

# 10<sup>th</sup> Annual Pipeline, MLP, and E&P, Services and Utility Symposium

December 6, 2011

LINN  
Energy

NASDAQ:LINE

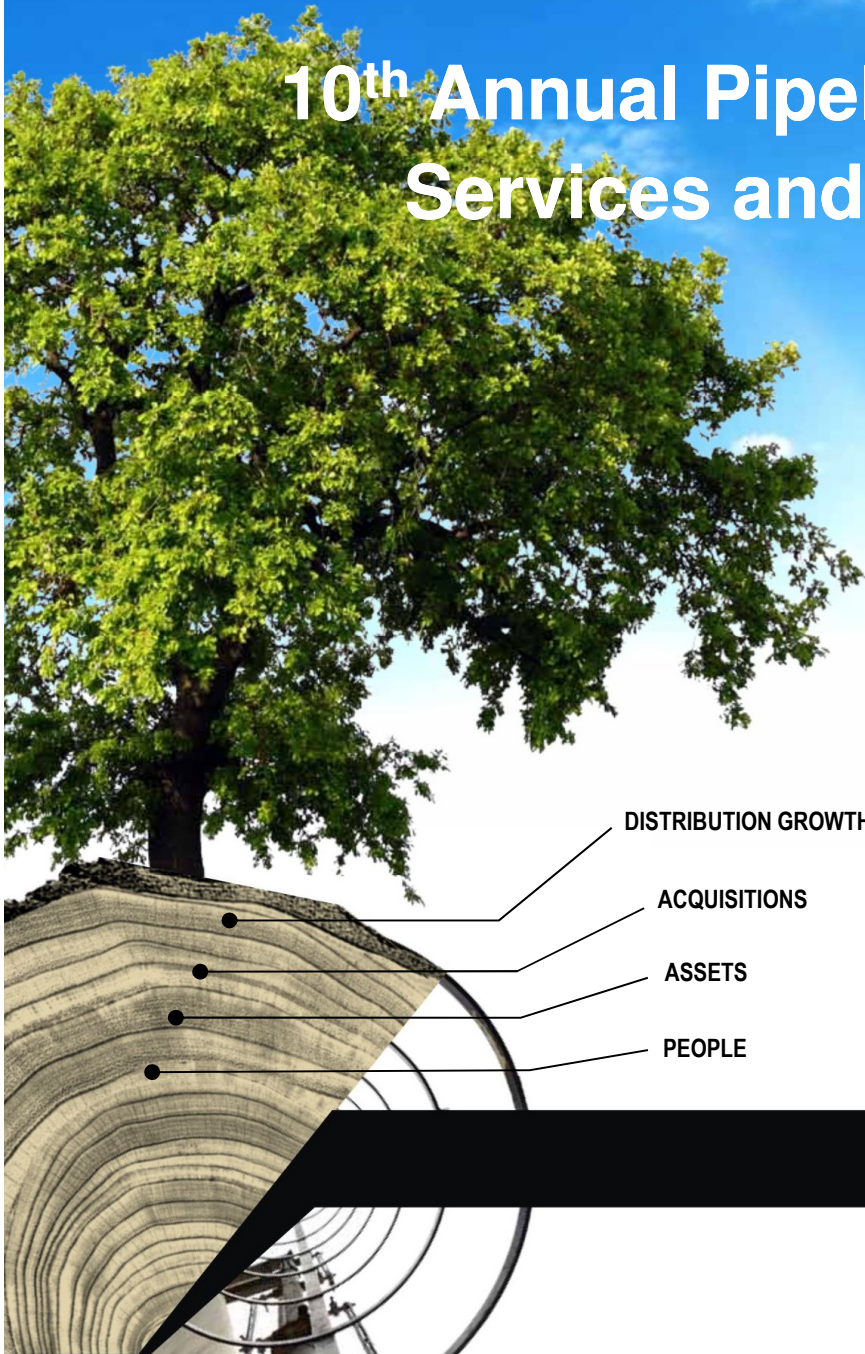
DISTRIBUTION GROWTH

ACQUISITIONS

ASSETS

PEOPLE

*The power of* **STABILITY** *and*  
**GROWTH**



# Forward-Looking Statements

*Statements made in these presentation slides and by representatives of Linn Energy, LLC during the course of this presentation that are not historical facts are forward-looking statements. These statements are based on certain assumptions and expectations made by the Company which reflect management's experience, estimates and perception of historical trends, current conditions, anticipated future developments, potential for reserves and drilling, completion of current and future acquisitions, future distributions, future growth, benefits of acquisitions, future competitive position and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or anticipated in the forward-looking statements. These include risks relating to financial performance and results, our indebtedness under our credit facility and Senior Notes, access to capital markets, availability of sufficient cash flow to pay distributions and execute our business plan, prices and demand for natural gas, oil and natural gas liquids, our ability to replace reserves and efficiently develop our current reserves, our ability to make acquisitions on economically acceptable terms, regulation, availability of connections and equipment and other important factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. See "Risk Factors" in the Company's 2010 Annual Report on Form 10-K and any other public filings. Linn Energy undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information or future events. The market data in this presentation has been prepared as of November 4, 2011, unless otherwise noted.*



The power of **STABILITY** and  
**GROWTH**

***LINN Energy's mission is to acquire, develop  
and maximize cash flow from a growing portfolio  
of long-life oil and natural gas assets.***

# LINN Overview

## ➤ Top 10 largest public MLP/LLC and top 20 largest domestic independent oil & natural gas company<sup>(1)</sup>

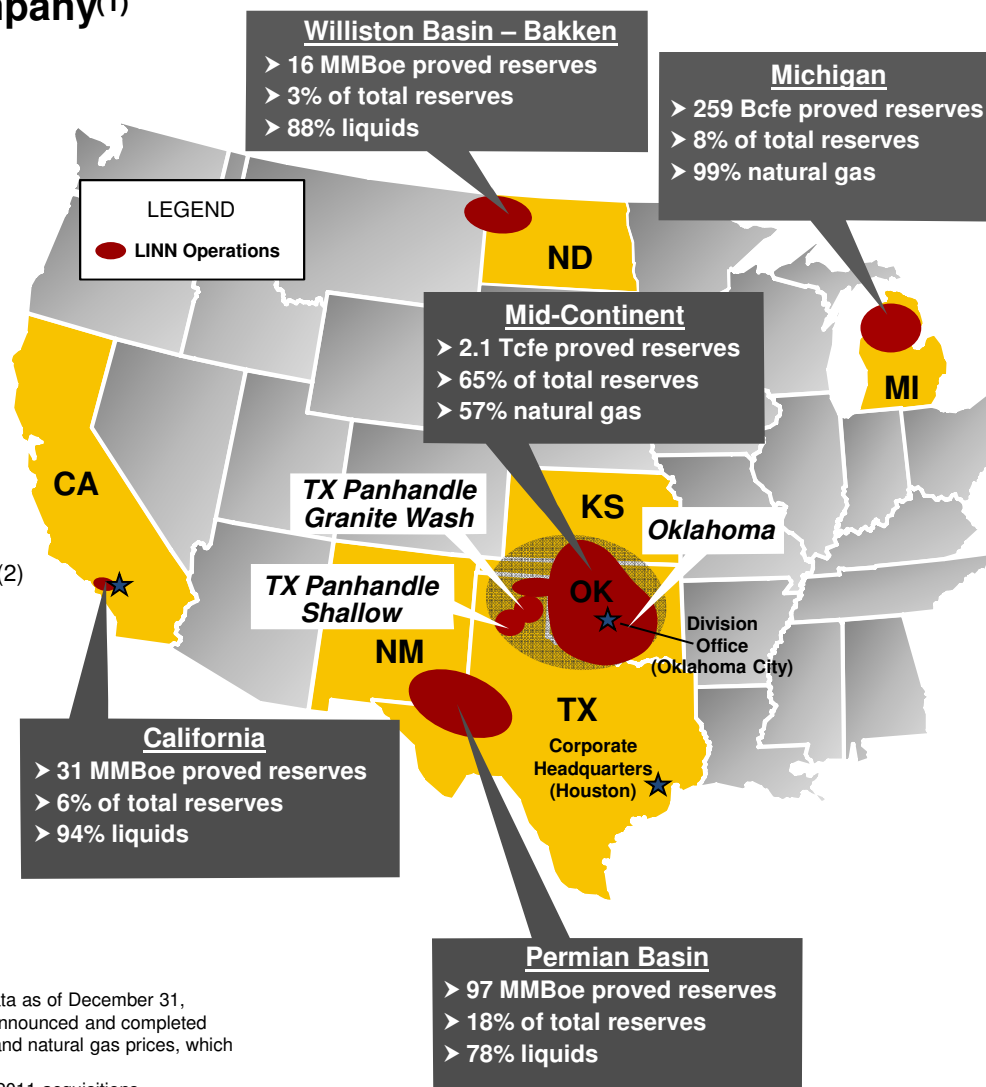
- Founded in 2003, IPO in 2006 (NASDAQ: LINE)
- Equity market cap \$6.6 billion  
Total net debt \$3.8 billion  
**Enterprise value \$10.4 billion**

## ➤ Large, long-life diversified reserve base

- ~3.2 Tcfe total proved reserves
- 58% proved developed
- 50% oil and NGLs / 50% natural gas
- >19 year reserve-life index
- >12,000 gross productive oil and natural gas wells<sup>(2)</sup>

## ➤ Large inventory of low risk and liquids rich development opportunities

- Granite Wash – ~400 horizontal locations
- Wolfberry – ~400 locations
- Bakken – ~800 horizontal locations<sup>(3)</sup>
- Cleveland – ~165 horizontal locations



Note: Market data as of November 4, 2011 (LINE closing price of \$37.08). All operational and reserve data as of December 31, 2010, pro forma for announced and completed 2011 acquisitions. Estimates of proved reserves for announced and completed 2011 acquisitions were calculated as of the effective dates of the acquisitions using forward strip oil and natural gas prices, which differ from estimates calculated in accordance with SEC rules and regulations.

- (1) Based on enterprise values as of November 4, 2011. LINN pro forma for announced and completed 2011 acquisitions.  
 (2) Well count does not include ~2,700 royalty interest wells.  
 (3) Average working interest of ~10%.

# MLP and Independent E&P Rankings

- LINN is quickly becoming one of the largest MLP and independent E&P companies

Rank	Master Limited Partnership	Enterprise Value (\$MM)	Rank	Independent E&Ps	Enterprise Value (\$MM)
1	Enterprise Products	\$52,877	1	Occidental Petroleum	\$81,094
2	Kinder Morgan	38,655	2	Anadarko Petroleum	51,400
3	Williams Partners	23,858	3	Apache Corp	45,086
4	Energy Transfer	18,112	4	El Paso	36,595
5	Plains All American	15,530	5	EOG Resources	31,178
6	ONEOK	13,962	6	Devon Energy	29,639
7	Enbridge Energy	13,168	7	Chesapeake Energy	29,567
8	El Paso Pipeline	10,596	8	Encana Corp	23,953
<b>9</b>	<b>LINN Energy</b>	<b>10,366</b>	9	Noble Energy	18,702
10	Magellan Midstream	9,240	10	Southwestern Energy	16,119
11	Boardwalk Pipeline	8,796	11	Pioneer Natural Resources	13,392
12	Buckeye	8,069	12	Range Resources	13,343
13	MarkWest Energy	6,248	13	Continental Resources	12,778
14	NuStar Energy	5,980	14	Concho Resources	12,009
15	Inergy	5,235	15	EQT Resources	11,151
16	Regency Energy	5,228	<b>16</b>	<b>LINN Energy</b>	<b>10,366</b>
17	Sunoco Logistics	5,116	17	Murphy Oil	10,271
18	Cheniere Energy	4,919	18	Cabot Oil & Gas	9,882
19	Targa Resources	4,316	19	Denbury Resources	9,023
20	Teekay LNG	4,083	20	Plains Exploration	8,913
21	Chesapeake Midstream	3,990	21	Newfield Exploration	8,731
22	Natural Resource	3,862	22	QEP Resources	8,418
23	Spectra Energy	3,814	23	Ultra Petroleum	7,395
24	Western Gas Partners	3,795	24	Whiting Petroleum	6,721
25	AmeriGas	3,581	25	SandRidge Energy	6,712

Note: Market data as of November 4, 2011 (LINE closing price of \$37.08). Source: Bloomberg.

