

The background of the image features a series of flowing, wavy lines in shades of gold and yellow, set against a solid black background. The lines originate from the left side and curve towards the right, creating a sense of motion and energy.

LINN Energy

NASDAQ:LINE

a **different** kind of
oil & natural gas
company

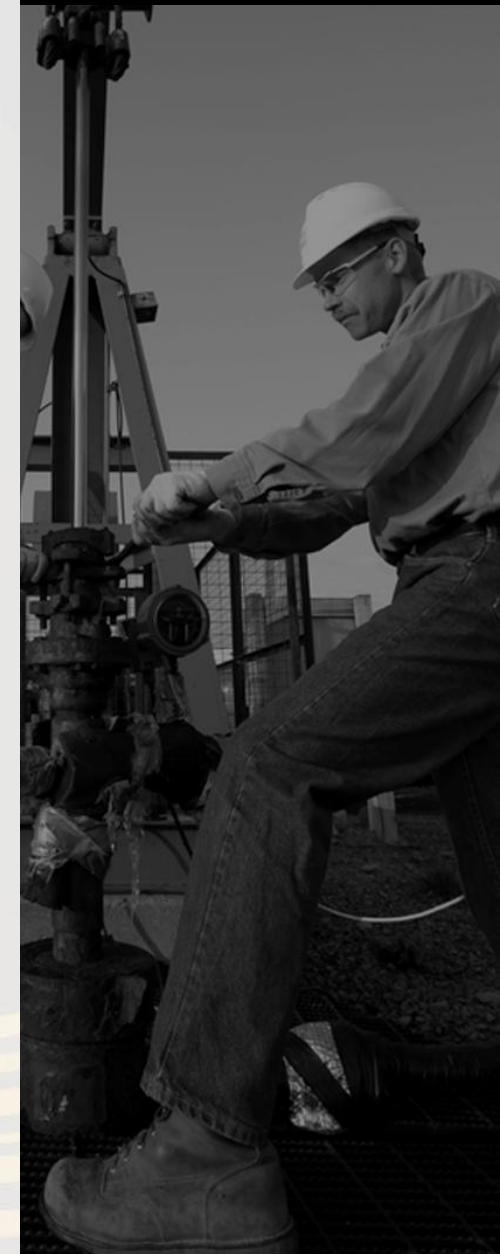
LINN Energy
NASDAQ:LINE

OGIS New York Presentation

April 16, 2012

Forward-Looking Statements and Risk Factors

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 offering memorandum relating to this offering and the Company's 2011 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 April 5, 2012.



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

Embrace & Drive Change

Pursue Growth

Take Action

Respect Others

Be Passionate

Connect

▶ **8th largest public MLP/LLC and 11th largest domestic independent oil & natural gas company⁽¹⁾**

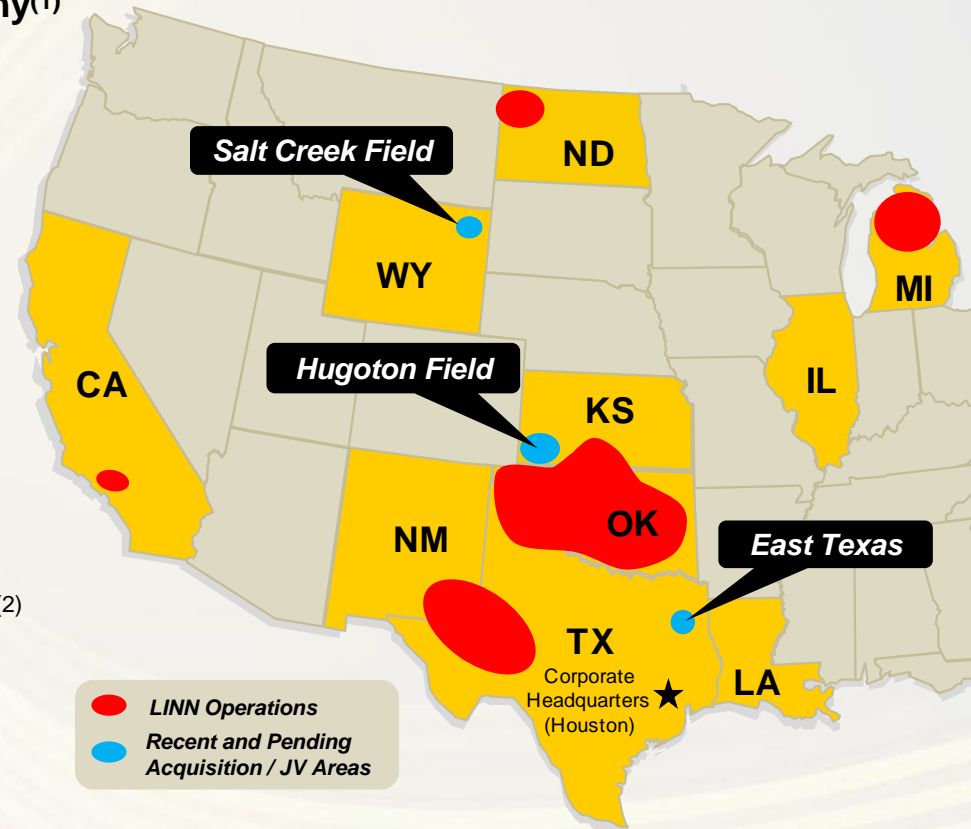
- IPO in 2006 (NASDAQ: LINE)
- Equity market cap \$7.7 billion
Total net debt \$4.7 billion
- Enterprise value **\$12.4 billion⁽¹⁾**

▶ **Large, long-life diversified reserve base**

- ~4.3 Tcfe total proved reserves
- 65% proved developed
- 48% oil and NGLs / 52% natural gas
- ~21 year reserve-life index
- >15,000 gross productive oil and natural gas wells⁽²⁾

▶ **Large inventory of low risk and liquids-rich development opportunities**

- Salt Creek field in Wyoming – CO₂ flood
- Granite Wash – ~600 horizontal locations
- Wolfberry – ~400 locations
- Bakken – ~800 horizontal locations⁽³⁾
- Cleveland – ~165 horizontal locations
- Kansas Hugoton – ~800 locations



Note: Market data as of April 5, 2012 (LINE closing price of \$38.70). All operational and reserve data as of December 31, 2011, pro forma for recent and pending acquisitions and joint venture. Estimates of proved reserves for recent and pending acquisitions and joint venture 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. Estimates of proved reserves for recent and pending acquisitions and joint venture based solely on data provided by seller. Source: Bloomberg.

- (1) Equity market capitalization and enterprise values pro forma for 19.6 million unit offering and \$1,800 million notes offering.
- (2) Well count does not include ~2,500 royalty interest wells.
- (3) Average working interest of ~7%.

- ▶ **Announced 4 acquisitions totaling ~\$2.3 billion since November 2011⁽¹⁾**
 - ~\$1.8 billion of assets consisting of single-digit decline rates
 - April 2012 - \$400 million joint venture with Anadarko (APC) in the Salt Creek oil field
 - March 2012 - \$175 million acquisition of properties in East Texas
 - February 2012 - \$1.2 billion acquisition of BP's Hugoton Basin properties
 - \$544 million acquisition of PXP's assets in the Granite Wash (November 2011)

- ▶ **Excellent access to capital**
 - Raised ~\$2.6 billion in equity and debt since December 2011
 - ~\$800 million in equity
 - \$703 million through public unit offering
 - \$86 million through LINE's "At-The-Market" program
 - \$1.8 billion of bonds priced at an attractive 6.25% coupon

- ▶ **Increased revolving credit facility commitment from \$1.5 billion to \$2.0 billion**
 - ~100% undrawn on revolving credit facility

(1) Recently closed Hugoton and pending East Texas acquisitions and Salt Creek JV are based on contract price. Plains Exploration (PXP) acquisition based on total consideration.

Proven Growth Strategy

- ▶ 73% increase in quarterly distribution since IPO
- ▶ Generated total return of ~221%

LINE Historical Enterprise Value⁽¹⁾⁽²⁾



Market data as of April 5, 2012 (LINE closing price of \$38.70). Source: Bloomberg.

(1) Enterprise value calculated via Bloomberg and is not pro forma for announced and completed 2012 acquisitions, joint venture, or capital raising activities.

(2) Graph represents 30-day moving average to smooth values.

MLP and Independent E&P Rankings

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

- 8th largest public MLP/LLC
- 11th largest domestic independent oil & natural gas company

Rank	Master Limited Partnership	Enterprise Value (\$MM)
1.	Enterprise Products Partners	\$59,535
2.	Kinder Morgan Energy Ptnrs	\$41,088
3.	Williams Partners LP	\$24,141
4.	Energy Transfer Partners LP	\$19,297
5.	Plains All Amer Pipeline LP	\$18,501
6.	Oneok Partners LP	\$15,811
7.	Enbridge Energy Partners LP	\$14,016
8.	LINN Energy LLC	\$12,379
9.	El Paso Pipeline Partners LP	\$11,058
10.	Magellan Midstream Partners	\$10,059
11.	Boardwalk Pipeline Partners	\$8,812
12.	Buckeye Partners LP	\$8,104
13.	Markwest Energy Partners LP	\$7,781
14.	Nustar Energy LP	\$6,449
15.	Regency Energy Partners LP	\$5,890
16.	Cheniere Energy Partners LP	\$5,869
17.	Sunoco Logistics Partners LP	\$5,566
18.	Chesapeake Midstream Partner	\$5,406
19.	Targa Resources Partners LP	\$5,334
20.	Amerigas Partners LP	\$4,838
21.	Western Gas Partners LP	\$4,727
22.	Teekay Lng Partners LP	\$4,723
23.	Spectra Energy Partners LP	\$3,820
24.	Inergy LP	\$3,816
25.	Natural Resource Partners LP	\$3,174

Rank	Independent E&Ps	Enterprise Value (\$MM)
1.	Occidental Petroleum	\$77,753
2.	Anadarko Petroleum	\$52,418
3.	Apache	\$45,005
4.	EOG Resources Inc.	\$33,802
5.	Devon Energy	\$31,482
6.	Chesapeake Energy	\$29,348
7.	Noble Energy Inc.	\$19,723
8.	Continental Resources Inc.	\$16,518
9.	Pioneer Natural Resources Co.	\$15,663
10.	Concho Resources Inc.	\$12,422
11.	LINN Energy LLC	\$12,379
12.	Southwestern Energy Co.	\$11,652
13.	Range Resources	\$11,300
14.	Denbury Resources Inc.	\$9,789
15.	EQT	\$9,257
16.	Plains Exploration & Production	\$8,590
17.	Newfield Exploration Co.	\$7,665
18.	Cabot Oil & Gas	\$7,609
19.	Whiting Petroleum	\$7,589
20.	QEP Resources Inc.	\$7,002
21.	Sandridge Energy Inc.	\$6,743
22.	Cimarex Energy Co.	\$6,499
23.	SM Energy Co.	\$5,202
24.	Ultra Petroleum	\$5,050
25.	Berry Petroleum Co.	\$3,850

(1) Market data as of April 5, 2012 (LINE closing price of \$38.70).

