LINN ENERGY, LLC
Form 424B3
January 12, 2012
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)
Registration No. 333-162357

SUBJECT TO COMPLETION, DATED JANUARY 11, 2012

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated October 6, 2009)

17,000,000 Units

Representing Limited Liability Company Interests

$ PER UNIT

We are selling 17,000,000 units representing limited liability company interests of Linn Energy, LLC.

We have granted the underwriters a 30-day option to purchase up to an additional 2,550,000 units.

Our units are listed on The NASDAQ Global Select Market under the symbol LINE. The last reported sale price of our units on NASDAQ on January 10, 2012 was $37.86 per unit.

Investing in our units involves risk. Please read Risk Factors beginning on page S-15 of this prospectus supplement and page 1 of the accompanying prospectus and in the documents incorporated by reference carefully before you make your investment decision. Limited liability companies are inherently different from corporations.

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

	Per Unit	Total
Public Offering Price	$	$
Underwriting Discounts	$	$
Proceeds to LINN Energy (before expenses)	$	$

The underwriters expect to deliver the units to purchasers on or about January , 2012 through the book-entry facilities of The Depository Trust Company. Affiliates of certain of the underwriters are lenders under our revolving credit facility and, accordingly, will receive substantially all of the net proceeds from this offering. See Underwriting Relationships and Conflicts of Interest.

Joint Book-Running Managers

Wells Fargo Securities **BofA Merrill Lynch** **Barclays Capital** **Citigroup**
Raymond James **RBC Capital Markets** **UBS Investment Bank**
Credit Suisse **Goldman, Sachs & Co.** **J.P. Morgan**

Senior Co-Managers

Baird **Stifel Nicolaus Weisel**

Junior Co-Managers

Morgan Keegan **Oppenheimer & Co.** **Wunderlich Securities**
BB&T Capital Markets **Davenport & Company LLC** **National Securities Corporation**

, 2012

Table of Contents

Note: Reserve data is pro forma for the 2011 Acquisitions (as defined herein). For a description of these acquisitions, see Summary Our Company and Summary Recent Developments Recent Acquisitions. Estimates of proved reserves for the 2011 Acquisitions in the map above were calculated as of the effective date of the acquisitions using forward strip oil and natural gas prices. These estimates differ from those prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC), which are required to be calculated based on the unweighted average of the first-day-of-the-month prices for the preceding twelve months. Please see the table on page S-2 under the caption Summary Our Company for estimated pro forma proved reserves, including estimated reserve data for our 2011 Acquisitions, calculated on the basis required by SEC rules.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which provides more general information. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, you should rely on the information in this prospectus supplement. Before you invest in our units, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents we refer to under the heading Where You Can Find More Information.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, the documents we incorporate by reference and any free writing prospectus prepared by or on behalf of us. Neither we nor any of the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus supplement, the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since the date indicated on the front cover of such documents. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer to sell or the solicitation of an offer to buy any securities other than the units offered hereunder, nor does this prospectus supplement or the accompanying prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and other reports and other information with the Securities and Exchange Commission, or SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may read and copy any reports, statements or other information filed by us at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such materials can be obtained at prescribed rates from the Public Reference Room of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC s website at http://www.sec.gov.

We incorporate by reference information into this prospectus supplement, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement. Any statement in this prospectus supplement or incorporated by reference into this prospectus supplement shall be automatically modified or superseded for purposes of this prospectus supplement to the extent that a statement contained herein or in a subsequently filed document that is incorporated by reference in this prospectus supplement modifies or supersedes such prior statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement. You should not assume that the information in this prospectus supplement is current as of any date other than the date on the front page of this prospectus supplement.

We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Items 2.02 or 7.01 in any Current Report on Form 8-K) after the date of this prospectus supplement and until the termination of this offering. These reports contain important information about us, our financial condition and our results of operations.

Our Annual Report on Form 10-K for the year ended December 31, 2010;

Table of Contents

Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011;

Our Current Reports on Form 8-K filed with the SEC on March 2, 2011, March 22, 2011, May 2, 2011 (as amended on September 22, 2011), May 5, 2011, May 9, 2011, May 16, 2011, August 2, 2011, August 23, 2011, October 27, 2011 (containing Items 8.01 and 9.01), November 9, 2011, December 1, 2011, December 12, 2011 and December 19, 2011; and

The description of our units contained in our registration statement on Form 8-A, filed with the SEC on January 12, 2006.

You may request a copy of any document incorporated by reference in this prospectus supplement and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number:

Linn Energy, LLC

Investor Relations

600 Travis, Suite 5100

Houston, Texas 77002

(281) 840-4000

We also make available free of charge on our internet website at http://www.linnenergy.com our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this prospectus supplement and you should not consider information contained on our website as part of this prospectus supplement.

