LINN ENERGY, LLC
Form 10-Q
May 07, 2009

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 March 31, 2009

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)

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 (1) has submitted electronically and posted on its corporate Web site, 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 ¨ 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 definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a 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 April 30, 2009, there were 114,974,267 units outstanding.

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GLOSSARY OF TERMS

As commonly used in the oil and 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 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.

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 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 gas to one Bbl of oil, condensate or natural gas liquids.

MMcfe/d. MMcfe per day.

MMMBtu. One billion British thermal units.

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

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINN ENERGY, LLC
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
	(in thousands, except unit amounts)	
Assets		
Current assets:		
Cash and cash equivalents	$ 22,893	$ 28,668
Accounts receivable – trade, net	110,561	138,983
Derivative instruments	428,638	368,951
Other current assets	47,142	27,329
Total current assets	609,234	563,931
Noncurrent assets:		
Oil and gas properties (successful efforts method)	3,901,557	3,831,183
Less accumulated depletion and amortization	(329,248)	(278,805)
	3,572,309	3,552,378
Other property and equipment	114,131	111,459
Less accumulated depreciation	(15,773)	(13,171)
	98,358	98,288
Derivative instruments	480,067	493,705
Other noncurrent assets	12,950	13,718
	493,017	507,423
Total noncurrent assets	4,163,684	4,158,089
Total assets	$ 4,772,918	$ 4,722,020
Liabilities and Unitholders' Capital		
Current liabilities:		
Accounts payable and accrued expenses	$ 144,208	$ 163,662
Derivative instruments	35,724	47,005
Other accrued liabilities	15,965	27,163
Total current liabilities	195,897	237,830
Noncurrent liabilities:		
Credit facility	1,428,393	1,403,393
Senior notes, net	250,265	250,175
Derivative instruments	55,624	39,350
Other noncurrent liabilities	33,352	30,586
Total noncurrent liabilities	1,767,634	1,723,504
Unitholders' capital:		

114,975,396 and 114,079,533 units issued and outstanding at March 31, 2009 and December 31, 2008, respectively	2,038,389	2,109,089
Accumulated income	770,998	651,597
	2,809,387	2,760,686
Total liabilities and unitholders' capital	$ 4,772,918	$ 4,722,020

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 March 31, 2009	2008
	(in thousands, except per unit amounts)	
Revenues and other:		
Oil, gas and natural gas liquid sales	$ 79,864	$ 175,872
Gain (loss) on oil and gas derivatives	161,315	(268,794)
Gas marketing revenues	516	2,816
Other revenues	966	479
	242,661	(89,627)
Expenses:		
Lease operating expenses	33,732	19,490
Transportation expenses	2,967	3,328
Gas marketing expenses	340	2,417
General and administrative expenses	23,301	19,076
Exploration costs	1,565	2,620
Depreciation, depletion and amortization	52,104	44,370
Taxes, other than income taxes	7,567	12,973
(Gain) loss on sale of assets and other, net	(26,711)	
	94,865	104,274
Other income and (expenses):		
Interest expense, net of amounts capitalized	(14,409)	(25,293)
Loss on interest rate swaps	(11,571)	(39,393)
Other, net	(393)	(163)
	(26,373)	(64,849)
Income (loss) from continuing operations before income taxes	121,423	(258,750)
Income tax expense	(136)	(209)
Income (loss) from continuing operations	121,287	(258,959)
Discontinued operations:		
Loss on sale of assets, net of taxes	(1,048)	(294)
Loss from discontinued operations, net of taxes	(838)	(106)
	(1,886)	(400)
Net income (loss)	$ 119,401	$ (259,359)
Income (loss) per unit – continuing operations:		
Units – basic	$ 1.06	$ (2.28)
Units – diluted	$ 1.06	$ (2.28)
Loss per unit – discontinued operations:		
Units – basic	$ (0.02)	$
Units – diluted	$ (0.02)	$
Net income (loss) per unit:		
Units – basic	$ 1.04	$ (2.28)

Units – diluted	$	1.04	$	(2.28)
Weighted average units outstanding:				
Units – basic		113,473		113,757
Units – diluted		113,502		113,757
Distributions declared per unit	$	0.63	$	0.63