(2) LINE enterprise value calculated pro forma for announced and completed 2012 acquisitions, a joint venture, 19.6 million unit offering, and \$1,800 million notes offering.

Source: Bloomberg.

Excellent MLP Asset

- 100% oil, high margin asset
- Low decline rate of <7% and reserve life of ~28 years
- Legacy asset; field discovered in 1908
- CO₂ response has track record of outstanding results (flood began in 2004)

Opportunity For Growth

- Expect steady production growth for ~10 years
- Forecast net production of ~3,800 BOPD and EBITDA of \$85MM by 2016
- ~1 billion gross barrels of oil remaining in place

Advantages To Partnering With World-Class Operator

- Expect to greatly benefit from APC's extensive CO₂ experience
- Potential to transfer enhanced oil recovery (EOR) technology to LINN's existing asset base

Strategic-Fit With LINN's Business Model

- Immediately accretive to distributable cash flow per unit
- Hedged 100% of current net production through 2014
- Unique, high growth asset with low decline rate
- Strategic entry into new basin with world-class partner

Salt Creek Field – 1900s



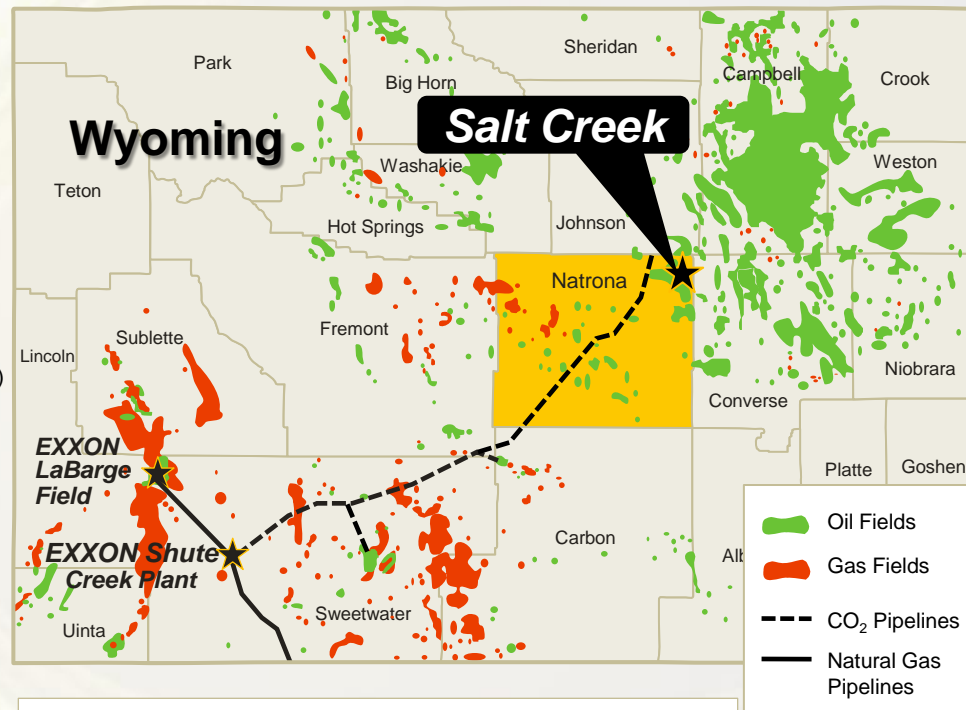
Horse-drawn team hauling 60 barrels of oil from Salt Creek to refinery in Casper.



Transporting equipment to Salt Creek.

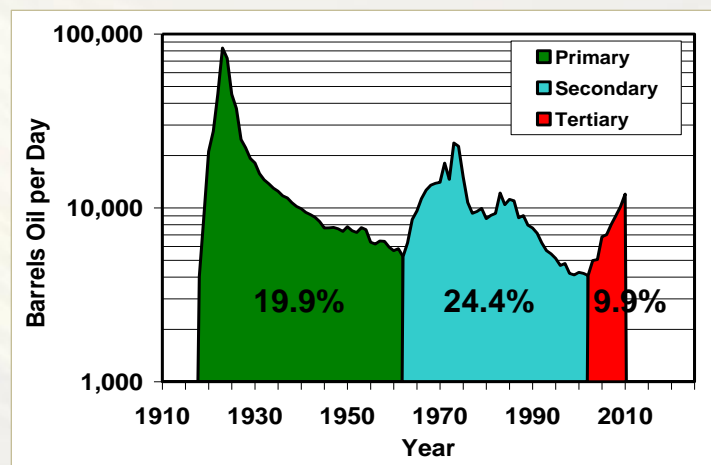
Acquisition Overview

- ▶ Received 23% of Anadarko's interest in the Salt Creek field, located in Wyoming's Powder River Basin
- ▶ Expect to invest ~\$600 million over the next 3-6 years
 - \$400 million of Anadarko's development costs
 - \$200 million net to LINN's interest
- ▶ Estimates for Salt Creek joint venture (first 12 months)⁽¹⁾
 - EBITDA of ~\$34 million
 - Maintenance capital of \$5 million – \$15 million
 - Net production ~1,600 BOPD
- ▶ Agreement signed and closed April 3, 2012



Asset Overview

- ▶ One of the largest CO₂ EOR projects in North America
- ▶ Salt Creek field discovered in 1908
- ▶ Acquired by Anadarko in 2002
- ▶ CO₂ sourced from Exxon Mobil's LaBarge Field via Shute Creek Processing Plant



(1) LINN Energy, LLC estimates.

Hugoton Acquisition Fits The MLP Model

On March 30, 2012, LINN closed a \$1.2 billion acquisition in the liquids-rich Kansas Hugoton Field from BP America.



Liquids-Rich

- Liquids-rich production of ~110 MMcfe/d
- 37% NGLs / 63% natural gas



Excellent MLP Asset

- Low decline rate of 7%
- Reserve life of 18 years
- Proved reserves of ~730 Bcfe, with 81% PDP



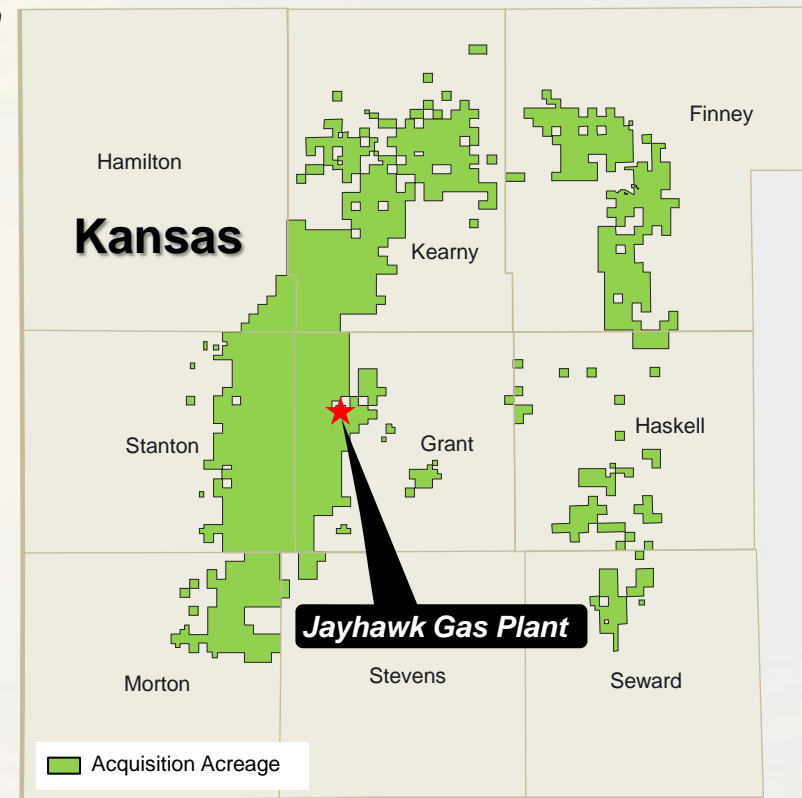
Platform For Growth

- ~800 future drilling locations on >600,000 contiguous acres
- ~500 identified recompletion opportunities in the Chase formation
- 100% ownership of Jayhawk Gas Processing Plant
 - Significant excess capacity; currently 41% utilized



