

LINN ENERGY, LLC  
Form DEF 14A  
December 18, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.     )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Linn Energy, LLC**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**LINN ENERGY, LLC  
600 Travis, Suite 7000  
Houston, Texas 77002**

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS  
To Be Held on Thursday, January 18, 2007**

Dear Unitholders:

You are cordially invited to attend a Special Meeting of Unitholders (the "Special Meeting") of Linn Energy, LLC, a Delaware limited liability company ("Linn Energy"), which will be held on Thursday, January 18, 2007, at 10:00 a.m., Central Standard Time, at 600 Travis, Suite 7000, Houston, Texas 77002. The Special Meeting will be held for the following purposes:

1. To vote upon (a) a change in the terms of our Class B Units to provide that each Class B Unit will automatically convert into one of our Units and (b) the issuance of 9,185,965 Units upon such conversion (the "Class B Conversion and Issuance Proposal").
2. A proposal to approve an amendment to the Linn Energy, LLC Long-Term Incentive Plan (the "LTIP") to provide that not more than 1,500,000 of the total number of Units authorized to be issued under the LTIP may be issued as Restricted Units (the "LTIP Amendment Proposal").

Our board of directors unanimously recommends that the unitholders approve the Class B Conversion and Issuance Proposal and the LTIP Amendment Proposal.

We are submitting the Class B Conversion Proposal and Issuance Proposal to you as a result of our sale of 9,185,965 Class B Units at \$20.55 per Class B Unit to certain institutional investors. The sales price of the Class B Units was determined through negotiations with the institutional investors. We used the proceeds from the sale of the Class B Units to repay indebtedness outstanding under our bridge facility and our revolving credit facility, which were used to partially finance the acquisitions of certain affiliated entities of Blacksand Energy, LLC and certain Mid-Continent assets of Kaiser-Francis Oil Company. Concurrently with their acquisition of Class B Units on October 24, 2006, the institutional investors purchased 5,534,687 Units, the proceeds of which were also used to repay indebtedness.

We decided to issue Class B Units to expedite the repayment of our one-year bridge facility. Alternative sources of equity could have potentially been obtained, but at a risk of delaying the repayment of indebtedness. For example, to have issued all the requisite equity capital in the form of Units would have required a unitholder vote prior to such issuance under the Nasdaq Marketplace Rules and thereby delayed the repayment of indebtedness. The institutional investors agreed to accept Class B Units in lieu of additional Units, provided we ask unitholders to approve the conversion of the Class B Units into Units no later than 90 days after acquisition of the Class B Units. We are now asking you for this approval.

If our unitholders approve the proposal, then the Class B Units will convert automatically into an equal number of Units. If our unitholders do not approve the proposal, then the Class B Units will continue to receive from us 115% of the per Unit distributions paid on the Units, reducing the amount of cash available for distribution on the Units. The failure to approve the proposal would have no effect on our prior repayment of indebtedness, our issuance of 5,534,687 Units to the institutional investors, the listing of these Units on The NASDAQ Global Market or our issuance of 9,185,965 Class B Units.

In addition, we are also asking you to approve the LTIP Amendment Proposal, which was previously approved and adopted by our Board of Directors, subject to unitholder approval. We believe that this amendment is necessary in order to continue to attract and retain high caliber individuals to serve as officers, directors, employees and consultants of our company.

We urge you to read the accompanying Proxy Statement carefully as it sets forth important information about the Class B Conversion and Issuance Proposal, the LTIP Amendment Proposal and the Special Meeting. Adoption of the Class B Conversion and Issuance Proposal and the LTIP Amendment Proposal requires the affirmative vote of a majority of the votes entitled to be cast on such proposal at the Special Meeting by holders of Units, provided that the total votes cast represent over 50% in interest of all outstanding Units.