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 Income	Treasury Units (at Cost)	Total Unitholders' Capital
			(in thousands)		
December 31, 2008	114,080	$ 2,109,089	$ 651,597	$	$ 2,760,686
Issuance of units	1,072				
Cancellation of units	(177)	(2,465)		2,465	
Purchase of units				(2,465)	(2,465)
Distributions to unitholders		(72,538)			(72,538)
Unit-based compensation expenses		4,303			4,303
Net income			119,401		119,401
March 31, 2009	114,975	$ 2,038,389	$ 770,998	$	$ 2,809,387

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)

	Three Months Ended March 31, 2009	2008
	(in thousands)	
Cash flow from operating activities:		
Net income (loss)	$ 119,401	$ (259,359)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	52,104	50,587
Unit-based compensation expenses	4,303	3,888
Amortization and write-off of deferred financing fees and other	2,487	1,876
(Gain) loss on sale of assets, net	(24,663)	294
Mark-to-market on derivatives:		
Total (gains) losses	(149,744)	308,187
Cash settlements	104,430	(1,958)
Cash settlements on canceled derivatives	4,257	
Premiums paid for derivatives		(1,278)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable – trade, net	42,371	(45,878)
(Increase) decrease in other assets	(20,150)	1,245
Increase (decrease) in accounts payable and accrued expenses	(30,020)	1,554
Increase (decrease) in other liabilities	(9,806)	2,042
Net cash provided by operating activities	94,970	61,200
Cash flow from investing activities:		
Acquisition of oil and gas properties		(515,894)
Development of oil and gas properties	(67,984)	(92,739)
Purchases of other property and equipment	(2,767)	(4,661)
Proceeds from sales of oil and gas properties and other property and equipment	11,934	
Net cash used in investing activities	(58,817)	(613,294)
Cash flow from financing activities:		
Purchase of units	(2,465)	(1,451)
Proceeds from issuance of debt	75,000	667,000
Principal payments on debt	(50,000)	(44,927)
Distributions to unitholders	(72,538)	(72,189)
Financing fees and other, net	8,075	3,296
Net cash provided by (used in) financing activities	(41,928)	551,729
Net decrease in cash and cash equivalents	(5,775)	(365)
Cash and cash equivalents:		
Beginning	28,668	1,441
Ending	$ 22,893	$ 1,076

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)

(1) Basis of Presentation

Nature of Business

Linn Energy, LLC ("LINN Energy" or the "Company") is an independent oil and gas company focused on the development and acquisition of long life properties which complement its asset profile in producing basins within the United States.

Principles of Consolidation and Reporting

The condensed consolidated financial statements at March 31, 2009, and for the three months ended March 31, 2009 and 2008, are unaudited, but in the opinion of management include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been condensed or omitted under Securities and Exchange Commission ("SEC") rules and regulations, and 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, 2008. 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.

Presentation Change

Certain amounts in the condensed consolidated financial statements and notes thereto have been reclassified to conform to the 2009 financial statement presentation. In particular, the condensed consolidated statements of operations include categories of expense titled "lease operating expenses," "transportation expenses," "exploration costs," "taxes, other than income taxes" and "(gain) loss on sale of assets and other, net" which were not reported in prior period presentations. The new categories present expenses in greater detail than was previously reported and all comparative periods presented have been reclassified to conform to the 2009 financial statement presentation. There was no impact to net income (loss) for prior periods.

Discontinued Operations

The Company's Appalachian Basin and Mid Atlantic Well Service, Inc. ("Mid Atlantic") operations have been classified as discontinued operations on the condensed consolidated statements of operations for all periods presented. Unless otherwise indicated, information about the statements of operations that is presented in the notes to condensed consolidated financial statements relates only to LINN Energy's continuing operations. See Note 2 for additional details.

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

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

reserves of oil, gas and natural gas liquids ("NGL"), future cash flows from oil and gas properties, depreciation, depletion and amortization, asset retirement obligations, the fair value of derivatives and unit-based compensation expenses. 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. Illiquid credit markets and volatile equity and energy markets have combined to increase the uncertainty inherent in such estimates and assumptions. 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.

(2) Acquisitions, Divestitures and Discontinued Operations

Acquisitions

On January 31, 2008, the Company completed the acquisition of certain oil and gas properties located primarily in the Mid-Continent Shallow region from Lamamco Drilling Company for a purchase price of $542.2 million.