# Continued Success in Acquisition Activity

## ➤ Record amount of negotiations during 2010

- Screened 189 opportunities
- Bid 41 for ~\$10.1 billion
- Closed 13 for ~\$1.4 billion

## ➤ 2011 year-to-date activity on-pace for strong results <sup>(1)</sup>

- Screened 122 opportunities
- Bid 31 for ~\$7.5 billion
- Closed or announced 12 for ~\$1.6 billion

## ➤ Year-to-date 2011 combined acquisition characteristics: <sup>(1)</sup>

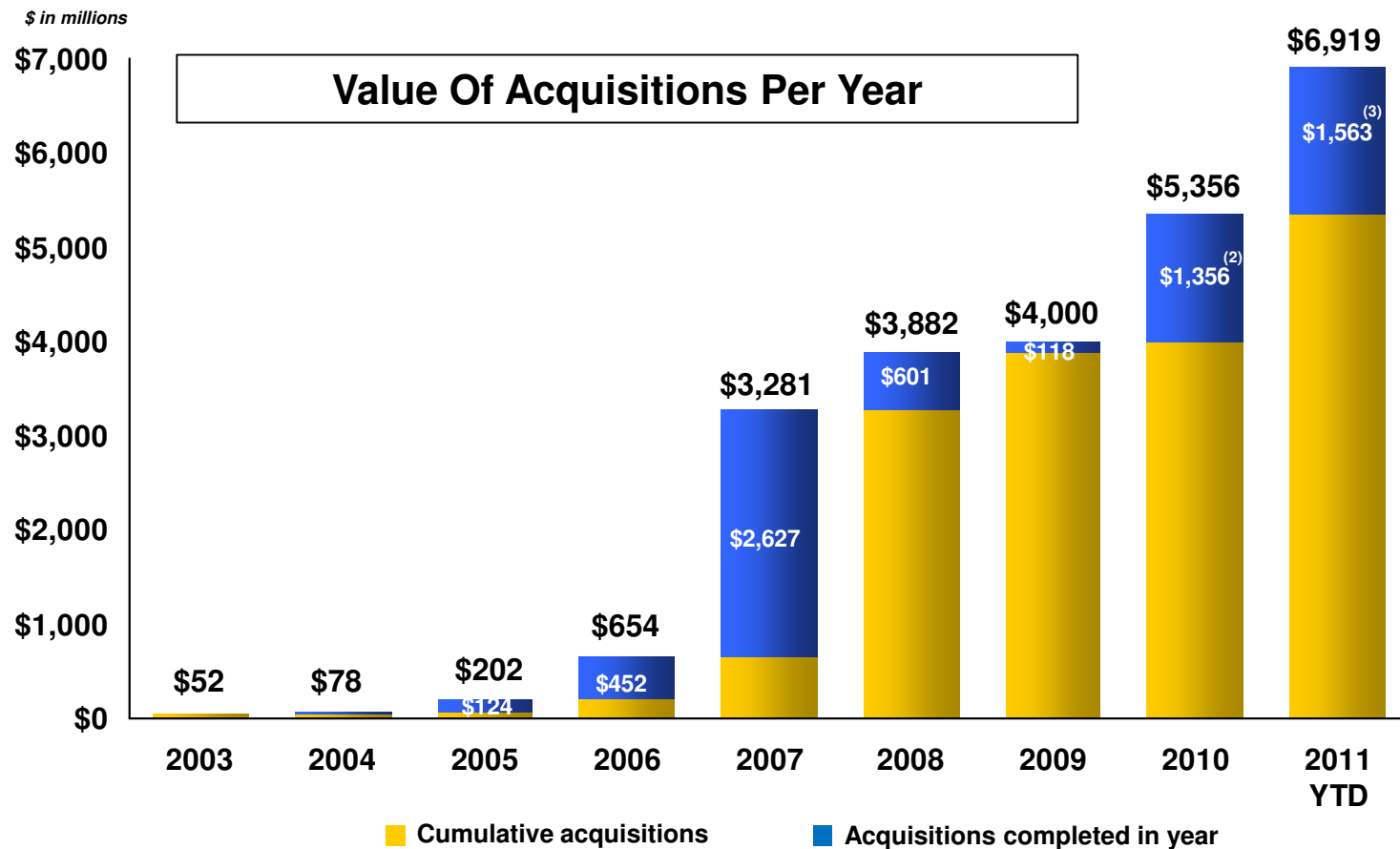
- Net production of ~20,000 Boe/d
- More than 40% liquids
- Proved reserves of ~100 MMBoe
- Potential for significant organic growth

(1) As of November 4, 2011. Includes 2011 announced and completed acquisitions.

# Growth Through Accretive Acquisitions

~\$7 billion in acquisitions completed since the Company's inception

- Includes 50 separate transactions <sup>(1)</sup>



(1) Includes 15 acquisitions comprising the Appalachian Basin properties sold in July 2008.

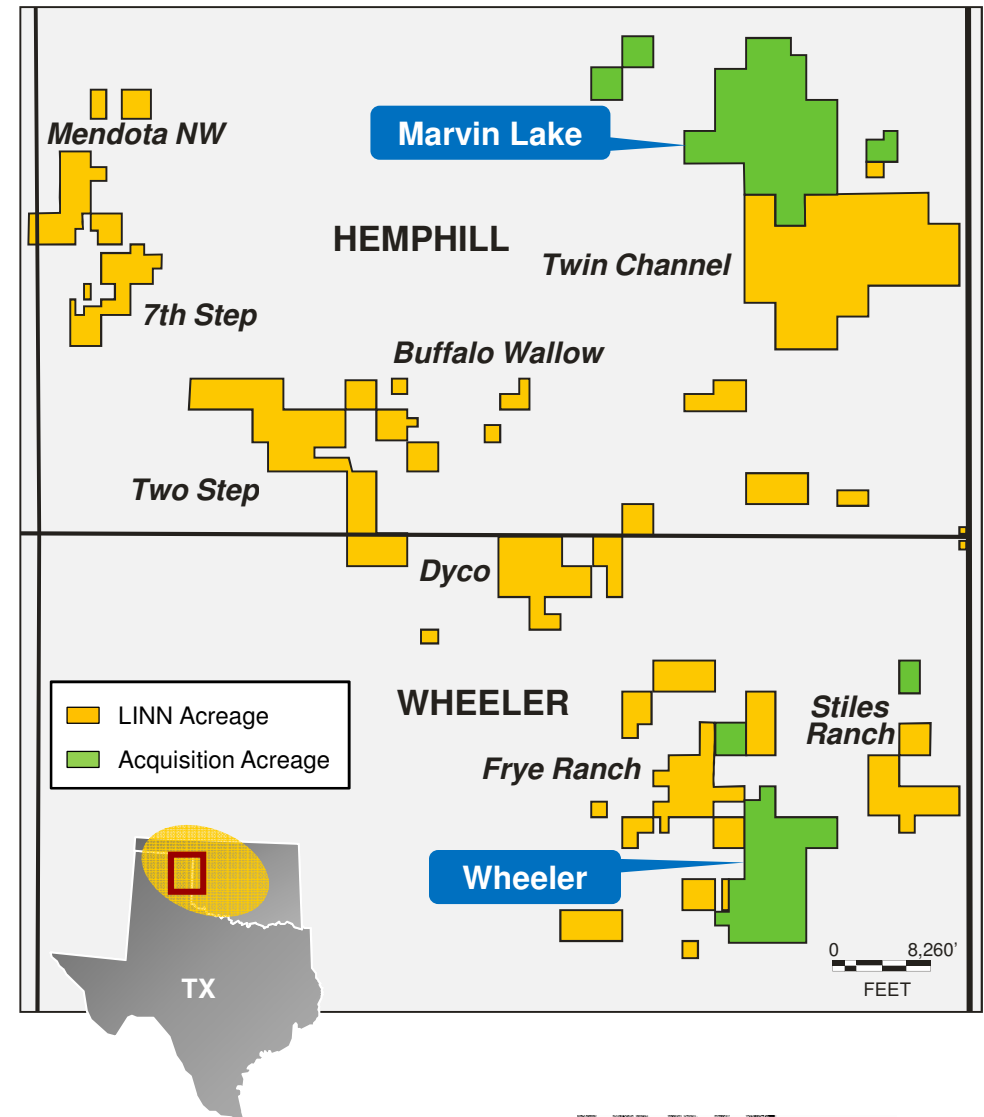
(2) Based on total consideration.

(3) Includes announced acquisitions expected to close before year-end 2011.

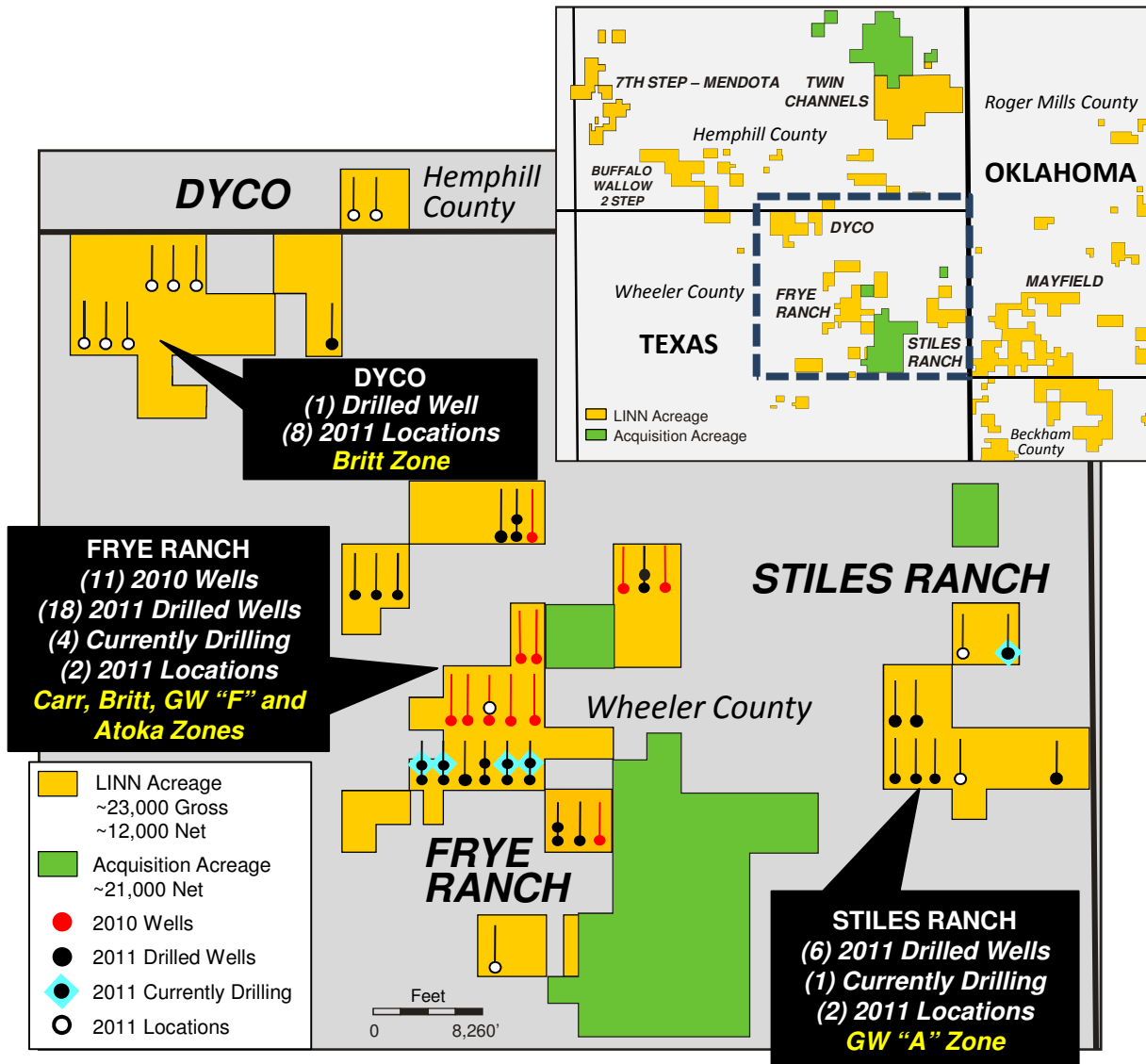
# Texas Panhandle Pending Acquisition

## Acquisition Summary

- \$600 million contract price
- Highly accretive
- Doubles LINN's Granite Wash inventory
  - More than 200 low-risk infill drilling locations
- Increases Granite Wash production by 75%
  - Net production of approximately 80 MMcfe/d
  - High-margin natural gas with high Btu content
- Plains Exploration & Production estimated proved reserves at Dec. 31, 2010 were 263 Bcfe (approximately 90% natural gas)
- LINN estimates proved reserves will be significantly higher at year-end 2011
- Approximately 20,000 Granite Wash net acres (~75,000 net acres outside of Granite Wash)



# Granite Wash – Operated Horizontal Drilling Activity (Greater Stiles Ranch)



- Over 400 horizontal locations, including 200 from recently announced acquisition
- 32 operated wells drilled to date
- EURs: ~9 Bcfe
- Aggregate rate of returns: >100%

Well Status	Operated	Non-Operated
Producing	32	28
Drilling	5	2
Waiting on Completion	2	0
Completing	<u>2</u>	<u>0</u>
<b>Total</b>	<b>41</b>	<b>30</b>

Note: Well data as of 11/10/2011.