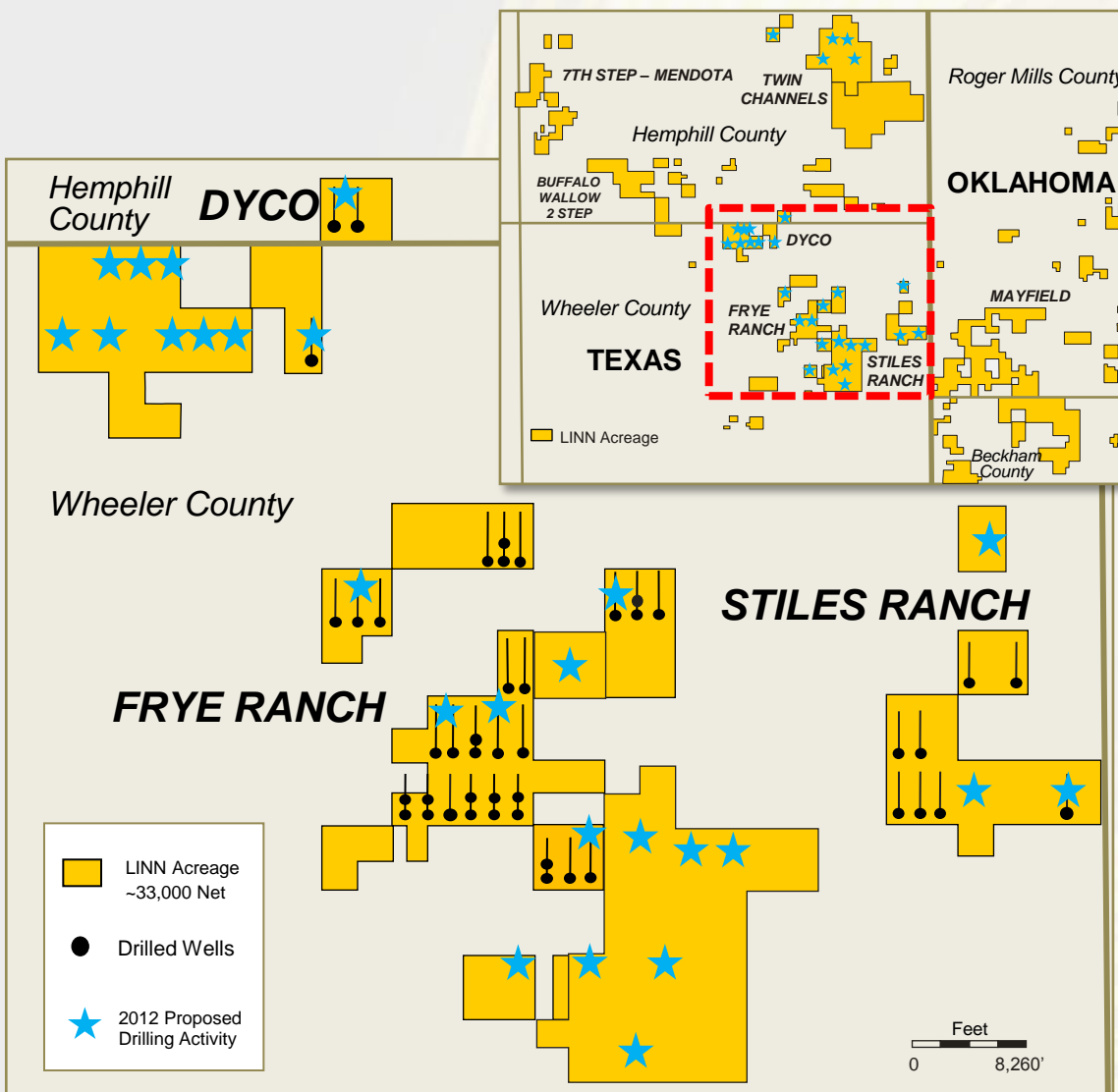
Strategic-Fit With LINN's Business Model

- Immediately accretive to DCF / Unit⁽¹⁾
- Little requirement for capital investment
- Steady stream of predictable cash flow



(1) Distributable cash flow per unit.

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



- ▶ Over 600 horizontal locations
- ▶ 29 operated wells drilled in 2011
- ▶ Expect to drill or participate in 75 horizontal wells in 2012
 - 59 operated wells
 - 16 non-operated wells
- ▶ EURs⁽¹⁾: 6-10 Bcfe

Well Status	Operated	Non-Operated
Producing	41	30
Drilling	9	1
Waiting on Completion	5	1
Completing	0	1
Total	55	33

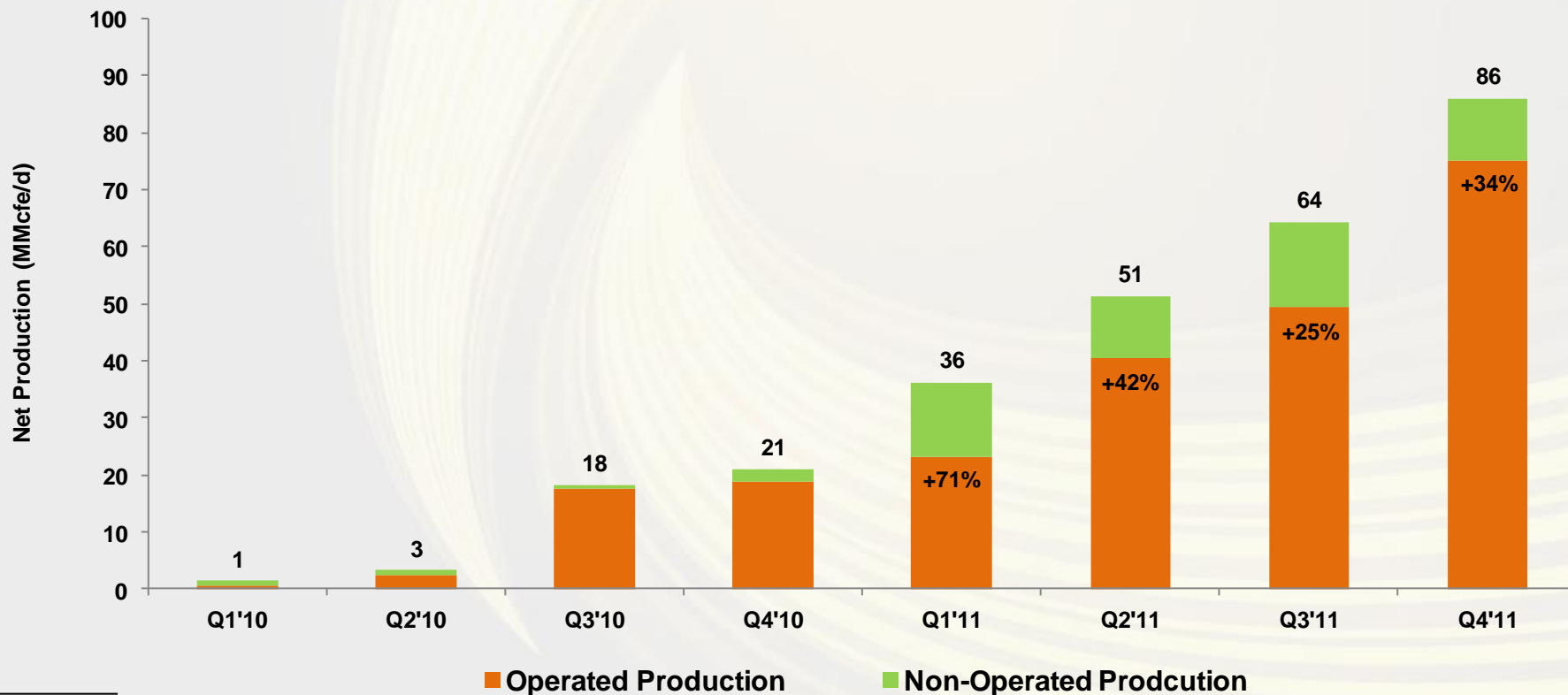
Note: Well data as of 2/15/2012.

(1) Estimated ultimate recovery (EUR) estimates do not represent reserves under SEC rules and are speculative and substantially less certain of recovery.

Granite Wash Horizontal Production Growth

- ▶ ~600 horizontal locations; or 10+ year inventory at current pace
- ▶ Increased net production 34% in Q4'11 compared to Q3'11
- ▶ Significantly increased LINN's Granite Wash position through PXP acquisition
 - Increased acreage position to 68,000 net acres and added ~200 drilling locations