Divestitures

On December 4, 2008, the Company completed the sale of its deep rights in certain central Oklahoma acreage, which includes the Woodford Shale interval, to Devon Energy Production Company, LP ("Devon"). During 2008, the Company received net proceeds of $153.2 million and the carrying value of net assets sold was $54.2 million. In the first quarter of 2009, certain post closing matters were resolved and the Company recorded a gain of $25.4 million, which is recorded in "(gain) loss on sale of assets and other, net" on the condensed consolidated statements of operations. Of this amount, approximately $13.9 million was received in April 2009 and is included in "other current assets" on the condensed consolidated balance sheets at March 31, 2009.

On August 15, 2008, the Company completed the sale of certain properties in the Verden area in Oklahoma to Laredo Petroleum, Inc. During 2008, the Company received net proceeds equal to the carrying value of net assets sold of $169.4 million.

On July 1, 2008, the Company completed the sale of its interests in oil and gas properties located in the Appalachian Basin to XTO Energy, Inc. During 2008, the Company received net proceeds of $566.5 million and the carrying value of net assets sold was $405.8 million. In addition, in March 2008, the Company exited the drilling and service business in the Appalachian Basin provided by its wholly owned subsidiary Mid Atlantic. The Company used the net proceeds from all divestitures to reduce indebtedness (see Note 6).

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

Discontinued Operations

The Company's Appalachian Basin and Mid Atlantic operations have been classified as discontinued operations on the condensed consolidated statements of operations for all periods presented. The following summarizes the Appalachian Basin and Mid Atlantic amounts included in "loss from discontinued operations, net of taxes" on the condensed consolidated statements of operations:

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Total revenues and other	$ (1,211)	$ 21,161
Total operating expenses	373	(14,176)
Interest expense		(7,091)
Loss from discontinued operations, net of taxes	$ (838)	$ (106)

Discontinued operations activity in the three months ended March 31, 2009 primarily represents activity related to post-closing adjustments. The Company computed interest expense related to discontinued operations in accordance with Emerging Issues Task Force Issue No. 87-24, "Allocation of Interest to Discontinued Operations" based on debt required to be repaid as a result of the disposal transaction.

(3) Unitholders' Capital

Unit Repurchase Plan

In October 2008, the Board of Directors of the Company authorized the repurchase of up to $100.0 million of the Company's outstanding units. During the three months ended March 31, 2009, 123,800 units were purchased at an average unit price of $12.99, for a total cost of approximately $1.6 million. All units were subsequently canceled. At March 31, 2009, approximately $85.4 million remains available for unit repurchase under the program. The Company may purchase units from time to time on the open market or in negotiated purchases. The timing and amounts of any such repurchases will be at the discretion of management, subject to market conditions and other factors, and will be in accordance with applicable securities laws and other legal requirements. The repurchase plan does not obligate the Company to acquire any specific number of units and may be discontinued at any time. Units are purchased at fair market value on the date of purchase.

Issuance and Cancellation of Units

During the three months ended March 31, 2009, the Company purchased 53,667 units for approximately $0.9 million in conjunction with units received by the Company for the payment of minimum withholding taxes due on units issued under its equity compensation plan (see Note 12). All units were subsequently canceled.

Distributions

Under the limited liability company agreement, Company unitholders are entitled to receive a quarterly distribution of available cash to the extent there is sufficient cash from operations after establishment of cash reserves and payment of fees and expenses. Distributions paid by the Company during the three months ended March 31, 2009 are presented on the condensed consolidated statement of unitholders' capital. On

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

April 23, 2009, the Company's Board of Directors declared a cash distribution of $0.63 per unit with respect to the first quarter of 2009. The distribution totaling approximately $72.5 million will be paid on May 14, 2009, to unitholders of record as of the close of business on May 6, 2009.

(4) Oil and Gas Capitalized Costs

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

	March 31, 2009	December 31, 2008
	(in thousands)	
Proved properties:		
Leasehold acquisition	$ 3,278,033	$ 3,278,155
Development	531,173	460,730
Unproved properties	92,351	92,298
	3,901,557	3,831,183
Less accumulated depletion and amortization	(329,248)	(278,805)
	$ 3,572,309	$ 3,552,378

(5) Business and Credit Concentrations

For the three months ended March 31, 2009, the Company's three largest customers represented 19%, 17% and 16% of the Company's sales. For the three months ended March 31, 2008, the Company's two largest customers represented 24% and 14% of the Company's sales.

