

LINN ENERGY, INC.  
Form 10-Q  
August 03, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-Q

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

For the Quarterly Period Ended June 30, 2017

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, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

81-5366183  
(I.R.S. Employer  
Identification No.)

600 Travis  
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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company)  
Smaller reporting company  x  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No "

As of July 31, 2017, there were 88,511,309 shares of Class A common stock, par value \$0.001 per share, outstanding.

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GLOSSARY OF TERMS

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

Bbl. One stock tank barrel or 42 United States gallons liquid volume.

Bcf. One billion cubic feet.

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

Btu. One British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees to 59.5 degrees Fahrenheit.

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

MBbls/d. MBbls per day.

Mcf. One thousand cubic feet.

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

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

MMBtu. One million British thermal units.

MMcf. One million cubic feet.

MMcf/d. MMcf per day.

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

MMcfe/d. MMcfe per day.

MMMBtu. One billion British thermal units.

NGL. Natural gas liquids, which are the hydrocarbon liquids contained within natural gas.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## LINN ENERGY, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Successor June 30, 2017	Predecessor December 31, 2016
(in thousands, except share and unit amounts)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,903	\$ 694,857
Accounts receivable – trade, net	163,935	198,064
Derivative instruments	23,959	—
Restricted cash	98,616	1,602
Other current assets	71,836	105,310
Assets held for sale	236,421	—
Current assets of discontinued operations	235,643	701
Total current assets	847,313	1,000,534
Noncurrent assets:		
Oil and natural gas properties (successful efforts method)	1,444,110	12,349,117
Less accumulated depletion and amortization	(37,572 )	(9,843,908 )
	1,406,538	2,505,209
Other property and equipment	441,483	618,262
Less accumulated depreciation	(12,739 )	(217,724 )
	428,744	400,538
Derivative instruments	12,759	—
Deferred income taxes	492,182	—
Other noncurrent assets	13,980	13,984
Noncurrent assets of discontinued operations	—	740,326
	518,921	754,310
Total noncurrent assets	2,354,203	3,660,057
Total assets	\$3,201,516	\$4,660,591
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$268,605	\$295,081
Derivative instruments	486	82,508
Current portion of long-term debt, net	—	1,937,729
Other accrued liabilities	135,416	25,979
Liabilities held for sale	36,387	—
Current liabilities of discontinued operations	28,218	321
Total current liabilities	469,112	2,341,618
Derivative instruments	—	11,349

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Long-term debt	183,430	—
Other noncurrent liabilities	264,025	360,405
Noncurrent liabilities of discontinued operations	—	39,202
Liabilities subject to compromise	—	4,305,005

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LINN ENERGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS - Continued

(Unaudited)

	Successor June 30, 2017	Predecessor December 31, 2016
(in thousands, except share and unit amounts)		
Commitments and contingencies (Note 10)		
Temporary equity:		
Redeemable noncontrolling interests	28,132	—
Stockholders'/unitholders' equity (deficit):		
Predecessor units issued and outstanding (no units issued or outstanding at June 30, 2017; 352,792,474 units issued and outstanding at December 31, 2016)	—	5,386,885
Predecessor accumulated deficit	—	(7,783,873 )
Successor preferred stock (\$0.001 par value, 30,000,000 shares authorized and no shares issued at June 30, 2017; no shares authorized or issued at December 31, 2016)	—	—
Successor Class A common stock (\$0.001 par value, 270,000,000 shares authorized and 89,241,558 shares issued at June 30, 2017; no shares authorized or issued at December 31, 2016)	89	—
Successor additional paid-in capital	2,043,927	—
Successor retained earnings	212,801	—
Total stockholders'/unitholders' equity (deficit)	2,256,817	(2,396,988 )
Total liabilities and equity (deficit)	\$3,201,516	\$4,660,591

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

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LINN ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Successor Three Months Ended June 30, 2017	Predecessor Three Months Ended June 30, 2016
(in thousands, except per share and per unit amounts)		
Revenues and other:		
Oil, natural gas and natural gas liquids sales	\$243,167	\$195,847
Gains (losses) on oil and natural gas derivatives	45,714	(183,794 )
Marketing revenues	12,547	8,551
Other revenues	6,391	23,641
	307,819	44,245
Expenses:		
Lease operating expenses	71,057	70,367
Transportation expenses	37,388	41,092
Marketing expenses	6,976	6,727
General and administrative expenses	34,458	52,169
Exploration costs	811	48
Depreciation, depletion and amortization	51,987	86,358
Taxes, other than income taxes	17,871	18,180
(Gains) losses on sale of assets and other, net	(306,969 )	2,517
	(86,421 )	277,458
Other income and (expenses):		
Interest expense, net of amounts capitalized	(7,551 )	(50,320 )
Other, net	(1,163 )	(1,226 )
	(8,714 )	(51,546 )
Reorganization items, net	(3,377 )	485,798
Income from continuing operations before income taxes	382,149	201,039
Income tax expense (benefit)	158,770	(3,652 )
Income from continuing operations	223,379	204,691
Income (loss) from discontinued operations, net of income taxes	(3,322 )	3,801
Net income	\$220,057	\$208,492
Income from continuing operations per share/unit – Basic	\$2.49	\$0.58
Income from continuing operations per share/unit – Diluted	\$2.47	\$0.58
Income (loss) from discontinued operations per share/unit – Basic	\$(0.04 )	\$0.01
Income (loss) from discontinued operations per share/unit – Diluted	\$(0.04 )	\$0.01
Net income per share/unit – Basic	\$2.45	\$0.59
Net income per share/unit – Diluted	\$2.43	\$0.59
Weighted average shares/units outstanding – Basic	89,849	352,789
Weighted average shares/units outstanding – Diluted	90,484	352,789