Historical Granite Wash Net Production



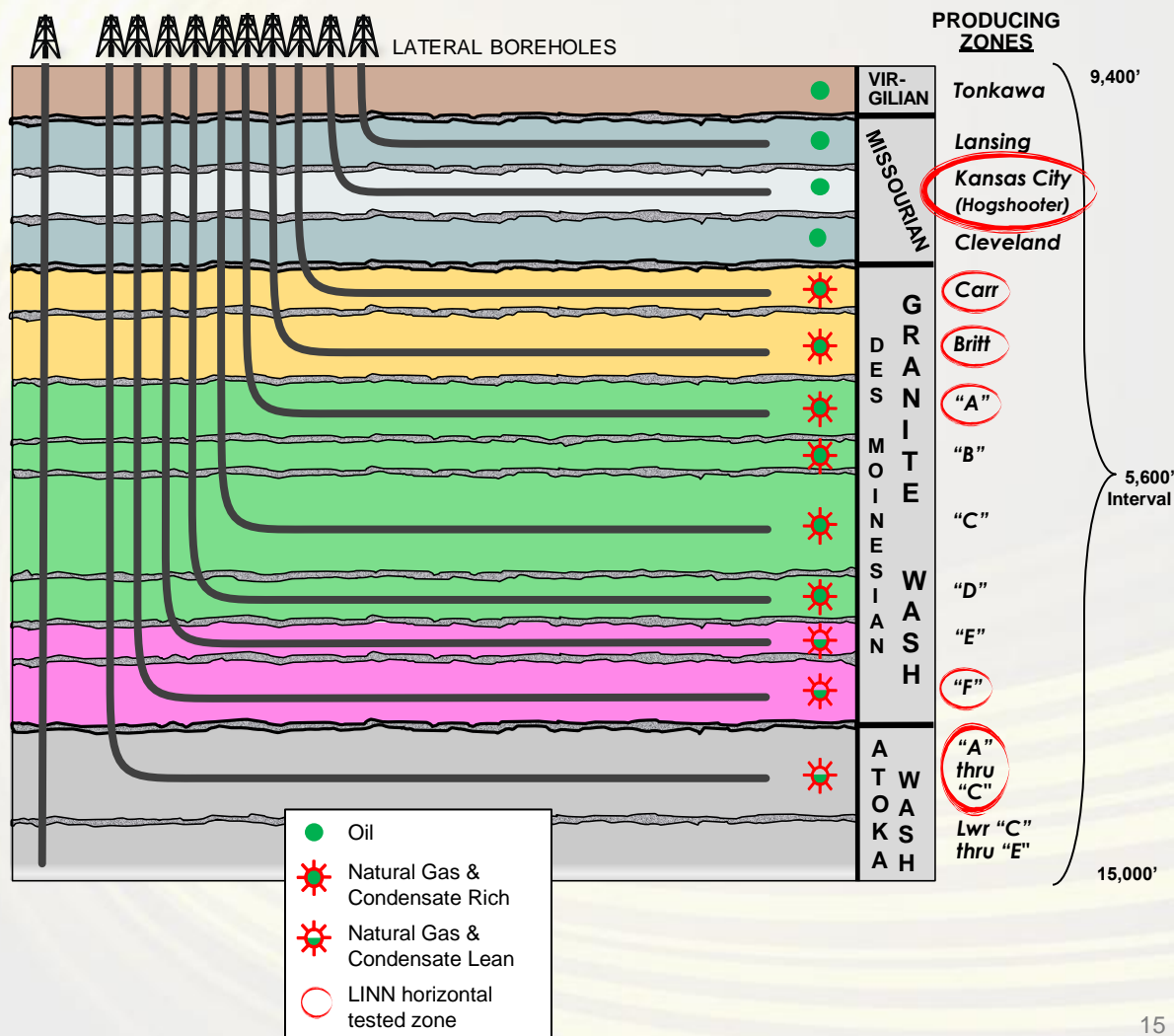
Note: Percentages represent sequential increase in net production (i.e. operated and non-operated production).

Granite Wash / Atoka Wash Stratigraphy

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

Operational Update

- ▶ LINN has successfully completed wells in 5 separate zones in the Granite Wash
 - Recent drilling has focused primarily on the liquids-rich Carr, Britt, and “A” intervals
- ▶ Encouraged by recent industry success in the oil-producing Hogshooter (i.e. Missourian) play
 - Currently drilling 3 wells in the Hogshooter
- ▶ Potential to shift capital to shallower, oil-bearing intervals within the Granite Wash



LINN Provides Both Organic & Acquisition Growth

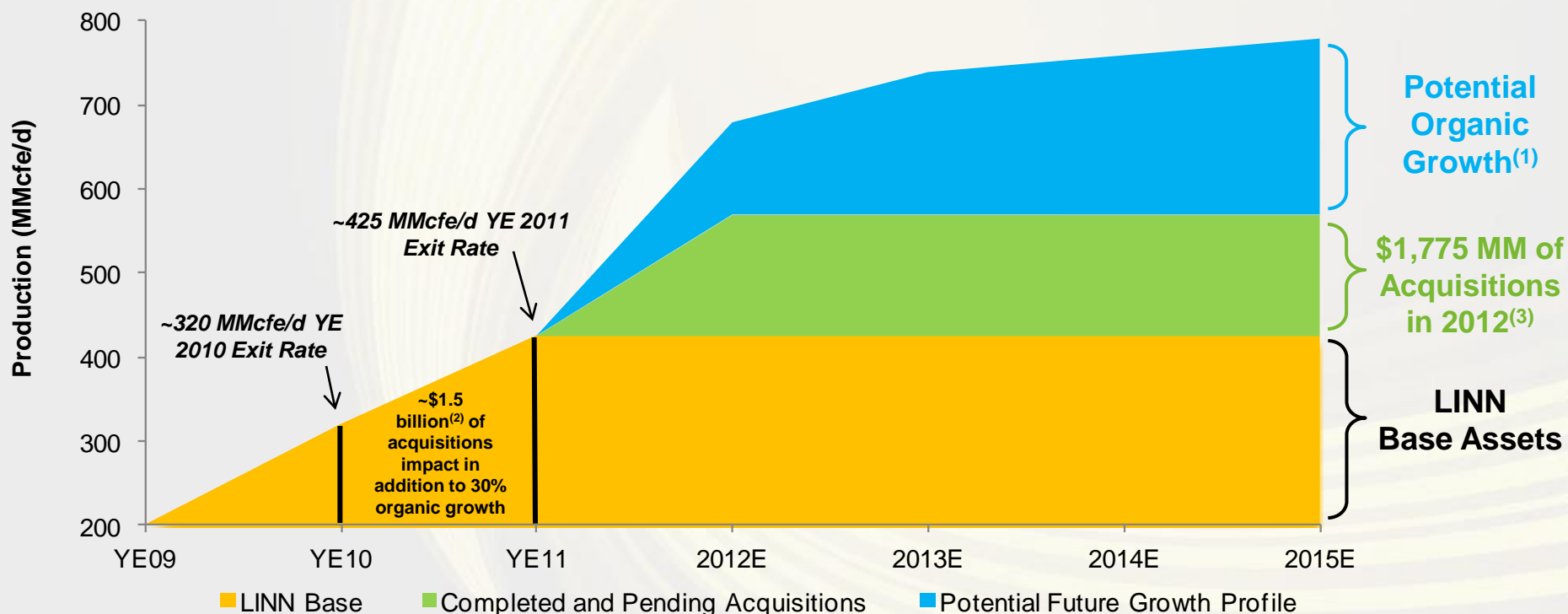
▶ LINN is unique in that it provides investors with the potential for significant organic and acquisition growth

▪ **Horizontal Granite Wash**

- 10 year drilling inventory
- ~600 high potential, low-risk locations (TX)

▪ **Permian Basin (Wolfberry)**

- 4 year drilling inventory
- ~400 future drilling locations



(1) Based on the Company's estimated 3-year forward-looking budget and assuming the wells produce at rates consistent with historical average for wells in their respective regions.

(2) Based on total consideration.

(3) Based on contract price for the recently closed Hugoton and pending East Texas acquisitions and \$400 million of Anadarko's development costs related to the Salt Creek JV.

Financial Overview



- ▶ **Distribution growth of ~10% in the last 19 months**
- ▶ **Excellent acquisition track record**
 - ~\$1.4 billion⁽¹⁾ in 2010
 - ~\$1.5 billion⁽¹⁾ in 2011
 - ~\$1.8 billion⁽²⁾ in 2012
- ▶ **Significant 2012 growth**
 - Year-over-year organic growth of ~20% (2011 vs. 2012E)
 - Current acquisition market remains robust
- ▶ **Conservative pro forma balance sheet; positioned for future growth**
 - ~\$800 million of equity raised since December 2011 from public and continuous equity offerings⁽³⁾
 - \$1.8 billion senior notes offering in March 2012 provides significant liquidity and financial flexibility
 - Increased revolving credit facility commitment amount from \$1.5 billion to \$2.0 billion
 - Currently ~100% of debt is long-term, fixed-rate
- ▶ **Industry leading hedge position**
 - Hedged 100% of expected natural gas production through 2015 at attractive prices
 - Hedged 100% of expected oil production through 2014 at attractive prices
- ▶ **Strong coverage ratio expected in 2012; poised for future distribution growth**

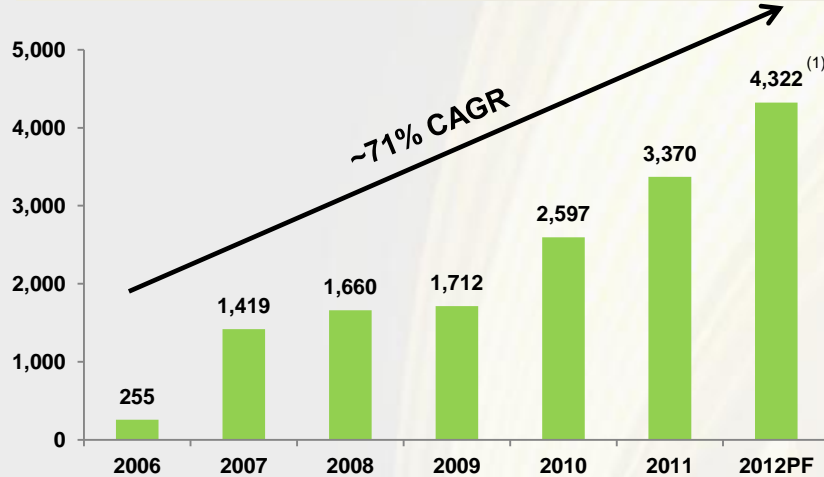
(1) Based on total consideration.

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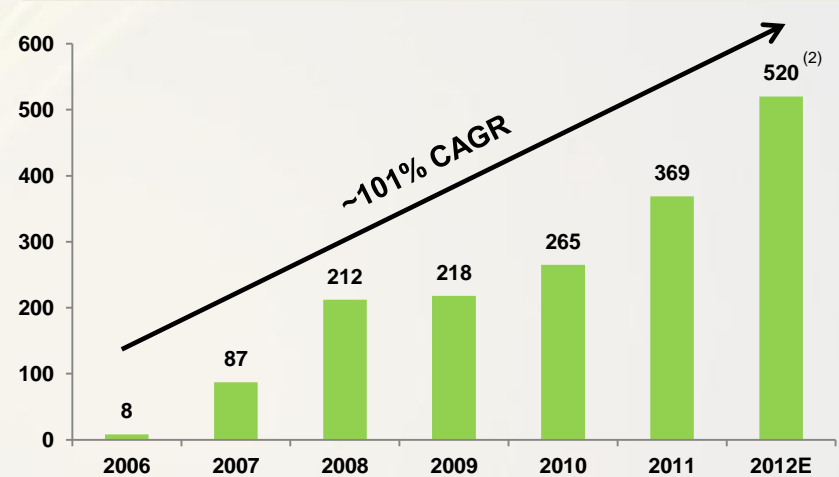
(3) Includes ~\$86 million of equity raised through the Company's continuous equity offering program in December 2011 and January 2012.

