

LINN ENERGY, LLC
Form S-3/A
October 30, 2007
As filed with the Securities and Exchange Commission on October 30, 2007

Registration No. 333-146120

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Linn Energy, LLC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1311

(Primary Standard Industrial Classification Code Number)

65-1177591

(I.R.S. Employer Identification Number)

600 Travis Street, Suite 5100

Houston, Texas 77002

(281) 840-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charlene A. Ripley
Linn Energy, LLC
600 Travis Street, Suite 5100
Houston, Texas 77002
(281) 840-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Jeffery K. Malonson
Vinson & Elkins L.L.P.
First City Tower
1001 Fannin, Suite 2300
Houston, Texas 77002
(713) 758-2222

Edgar Filing: LINN ENERGY, LLC - Form S-3/A

Approximate date of commencement of proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, Dated October 30, 2007

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Linn Energy, LLC

38,350,470 Units

Representing Limited Liability Company Interests

This prospectus relates to 38,350,470 units representing limited liability company interests in Linn Energy, LLC that may be offered and sold from time to time by the unitholders named in this prospectus. Of the 38,350,470 units offered in this prospectus, 10,005,693 units were issued to Quantum Energy Partners II, L.P., Michael C. Linn, Kolja Rockov and Roland P. Keddie in connection with our initial public offering, and 28,344,777 units were sold to certain of the selling unitholders through a series of private placement transactions occurring in October 2006 and February 2007. The selling unitholders may sell none, some or all of the units offered by this prospectus. Sales may be at fixed prices, which may be changed, at prices related to the prevailing market prices at the time of sale or at negotiated prices. Such sales may occur in the open market, in negotiated transactions and sales by a combination of these methods. We will not receive any of the proceeds from the sale of the units covered by this prospectus.

Our units are traded on The NASDAQ Global Select Market, or NASDAQ, under the symbol LINE. On October 22, 2007, the last reported sale price of our units on NASDAQ was \$29.87 per unit.

Units are entitled to receive a quarterly distribution of available cash to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses. For the quarter ended June 30, 2007, we distributed \$0.57 on each of our outstanding units.

Membership interests in a limited liability company are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. **You should consider carefully the risks relating to investing in our units and each of the other risk factors described under Risk Factors beginning on page 1 of this prospectus in evaluating an investment in our units.**

Our principal executive offices are located at 600 Travis, Suite 5100, Houston, Texas 77002, and our phone number is (281) 840-4000.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October , 2007

TABLE OF CONTENTS

	Page
<u>GUIDE TO READING THIS PROSPECTUS</u>	i
<u>INFORMATION ABOUT FORWARD-LOOKING STATEMENTS</u>	i
<u>LINN ENERGY, LLC</u>	1
<u>RISK FACTORS:</u>	1
<u>Risks Related to Our Business</u>	2
<u>Risks Related to Our Structure</u>	12
<u>Tax Risks to Unitholders</u>	14
<u>USE OF PROCEEDS</u>	17
<u>DESCRIPTION OF OUR UNITS</u>	17
<u>Our Cash Distribution Policy</u>	17
<u>Timing of Distributions</u>	17
<u>Issuance of Additional Units</u>	18
<u>Voting Rights</u>	18
<u>Limited Call Right</u>	18
<u>Exchange Listing</u>	18
<u>Transfer Agent and Registrar</u>	18
<u>Transfer of Units</u>	19
<u>Our Limited Liability Company Agreement</u>	19
<u>MATERIAL TAX CONSEQUENCES</u>	28
<u>Partnership Status</u>	29
<u>Unitholder Status</u>	30
<u>Tax Consequences of Unit Ownership</u>	31
<u>Tax Treatment of Operations</u>	37
<u>Disposition of Units</u>	41
<u>Uniformity of Units</u>	43
<u>Tax-Exempt Organizations and Other Investors</u>	43
<u>Administrative Matters</u>	44
<u>State, Local and Other Tax Consideration</u>	46
<u>SELLING UNITHOLDERS</u>	47
<u>PLAN OF DISTRIBUTION</u>	53
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	55
<u>LEGAL MATTERS</u>	56
<u>EXPERTS</u>	56

GUIDE TO READING THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process or continuous offering process. Under this shelf registration process, the selling unitholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities that may be offered by the selling unitholders. Each time a selling unitholder sells securities, the selling unitholder is required to provide you with this prospectus and, in certain cases, a prospectus supplement containing specific information about the selling unitholder and the terms of the securities being offered. That prospectus supplement may include additional risk factors or other special considerations applicable to those securities. Any prospectus supplement may also add, update, or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement.