Table of Contents

SUMMARY

This summary highlights information included or incorporated by reference elsewhere in this prospectus supplement. It does not contain all of the information that you should consider before making an investment decision. We urge you to read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the historical financial statements and notes to those financial statements incorporated by reference. Please read Risk Factors in this prospectus supplement, the accompanying prospectus and our Annual Report on Form 10-K for the year ended December 31, 2010 for more information about important risks that you should consider before investing in the units. Unless the context indicates otherwise, information presented in this prospectus supplement assumes the underwriters do not exercise their option to purchase additional units. DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of our proved oil and natural gas reserves as of December 31, 2008, 2009, and 2010, as well as estimates of proved reserves associated with certain of our 2011 Acquisitions (defined below), included in or incorporated by reference into this prospectus supplement. All other reserve information included herein is based on internal estimates. As used herein, Pro Forma Proved Reserves represent the sum of (i) our estimated proved reserves as of December 31, 2010 and (ii) the estimated proved reserves acquired in the 2011 Acquisitions. For information regarding the dates and commodity prices at which reserve information for the 2011 Acquisitions was calculated, see the table on page S-2.

As used in this prospectus supplement and the accompanying prospectus, unless the context otherwise requires or indicates, references to LINN Energy, we, our, ours, and us refer to Linn Energy, LLC and its subsidiaries, collectively.

Our Company

We are a publicly traded, independent oil and natural gas company focused on the development and acquisition of long-life oil and natural gas properties, which complement our asset profile in producing basins within the United States (U.S.). Our properties are primarily located in six operating regions in the U.S.:

- Mid-Continent Deep, which includes the Texas Panhandle Deep Granite Wash formation and deep formations in Oklahoma and Kansas;
- Mid-Continent Shallow, which includes the Texas Panhandle Brown Dolomite formation and shallow formations in Oklahoma, Louisiana and Illinois;
- Permian Basin, which includes areas in West Texas and Southeast New Mexico;
- Michigan, which includes the Antrim Shale formation in the northern part of the state;
- California, which includes the Brea Olinda Field of the Los Angeles Basin; and
- Williston Basin, which includes the Bakken formation in North Dakota.

Our total proved reserves at December 31, 2010 were 2.6 Tcfe, of which approximately 36% were oil, 48% were natural gas and 16% were natural gas liquids (NGL). Approximately 64% of our total proved reserves were classified as proved developed, with a total standardized measure of discounted future net cash flows of $4.22 billion. At December 31, 2010, we operated 7,097, or 68%, of our 10,386 gross productive wells and had an average proved reserve-life index of approximately 23 years, based on our total proved reserves at December 31, 2010 and annualized production for the three months ended December 31, 2010.

In 2011, we completed acquisitions of certain oil and natural gas properties in the Permian Basin in West Texas and Southeast New Mexico, in the Williston Basin in North Dakota, in the Texas Panhandle and adjacent areas in Oklahoma, in the Granite Wash of Texas and Oklahoma and smaller acquisitions in

Table of Contents

our various operating regions for aggregate consideration of approximately $1.51 billion. We refer to these acquisitions collectively as the 2011 Acquisitions. For a description of our most recent acquisition in the Granite Wash of Texas and Oklahoma, see Recent Developments Recent Acquisition. Giving effect to the 2011 Acquisitions, our Pro Forma Proved Reserves are approximately 3.2 Tcfe, approximately 37% oil, 50% natural gas and 13% NGL.

We generated adjusted EBITDA from continuing operations of approximately $732 million and $717 million for the year ended December 31, 2010 and the nine months ended September 30, 2011, respectively. See Non-GAAP Financial Measures for a reconciliation of adjusted EBITDA to income (loss) from continuing operations.

The following table sets forth certain information with respect to our Pro Forma Proved Reserves and average daily production for the nine months ended September 30, 2011.

	Pro Forma			
Region	**Proved Reserves (Bcfe)(1)**	**% Natural Gas**	**% Proved Developed**	**Average Daily Production for the Nine Months Ended September 30, 2011 (MMcfe/d)**
Mid-Continent Deep	1,419	71%	53%	160
Mid-Continent Shallow	649	24%	68%	63
Permian Basin	568	22%	45%	70
Michigan	259	99%	87%	34
California	189	6%	94%	14
Williston Basin	85	10%	33%	9
Total	3,169	50%	59%	350

(1) Proved reserves were calculated at the reserve report dates and using the commodity prices set forth below, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months immediately preceding the reserve report date set forth below. The reserve report date for each of the 2011 Acquisitions is the first day of the month closest to the closing date of such acquisition.