Strong Performance and Growth

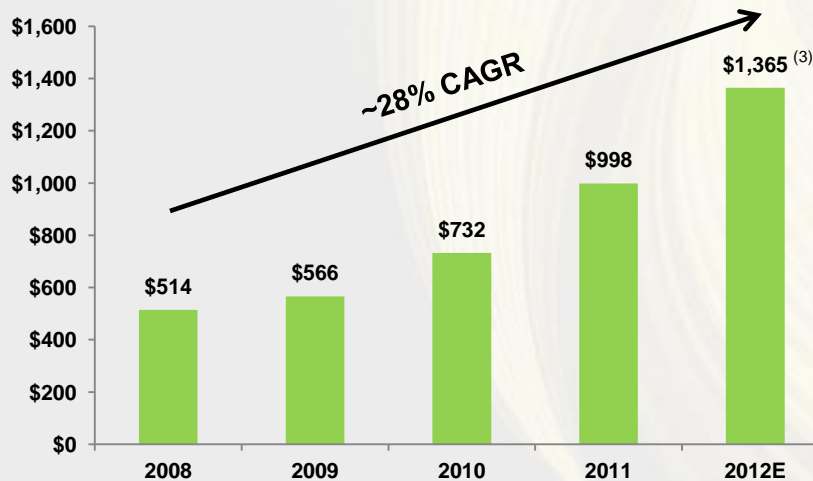
Reserves (Bcfe)



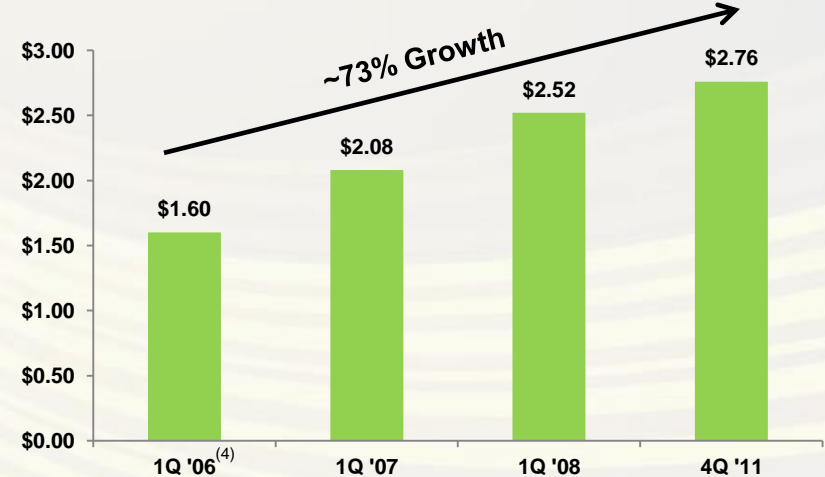
Production (MMcfe/d)



Adjusted EBITDA (\$ in millions)



Annualized Distributions (\$ per unit)



Note: Data reflects continuing operations only. The results of the Company's Appalachian Basin and Mid Atlantic operations are classified as discontinued.

(1) As of December 31, 2011 pro forma ("PF") for announced 2012 acquisitions and joint venture.

(2) 2012 estimate is based on full-year 2012 guidance announced on February 23, 2012 and does not include contributions from recent Hugoton acquisition, pending East Texas acquisition, or Salt Creek JV.

(3) Adjusted EBITDA based on full-year 2012 guidance announced Feb. 23, 2012 and full year estimated EBITDA contributions from the recently closed Hugoton and pending East Texas assets.

(4) 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.

Continued Success in Acquisition Activity

▶ Record amount of negotiations in 2010

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

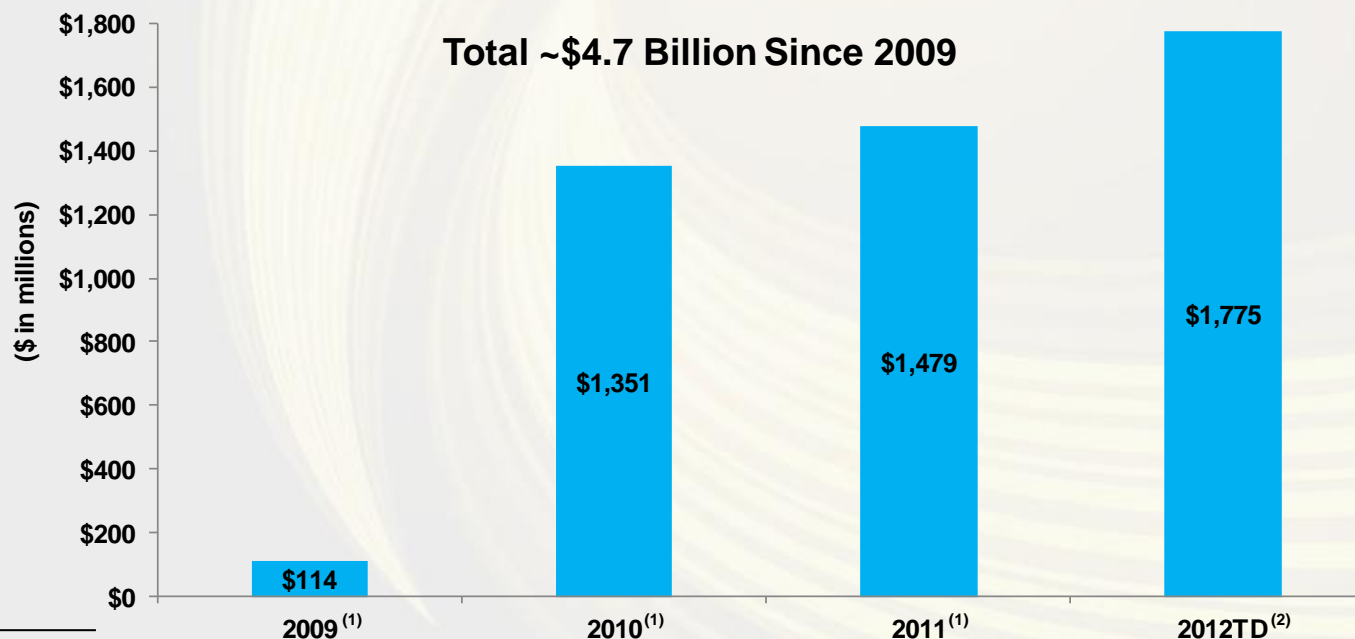
▶ Record amount of transactions closed in 2011

- Screened 122 opportunities
- Bid 31 for ~\$7.5 billion
- Closed 12 for ~\$1.5 billion

▶ Record amount of transactional value YTD⁽³⁾

- Screened 70 opportunities
- Bid 6 for ~\$4.1 billion
- Announced or closed 3 for ~\$1.8 billion

Historical Acquisitions and Joint Venture



(1) Based on total consideration.

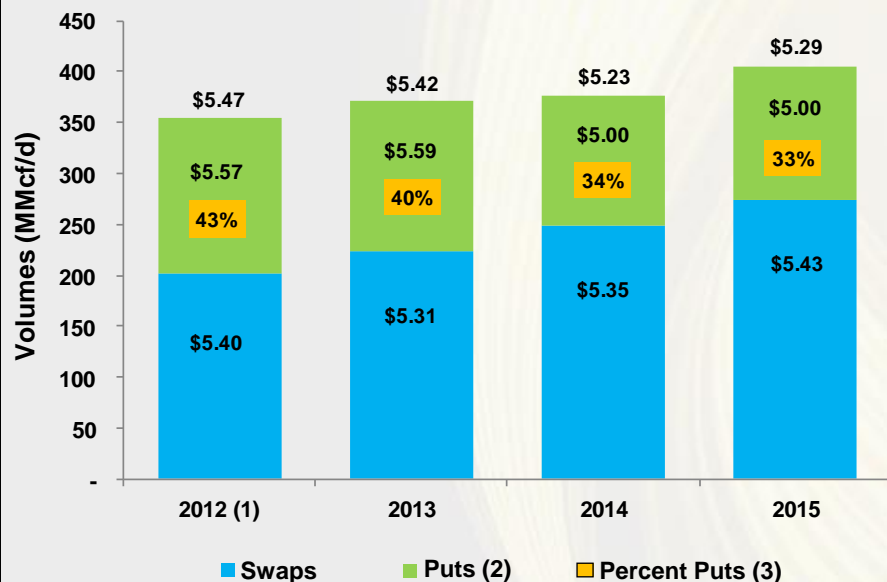
(2) Based on contract price for the recently closed Hugoton and pending East Texas acquisitions and \$400 million of Anadarko's development costs related to the Salt Creek JV.

(3) Data as of April 12, 2012.