Additional information, including our financial statements and the notes thereto, is incorporated in this prospectus by reference to our reports filed with the SEC. Please read [Where You Can Find More Information](#). You are urged to read this prospectus carefully, including the [Risk Factors](#), and our SEC reports in their entirety before investing in our units.

Throughout this prospectus, when we use the terms [we](#), [us](#), [our](#), or like terms, we are referring either to Linn Energy, LLC, the registrant itself, or to Linn Energy, LLC and its consolidated subsidiaries collectively, unless the context requires otherwise.

INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. These statements may include, but are not limited to, statements about our:

- business strategy;
- financial strategy;
- drilling locations;
- oil, gas and natural gas liquid (NGL) reserves;
- realized oil, gas and NGL 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 prospectus are forward looking statements. In some cases, forward-looking statements can be identified by terminology such as [may](#), [will](#), [could](#), [should](#), [expect](#), [plan](#), [project](#), [intend](#), [anticipate](#), [estimate](#), [predict](#), [potential](#), [pursue](#), [target](#), [continue](#), the negative of such terms or other comparable terminology.

The forward-looking statements contained in this prospectus 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 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 prospectus are not guarantees of future performance and that such statements may not be realized or the forward-looking statements or events may not occur. Actual results may differ materially from those anticipated or implied in forward-looking statements due to factors listed in Risk Factors and elsewhere in this prospectus and in the reports and other information we file with the SEC. These 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.

ii

LINN ENERGY, LLC

We are an independent oil and gas company focused on the development and acquisition of long-lived properties in the United States. Our goal is to provide stability and growth in distributions to our unitholders through a combination of continued successful drilling and acquisitions. Our company was formed in March 2003. In January 2006, we completed our initial public offering of 12,450,000 units at a price of \$21.00 per unit, for net proceeds after underwriting discounts and offering expenses of \$238.8 million. From inception through August 31, 2007, we have completed, or have pending, 20 significant acquisitions of oil and gas properties and related gathering and pipeline assets for an aggregate purchase price of approximately \$3.3 billion, subject to customary post-closing adjustment, with total proved reserves of approximately 1.6 Tcfe, or an acquisition cost of approximately \$2.07 per Mcfe (including the amounts allocated to unproved leasehold). These 20 acquisitions include 7,384 producing wells and we have drilled 472 wells from inception through June 30, 2007.

The following table identifies the acquisition price, proved reserves and proved developed reserves for our completed and pending acquisitions as of August 31, 2007.

Date	Proved Reserves* (Bcfe)	Proved Developed Reserves* (Bcfe)	Location	Aggregate Contract Price (in millions)
Jan 2007	20.8	9.9	West Virginia	\$ 33.0
Jan 2007	2.8	2.8	West Virginia	5.9
Feb 2007	308.2	137.1	Texas	415.0
Jun 2007	43.5	29.1	Texas	90.5
Aug 2007	744.9	589.8	Texas, Oklahoma and Kansas	2,050.0
Oct 2007	10.8	4.8	Texas	22.5
	1,131.0	773.5		\$ 2,616.9

* Reserves subject to adjustment based on analysis by our independent engineering firm.

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, was approximately 29.5 years, based on our December 31, 2006 reserve report and annualized fourth quarter 2006 production. As of December 31, 2006, we had identified 1,254 drilling locations, of which 716 were proved undeveloped locations and 538 were other locations, and we had leasehold interests in 228,706 net acres.

RISK FACTORS

Units, representing limited liability company interests, are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should consider carefully the following risk factors together with all of the other information included in this prospectus, any prospectus supplement and the information that we have incorporated herein by reference before investing in our units.

If any of the following risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, we may be unable to make distributions to our unitholders, the trading price of our units could decline and you could lose all or part of your investment.

Risks Related to Our Business

We may not have sufficient cash flow from operations to pay the quarterly distribution at the current distribution level and future distributions to our unitholders may fluctuate from quarter to quarter.