# Organic Growth is a “Game Changer”

## ➤ Significant potential for rapid organic growth

### ▪ Horizontal Granite Wash

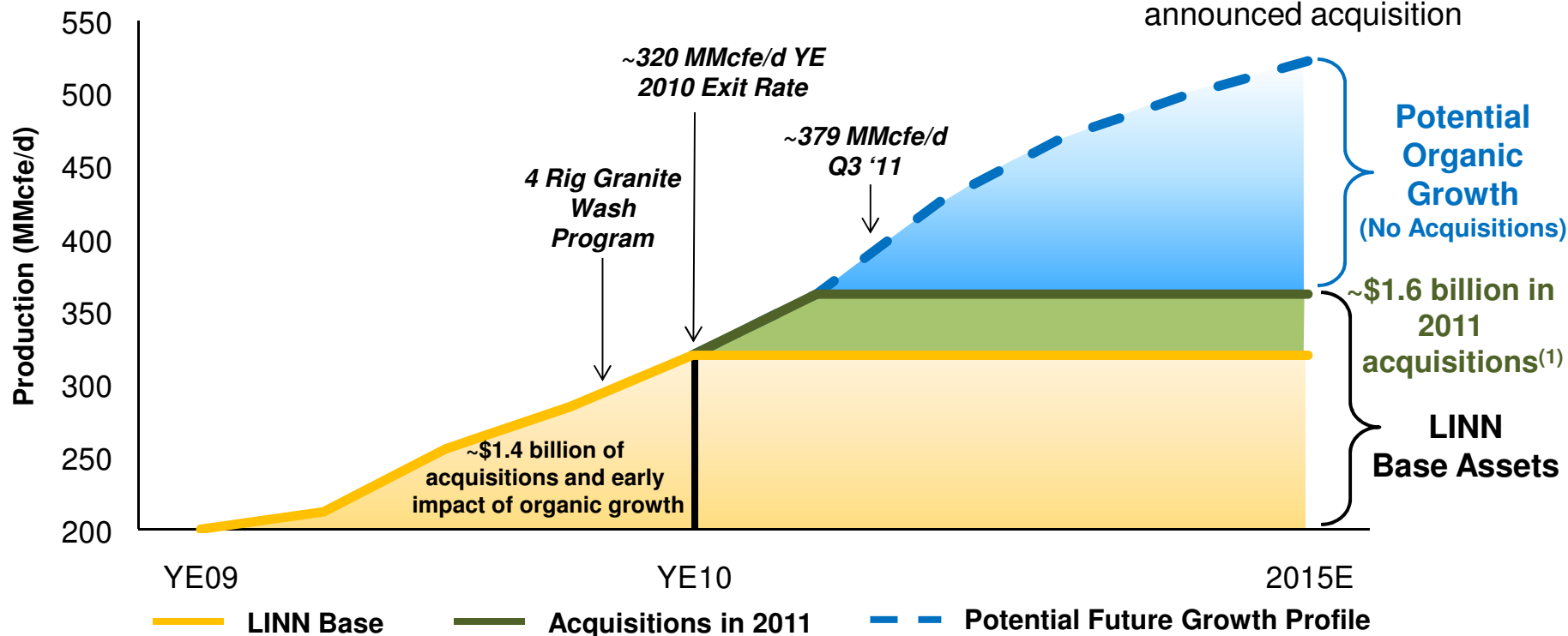
- 35 wells planned in 2011
- 5 rigs active in 2011
- >5 year drilling inventory
- >200 high potential low-risk locations (TX)

### ▪ Permian Basin (Wolfberry)

- >130 wells planned in 2011
- 5+ rigs active during 2011
- 4 year drilling inventory
- ~400 future drilling locations

### ▪ Additional organic growth not included

- Bakken – Williston Basin
- Cleveland play
- >200 horizontal Granite Wash locations from recently announced acquisition



(1) Includes 2011 announced and completed acquisitions. Acquisition production profile excludes impact of recently announced PXP acquisition.

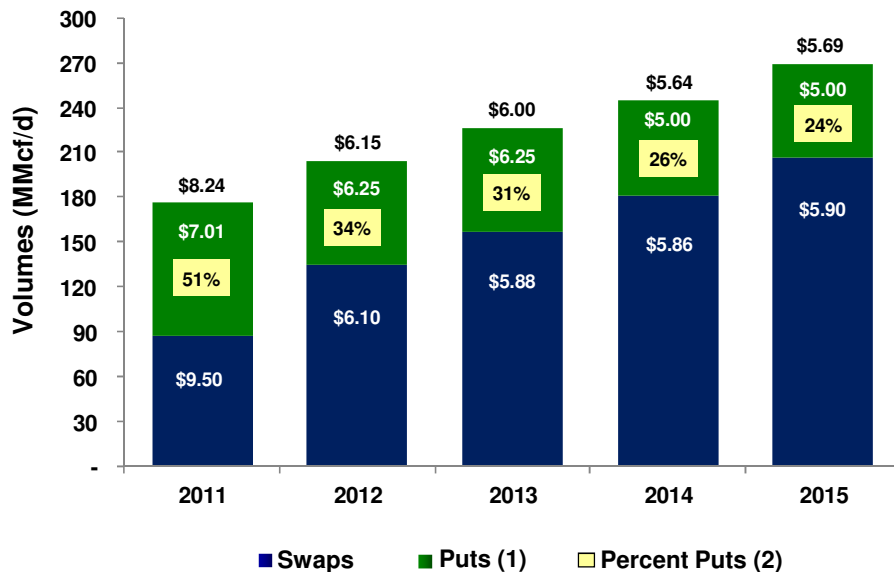
# Significant Hedge Position

- LINN is hedged ~100% on expected natural gas production through 2015 and ~100% on expected oil production through 2013 and ~80% in 2014 and 2015
- In September, unwound 2016 positions, increased swap prices for 2012, and raised strike for 2012-2013 oil puts to \$90

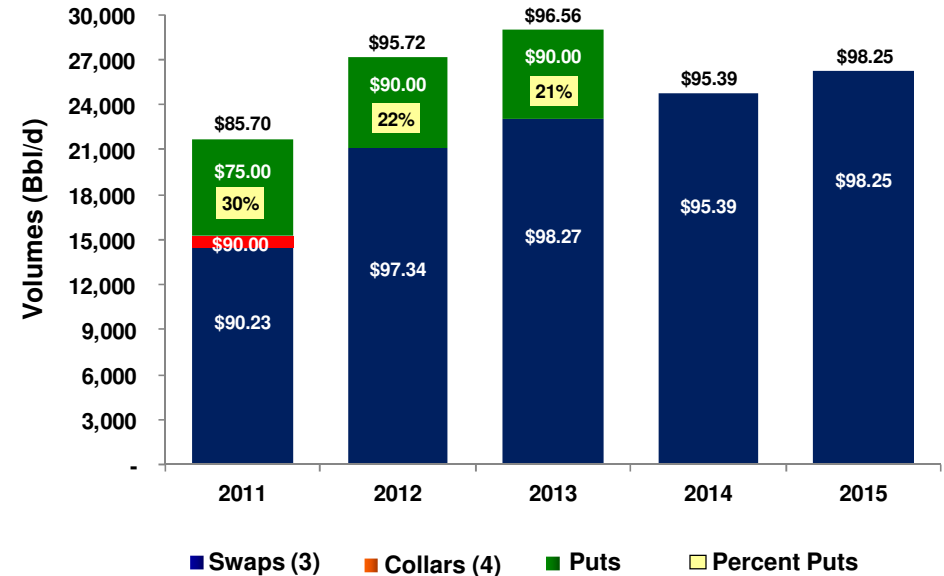
## Natural Gas Positions

## Oil Positions

- Puts provide upside on hedged volumes



- Puts and collars provide upside on hedged volumes



Note: Includes full-year 2011 – 2015 hedging positions as of September 30, 2011.

(1) Natural gas positions include puts which settle on the Panhandle Eastern Pipeline Index (PEPI) to hedge basis differential associated with natural gas production in the Mid-Continent.

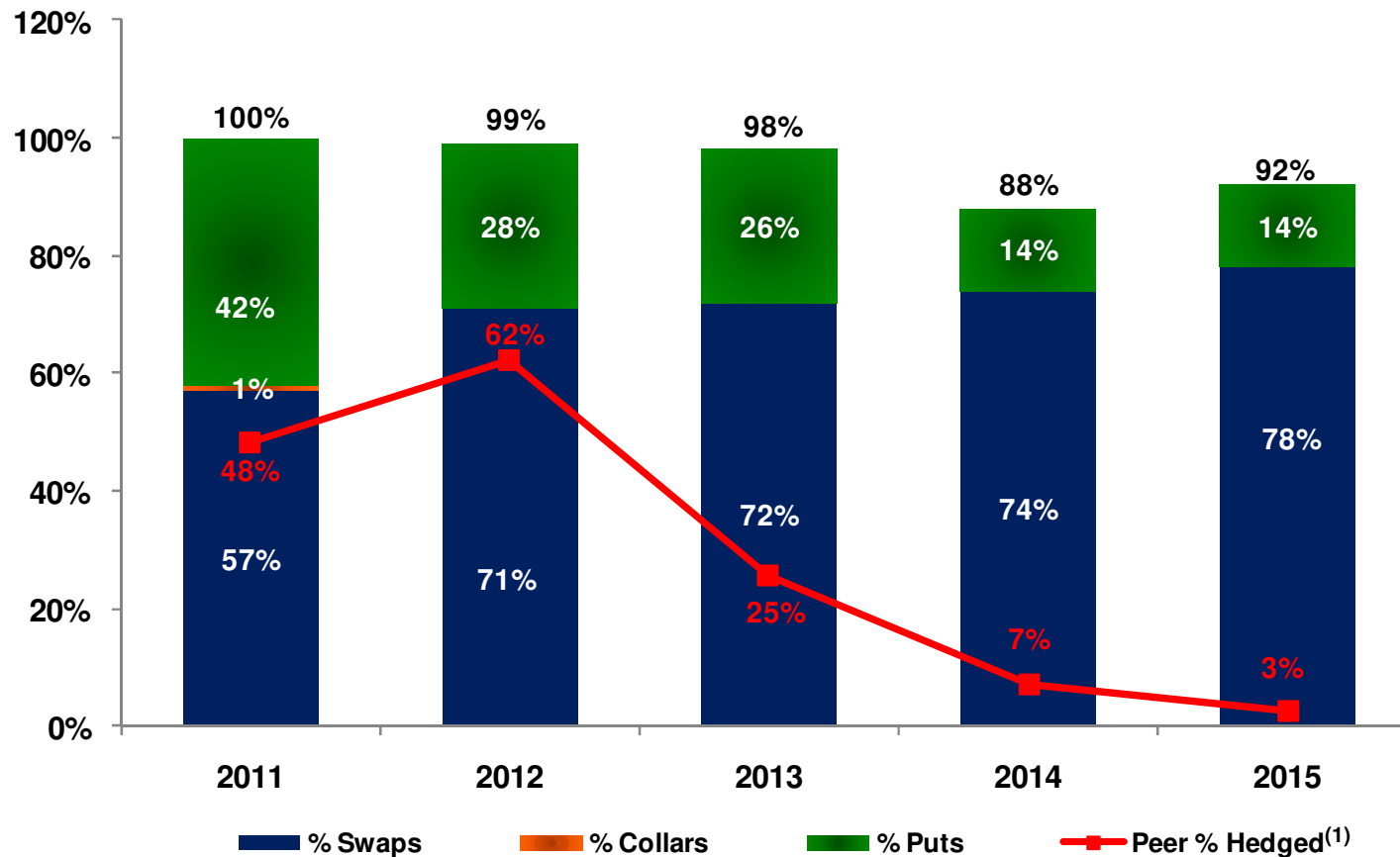
(2) Calculated as percentage of hedged volumes in the form of puts.