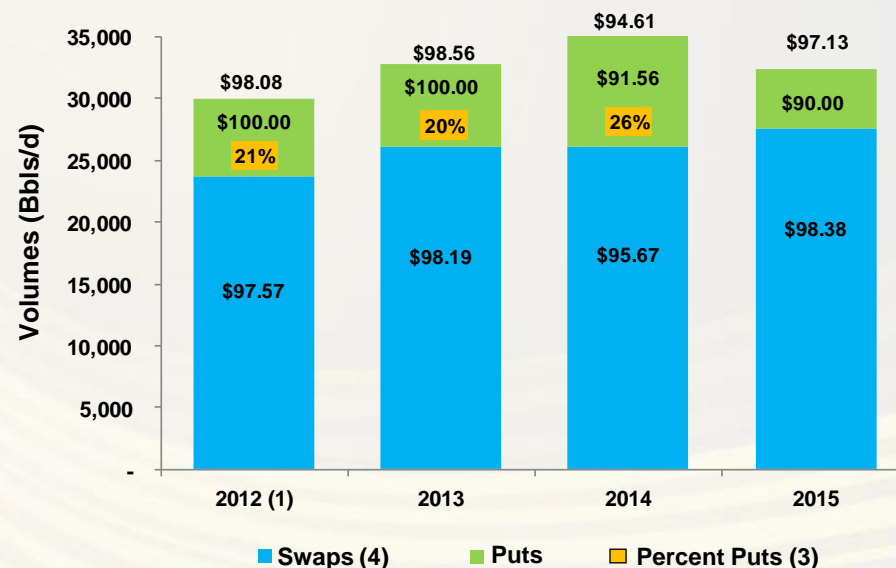
Significant Hedge Position

- ▶ LINN is hedged ~100% on expected natural gas production through 2015; and ~100% on expected oil production through 2014 and ~90% in 2015
- ▶ Puts provide price upside opportunity

Natural Gas Positions



Oil Positions



Note: Except as otherwise indicated, illustrations represent full-year hedge positions through 2015 as of April 12, 2012.

(1) Represents the average daily hedged volume for the period April-December 2012.

(2) Excludes natural gas puts used to hedge NGL revenues associated with BP Hugoton acquisition.

(3) Calculated as percentage of hedged volume in the form of puts.

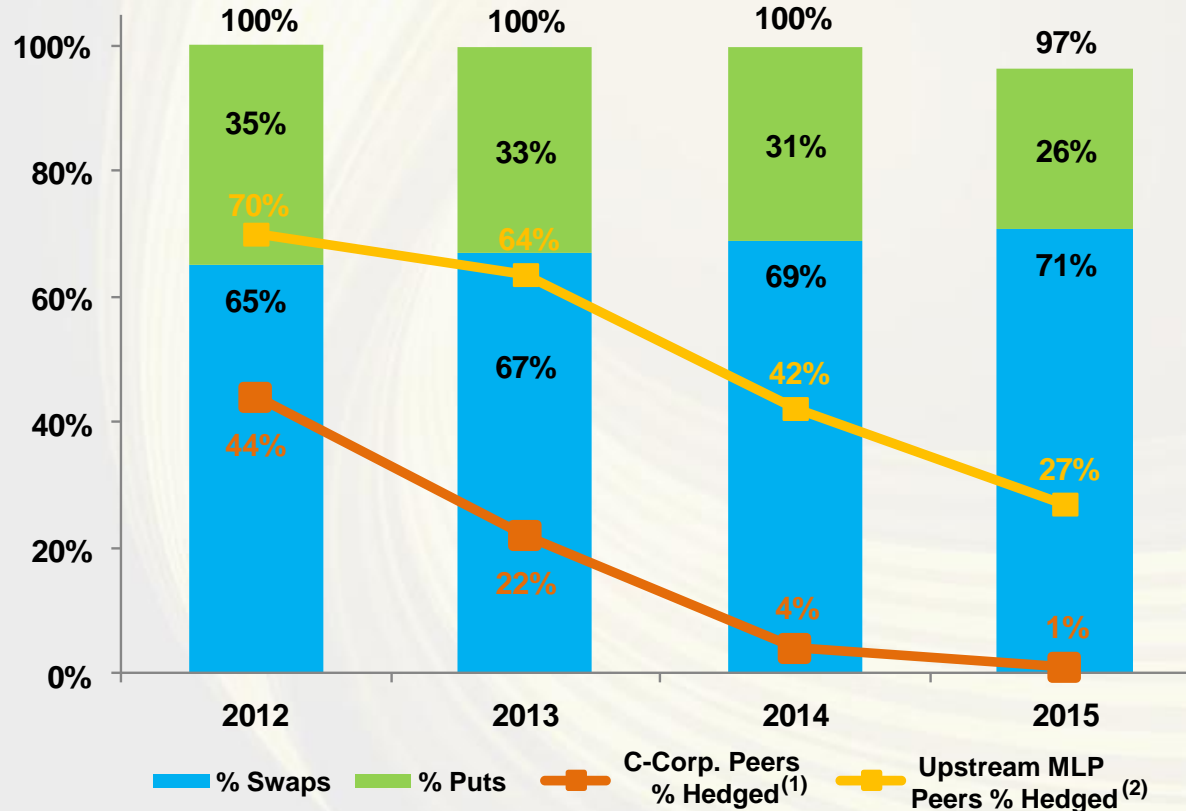
(4) The Company has certain outstanding fixed price oil swaps on 14,750 Bbls of daily production which may be extended annually at a price of \$100.00 per Bbl for each of 2016, 2017 and 2018 if the counterparties determine that the strike prices are in-the-money on a designated date in each respective preceding year. The extension for each year is exercisable without respect to the other years.

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**

- C-corp. peer group has only hedged on average 44% and 22% of their expected production in 2012 and 2013, respectively

▶ **Prolonged periods of weak natural gas prices could put further pressure on E&P C-corps.**



Note: LINN's hedge percentages based on internal estimates. Excludes NGL production and natural gas puts used to hedge NGL revenues associated with BP Hugoton acquisition.

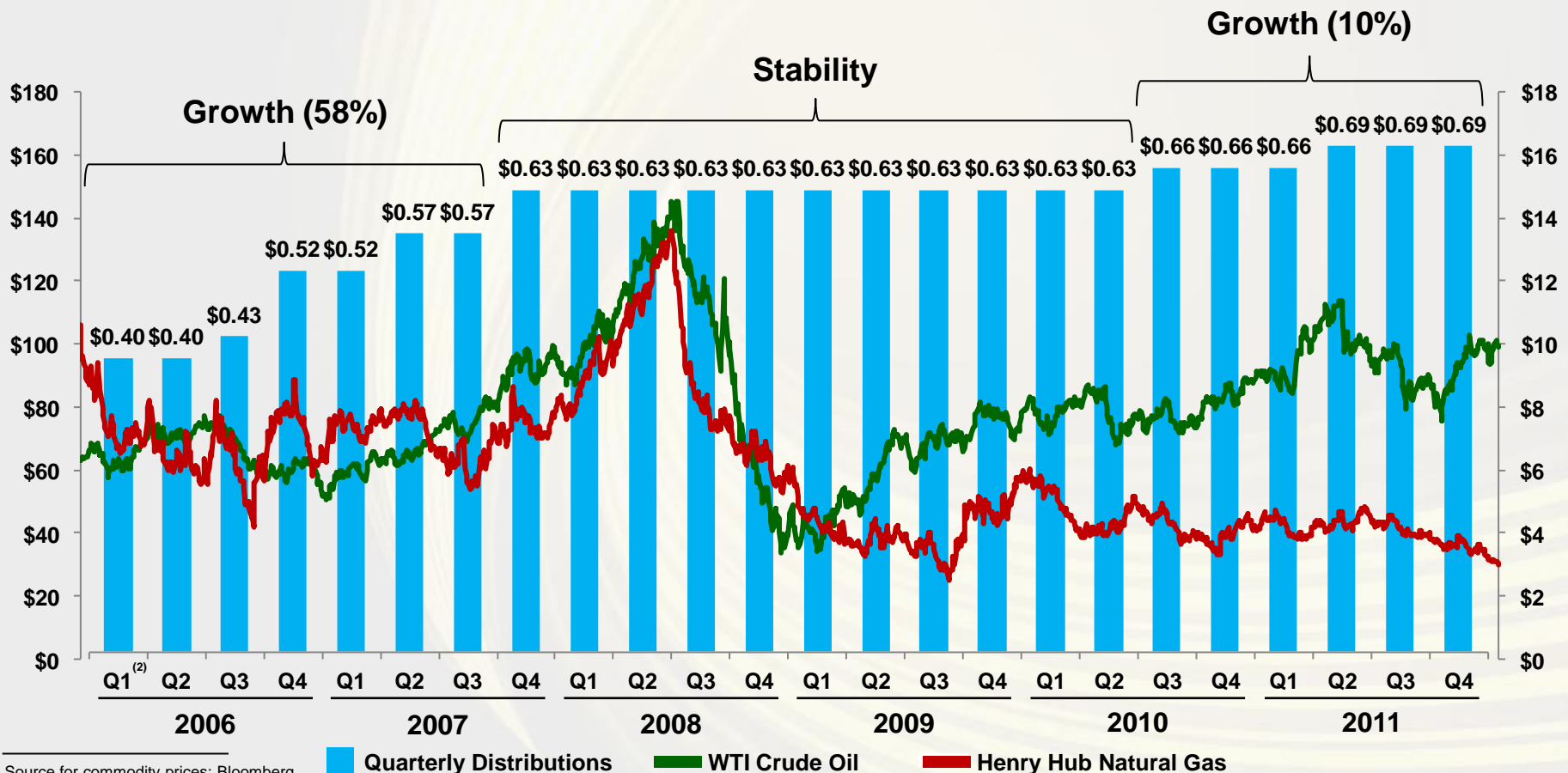
(1) Peers include: CLR, FST, XEC, KWK, NFX, PXD, PXP, RRC, SWN and WLL. Source: FactSet research estimates and hedge information based on publicly available sources.

(2) Peers include: BBEP, EVEP, LGCY, LRE, MEMP, MCEP, PSE, QRE, and VNR. Source: Wells Fargo Securities, LLC estimates.

Distribution Stability and Growth

- ▶ 73% increase in quarterly distribution since IPO
- ▶ Distribution stability maintained throughout the credit crisis (i.e. 2008 – 2009)
 - 16 out of 74 MLPs (or 23%) were forced to reduce or suspend distributions⁽¹⁾

Distribution History



(1) Source: Wells Fargo Securities, LLC research note entitled "MLP Primer - - Fourth Edition" published on November 19, 2010.

