained by calling the SEC at (800) 732-0330.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of federal securities laws that are subject to a number of risks and uncertainties, many of which are beyond our control. These statements may include statements about our:

- business strategy;
- acquisition strategy;
- financial strategy;
- drilling locations;
- oil and gas reserves;
- realized oil and gas prices;
- production volumes;
- lease operating expenses, general and administrative expenses and finding and development costs;
- future operating results; and
- plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this Annual Report on Form 10-K, are forward-looking statements. These forward-looking statements may be found in Part I. Item 1. Business and Properties; Part I. Item 1A. Risk Factors; Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operation and other items within this Annual Report on

Form 10-K. In some cases, forward-looking statements can be identified by terminology such as may, will, could, should, expect, plan, intend, anticipate, believe, estimate, predict, potential, pursue, target, continue, the negative of such terms or other comparable te

The forward-looking statements contained in this Annual Report on Form 10-K are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond our control. In addition, management s assumptions may prove to be inaccurate. We caution that the forward-looking statements contained in this Annual Report on Form 10-K are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking statements or events will occur. Actual results may differ materially from those anticipated or implied in forward-looking statements due to factors listed in the Risk Factors section and elsewhere in this

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Item 1. Business and Properties - Continued

Annual Report on Form 10-K. The forward-looking statements speak only as of the date made, and other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Securities Act Disclaimer

This Form 10-K does not constitute an offer to sell or the solicitation of an offer to buy any securities.