Only holders of record of Units at the close of business on December 12, 2006 are entitled to receive notice of and to vote at the Special Meeting or any adjournments or postponement thereof. Units purchased by the institutional investors simultaneously with the Class B Units are not entitled to vote on the Class B Conversion and Issuance Proposal according to the rules of The NASDAQ Global Market. A list of our holders will be available for examination at the Special Meeting and at Linn Energy's office at least ten days prior to the Special Meeting.

By Order of the Board of Directors,

Roland P. Keddie  
*Secretary*

Houston, Texas  
December 18, 2006

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID RETURN ENVELOPE AS PROMPTLY AS POSSIBLE. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.**

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**LINN ENERGY, LLC  
600 Travis, Suite 7000  
Houston, Texas 77002**

**PROXY STATEMENT**

**Special Meeting of Unitholders  
To Be Held on Thursday, January 18, 2007**

This Proxy Statement, which was first mailed to our unitholders on December 18, 2006, is being furnished to you in connection with the solicitation of proxies by and on behalf of our board of directors for use at a Special Meeting of Unitholders (the "Special Meeting") or at any adjournments or postponements thereof. The Special Meeting will be held on Thursday, January 18, 2007, at 10:00 a.m., Central Standard Time, at 600 Travis, Suite 7000, Houston, Texas 77002. Only holders of record of Units at the close of business on December 12, 2006 (the "Record Date") are entitled to notice of, and are entitled to vote at, the Special Meeting and any adjournments or postponement thereof, unless such adjournment or postponement is for more than 45 days, in which event we will set a new record date. Units purchased simultaneously with our Class B Units are not entitled to vote on the Class B Conversion and Issuance Proposal (as defined herein) according to the rules of The NASDAQ Global Market. Unless the context requires otherwise, the terms "our," "we," "us" and similar terms refer to Linn Energy, LLC, together with its consolidated subsidiaries.

**Proposals**

At the Special Meeting of Unitholders, we are asking our Unitholders to consider and act upon a proposal to:

(a) change the terms of our Class B Units to provide that each Class B Unit will convert automatically into one of our Units and (b) issue 9,185,965 Units upon such conversion (the "Class B Conversion and Issuance Proposal").

approve an amendment to the Linn Energy, LLC Long-Term Incentive Plan (the "LTIP") to provide that not more than 1,500,000 of the total number of Units authorized to be issued under the LTIP may be issued as Restricted Units (the "LTIP Amendment Proposal").

**Quorum Required**

The presence, in person or by proxy, of the holders as of the Record Date of a majority of our outstanding Units is necessary to constitute a quorum for purposes of voting on the Class B Conversion and Issuance Proposal at the Special Meeting. Withheld votes will count as present for purposes of establishing a quorum on the proposals.

**How to Vote**

You may vote in person at the Special Meeting or by proxy. Even if you plan to attend the Special Meeting, we encourage you to complete, sign and return your proxy card in advance of the Special Meeting. If you plan to attend

the Special Meeting and wish to vote in person, then we will give you a ballot at the meeting. However, if your Units are held in the name of a broker, then you must obtain from the brokerage firm an account statement, letter or other evidence satisfactory to us of your beneficial ownership of the Units. Please mail your completed, signed and dated proxy card in the enclosed postage-paid return envelope as soon as possible so that your Units may be represented at the Special Meeting.

**Revoking Your Proxy**

You may revoke your proxy before it is voted at the Special Meeting as follows: (i) by delivering, before or at the Special Meeting, a new proxy with a later date; (ii) by delivering, on or before the business day prior to the Special Meeting, a notice of revocation to our Secretary at the address set forth in the notice of the Special Meeting;

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(iii) by attending the Special Meeting in person and voting, although your attendance at the Special Meeting, without actually voting, will not by itself revoke a previously granted proxy; or (iv) if you have instructed a broker to vote your Units, then you must follow the directions received from your broker to change those instructions.