At March 31, 2009, trade accounts receivable from three customers were greater than 10% of the Company's total trade accounts receivable. At March 31, 2009, trade accounts receivable from the Company's three largest customers represented approximately 19%, 15% and 15% of the Company's receivables. At December 31, 2008, trade accounts receivable from two customers were greater than 10% of the Company's total trade accounts receivable. At December 31, 2008, trade accounts receivable from the Company's two largest customers represented approximately 20% and 16% of the Company's receivables.

(6) Debt

At March 31, 2009, and December 31, 2008, the Company had the following debt outstanding:

	March 31, 2009	December 31, 2008
	(in thousands)	
Credit facility (1)	$ 1,428,393	$ 1,403,393
Senior notes, net (2)	250,265	250,175
Less current maturities		
	$ 1,678,658	$ 1,653,568

(1) Variable interest rate of 2.03% at March 31, 2009, and 2.47% at December 31, 2008.

(2) Fixed interest rate of 9.875% and effective interest rate of 10.25%. Amount is net of unamortized discount of approximately \$5.7 million and \$5.8 million at March 31, 2009, and December 31, 2008, respectively.

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

Credit Facility

At March 31, 2009, the Company had a $1.85 billion borrowing base under its Third Amended and Restated Credit Agreement with a maturity of August 2010. On April 28, 2009, the Company entered into a Fourth Amended and Restated Credit Agreement ("Credit Facility"), which amended and restated the Company's prior credit facility. The Credit Facility has a borrowing base of $1.75 billion and a maturity of August 2012. In connection with its new Credit Facility, during the second quarter of 2009, the Company paid approximately $52.6 million in financing fees, which were deferred and will be amortized over the life of the Credit Facility. In addition, during the second quarter of 2009, the Company wrote off deferred financing fees related to its prior credit facility of approximately $3.6 million.

The borrowing base under the Credit Facility will be redetermined semi-annually by the lenders in their sole discretion, based on, among other things, reserve reports as prepared by reserve engineers taking into account the oil and gas prices at such time. Significant declines in oil, gas or NGL prices may result in a decrease in the borrowing base. The Company's obligations under the Credit Facility are secured by mortgages on its oil and gas properties as well as a pledge of all ownership interests in its operating subsidiaries. The Company is required to maintain the mortgages on properties representing at least 80% of its oil and gas properties. Additionally, the obligations under the Credit Facility are guaranteed by all of the Company's material operating subsidiaries and may be guaranteed by any future subsidiaries.

At the Company's election, interest on borrowings under the Credit Facility is determined by reference to either the London Interbank Offered Rate ("LIBOR") plus an applicable margin between 2.50% and 3.25% per annum or the alternate base rate ("ABR") plus an applicable margin between 1.00% and 1.75% per annum. Interest is generally payable quarterly for ABR loans and at the applicable maturity date for LIBOR loans. The Company is required to pay a fee of 0.5% per year on the unused portion of the borrowing base under the Credit Facility.

The Credit Facility contains various covenants, substantially similar to the prior credit facility, that limit the Company's ability to incur indebtedness, enter into commodity and interest rate swaps, grant certain liens, make certain loans, acquisitions, capital expenditures and investments, make distributions other than from available cash, merge or consolidate, or engage in certain asset dispositions, including a sale of all or substantially all of its assets. The Credit Facility also contains covenants, substantially similar to the prior credit facility, that require the Company to maintain adjusted earnings to interest expense and current liquidity financial ratios. The Company is in compliance with all financial and other covenants of its Credit Facility.

At March 31, 2009, available borrowing under the prior credit facility was $415.4 million, which includes a $6.2 million reduction in availability for outstanding letters of credit. At April 30, 2009, available borrowing under the new Credit Facility was $296.0 million, which includes a $5.6 million reduction in availability for outstanding letters of credit.

Senior Notes

On June 24, 2008, the Company entered into a purchase agreement with a group of initial purchasers ("Initial Purchasers") pursuant to which the Company agreed to issue $255.9 million in aggregate principal amount of the Company's senior notes due 2018 ("Senior Notes"). The Senior Notes were offered and sold to the Initial Purchasers and then resold to qualified institutional buyers each in transactions exempt from the registration requirements under the

Securities Act of 1933, as amended ("Securities Act"). The Company used the net proceeds (after deducting the Initial Purchasers' discounts and offering expense) of approximately $243.6 million to repay an outstanding term loan. In connection with the Senior Notes, the Company incurred financing fees of approximately $7.8 million, which will be amortized over the life of the Senior Notes; the expense is recorded in “interest expense, net of amounts capitalized” on the condensed consolidated statements of operations. The $5.9 million discount on the Senior Notes will be amortized over the life of the Senior Notes; the expense is recorded in “interest expense, net of amounts capitalized” on the condensed consolidated statements of operations. See Note 8 for fair value disclosures related to the Senior Notes.