(3) As presented in the table above, the Company has 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 2016, 2017 and 2018 if the counterparties determine that the strike prices are in-the-money on a designated date in each respective preceding year. The extension for each year is exercisable without respect to the other years.

(4) Includes collars with floor / ceiling prices of \$90.00 / \$112.25 on 276 MBbls of oil for FY 2011.

# Significant Hedge Position (Equivalent Basis)

- LINN's cash flow is notably more protected from oil and natural gas price uncertainty than its C-Corp peers

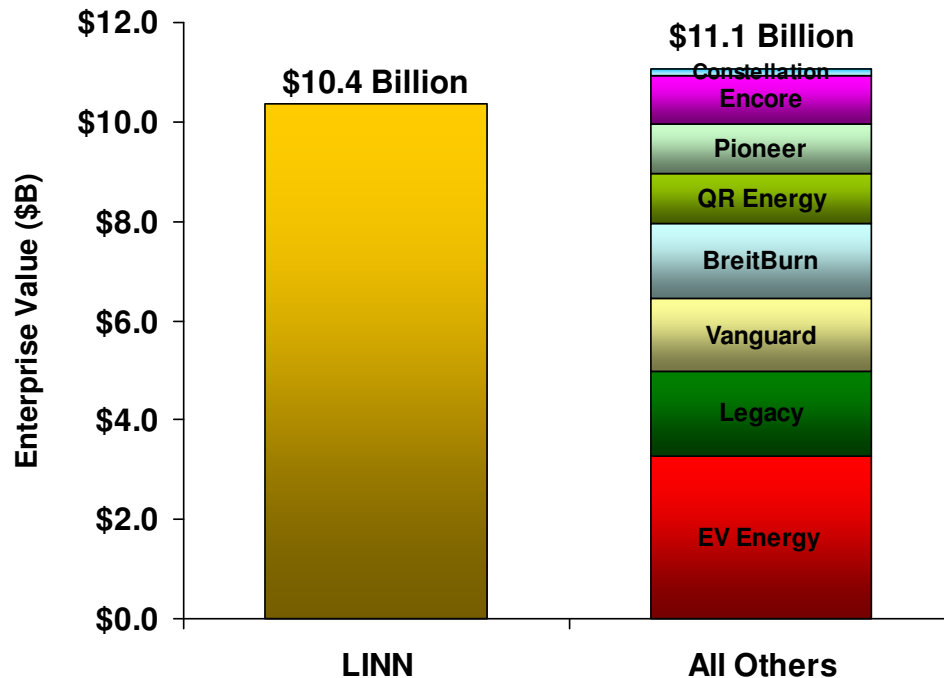


Note: LINN's production is based on internal estimates, pro forma for completed 2011 acquisitions. Includes hedge positions as of September 30, 2011.

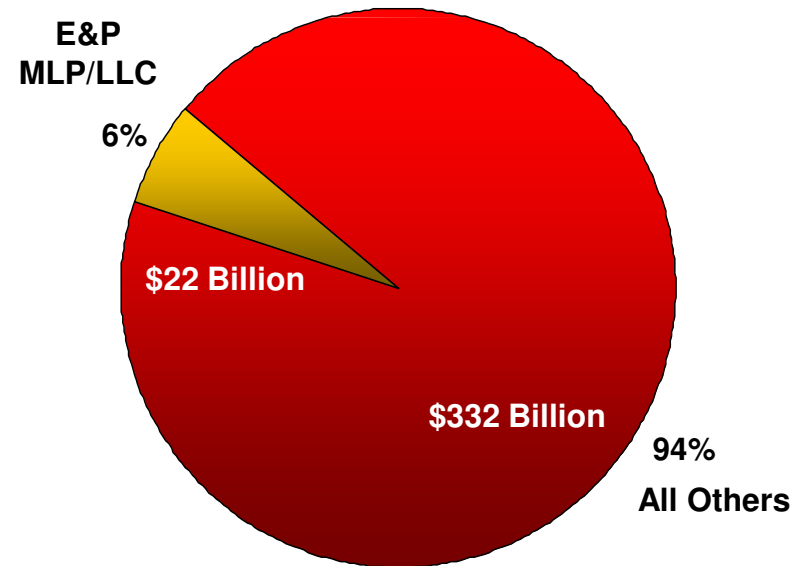
(1) 2011E Peer Group production per Wall Street research. Hedge data based on publicly available data. Peers include: CLR, FST, XEC, KWK, NFX, PXD, PXP, RRC, SWN and WLL.

# Size Advantage in E&P MLP/LLC Market

- LINN has a significant size advantage in the E&P MLP/LLC market
  - Greater access to capital markets
  - Ability to complete larger transactions
- E&P market presents significantly more acquisition opportunities than rest of MLP market
- E&P Sector has lots of room to grow; \$22 billion vs. total of all other sectors of \$332 billion



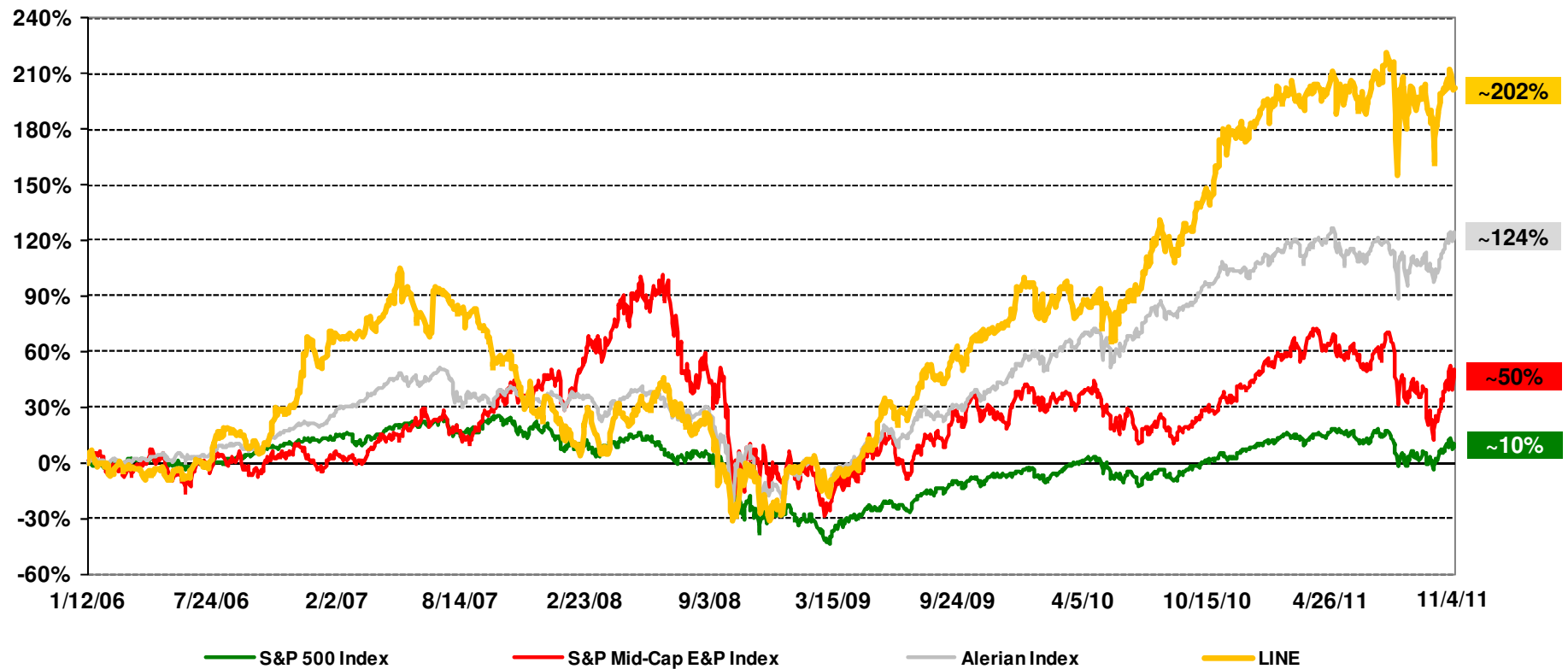
## MLP/LLC Total EV: \$354 Billion



Note: Market data as of November 4, 2011 (LINE closing price of \$37.08). Source: Bloomberg. Data excludes LRR Energy, LP (ticker: LRE) which made an initial public offering on November 11, 2011.

# LINN Historical Return

LINN Total Return and Stock Price Appreciation (LINE IPO – Present of ~202%)

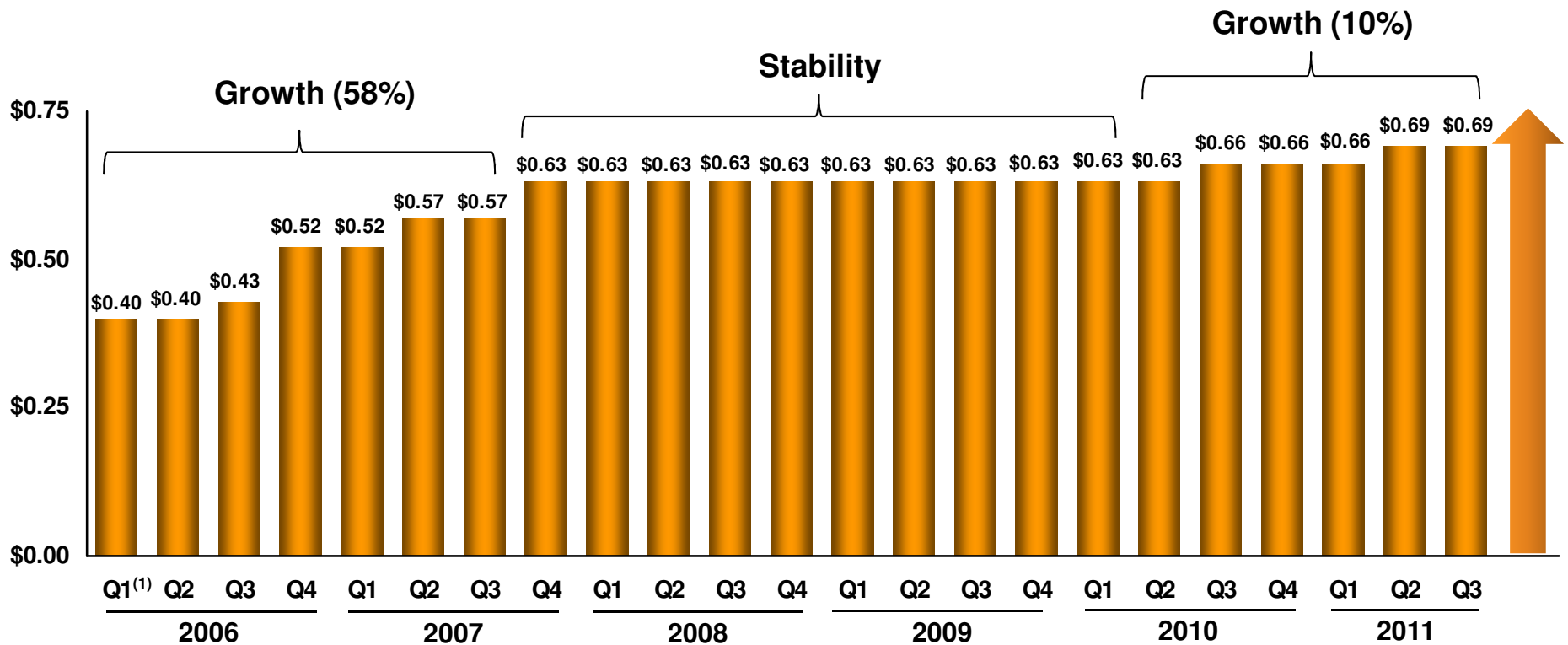


Note: Market data as of November 4, 2011 (LINE closing price of \$37.08) Source: Bloomberg.