We may not have sufficient cash flow from operations each quarter to pay the quarterly distribution at the current distribution level. Under the terms of our limited liability company agreement, the amount of cash otherwise available for distribution will be reduced by our operating expenses and the amount of any cash reserve amounts that our Board of Directors establishes to provide for future operations, future capital expenditures, future debt service requirements and future cash distributions to our unitholders. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the amount of oil, gas and NGL we produce;
- the price at which we are able to sell our oil, gas and NGL production;
- the level of our operating costs;
- the level of our interest expense, which depends on the amount of our indebtedness and the interest payable thereon; and
- the level of our capital expenditures.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, some of which are beyond our control, including:

- our ability to make working capital borrowings under our credit facility to pay distributions;
- the costs of acquisitions, if any;
- fluctuations in our working capital needs;
- timing and collectibility of receivables;
- restrictions on distributions contained in our credit facility;
- prevailing economic conditions; and
- the amount of cash reserves established by our Board of Directors for the proper conduct of our business.

As a result of these factors, the amount of cash we distribute to our unitholders in any quarter may fluctuate significantly from quarter to quarter and may be significantly less than the current distribution level.

We actively seek to acquire oil and gas properties. Acquisitions involve potential risks that could adversely impact our future growth and our ability to increase distributions.

Any acquisition involves potential risks, including, among other things:

- the risk that reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;
- inaccurate assumptions about revenues and costs, including synergies;

Edgar Filing: LINN ENERGY, LLC - Form S-3/A

- significant increases in our indebtedness and working capital requirements;
- an inability to transition and integrate successfully or timely the businesses we acquire;
- an inability to integrate data systems successfully or timely;

2

- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- the diversion of management's attention from other business concerns;
- increased demands on existing personnel and on our corporate structure;
- customer or key employee losses at the acquired businesses; and
- the failure to realize expected growth or profitability.

The scope and cost of these risks may ultimately be materially greater than estimated at the time of the acquisition. Further, our future acquisition costs may be higher than those we have achieved historically. Any of these factors could adversely impact our future growth and our ability to increase distributions.

If we do not make acquisitions on economically acceptable terms, then our future growth and ability to increase distributions will be limited.

Our ability to grow and to increase distributions to our unitholders is partially dependent on our ability to make acquisitions that result in an increase in available cash flow per unit. We may be unable to make such acquisitions because we are:

- unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them;
- unable to obtain financing for these acquisitions on economically acceptable terms; or
- outbid by competitors.

In any such case, our future growth and ability to increase distributions will be limited. Furthermore, even if we do make acquisitions that we believe will increase available cash flow per unit, these acquisitions may nevertheless result in a decrease in available cash flow per unit.

Any acquisition involves potential risks, including, among other things:

- the risk that reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;
- mistaken assumptions about revenues and costs, including synergies;
- significant increases in our indebtedness and working capital requirements;
- an inability to integrate successfully or timely the businesses we acquire;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- the diversion of management's attention from other business concerns;
- increased demands on existing personnel;
- customer or key employee losses at the acquired businesses; and

- the failure to realize expected growth or profitability.

The scope and cost of these risks may ultimately be materially greater than estimated at the time of the acquisition. Further, our future acquisition costs may be higher than those we have achieved

3

historically. Any of these factors could adversely impact our future growth and our ability to increase distributions.

We have significant indebtedness under our credit facility. Our credit facility has substantial restrictions and financial covenants and we may have difficulty obtaining additional credit, which could adversely affect our operations and our ability to pay distributions to our unitholders.

We have significant indebtedness under our credit facility. As of August 31, 2007, we had approximately \$1.15 billion outstanding under our credit facility (with additional borrowing capacity of approximately \$497.5 million). As a result of our indebtedness, we will use a portion of our cash flow to pay interest and principal when due, which will reduce the cash available to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate. The amount of our indebtedness may also cause us to be more vulnerable to economic downturns and adverse developments in our business. Our ability to access the capital markets to raise capital on favorable terms will be affected by our debt level and by adverse market conditions resulting from, among other things, general economic conditions, contingencies and uncertainties that are difficult to predict and impossible to control. Such a development could adversely affect our ability to obtain financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness.

We depend on our credit facility for future capital needs and to fund our distributions. The credit facility restricts our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations. We also are required to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under our credit facility could result in a default under our credit facility, which could cause all of our existing indebtedness to be immediately due and payable.

Availability under our credit facility is determined semi-annually at the discretion of the lenders and is based in part on oil, gas and NGL prices. The lenders can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under the credit facility. Any increase in the borrowing base requires the consent of all the lenders. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other properties as additional collateral. We do not currently have any substantial unpledged properties, and we may not have the financial resources in the future to make any mandatory principal prepayments required under the credit facility. Significant declines in our production or significant declines in realized oil, gas or NGL prices for prolonged periods and resulting decreases in our borrowing base may force us to reduce or suspend distributions to our unitholders.