The Senior Notes were issued under an Indenture dated June 27, 2008 (“Indenture”), mature on July 1, 2018, and bear interest at 9.875%. Interest is payable semi-annually beginning January 1, 2009. The Senior Notes are general unsecured senior obligations of the Company and are effectively junior in right of payment to any secured indebtedness of the Company to the extent of the collateral securing such indebtedness. Each of the Company’s material subsidiaries guaranteed the Senior Notes on a senior unsecured basis. The Indenture provides that the Company may redeem: (i) on or prior to July 1, 2011, up to 35% of the aggregate principal amount of the Senior Notes at a redemption price of 109.875% of the principal amount, plus accrued and unpaid interest; (ii) prior to July 1, 2013, all or part of the Senior Notes at a redemption price equal to the principal amount, plus a make whole premium (as defined in the Indenture) and accrued and unpaid interest; and (iii) on or after July 1, 2013, all or part of the Senior Notes at redemption prices equal to 104.938% in 2013, 103.292% in 2014, 101.646% in 2015 and 100% in 2016 and thereafter. The Indenture also provides that, if a change of control (as defined in the Indenture) occurs, the holders have a right to require the Company to repurchase all or part of the Senior Notes at a redemption price equal to 101%, plus accrued and unpaid interest.

The Senior Notes’ Indenture contains covenants that, among other things, limit the Company’s 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.

(7) Derivatives

Commodity Derivatives

The Company sells oil, gas and NGL in the normal course of its business and utilizes derivative instruments to minimize the variability in cash flows due to price movements in oil, gas and NGL. The Company enters into derivative instruments such as swap contracts, collars and put options to economically hedge a portion of its forecasted oil, gas and NGL sales. Oil puts are also used to economically hedge NGL sales. The Company did not designate these contracts as cash flow hedges under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended, (“SFAS 133”); therefore, the changes in fair value of these instruments are recorded in current earnings. See Note 8 for additional disclosures about oil and gas commodity derivatives required by SFAS No. 157, “Fair Value Measurements” (“SFAS 157”).

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

The following table summarizes open positions as of March 31, 2009, and represents, as of such date, derivatives in place through December 31, 2014, on annual production volumes:

	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
Gas Positions:						
Fixed Price Swaps:						
Hedged Volume (MMMBtu)	29,689	39,566	31,901	14,676		
Average Price ($/MMBtu)	$ 8.53	$ 8.50	$ 8.50	$ 8.57	$	$
Puts:						
Hedged Volume (MMMBtu)	5,220	6,960	6,960			
Average Price ($/MMBtu)	$ 7.50	$ 7.50	$ 7.50	$	$	$
PEPL Puts: (1)						
Hedged Volume (MMMBtu)	4,001	10,634	13,259	5,934		
Average Price ($/MMBtu)	$ 7.85	$ 7.85	$ 7.85	$ 7.85	$	$
Total:						
Hedged Volume (MMMBtu)	38,910	57,160	52,120	20,610		
Average Price ($/MMBtu)	$ 8.32	$ 8.26	$ 8.20	$ 8.37	$	$
Oil Positions:						
Fixed Price Swaps:						
Hedged Volume (MBbls)	1,828	2,150	2,073	2,025	2,275	2,200
Average Price ($/Bbl)	$ 90.00	$ 90.00	$ 84.22	$ 84.22	$ 84.22	$ 84.22
Puts: (2)						
Hedged Volume (MBbls)	1,382	2,250	2,352	500		
Average Price ($/Bbl)	$ 120.00	$ 110.00	$ 69.11	$ 77.73	$	$
Collars:						
Hedged Volume (MBbls)	187	250	276	348		
Average Floor Price ($/Bbl)	$ 90.00	$ 90.00	$ 90.00	$ 90.00	$	$
Average Ceiling Price ($/Bbl)	$ 114.25	$ 112.00	$ 112.25	$ 112.35	$	$
Total:						