(2) 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.

Distribution History

- ▶ Consistently paid the distribution for 24 quarters
- ▶ Consistent yield generates long-term returns

Distribution History



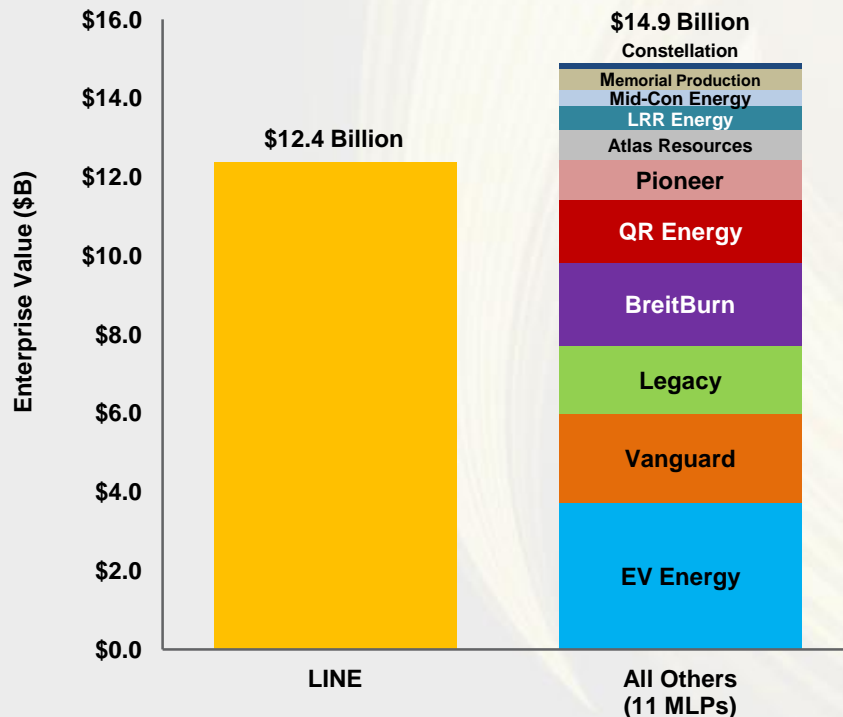
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Size Advantage in E&P MLP/LLC Market

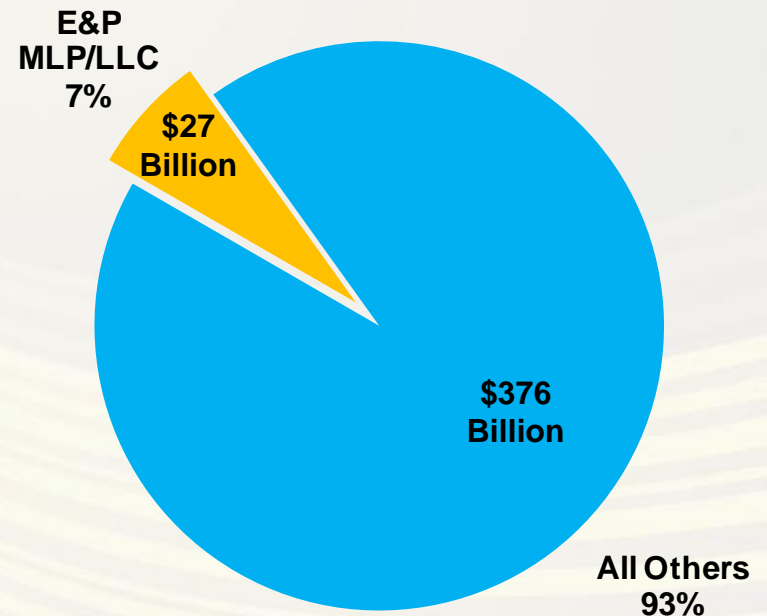
- ▶ LINN has a significant size advantage in the E&P MLP/LLC market
 - Greater access to capital markets
 - Ability to complete larger transactions

- ▶ E&P market presents significantly more acquisition opportunities than rest of MLP market
- ▶ E&P Sector has room to grow; \$27 billion versus \$376 billion for all other sectors

LINE vs. Other Upstream MLPs



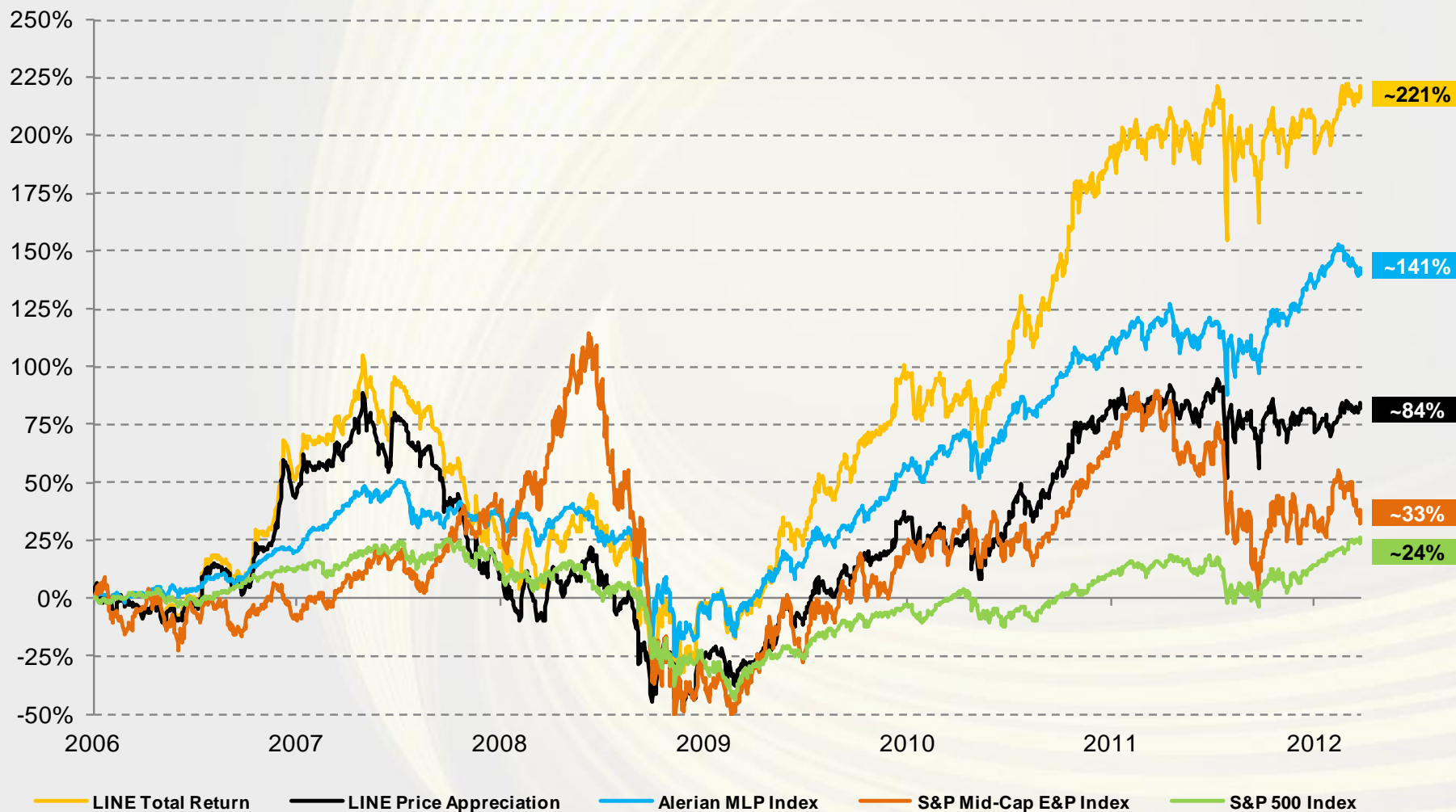
MLP/LLC Total EV: \$403 Billion



Note: Market data as of April 5, 2012 (LINE closing price of \$38.70). LINN enterprise value calculated pro forma for 2012 activities, including 19.6 million unit equity offering and \$1,800 million notes offering. Source: Bloomberg.

LINN Historical Return

LINN Total Return and Stock Price Appreciation (LINE IPO – Present of ~221%)



Stable Distributions

- **High quality asset base**
 - Multi-year inventory of liquids-rich development opportunities
 - 48% liquids
 - Long-life reserves (~21 years)
 - Diversified asset base (6 core areas / >15,000 producing wells)
- **Extensive hedge positions; reduced commodity risk**

Distributions Growth Drivers

- **Organic growth (YOY ~20% in 2012E vs. 2011)**
- **Acquisitions**
 - Excellent acquisition track record (53 transactions for ~\$9 billion)
 - ~\$1.4 billion⁽¹⁾ completed in 2010
 - ~\$1.5 billion⁽¹⁾ completed in 2011
 - ~\$1.8 billion⁽²⁾ announced in 2012

Financial Strength

- **Strong balance sheet**
 - ~\$2.0 billion available on revolving credit facility⁽³⁾
- **First in class access to capital; including low cost of equity capital**
- **Excellent credit metrics / conservative financial policy**

Note: All operational and reserve data as of December 31, 2011, pro forma for recent and pending acquisitions and joint venture. Estimates of proved reserves for recent and pending acquisitions and joint venture 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) Based on total consideration.

(2) Based on contract price for the recently closed Hugoton and pending East Texas acquisitions and \$400 million of Anadarko's development costs related to the Salt Creek JV.

(3) As of December 31, 2011, pro forma for 2012 activities, including upsize of credit facility to \$2.0 billion, 19.6 million unit offering, recently closed Hugoton acquisition, and \$1,800 million notes offering.