# Distribution Stability and Growth

- 73% increase in quarterly distribution since IPO
- Distribution stability maintained through difficult market conditions (i.e. 2008)

## Distribution History

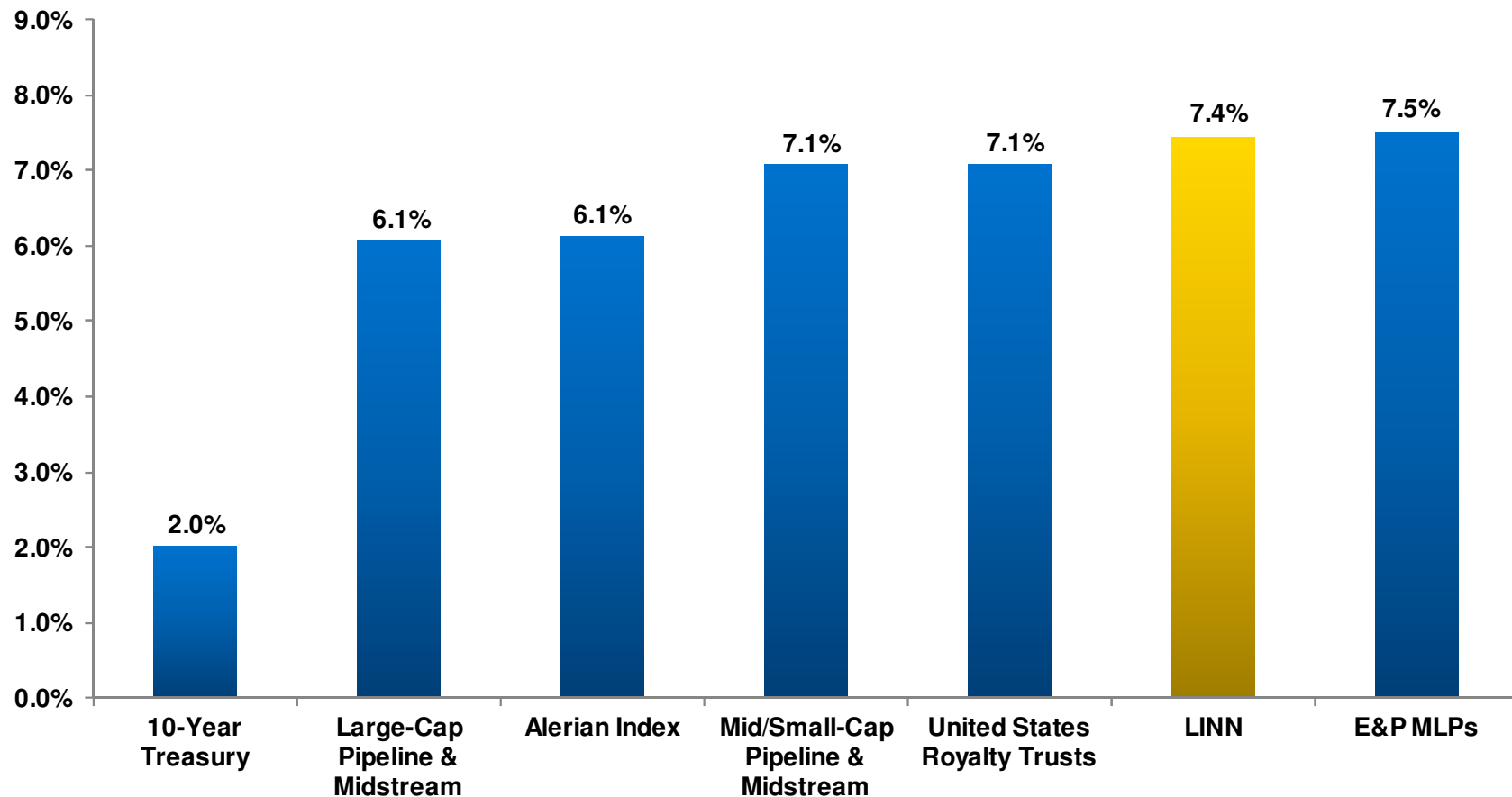


(1) The Q1 2006 distribution, adjusted for the partial period from the Company's closing of the IPO on January 19, 2006 through March 31, 2006, equates to \$0.32 per unit.

# Attractive Valuation

- LINN represents an attractive value relative to other yield segments

## Current Yields By Sector



Note: Market data as of November 4, 2011 (LINE closing price of \$37.08). Source: Bloomberg.

# Stability and Growth

## Stable Distributions

- **High quality asset base**
  - Multi-year inventory of liquids rich development opportunities
  - 50% liquids
  - Long-life reserves (>19 years)
  - Diversified asset base (5 core areas / 12,000 producing wells)
- **Drilling**
  - Organic growth of ~30% is among the highest in both the E&P and MLP markets
- **Reduced commodity risk; extensive hedge positions**

## Distribution Growth Drivers

- **Acquisitions**
  - Excellent acquisition track record (50 transactions for ~\$7 billion)
  - ~\$1.4 billion<sup>(1)</sup> of acquisitions completed in 2010
  - ~\$1.6 billion of acquisitions announced YTD 2011

## Financial Strength

- **Strong liquidity; >\$1.4 billion available capacity on credit facility & \$10 million of cash<sup>(2)</sup>**
- **First in class access to capital; including low cost of equity capital**
- **~100% of debt is long-term<sup>(2)</sup>**
- **Excellent credit metrics / conservative financial policy**

Note: All operational and reserve data as of December 31, 2010, pro forma for announced and completed 2011 acquisitions, Estimates of proved reserves for announced and completed 2011 acquisitions were calculated as of the effective dates of the acquisitions using forward strip oil and natural gas prices, which differ from estimates calculated in accordance with SEC rules and regulations.

(1) Based on total consideration.

(2) As of September 30, 2011, and does not reflect borrowings made subsequent to September 30, 2011.



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# Appendix

# Recent Highlights

## 3rd Quarter Highlights

- Average daily production of 379 MMcfe/d, an increase of more than 30 percent over third quarter 2010
- Adjusted EBITDA of \$243 million; an increase of more than 30 percent over third quarter 2010
- Took advantage of recent market volatility and purchased 400,000 units in the open market at an average price of \$32.98 per unit
- Strengthened 2012 and 2013 commodity hedge portfolio by increasing oil and natural gas swap prices and oil put prices
- Strong liquidity position of more than \$1.4 billion as of Sept. 30, 2011<sup>(1)</sup>

## Other Developments

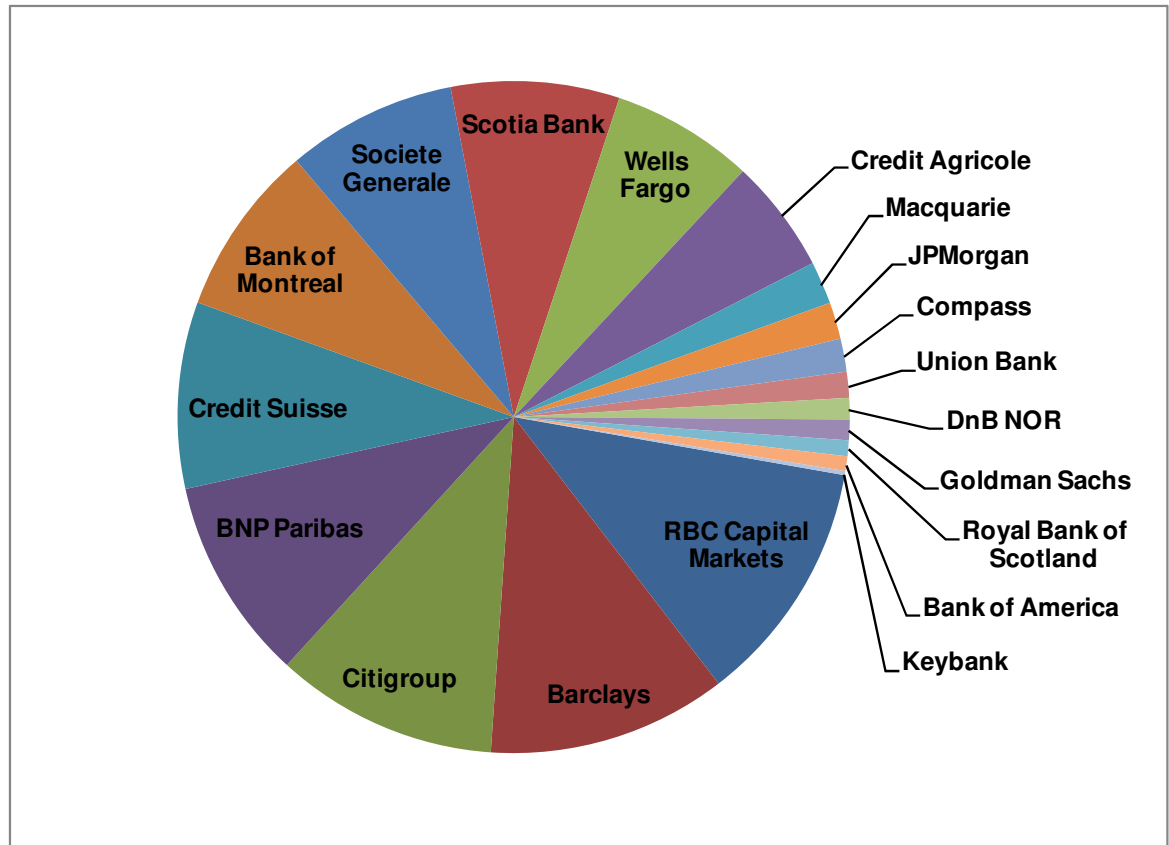
- Signed purchase agreements for two bolt-on acquisitions in the Permian Basin for a combined price of \$105 million
- Signed purchase agreement for assets located primarily in the Granite Wash for \$600 million
  - Doubles the company's inventory of horizontal drilling locations in the area

(1) As of September 30, 2011, and does not reflect borrowings made subsequent to September 30, 2011.