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

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LINN ENERGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - Continued

(Unaudited)

	Successor Four Months Ended June 30, 2017	Predecessor Two Months Ended February 28, 2017	Six Months Ended June 30, 2016
(in thousands, except per share and per unit amounts)			
Revenues and other:			
Oil, natural gas and natural gas liquids sales	\$ 323,492	\$ 188,885	\$ 380,288
Gains (losses) on oil and natural gas derivatives	33,755	92,691	(74,341 )
Marketing revenues	15,461	6,636	17,612
Other revenues	8,419	9,915	51,947
	381,127	298,127	375,506
Expenses:			
Lease operating expenses	95,687	49,665	153,613
Transportation expenses	51,111	25,972	83,623
Marketing expenses	9,515	4,820	14,560
General and administrative expenses	44,869	71,745	135,889
Exploration costs	866	93	2,741
Depreciation, depletion and amortization	71,901	47,155	175,467
Impairment of long-lived assets	—	—	123,316
Taxes, other than income taxes	24,948	14,877	35,541
(Gains) losses on sale of assets and other, net	(306,524 )	672	3,786
	(7,627 )	214,999	728,536
Other income and (expenses):			
Interest expense, net of amounts capitalized	(11,751 )	(16,725 )	(134,193 )
Other, net	(1,551 )	(149 )	(1,158 )
	(13,302 )	(16,874 )	(135,351 )
Reorganization items, net	(5,942 )	2,331,189	485,798
Income (loss) from continuing operations before income taxes	369,510	2,397,443	(2,583 )
Income tax expense (benefit)	153,455	(166 )	6,594
Income (loss) from continuing operations	216,055	2,397,609	(9,177 )
Loss from discontinued operations, net of income taxes	(3,254 )	(548 )	(1,130,077 )
Net income (loss)	\$ 212,801	\$ 2,397,061	\$(1,139,254)
Income (loss) from continuing operations per share/unit – Basic	\$ 2.41	\$ 6.80	\$(0.02 )
Income (loss) from continuing operations per share/unit – Diluted	\$ 2.40	\$ 6.80	\$(0.02 )
Loss from discontinued operations per share/unit – Basic	\$(0.04 )	\$(0.01 )	\$(3.21 )
Loss from discontinued operations per share/unit – Diluted	\$(0.04 )	\$(0.01 )	\$(3.21 )
Net income (loss) per share/unit – Basic	\$ 2.37	\$ 6.79	\$(3.23 )
Net income (loss) per share/unit – Diluted	\$ 2.36	\$ 6.79	\$(3.23 )
Weighted average shares/units outstanding – Basic	89,849	352,792	352,511

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Weighted average shares/units outstanding – Diluted                      90,065        352,792        352,511

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

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## LINN ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENT OF EQUITY (PREDECESSOR)

(Unaudited)

	Units	Unitholders' Capital	Accumulated Deficit	Total Unitholders' Capital (Deficit)
	(in thousands)			
December 31, 2016 (Predecessor)	352,792	\$5,386,885	\$(7,783,873)	\$(2,396,988)
Net income		—	2,397,061	2,397,061
Other		(73)	—	(73)
February 28, 2017 (Predecessor)	352,792	5,386,812	(5,386,812)	—
Cancellation of predecessor equity (352,792)	(352,792)	(5,386,812)	5,386,812	—
February 28, 2017 (Predecessor)	—	\$—	\$—	\$—

## CONDENSED CONSOLIDATED STATEMENT OF EQUITY (SUCCESSOR)

(Unaudited)

	Class A Common Stock Shares (in thousands)	Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Issuances of successor Class A common stock	89,230	\$ 89	\$2,021,142	\$—	\$ 2,021,231
Share-based compensation expenses		—	13,750	—	13,750
February 28, 2017 (Successor)	89,230	89	2,034,892	—	2,034,981
Net income		—	—	212,801	212,801
Issuances of successor Class A common stock	12	—	—	—	—
Repurchases of successor Class A common stock	—	—	(230)	—	(230)
Share-based compensation expenses		—	9,454	—	9,454
Other		—	(189)	—	(189)
June 30, 2017 (Successor)	89,242	\$ 89	\$2,043,927	\$212,801	\$ 2,256,817

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

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LINN ENERGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Successor	Predecessor	
Four	Two	Six
Months	Months	Months
Ended	Ended	Ended
June 30,	February 28,	June 30,
2017	2017	2016

(in thousands)

Cash flow from operating activities: