LINN ENERGY – FINAL
FOURTH QUARTER AND FULL YEAR 2017 EARNINGS CALL SCRIPT
February 27, 2018 – 10 a.m. CDT

Management Participants:

- Mark E. Ellis – President and Chief Executive Officer
- David B. Rottino – Executive Vice President and Chief Financial Officer
- Arden L. Walker, Jr. – Executive Vice President and Chief Operating Officer
- Darren Schluter – Vice President – Controller
- Thomas Belsha – Vice President – Investor Relations and Corporate Development

MANAGEMENT DISCUSSION

Laura McDonald:

Good morning and welcome to LINN Energy's fourth quarter and full year 2017 earnings conference call. Today's call is being recorded. At this time, I will turn the call over to Thomas Belsha, LINN Energy's Vice President of Investor Relations and Corporate Development, for opening remarks. Tom, please go ahead.

Thomas Belsha:

Thank you for joining our fourth quarter and full year 2017 earnings conference call. In a moment, I will introduce Mark Ellis, our President and Chief Executive Officer, but first I need to provide you with disclosure regarding forward-looking statements that will be made during this call. The statements describing our beliefs, goals, plans, strategies, expectations, projections, forecasts and assumptions are forward-looking statements. Please note that the Company's actual results may differ from those anticipated by such forward-looking statements for a variety of reasons, many of which are beyond our control. Additional information concerning certain risk factors relating to our business, prospects and results are available in the Company's filings with the Securities and Exchange Commission, including LINN's Form 10-K for the year ended December 31, 2017, which we plan to file later today, and any other public filings and press releases.

Additionally, to the extent we discuss non-GAAP measures such as adjusted EBITDAX during the call, please see our earnings press release for the calculation of these measures and the GAAP reconciliations.

Additional information can be found on LINN Energy's website at www.linnenergy.com in the Investor section. I will now turn the call over to Mark Ellis, LINN's President and CEO.

Mark Ellis:

Introduction

Thanks Tom, and good morning. Joining us today from LINN are David Rottino, Executive Vice President and Chief Financial Officer, Arden Walker, Executive Vice President and Chief Operating Officer and Darren Schluter, Vice President and Controller.

Looking Back / Looking Forward

Almost one year ago, we emerged from financial restructuring with $900 million of debt and, working closely with our new Board, developed an ambitious plan to maximize shareholder value from our sizable collection of high growth and long life, mature assets. We have been tremendously successful executing on that plan as we have divested almost $2 billion of assets for a 50 percent premium to proved developed value, extinguished all our debt, formed a tier 1 pure play Merge/SCOOP/STACK growth company in Roan Resources, initiated construction on a high growth midstream business and returned significant sums of capital to our shareholders from our share repurchase program and recently completed tender offer. At the same time we performed exceptionally well operationally, having consistently met or exceeded guidance each of the past four quarters. During 2018, we plan to further enhance value by separating into three unique public companies and believe this separation will unlock the inherent value of each as they focus on the growth and development of their high quality assets.

Strategic Plan to Separate into Three Companies

The proposed separation will give our shareholders focused exposure to three unique companies: Roan Resources, a pure play high growth company focused in the prolific Merge/SCOOP/STACK play, Blue Mountain Midstream, a rapidly expanding and highly economic midstream business centered in the core of the Merge and a third company expected to be unlevered and generate significant free cash flow with a strategic focus on developing its growth oriented assets and returning capital to shareholders. Today we are pleased to give you an update on each of these future companies and our plans to separate during 2018.

Roan Resources LLC

LINN holds 50 percent of the equity in Roan Resources, which had net production of approximately 40,800 barrels of oil equivalent per day at the end of January 2018 and is continuing to develop its Merge acreage with 6 active drilling rigs. In 2018, Roan plans to focus on improving the technical execution of its development program, specifically as it relates to geosteering and completion design. The most recent well results have shown initial success at this strategy, where gross three stream peak IP-30 rates have averaged approximately 1,870 barrels of oil equivalent per day and 73 percent liquids once normalized to 10,000 foot lateral lengths. Roan continues to build an organization and now has more than 50 employees at their headquarters in Oklahoma City.

Blue Mountain Midstream

Last year, Blue Mountain Midstream, a wholly owned subsidiary of LINN, began construction on a state-of-the-art 250 MMcf/d cryogenic gas processing system to expand its existing Chisholm Trail midstream business in the heart of the liquids-rich Merge/SCOOP/STACK play. Construction is on track and the new plant is expected to be commissioned during the second quarter of 2018. We continue to pursue third-party dedications to accelerate the timeline to reach full capacity with the potential for expansion of the plant in the future. This past December we reached an agreement with a third party to dedicate additional Merge acreage to Chisholm Trail, increasing the total to more than 80,000 net acres. At separation, the Chisholm Trail Midstream business in the Merge is expected to be the primary asset for Blue Mountain and the Board is actively recruiting a separate management team to lead this new company.

"NewCo"

We expect to form the third public company from our assets in Hugoton, Michigan/Illinois, Arkoma, NW STACK, East Texas and North Louisiana. These properties consist of both mature, long life, producing assets and acreage with significant growth potential. During the fourth quarter of 2017, these assets had net production of approximately 305 million cubic feet equivalent per day and year-end 2017 proved developed reserves of approximately 1.6 Tcfe. "NewCo" is expected to be unlevered and generate significant free cash flow with a strategic focus on developing its growth oriented assets and returning capital to shareholders.