Increases in interest rates could adversely affect our business, results of operations, cash flows from operations and financial condition.

In addition to our exposure to commodity prices, we have significant exposure to increases in interest rates. All of the indebtedness outstanding under our credit facility is at variable interest rates, after giving effect to existing interest swap arrangements. Therefore, our business, results of operations and cash flows from operations could be adversely affected by significant increases in interest rates.

An increase in interest rates may cause a corresponding decline in demand for equity investments, in particular for yield-based equity investments such as our units. Any such reduction in demand for our units resulting from other more attractive investment opportunities may cause the trading price of our units to decline.

If commodity prices decline significantly for a prolonged period, our cash flow from operations will decline, and we may have to lower our distribution or may not be able to pay distributions at all.

Our revenue, profitability and cash flow depend upon the prices of and demand for oil, gas and NGL. The oil, gas and NGL market is very volatile and a drop in prices can significantly affect our financial results and impede our growth. Changes in oil, gas and NGL prices have a significant impact on the value of our reserves and on our cash flow. Prices for these commodities may fluctuate widely in response to relatively minor changes in the supply of and demand for them, market uncertainty and a variety of additional factors that are beyond our control, such as:

- the domestic and foreign supply of and demand for oil, gas and NGL;
- the price and level of foreign imports;
- the level of consumer product demand;
- weather conditions;
- overall domestic and global economic conditions;
- political and economic conditions in oil and gas producing countries, including those in the Middle East and South America;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain price and production controls;
- the impact of the U.S. dollar exchange rates on oil, gas and NGL prices;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations and taxation;
- the impact of energy conservation efforts;
- the proximity and capacity of pipelines and other transportation facilities; and
- the price and availability of alternative fuels.

In the past, the prices of oil, gas and NGL have been extremely volatile, and we expect this volatility to continue. If commodity prices decline significantly for a prolonged period, our cash flow from operations will decline, and we may have to lower our distribution or may not be able to pay distributions at all.

Future price declines or downward reserve revisions may result in a write-down of our asset carrying values.

Declines in oil, gas and NGL prices may result in our having to make substantial downward adjustments to our estimated proved reserves. If this occurs, or if our estimates of development costs increase, production data factors change or drilling results deteriorate, accounting rules may require us to write-down, as a non-cash charge to earnings, the carrying value of our properties for impairments. We are required to perform impairment tests on our assets periodically and whenever events or changes in circumstances warrant a review of our assets. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of our assets, the carrying value may not be recoverable and therefore would require a write-down. We may incur impairment charges in the future, which could have a material adverse effect on our results of operations in the period incurred and on our ability to borrow funds under our credit facility, which in turn may adversely affect our ability to make cash distributions to our unitholders.

Unless we replace our reserves, our reserves and production will decline, which would adversely affect our cash flow from operations and our ability to make distributions to our unitholders.

Producing oil, gas and NGL reservoirs are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The overall rate of decline for our production will change if production from our existing wells declines in a different manner than we have estimated and can change when we drill additional wells, make acquisitions and under other circumstances. Thus, our future oil, gas and NGL reserves and production and, therefore, our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire additional reserves to replace our current and future production at acceptable costs, which would adversely affect our cash flow from operations and our ability to make distributions to our unitholders.

Our estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

No one can measure underground accumulations of oil, gas and NGL in an exact way. Reserve engineering requires subjective estimates of underground accumulations of oil, gas and NGL and assumptions concerning future oil, gas and NGL prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Independent petroleum engineering firms prepare estimates of our proved reserves. Over time, our internal engineers may make material changes to reserve estimates taking into account the results of actual drilling and production. Some of our reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Also, we make certain assumptions regarding future oil, gas and NGL prices, production levels, and operating and development costs that may prove incorrect. Any significant variance from these assumptions by actual figures could greatly affect our estimates of reserves, the economically recoverable quantities of oil, gas and NGL attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil, gas and NGL we ultimately recover being different from our reserve estimates.

The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated oil, gas and NGL reserves. We base the estimated discounted future net cash flows from our proved reserves on prices and costs in effect on the day of estimate. However, actual future net cash flows from our oil and gas properties also will be affected by factors such as:

- actual prices we receive for oil, gas and NGL;
- the amount and timing of actual production;
- supply of and demand for oil, gas and NGL; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of our properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor, required to be used pursuant to Sta