**Outstanding Units Held on Record Date**

As of the Record Date, there were 33,417,187 Units outstanding. Of the 33,417,187 Units outstanding as of the Record Date, 5,534,687 Units are not entitled to vote on the Class B Conversion and Issuance Proposal.

**Units Owned by Our Affiliates as of the Record Date**

As of the Record Date: (i) Quantum Energy Partners II, LP; and (ii) our directors and executive officers collectively held 14,706,343 Units. Please read Security Ownership of Certain Beneficial Owners and Management.

In conjunction with the sale of Class B Units and Units to the institutional investors, Quantum Energy Partners II, LP, Michael C. Linn, Kolja Rockov, Lisa D. Anderson and Roland P. Keddie entered into a voting agreement (the Voting Agreement), pursuant to which they agreed to vote all of the Units beneficially owned by them in favor of the conversion of the Class B Units into Units at any meeting of the unitholders convened to consider and vote upon the conversion of Class B Units to Units. Quantum Energy Partners II, LP, Michael C. Linn, Kolja Rockov, Lisa D. Anderson and Roland P. Keddie collectively held 14,676,093 as of the Record Date, representing approximately 52.6% of the outstanding Units (excluding the 5,534,687 Units purchased by institutional investors in the October 24, 2006 private placement) as of the Record Date.

Additionally, pursuant to the agreement among us and the institutional investors regarding the purchase of the Class B Units (the Class B and Unit Purchase Agreement), each of the institutional investors agreed to vote all of its Units, with the exception of the Units purchased in the private placement, which are not entitled to vote according to the rules of The NASDAQ Global Market, in favor of the conversion of the Class B Units into Units.

**For additional copies of this Proxy Statement or proxy cards or if you have any questions about the Special Meeting, please contact Georgeson Inc., our proxy solicitor, at 17 State Street, New York, New York 10004. Banks and brokerage firms, please call 212-440-9800. Unitholders, please call Toll-Free 1-866-785-7361.**

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**QUESTIONS AND ANSWERS**

**Q: WHAT IS THE PURPOSE OF THE SPECIAL MEETING?**

A: The purpose of the Special Meeting is for our unitholders to consider and act upon proposals to approve:

(a) a change in the terms of our Class B Units to provide that each Class B Unit will automatically convert into one of our Units and (b) the issuance of additional Units upon such conversion. Upon approval of this proposal, each of the 9,185,165 Class B Units will convert into one Unit totaling 9,185,165 Units. We refer to this proposal in this proxy statement as the Class B Conversion and Issuance Proposal.

We are submitting the Class B Conversion Proposal and Issuance Proposal to you as a result of our sale of 9,185,965 Class B Units at \$20.55 per Unit to certain institutional investors. The sales price of the Class B Units was determined through negotiations with the institutional investors. We used the proceeds from the sale of the Class B Units to repay borrowings under our bridge facility and our revolving credit facility, which were used to partially finance the acquisitions of certain affiliated entities of Blacksand Energy, LLC and certain Mid-Continent assets of Kaiser-Francis Oil Company. Concurrently with their acquisition of Class B Units on October 24, 2006, the institutional investors purchased 5,534,687 Units, the proceeds of which were also used to repay indebtedness.

We decided to issue Class B Units to expedite the repayment of our one-year bridge facility. Alternative sources of equity could have potentially been obtained, but at a risk of delaying the repayment of indebtedness. For example, to have issued all the requisite equity capital in the form of Units would have required a unitholder vote prior to such issuance under the Nasdaq Marketplace Rules and thereby delayed the repayment of indebtedness. The institutional investors agreed to accept Class B Units in lieu of additional Units, provided we ask unitholders to approve the conversion of the Class B Units into Units no later than 90 days after acquisition of the Class B Units. We are now asking you for this approval.

an amendment to the LTIP to provide that not more than 1,500,000 of the total number of Units authorized to be issued under the LTIP may be issued as Restricted Units.