Now the past year has been very successful and the strategic plan we've executed on has resulted in significant shareholder value. Our outstanding performance could not have been achieved without our talented workforce, supportive Board and our many business partners.

I will now turn the call over to David for his financial update.

David Rottino

Financial Results

Thanks Mark. Today I would like to address the following topics in my discussion:

- Fourth quarter 2017 results
- An update on our balance sheet and liquidity
- An update on our Asset Sales
- An update on the results of the Tender Offer and the Share Repurchase Program
- And guidance for 2018

Fourth quarter 2017 results

For the fourth quarter of 2017, daily production averaged approximately 505 million cubic feet equivalent per day, compared to 748 million cubic feet equivalent per day for the fourth quarter of 2016. Total oil, natural gas and NGL revenues were approximately $180 million, compared to $256 million for the fourth quarter of 2016. The decrease in production and revenue was primarily due to the impact of asset sales and the separation of Roan Resources, partially offset by increased commodity prices and positive results from the recent wells drilled in North Louisiana and East Texas.

Total operating costs for the fourth quarter of 2017 were approximately $89 million, compared to $127 million for the fourth quarter of 2016. The decrease was primarily due to reduced labor costs for field operations as a result of cost savings initiatives, the separation of Roan Resources and the divestitures completed in 2017.

We reported net income of approximately $86 million for the fourth quarter of 2017, compared to a loss of $834 million for fourth quarter of 2016. The increase in net income was driven primarily by gains associated with assets sold during the period and the loss related to the deconsolidation of Berry Petroleum during 2016.

Balance Sheet and Liquidity

Moving on to balance sheet and liquidity, we ended the fourth quarter with approximately $465 million of cash on our balance sheet. This was above our previous guidance of $430 million and was driven by better adjusted EBITDAX than forecasted and timing of midstream capital spending.

During the quarter we generated adjusted EBITDAX of approximately $75 million, received $445 million in proceeds from asset sales net of closing adjustments, invested $61 million on capital projects including $29 million related to our midstream business and repurchased approximately 1.1 million shares for $41 million.

Successful Tender Offer

The Board continues to focus on returning capital to its shareholders and on January 22, 2018, the Company completed its tender offer to purchase for cash approximately 6.8 million shares at a price of $48.00 per share for an aggregate purchase price of approximately $325 million, excluding fees and expenses related to the offering.

Continuation of Share Repurchase Plan

In addition to the tender offer, On October 4, 2017, the Company's Board authorized an increase to its share repurchase program to $400 million. During 2017, the Company repurchased approximately 5.7 million shares at an average price of $34.85 per share for a total cost of approximately $198 million. The Company has continued the share repurchase program in 2018 after the termination of the tender offer. As of February 21, 2018, the Company has repurchased an additional 207 thousand shares at an average price of $38.96 per share for a total cost of approximately $8 million. The Company still has $194 million under its current $400 million repurchase authorization.

Asset Sales

As Mark mentioned, this has been a very active year on the A&D front and we made additional progress this quarter as we closed on the sales of our Washakie and Williston properties for combined net proceeds of approximately $448 million.

In addition, we have signed purchase and sale agreements on our Oklahoma waterflood, Texas Panhandle, Altamont Bluebell and conventional West Texas properties for combined contract prices totaling $373.5 million. We anticipate all of these transactions to close in the first quarter of 2018.

We continue to market our non-operated interest in the Drunkards Wash Field in Utah and remaining Permian basin assets, which will complete our exit from the Rockies and the Permian Basin. We continue to evaluate strategic opportunities that increase shareholder value which may include the sale of additional assets. In total, we expect to receive proceeds in excess of $1.8 billion on assets that have either closed or are currently under contract.

2018 Guidance

Looking ahead, we have provided updated guidance for the first quarter as well as full-year 2018. This forward looking guidance gives consideration to both closed and pending transactions including the sales that are expected to close by the end of the first quarter.

We recognize there are a lot of changes in our asset portfolio. We have included on our website a supplemental presentation that provides a bridge of capital spending, EBITDAX and cash forecasts to better help investor's model the company on a pro forma basis for transactions that have closed or have a signed purchase and sale agreement. Our pro forma full year EBITDAX forecast for "NewCo" is $133 million. Including the growth assets, this new company is expected to have an annual decline rate of approximately 11 percent, which would require very low capital spending to maintain production.

Hedging Update

On the hedging front, we have hedged approximately 191 million a day in 2018 for an average price of $3.02 per MMBtu and 6,500 barrels of oil per day with a combination of swaps at an average price $54.07 per barrel and collars at an average price floor of $50.00 and a ceiling of $55.50 per barrel. We will continue to monitor the market and add hedges as we feel appropriate while factoring in the impact of pending asset sales.

In closing, our assets have performed well this year and we are pleased with the results of the announced asset sale transactions. Our balance sheet allows us a lot of flexibility moving forward with the proposed separation into three unique companies during 2018.

I will now turn the call over to Mark Ellis for closing remarks.

Mark Ellis:

Thanks, David.

We appreciate your interest in LINN Energy. This concludes our prepared remarks for today and we will now turn the call back over to the operator.

Operator:

Thank you for joining the fourth quarter and full year 2017 LINN Energy conference call. We will now open the line for questions.