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oil & natural gas
company

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

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Pursue Growth

Take Action

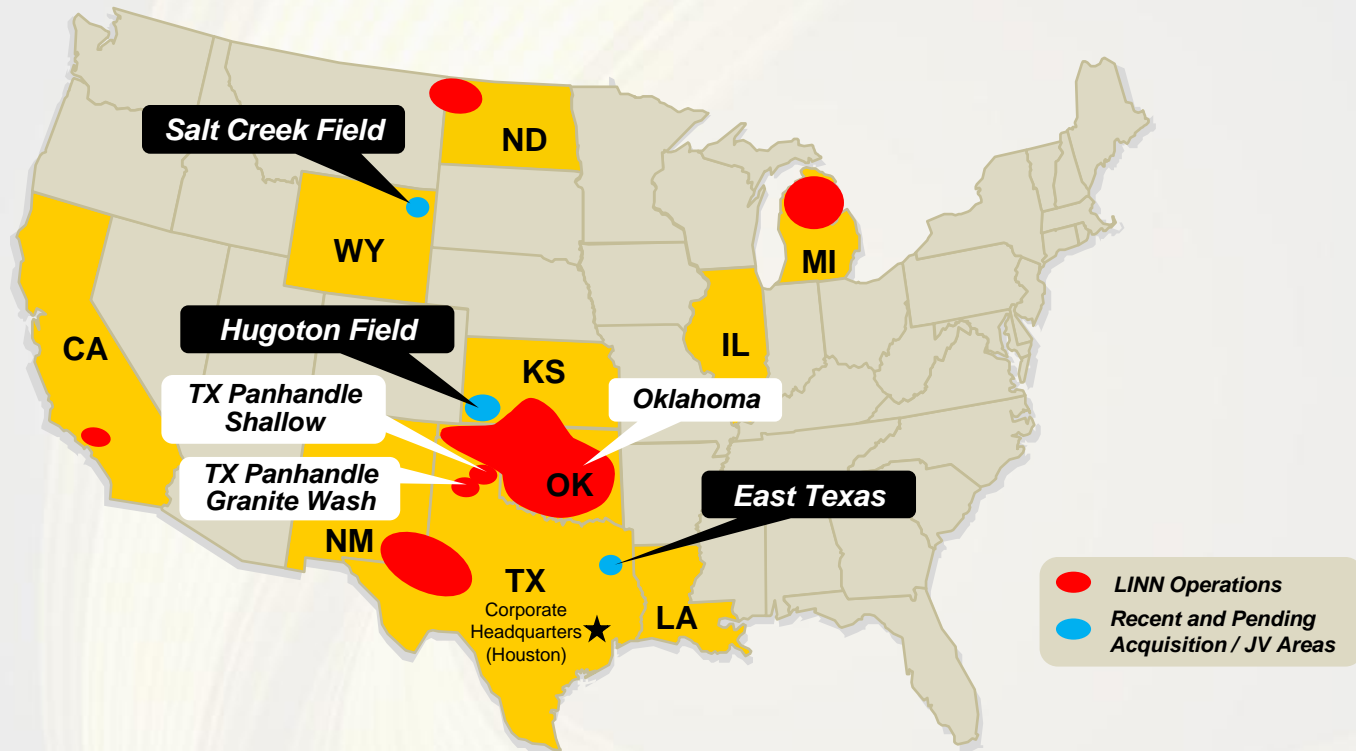
Respect Others

Be Passionate

Connect

Appendix





Williston Basin

- 14 MMBoe proved reserves
- 2% of total reserves
- 91% liquids

Mid-Continent

- 3.1 Tcfe proved reserves
- 73% of total reserves
- 59% natural gas

Michigan

- 305 Bcfe proved reserves
- 7% of total reserves
- 99% natural gas

California

- 32 MMBoe proved reserves
- 4% of total reserves
- 93% liquids

Permian Basin

- 88 MMBoe proved reserves
- 12% of total reserves
- 79% liquids

Note: All operational and reserve data as of December 31, 2011, pro forma for recent and pending acquisitions and joint venture. Estimates of proved reserves for recent and pending acquisitions and joint venture 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. Estimates of proved reserves for recent and pending acquisitions and joint venture based solely on data provided by seller.

As used herein, “Pro Forma Proved Reserves” represents the sum of (i) the Company’s estimated proved reserves as of December 31, 2011, and (ii) the estimated proved reserves acquired in the Hugoton acquisition.

The following table sets forth certain information with respect to our Pro Forma Proved Reserves for the year ended December 31, 2011.

<u>Region</u>	<u>Pro Forma Proved Reserves (Bcfe)(1)</u>	<u>% Natural Gas</u>	<u>% Proved Developed</u>
Mid-Continent Deep	1,598	67%	49%
Hugoton Acquisition	719	63%	81%
Mid-Continent Shallow	665	25%	70%
Permian Basin	527	21%	56%
Michigan	305	99%	90%
California	193	7%	93%
Williston Basin	<u>82</u>	9%	48%
Total	<u>4,089</u>	52%	64%

- (1) Proved reserves for the legacy oil and natural gas assets were calculated on December 31, 2011, the reserve report date, and use a price of \$4.12/MMBtu for natural gas and \$95.84/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months immediately preceding December 31, 2011. Pro forma proved reserves for the Hugoton Acquisition, which are based on the information provided by the seller, were calculated using a price of \$3.86/MMBtu for natural gas and \$97.61/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending February 1, 2012.

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 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 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 (loss) to adjusted EBITDA:

	Three Months Ended December 31,		Year Ended December 31,	
	2011	2010	2011	2010
	(in thousands)			
Net income (loss)	\$ (189,615)	\$ (243,527)	\$ 438,439	\$ (114,288)
Plus:				
Net operating cash flow from acquisitions and divestitures, effective date through closing date	20,086	20,129	57,966	42,846
Interest expense, cash	84,295	73,873	249,085	129,691
Interest expense, noncash	(16,243)	(7,482)	10,640	63,819
Depreciation, depletion and amortization	100,045	68,918	334,084	238,532
Impairment of long-lived assets	—	38,600	—	38,600
Write-off of deferred financing fees and other	—	—	1,189	2,076
(Gains) losses on sale of assets and other, net	873	1,062	124	3,008
Provision for legal matters	310	(638)	1,086	4,362
Loss on extinguishment of debt	240	—	94,612	—
Unrealized (gains) losses on commodity derivatives	277,650	267,102	(192,951)	232,376
Unrealized gains on interest rate derivatives	—	—	—	(63,978)
Realized losses on interest rate derivatives	—	—	—	8,021
Realized (gains) losses on canceled derivatives	—	—	(26,752)	123,865
Unit-based compensation expenses	5,484	3,246	22,243	13,792
Exploration costs	892	871	2,390	5,168
Income tax (benefit) expense	(3,264)	(1,469)	5,466	4,241
Adjusted EBITDA	<u>\$ 280,753</u>	<u>\$ 220,685</u>	<u>\$ 997,621</u>	<u>\$ 732,131</u>

Historical Financial Statements

Adjusted Net Income

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

	Three Months Ended December 31,		Year Ended December 31,	
	2011	2010	2011	2010
	(in thousands, except per unit amounts)			
Net income (loss)	\$ (189,615)	\$ (243,527)	\$ 438,439	\$ (114,288)
Plus:				
Unrealized (gains) losses on commodity derivatives	277,650	267,102	(192,951)	232,376
Unrealized gains on interest rate derivatives	—	—	—	(63,978)
Realized (gains) losses on canceled derivatives	—	—	(26,752)	123,865
Impairment of long-lived assets	—	38,600	—	38,600
Loss on extinguishment of debt	240	—	94,612	—
(Gains) losses on sale of assets, net	838	1,015	(17)	2,914
Adjusted net income	<u>\$ 89,113</u>	<u>\$ 63,190</u>	<u>\$ 313,331</u>	<u>\$ 219,489</u>
Net income (loss) per unit – basic	\$ (1.09)	\$ (1.64)	\$ 2.52	\$ (0.80)
Plus, per unit:				
Unrealized (gains) losses on commodity derivatives	1.60	1.80	(1.11)	1.63
Unrealized gains on interest rate derivatives	—	—	—	(0.45)
Realized (gains) losses on canceled derivatives	—	—	(0.15)	0.87
Impairment of long-lived assets	—	0.26	—	0.27
Loss on extinguishment of debt	—	—	0.54	—
(Gains) losses on sale of assets, net	—	0.01	—	0.02
Adjusted net income per unit – basic	<u>\$ 0.51</u>	<u>\$ 0.43</u>	<u>\$ 1.80</u>	<u>\$ 1.54</u>

Reserve Replacement / F&D Calculations

Reconciliation of Non-GAAP Measures

	Year Ended December 31,	
	2011	2010
Costs incurred (in thousands):		
Costs incurred in oil and natural gas property acquisition, exploration and development	\$ 2,158,639	\$ 1,602,086
Less:		
Asset retirement costs	(2,427)	(748)
Property acquisition costs	(1,516,737)	(1,356,430)
Oil and natural gas capital costs expended, excluding acquisitions	<u>\$ 639,475</u>	<u>\$ 244,908</u>
Reserve data (MMcfe):		
Purchase of minerals in place	579,003	671,146
Extensions, discoveries and other additions	449,818	234,324
Add:		
Revisions of previous estimates	(120,892)	76,281
Annual additions	907,929	981,751
Less:		
Purchase of minerals in place	(579,003)	(671,146)
Annual additions, excluding acquisitions	<u>328,926</u>	<u>310,605</u>
Annual production (MMcfe)	<u>134,645</u>	<u>96,827</u>
Reserve replacement metrics:		
Reserve replacement cost per Mcfe ⁽¹⁾	\$ 2.37	\$ 1.63
Reserve replacement ratio ⁽²⁾	674%	1,014%
Finding and development cost from the drillbit per Mcfe ⁽³⁾	\$ 1.94	\$ 0.79
Drillbit reserve replacement ratio ⁽⁴⁾	244%	321%

(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, 2011, 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.

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.