**Class B Conversion and Issuance Proposal**

**Q: WHAT HAPPENS IF THE REQUIRED APPROVAL FOR THE CLASS B CONVERSION AND ISSUANCE PROPOSAL IS OBTAINED?**

A: Each outstanding Class B Unit will be converted automatically into one Unit upon approval and the new Units will be issued and listed on The NASDAQ Global Market. For purposes of future distributions, former Class B unitholders will become unitholders and will no longer be entitled to 115% of per Unit distributions. The voting power of each Unit will be decreased due to the conversion of nonvoting Class B Units to voting Units.

**Q: WHAT HAPPENS IF THE REQUIRED APPROVAL FOR THE CLASS B CONVERSION AND ISSUANCE PROPOSAL IS NOT OBTAINED?**

A: If our unitholders do not approve the conversion of Class B Units to Units, each Class B Unit will continue to receive 115% of the amount of distributions paid on each Unit. This distribution reduces the amount of cash available for distribution to unitholders. Upon written notice from the parties holding a majority of the Class B Units, a second vote will occur to consider conversion of Class B Units to Units. If approval is not obtained at the

second vote, the proposal to convert Class B Units to Units will be voted upon at no more than two subsequent annual meetings of our unitholders.

**Q: WHAT VOTE IS REQUIRED TO APPROVE THE CLASS B CONVERSION AND ISSUANCE PROPOSAL?**

A: Adoption of the Class B Conversion and Issuance Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by holders of Units, provided that the total votes cast represent over 50% in interest of all Units entitled to vote at the Special Meeting with respect to the Class B Conversion and Issuance Proposal. Units purchased by the institutional investors simultaneously with the Class B Units are not entitled to vote on the Class B Conversion and Issuance Proposal according to the rules of The NASDAQ Global Market. A properly executed proxy submitted without instructions on how to vote will be voted FOR this

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proposal, unless your proxy is properly revoked. A properly executed proxy submitted and marked ABSTAIN with respect to any matter will not be voted, although it will be counted for purposes of determining the existence of a quorum.

In conjunction with the sale of Class B Units and Units to the institutional investors, Quantum Energy Partners II, LP, Michael C. Linn, Kolja Rockov, Lisa D. Anderson and Roland P. Keddie entered into a voting agreement (the Unitholder Voting Agreement), pursuant to which they agreed to vote all of the Units beneficially owned by them in favor of the conversion of the Class B Units into Units at any meeting of the unitholders convened to consider and vote upon the conversion of Class B Units to Units. Quantum Energy Partners II, LP, Michael C. Linn, Kolja Rockov, Lisa D. Anderson and Roland P. Keddie collectively held 14,676,093 Units as of the Record Date, representing approximately 52.6% of the outstanding Units (excluding the 5,534,687 Units purchased by institutional investors in the October 24, 2006 private placement) as of the Record Date.

Additionally, pursuant to the Class B and Unit Purchase Agreement, each of the institutional investors agreed to vote all of its Units, with the exception of the purchased Units which are not entitled to vote according to the rules of The NASDAQ Global Market, in favor of the conversion of the Class B Units into Units.

### **Q: WHAT ARE THE MATERIAL DIFFERENCES BETWEEN THE UNITS AND CLASS B UNITS?**

A: There are three material differences between the Units and the Class B Units.

First, the Units receive distributions of available cash from operating surplus in an amount equal to the quarterly distribution, which amount was \$0.43 per Unit with respect to the third quarter of 2006. Each Class B Unit has the right to share in distributions on a pro rata basis with the Units, with the amount of any distributions on such Class B Unit equaling 115% of the quarterly cash distribution amount payable on each Unit.

Second, the Class B Units are non-voting. Unitholders holding Units have the right to vote their Units with respect to the election of our board of directors, certain amendments of our limited liability company agreement, the merger of our company or the sale of all or substantially all of our assets, and the dissolution of our company.