		Commodity Prices	
Properties	**Reserve Report as of Date(1)**	**Natural Gas ($/MMBtu)**	**Oil ($/Bbl)**
Legacy Oil and Natural Gas Assets	12/31/10	4.38	79.29
2011 Acquisitions:			
Concho Acquisition	04/01/11	4.10	83.17
Permian 1 Acquisition	04/01/11	4.10	83.17
Permian 2 Acquisition	04/01/11	4.10	83.17
Williston 1 Acquisition	05/01/11	4.14	85.18
Williston 2 Acquisition	05/01/11	4.14	85.18
Texas Panhandle Acquisition	06/01/11	4.18	87.44
Permian 3 Acquisition	11/01/11	4.14	93.94
Permian 4 Acquisition	11/01/11	4.14	93.94
Granite Wash Acquisition	12/31/11	4.12	95.84

(1) Reserves were prepared by DeGolyer and MacNaughton for the dates indicated.

Table of Contents

Our Competitive Strengths and Our Strategy

Our Competitive Strengths

We believe the following strengths provide us with significant competitive advantages:

Large and High Quality Asset Base with a Long Reserve Life. Our reserve base is characterized by lower geologic risk and well-established production histories and exhibits low production decline rates. Based on our total proved reserves at December 31, 2010, and annualized production for the three months ended December 31, 2010, we had an average reserve-life index of approximately 23 years. Approximately 59% of our Pro Forma Proved Reserves are classified as proved developed. Our Pro Forma Proved Reserves are also diversified by product with approximately 37% oil, 50% natural gas and 13% NGL.

Significant Inventory of Lower-Risk Development Opportunities. We have a significant inventory of projects in our core areas that we believe will support our development activity. At December 31, 2010, we had over 4,450 identified drilling locations, of which approximately 1,750 were proved undeveloped drilling locations and the remainder were unproved drilling locations. During the three-year period ended December 31, 2010, we drilled a total of 518 gross wells with an approximate 99% success rate. During the nine months ended September 30, 2011, we drilled a total of 179 gross wells with an approximate 99% success rate.

Significant Scale of Operations in the Mid-Continent. The Mid-Continent Deep and Mid-Continent Shallow regions represent our largest area of operations with approximately 65% of our Pro Forma Proved Reserves. The extent of our Mid-Continent operations allows us to increase our economies of scale in both drilling and production operations, which results in lower production costs while maintaining a high success rate on our drilling program. Furthermore, we own integrated gathering and transportation infrastructure in the Mid-Continent, which improves our cost structure.

High Percentage of Production Hedged. Currently, we hedge our production with swap contracts and put options to minimize our cash flow volatility while maintaining optionality for future upward movement in commodity prices. Swap contracts provide a fixed price and put options provide a fixed price floor with opportunity for upside that we will receive as compared to floating market prices. Based on current production estimates, we are approximately 100% hedged on expected natural gas production through 2015 and approximately 100% hedged on expected oil production through 2013 and approximately 80% for 2014 and 2015.

Table of Contents

The following table summarizes our open hedge positions as of December 31, 2011, and represents, as of such date, derivatives in place through December 31, 2016, on annual production volumes:

	2012	2013	2014	2015	2016
Natural Gas Positions:					
Fixed Price Swaps:					
Hedged Volume (MMMBtu)	56,730	64,367	73,456	82,490	2,745
Average Price ($/MMBtu)	$ 5.85	$ 5.69	$ 5.69	$ 5.75	$ 5.00
Puts:					
Hedged Volume (MMMBtu)	38,357	37,340	30,660	32,850	
Average Price ($/MMBtu)	$ 5.83	$ 5.85	$ 5.00	$ 5.00	$
Total:					
Hedged Volume (MMMBtu)	95,087	101,707	104,116	115,340	2,745
Average Price ($/MMBtu)	$ 5.84	$ 5.75	$ 5.49	$ 5.54	$ 5.00
Oil Positions:					
Fixed Price Swaps:(1)					
Hedged Volume (MBbls)	8,171	9,033	9,034	9,581	
Average Price ($/Bbl)	$ 97.37	$ 98.05	$ 95.39	$ 98.25	$
Puts:					
Hedged Volume (MBbls)	2,196	2,300			
Average Price ($/Bbl)	$ 100.00	$ 100.00	$	$	$
Total:					
Hedged Volume (MBbls)	10,367	11,333	9,034	9,581	
Average Price ($/Bbl)	$ 97.93	$ 98.44	$ 95.39	$ 98.25	$
Natural Gas Basis Differential Positions:					
PEPL Basis Swaps:(2)					
Hedged Volume (MMMBtu)	37,735	38,854	42,194	42,194	
Hedged Differential ($/MMBtu)	$ (0.89)	$ (0.89)	$ (0.39)	$ (0.39)	$
Oil Timing Differential Positions:					
Trade Month Roll Swaps:(3)					
Hedged Volume (MBbls)	5,982	6,315	6,315	840	
Hedged Differential ($/Bbl)	$ 0.21	$ 0.21	$ 0.21	$ 0.17	$

(1) As presented in the table above, we have certain outstanding fixed price oil swaps on 14,750 Bbls of daily production which may be extended annually at a price of $100.00 per Bbl for each of the years ending December 31, 2016, December 31, 2017, and December 31, 2018, if the counterparties determine that the strike prices