# Hedging Counterparty Diversification

- 20+ counterparties
- No significant concentration

<u>Counterparty</u>	<u>Percent of Outstanding Value Held</u>
RBC Capital Markets	12%
Barclays	11%
Citigroup	11%
BNP Paribas	10%
Credit Suisse	9%
Bank of Montreal	8%
Societe Generale	8%
Scotia Bank	8%
Wells Fargo	7%
Credit Agricole	5%
Macquarie	2%
JPMorgan	2%
Compass	2%
Union Bank	1%
DnB NOR	1%
Goldman Sachs	1%
Royal Bank of Scotland	1%
Bank of America	1%
Keybank	0%

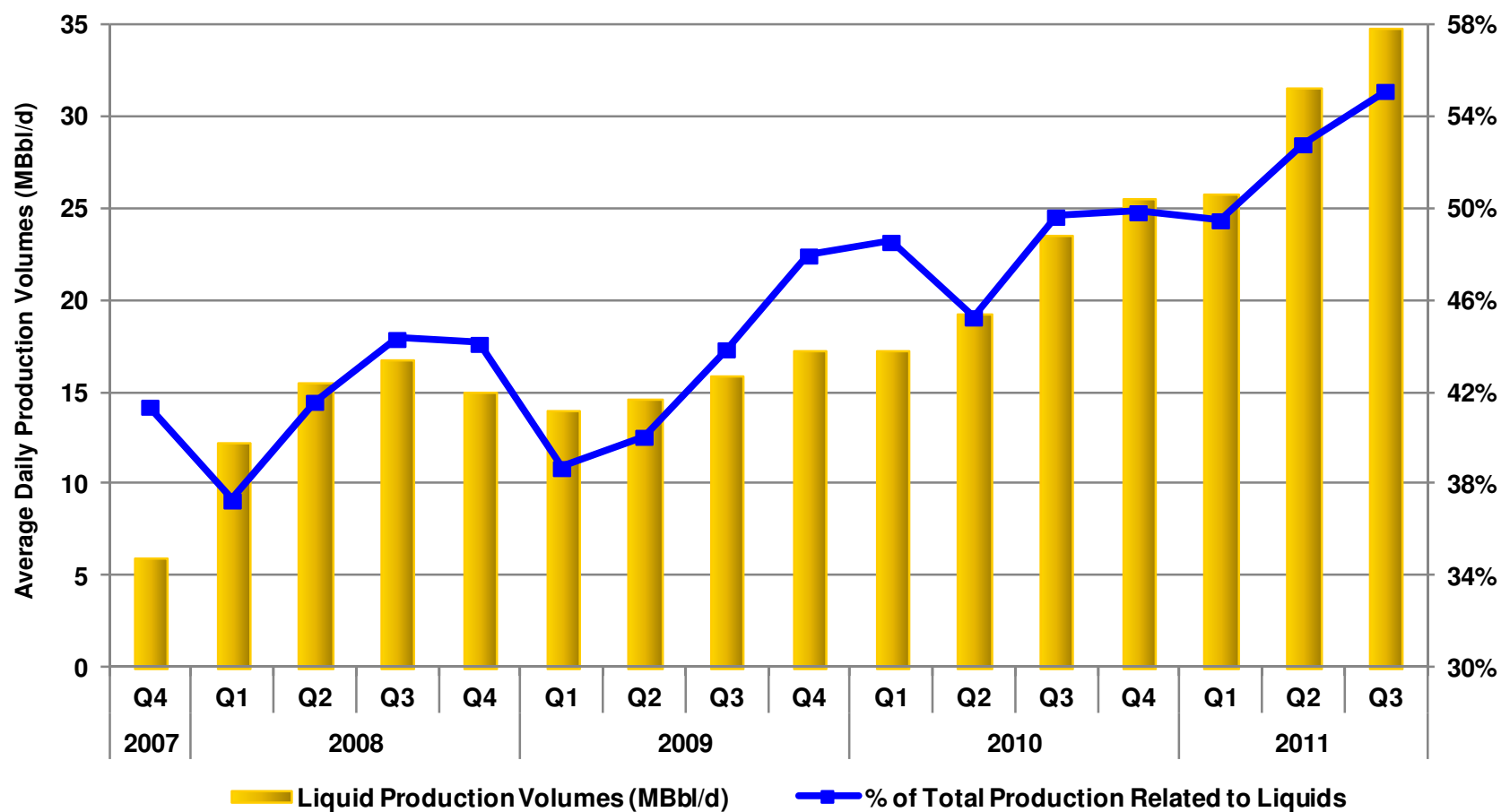


Note: BNP Paribas value is net of Fortis exposure.

# Capturing Robust Margins

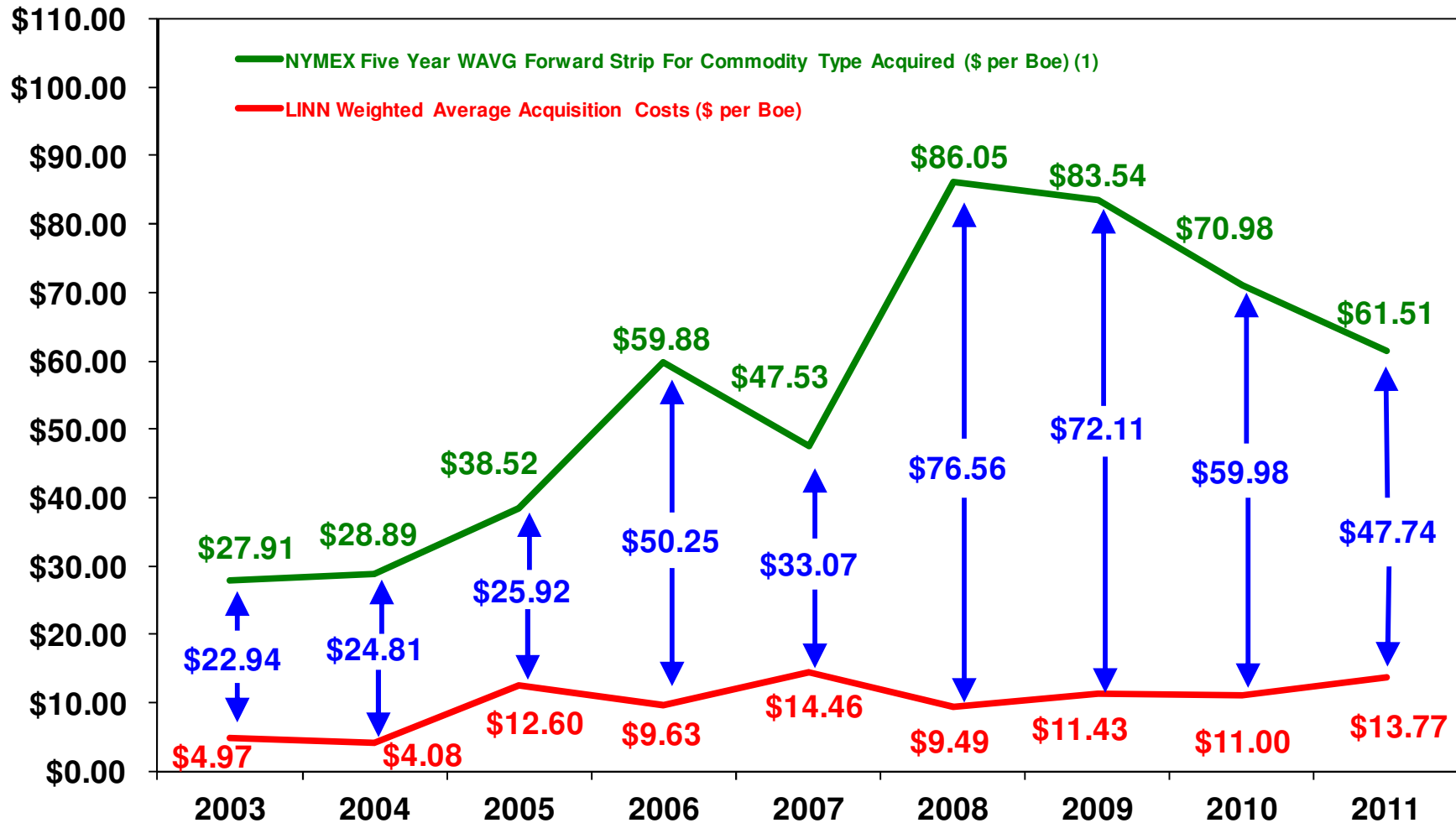
- Accelerating production towards crude oil and NGL volumes allows LINN to realize significantly higher margins

## Growth In Crude Oil and NGL Volumes



# Capturing Margins Is The Name Of The Game

## ➤ Acquisition margins remain strong

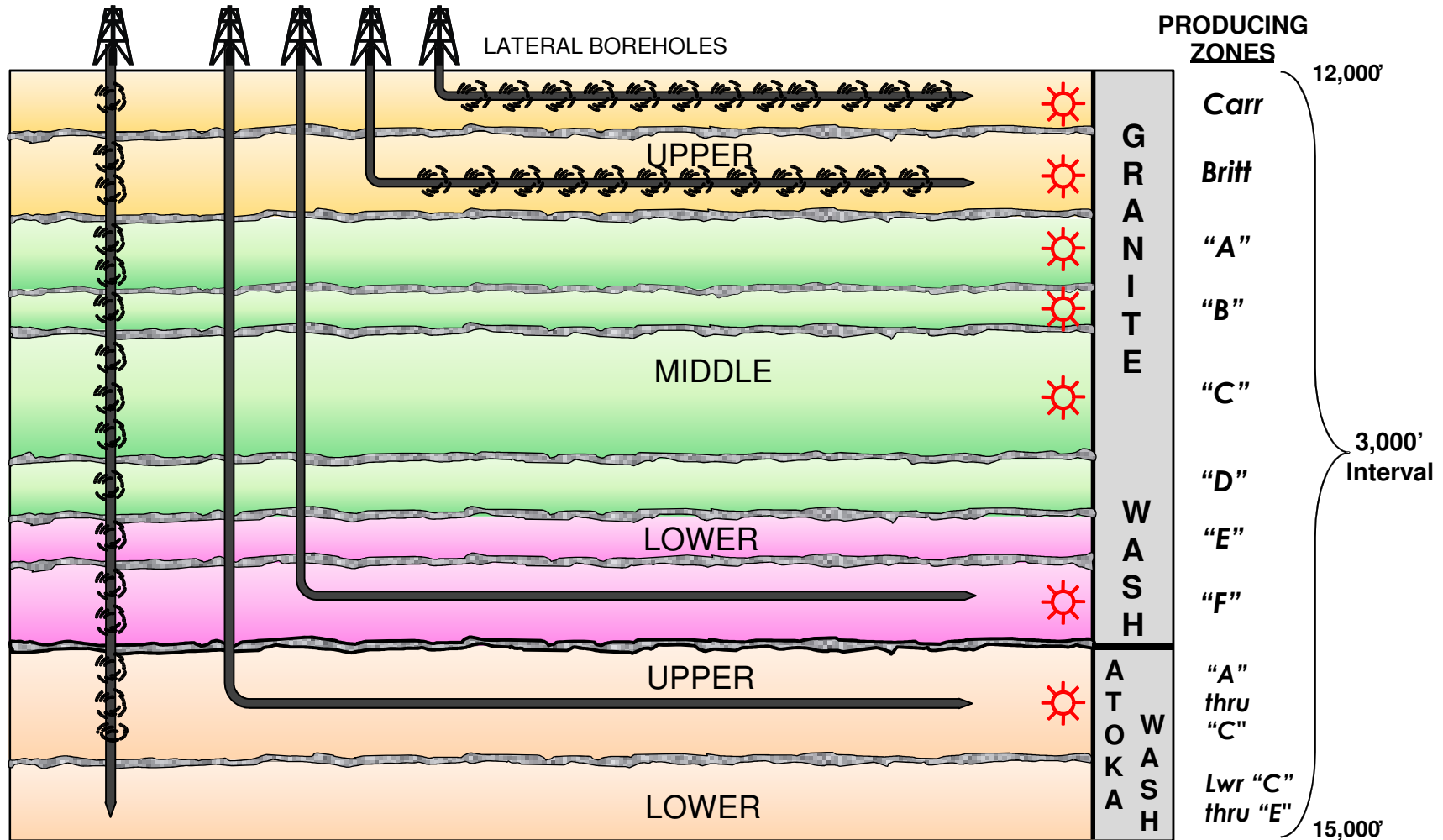


Note: Calculation of margins does not include lifting costs.

(1) Represents weighted average blended five year forward oil and natural gas strip prices as of the closing date of acquisitions announced and completed during the year.