Third, the Units have a liquidation preference over the Class B Units, which means if we liquidate, then we will allocate gain and loss to entitle the holders of Units a preference over the holders of Class B Units to the extent required to permit the unitholders to receive their unrecovered initial Unit price, plus the initial quarterly distribution for the quarter during which liquidation occurs, plus any arrearages

## **LTIP Amendment Proposal**

### **Q: WHAT HAPPENS IF THE LTIP AMENDMENT PROPOSAL IS APPROVED?**

A: We will use the additional Restricted Units deliverable under the LTIP to provide incentive to our officers, directors, employees and consultants for superior performance and to enhance our ability to attract and retain the services of individuals essential for our growth and profitability.

### **Q: WHAT HAPPENS IF THE LTIP AMENDMENT PROPOSAL IS NOT APPROVED?**

A: As of the date hereof, we have made Restricted Unit awards under the LTIP of 298,909 Restricted Units in connection with hiring certain officers of Linn Energy, which does not include another 200,000 Restricted Units

that will be awarded in December 2006 under the LTIP in connection with the appointment of Mark E. Ellis as our Executive Vice President and Chief Operating Officer. As a result, an aggregate of 1,091 Restricted Units are currently available for delivery with respect to awards under the LTIP out of the initial 500,000 Restricted Units authorized at the time of our initial public offering. Additionally, subject to your approval of the LTIP Amendment Proposal, our Compensation Committee has approved an aggregate of 400,500 Restricted Unit awards to certain of our executive officers and other employees. If the LTIP Amendment Proposal is not approved, then: (i) we will be unable to award Restricted Units under the LTIP beyond the current limitation because the Nasdaq Marketplace Rules require unitholder approval of material amendments to our LTIP; and (ii) the aggregate 400,500 Restricted Units approved by our Compensation Committee will

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not be awarded to certain of our executive officers and other employees. Once current availability of Restricted Units under the LTIP is exhausted, our Board of Directors would be required to consider making other awards under the LTIP to help attract, retain and motivate new employees and directors.

**Q: WHAT VOTE IS REQUIRED TO APPROVE THE LTIP AMENDMENT PROPOSAL?**

A: Adoption of the LTIP Amendment Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by holders of Units, provided that the total votes cast represent over 50% in interest of all outstanding Units. A properly executed proxy submitted without instructions on how to vote will be voted FOR this proposal, unless your proxy is properly revoked. A properly executed proxy submitted and marked **ABSTAIN** with respect to any matter will not be voted, although it will be counted for purposes of determining the existence of a quorum.

**The Special Meeting; Voting**

**Q: WHO IS SOLICITING MY PROXY?**

A: We are sending you this Proxy Statement in connection with our solicitation of proxies for use at our Special Meeting of unitholders. Certain directors, officers and employees of Linn Energy and Georgeson Inc. may also solicit proxies on our behalf by mail, phone, fax or in person. You may obtain additional information regarding this Special Meeting from Georgeson Inc. as follows: 17 State Street, New York, New York 10004. Banks and brokerage firms, please call 212-440-9800. Unitholders, please call Toll-Free 1-866-785-7361.

**Q: WHEN AND WHERE IS THE SPECIAL MEETING?**

A: The Special Meeting will be held on Thursday, January 18, 2007, at 10:00 a.m., Central Standard Time, at 600 Travis, Suite 7000, Houston, Texas 77002.

**Q: WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?**

A: Only holders of record of Units at the close of business on the Record Date are entitled to notice of, and to vote at, the Special Meeting. Units purchased by the institutional investors simultaneously with the Class B Units are not entitled to vote on the Class B Conversion and Issuance Proposal according to the rules of The NASDAQ Global Market.

**Q: HOW DO I VOTE?**

A: After you read and carefully consider the information contained in this Proxy Statement, please mail your completed, signed and dated proxy card in the enclosed postage-paid return envelope as soon as possible so that your Units may be represented at the Special Meeting. You may also vote by attending the Special Meeting and voting your Units in person. Even if you plan to attend the Special Meeting, your plans may change, so it is a good idea to complete, sign and return your proxy card or vote by otherwise following the instructions on the proxy card in advance of the Special Meeting.