# Granite Wash / Atoka Wash Stratigraphy

- Horizontal drilling has significantly changed well results and returns in the Granite Wash

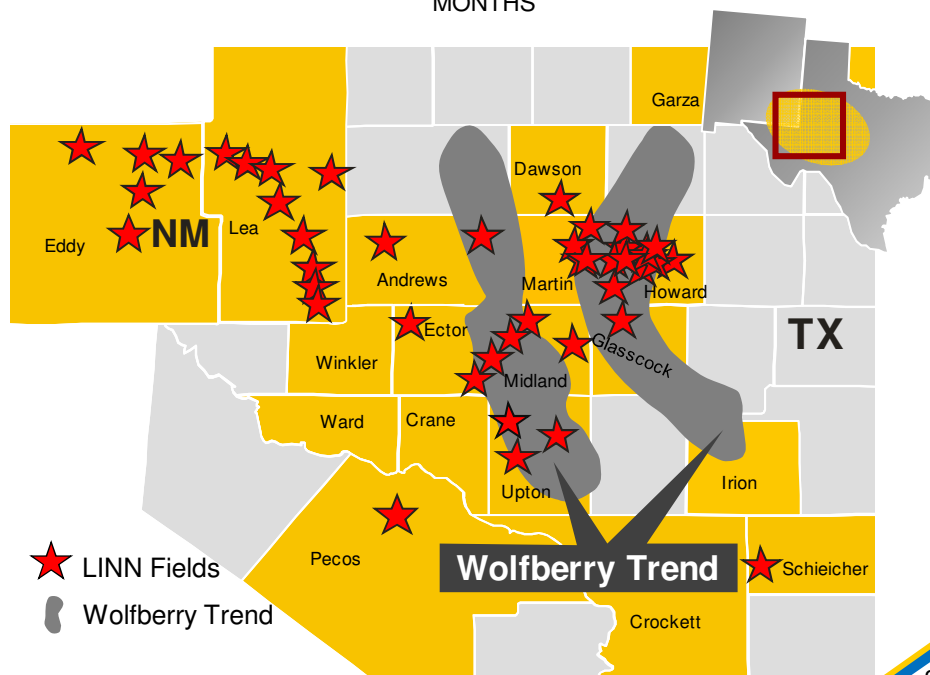
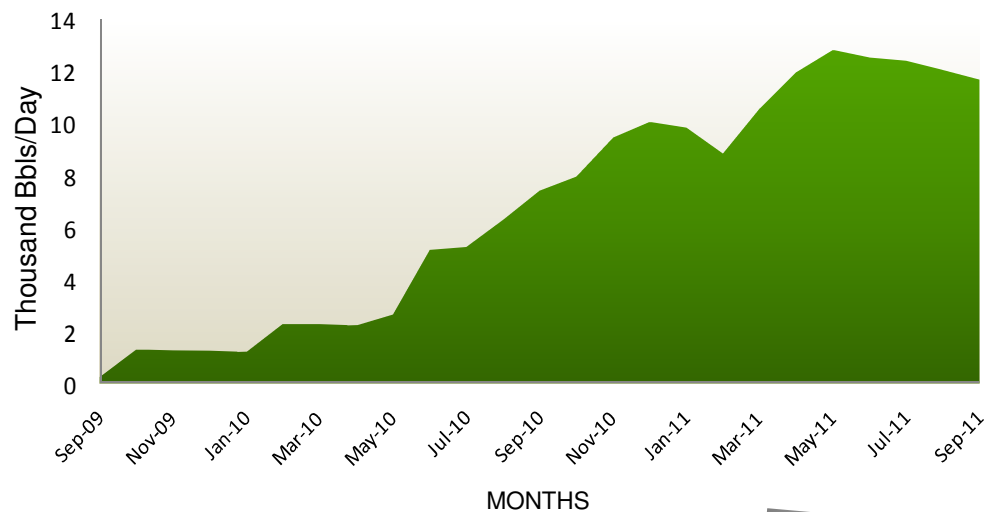


# LINN in the Permian Basin

- **Strategic entry in 2009**
- **Long-life, low-risk reserves**
  - 97 MMBoe proved reserves
  - 78% liquids (~43% proved developed)
  - Production ~12,500 Boe/d<sup>(1)</sup>
  - Reserve life >20 years
- **Growth opportunities**
  - ~700 proved low-risk infill-drilling and optimization opportunities
  - Bolt-on acquisition opportunities
- **Recent activity and average results**
  - IP rates: ~120 Boed
  - EURs: ~150 MBoe
  - Rate of returns: ~40%+

Note: All operational and reserve data as of December 31, 2010, pro forma for completed 2011 acquisitions. Estimates of proved reserves for completed 2011 acquisitions were calculated as of the effective dates of the acquisitions using forward strip oil and natural gas prices, which differ from estimates calculated in accordance with SEC rules and regulations.  
 (1) Average production rate during Q3 2011.

**Permian Production Growth**



# Williston Basin – Bakken Play

## ➤ Strategic entry into premier oil basin in 2011

- Non-operated position with high quality operators
- Offers high rates of return
- Significant growth potential
- Additional consolidation opportunities

## ➤ Current position

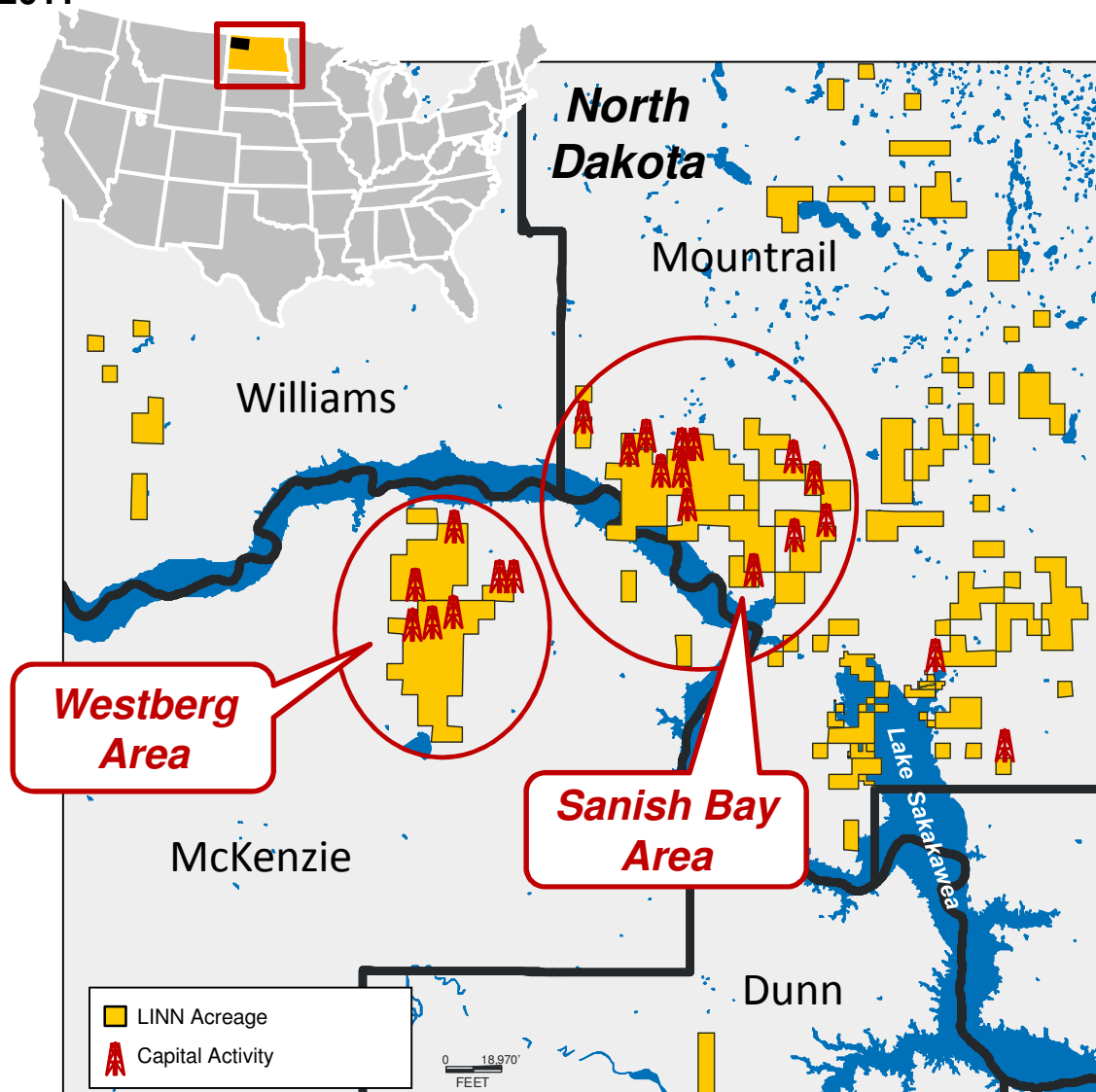
- ~16 MMBoe proved reserves
- ~2,700 Boe/d of current production<sup>(1)</sup>
- ~17,000 net acres
- 88% liquids
- 28% proved developed
- >17 year reserve life
- ~10% average working interest

## ➤ Growth opportunities

- ~800 future drilling opportunities

## ➤ Current activity and average results

- On average 8 rigs running
- ~85 wells planned during 2011
- IP rates: ~1,200 Boe/d
- EURs: ~500 MBoe
- Rate of returns: ~75%



Note: Estimates of proved reserves for the completed 2011 acquisitions were calculated as of the effective date of the acquisitions using forward strip oil and natural gas prices, which differ from estimates calculated in accordance with SEC rules and regulations.

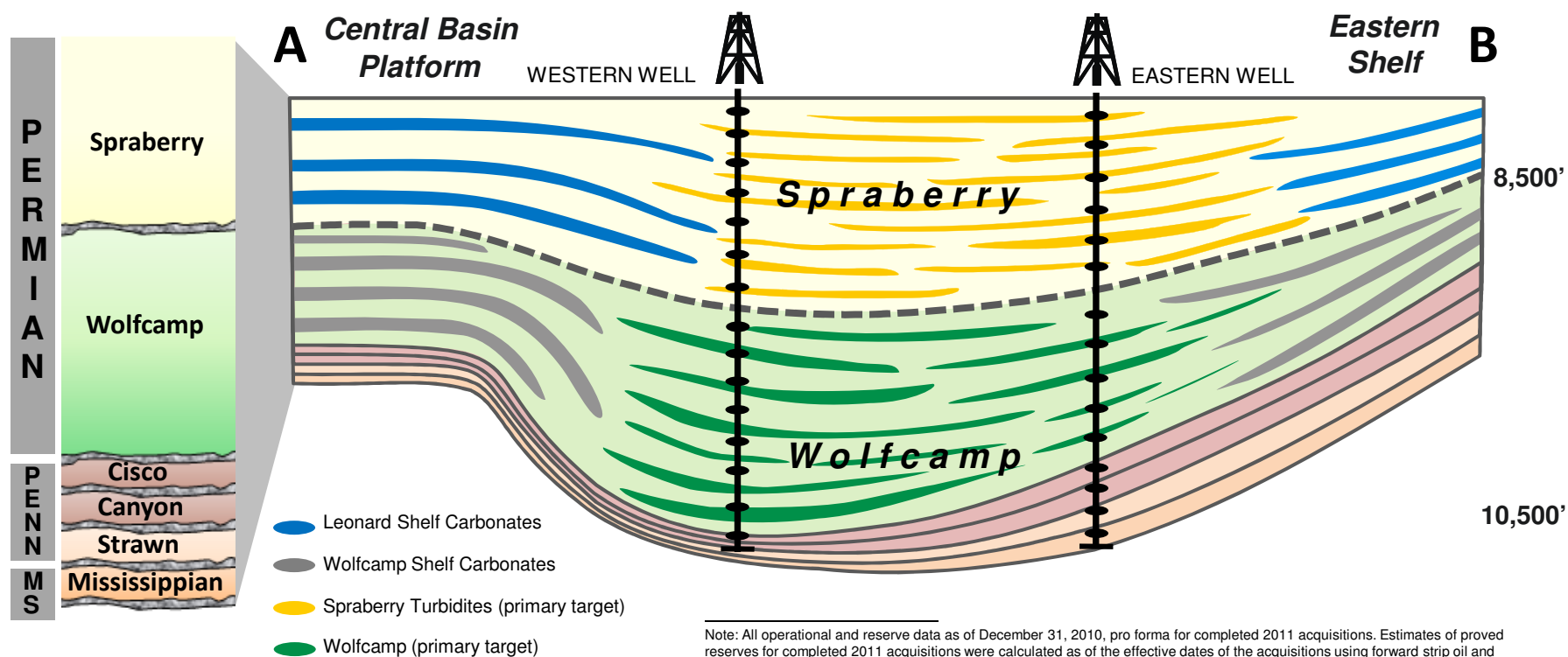
(1) Average production rate as of 3Q 2011.

# Drilling in the Wolfberry

- Vertical well development
- Multi-stage fracture stimulation
- Emerging horizontal well development
- Targeting deeper zones
- Infill potential

## ➤ LINN Activity

- Current net production ~9,000 Boe/d
- EUR's of 100 – 160 MBoe
- 5+ rigs running
- >130 wells in 2011
- ~ 400 future drilling locations
- 50 – 100% rate of return



Note: All operational and reserve data as of December 31, 2010, pro forma for completed 2011 acquisitions. Estimates of proved reserves for completed 2011 acquisitions were calculated as of the effective dates of the acquisitions using forward strip oil and natural gas prices, which differ from estimates calculated in accordance with SEC rules and regulations.

As used herein, “Pro Forma Proved Reserves” represents the sum of (i) the Company’s estimated proved reserves as of December 31, 2010, (ii) the estimated proved reserves acquired in the acquisitions the Company has completed during 2011, (the “2011 Completed acquisitions”), and (iii) the estimated proved reserves to be acquired in the Company’s currently pending acquisition (the “2011 Pending Acquisition”).

The following table sets forth certain information with respect to the Company’s estimated Pro Forma Proved Reserves.

Region	Pro Forma Proved Reserves (Bcfe) <sup>(1)</sup>	% Natural Gas	% Proved Developed
Mid-Continent Deep <sup>(2)</sup> .....	1,413	71%	54%
Mid-Continent Shallow.....	650	24%	68%
California.....	189	6%	94%
Permian Basin.....	573	22%	44%
Michigan.....	259	99%	87%
Williston Basin.....	84	10%	33%
Total.....	3,168	49%	60%

(1) Proved reserves were calculated using the commodity prices set forth below, which represent the unweighted average of the first-day-of-the-month prices for each of the 12-months immediately preceding the reserve report date set forth below. The reserve report date for each of the 2011 Completed Acquisitions is the first day of the month closest to the closing date of such acquisition. The reserve report date for the 2011 Pending Acquisition is the anticipated closing date of such acquisition.

(2) Includes estimated proved reserves associated with the pending Plains acquisition.

Properties	Reserve Report As of Date	Commodity Prices	
		Natural Gas (\$/MMbtu)	Oil (\$/Bbl)
Legacy Oil and Natural Gas Assets .....	12/31/2010	4.38	79.29
<b>2011 Acquisitions:</b>			
Permian 1 Acquisition (closed).....	04/01/2011	4.10	83.17
Concho Acquisition (closed).....	04/01/2011	4.10	83.17
Permian 2 Acquisition (closed).....	04/01/2011	4.10	83.17
Williston 2 Acquisition (closed) .....	05/01/2011	4.14	85.18
Williston 3 Acquisition (closed) .....	05/01/2011	4.14	85.18
Texas Panhandle Acquisition (closed).....	06/01/2011	4.18	87.44
Permian 3 Acquisition (closed) .....	11/01/2011	4.14	93.94
Permian 4 Acquisition (closed) .....	12/01/2011	4.17	94.71
Plains Acquisition (pending, est.) .....	12/31/2011	4.08	95.79

# Coverage Ratio Calculation

	Three Months Ended	
	September 30, 2011	June 30, 2011
	(in thousands, except unit and ratio amounts)	
Adjusted EBITDA <sup>(1)</sup>	\$ 243,266	\$ 263,606
Less: interest expense <sup>(2)</sup>	(61,266)	(57,798)
Less: maintenance capital expenditures	(47,901)	(40,229)
Distributable cash flow	<u>\$ 134,099</u>	<u>\$ 165,579</u>
Distributable cash flow per unit	\$ 0.76	\$ 0.94
Distribution per unit <sup>(3)</sup>	\$ 0.69	\$ 0.69
Units outstanding (millions)	176.8	176.9
Distribution coverage ratio	1.10x	1.36x

<sup>(1)</sup> Includes effects of the Company's hedge positions, cash flow adjustments from acquisition and divestiture activities, and other expenses.

<sup>(2)</sup> Includes cash payments for interest expense and accrued interest on the Company's outstanding senior notes and credit facility.

<sup>(3)</sup> Based on quarterly distribution of \$0.69 per unit, or \$2.76 per unit on an annualized basis.

# Historical Financial Statements

## Reconciliation of Non-GAAP Measures

- The Company defines adjusted EBITDA as net income (loss) plus the following adjustments:
  - Net operating cash flow from acquisitions and divestitures, effective date through closing date;
  - Interest expense;
  - Depreciation, depletion and amortization;
  - Impairment of goodwill and long-lived assets;
  - Write-off of deferred financing fees and other;
  - (Gains) losses on sale of assets and other, net;
  - Provision for legal matters;
  - Loss on extinguishment of debt;
  - Unrealized (gains) losses on commodity derivatives;
  - Unrealized (gains) losses on interest rate derivatives;
  - Realized (gains) losses on interest rate derivatives;
  - Realized (gains) losses on canceled derivatives;
  - Unit-based compensation expenses;
  - Exploration costs; and
  - Income tax (benefit) expense.
  
- Adjusted EBITDA is a measure used by Company management to indicate (prior to the establishment of any reserves by its Board of Directors) the cash distributions the Company expects to make to its unitholders. Adjusted EBITDA is also a quantitative measure used throughout the investment community with respect to publicly-traded partnerships and limited liability companies.
  
- Adjusted net income is a performance measure used by Company management to evaluate its operational performance from oil and natural gas properties, prior to unrealized (gains) losses on derivatives, realized (gains) losses on canceled derivatives, impairment of goodwill and long-lived assets, loss on extinguishment of debt and (gains) losses on sale of assets, net.

# Historical Financial Statements

## Adjusted EBITDA

- The following presents a reconciliation of net income to adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	\$ 837,627	\$ 4,143	\$ 628,054	\$ 129,239
Plus:				
Net operating cash flow from acquisitions and divestitures, effective date through closing date	1,521	4,200	37,880	22,717
Interest expense, cash	39,609	16,125	164,790	55,818
Interest expense, noncash	26,239	37,372	26,883	71,301
Depreciation, depletion and amortization	88,328	62,482	234,039	169,614
Write-off of deferred financing fees and other	—	—	1,189	2,076
(Gains) losses on sale of assets and other, net	167	1,276	(749)	1,946
Provision for legal matters	36	5,000	776	5,000
Loss on extinguishment of debt	—	—	94,372	—
Unrealized (gains) losses on commodity derivatives	(732,452)	39,405	(470,601)	(34,726)
Unrealized gains on interest rate derivatives	—	(38,089)	—	(63,978)
Realized losses on interest rate derivatives	—	—	—	8,021
Realized (gains) losses on canceled derivatives	(26,752)	49,590	(26,752)	123,865
Unit-based compensation expenses	5,578	3,146	16,759	10,546
Exploration costs	503	281	1,498	4,297
Income tax expense	2,862	33	8,730	5,710
Adjusted EBITDA	<u>\$ 243,266</u>	<u>\$ 184,964</u>	<u>\$ 716,868</u>	<u>\$ 511,446</u>

# Historical Financial Statements

## Adjusted Net Income

- The following presents a reconciliation of net income to adjusted net income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands, except per unit amounts)			
Net income	\$ 837,627	\$ 4,143	\$ 628,054	\$ 129,239
Plus:				
Unrealized (gains) losses on commodity derivatives	(732,452)	39,405	(470,601)	(34,726)
Unrealized gains on interest rate derivatives	—	(38,089)	—	(63,978)
Realized (gains) losses on canceled derivatives	(26,752)	49,590	(26,752)	123,865
Loss on extinguishment of debt	—	—	94,372	—
(Gains) losses on sale of assets, net	131	1,252	(855)	1,899
Adjusted net income	<u>\$ 78,554</u>	<u>\$ 56,301</u>	<u>\$ 224,218</u>	<u>\$ 156,299</u>
Net income per unit – basic	\$ 4.74	\$ 0.03	\$ 3.63	\$ 0.91
Plus, per unit:				
Unrealized (gains) losses on commodity derivatives	(4.15)	0.26	(2.73)	(0.24)
Unrealized gains on interest rate derivatives	—	(0.26)	—	(0.45)
Realized (gains) losses on canceled derivatives	(0.15)	0.34	(0.15)	0.87
Loss on extinguishment of debt	—	—	0.55	—
(Gains) losses on sale of assets, net	—	0.01	—	0.01
Adjusted net income per unit – basic	<u>\$ 0.44</u>	<u>\$ 0.38</u>	<u>\$ 1.30</u>	<u>\$ 1.10</u>

# Reserve Replacement / F&D Calculations

## Reconciliation of Non-GAAP Measures


	Year Ended December 31,	
	2010	2009
<b>Costs incurred (in thousands):</b>		
Costs incurred in oil and natural gas property acquisition, exploration and development	\$ 1,602,086	\$ 258,105
Less:		
Asset retirement obligation costs	(748)	(371)
Property acquisition costs	(1,356,430)	(115,929)
Oil and natural gas capital costs expended, excluding acquisitions	<u>\$ 244,908</u>	<u>\$ 141,805</u>
<b>Reserve data (MMcfe):</b>		
Purchase of minerals in place	671,146	61,684
Extensions, discoveries and other additions	234,324	50,416
Add:		
Revisions of previous estimates	76,281	19,280
Annual additions	<u>981,751</u>	<u>131,380</u>
Less:		
Purchase of minerals in place	(671,146)	(61,684)
Annual additions, excluding acquisitions	<u>310,605</u>	<u>69,696</u>
<b>Annual production (MMcfe)</b>	<u>96,827</u>	<u>79,580</u>
<b>Reserve replacement metrics:</b>		
Reserve replacement cost per Mcfe <sup>(1)</sup>	\$ 1.63	\$ 1.96
Reserve replacement ratio <sup>(2)</sup>	1,014%	165%
Finding and development cost from the drillbit per Mcfe <sup>(3)</sup>	\$ 0.79	\$ 2.03
Drillbit reserve replacement ratio <sup>(4)</sup>	321%	88%

(1) (Oil and natural gas capital costs expended) divided by (Annual additions)

(2) (Annual additions) divided by (Annual production)

(3) (Oil and natural gas capital costs expended, excluding acquisitions) divided by (Annual additions, excluding acquisitions)

(4) (Annual additions, excluding acquisitions) divided by (Annual production)



The U.S. Securities and Exchange Commission (“SEC”) permits oil and gas companies, in their filings with the SEC, to disclose only resources that qualify as “reserves” as defined by SEC rules. We use terms describing hydrocarbon quantities in this presentation including “inventory” and “resource potential” that the SEC’s guidelines prohibit us from including in filings with the SEC. These estimates are by their nature more speculative than estimates of reserves prepared in accordance with SEC definitions and guidelines and accordingly are substantially less certain. Investors are urged to consider closely the reserves disclosures in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, available from the Company at 600 Travis, Suite 5100, Houston, Texas 77002 (Attn: Investor Relations). You can also obtain this report from the SEC by calling 1-800-SEC-0330 or from the SEC’s website at [www.sec.gov](http://www.sec.gov).

In this communication, the terms other than “proved reserves” refer to the Company’s internal estimates of hydrocarbon volumes that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. Those estimates may be based on economic assumptions with regard to commodity prices that may differ from the prices required by the SEC to be used in calculating proved reserves. In addition, these hydrocarbon volumes may not constitute reserves within the meaning of the Society of Petroleum Engineer’s Petroleum Resource Management System or the SEC’s oil and gas disclosure rules. Unless otherwise stated, hydrocarbon volume estimates have not been risked by Company management. Factors affecting ultimate recovery include the scope of our ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, commodity prices, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors, and actual drilling results, including geological and mechanical factors affecting recovery rates. Accordingly, actual quantities that may be ultimately recovered from the Company’s interests may differ substantially from the Company’s estimates of potential resources. In addition, our estimates of reserves may change significantly as development of the Company’s resource plays and prospects provide additional data.