**Q: MAY I CHANGE MY VOTE AFTER RETURNING A PROXY CARD?**

A: Yes. To change your vote after you have submitted your proxy card, send in a later dated, signed proxy card to us or attend the Special Meeting and vote in person. You may also revoke your proxy by sending in a notice of revocation to our Secretary at the address set forth in the notice of the Special Meeting. Please note that

attendance at the Special Meeting will not by itself revoke a previously granted proxy.

**Q: HOW DO I VOTE MY UNITS IF THEY ARE HELD IN STREET NAME ?**

A: Your broker will not vote your Units unless you provide instructions on how to vote. Please contact your broker if you have not received a request for voting instructions. If you have instructed your broker to vote your Units and wish to change those instructions before the vote at the Special Meeting, then you must follow the directions received from your broker.

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**PROPOSAL ONE**

**CLASS B CONVERSION AND ISSUANCE PROPOSAL**

**Background**

We are submitting the Class B Conversion Proposal and Issuance Proposal to you as a result of our sale of 9,185,965 Class B Units at \$20.55 per Unit to certain institutional investors. The sales price of the Class B Units was determined through negotiations with the institutional investors. We used the proceeds from the sale of the Class B Units to repay indebtedness outstanding under our bridge facility and our revolving credit facility, which were used to partially finance the acquisitions of certain affiliated entities of Blacksand Energy, LLC and certain Mid-Continent assets of Kaiser-Francis Oil Company. Concurrently with their acquisition of Class B Units on October 24, 2006, the institutional investors purchased 5,534,687 Units, the proceeds of which were also used to repay indebtedness.

We decided to issue Class B Units to expedite the repayment our one-year bridge facility. Alternative sources of equity could have potentially been obtained, but at a risk of delaying the repayment of indebtedness. For example, to have issued all the requisite equity capital in the form of Units would have required a unitholder vote prior to such issuance under the Nasdaq Marketplace Rules and thereby delayed the repayment of indebtedness. The institutional investors agreed to accept Class B Units in lieu of additional Units, provided we ask unitholders to approve the conversion of the Class B Units into Units no later than 90 days after acquisition of the Class B Units. We are now asking you for this approval.

**The Proposal**

At the Special Meeting, our unitholders will consider and act upon a proposal to approve: (a) a change in the terms of our 9,185,965 Class B Units to provide that each Class B Unit will convert automatically into one Unit effective upon such approval and (b) our issuance of 9,185,965 Units upon conversion of the Class B Units.

**Effects of Approval**

If our unitholders approve the conversion of Class B Units at the Special Meeting, each outstanding Class B Unit will convert automatically into one Unit upon approval and will be listed on The NASDAQ Global Market. For purposes of future distributions, former Class B unitholders will become unitholders and will no longer be entitled to 115% of per Unit distributions. The voting power of each Unit will be decreased due to the conversion of nonvoting Class B Units to voting Units.

**Effects of Failure to Approve**

Each Class B Unit currently is entitled to receive 115% of the amount of distributions paid on each Unit. If our unitholders do not approve the conversion of Class B Units to Units, each Class B Unit will continue to receive 115% of the amount of distributions paid on each Unit. This distribution reduces the amount of cash available for unitholders. Upon written notice from the parties holding a majority of the Class B Units, a second vote will occur to consider conversion of Class B Units to Units. If approval is not obtained pursuant to the second vote, the proposal to convert Class B Units to Units will be voted upon at no more than two subsequent annual meetings of our unitholders.

The 115% distribution terminates if at any time there are no longer any Class B Units outstanding, which would occur upon the automatic conversion of the Class B Units into Units either (1) upon receipt of approval of the Class B Conversion and Issuance Proposal, whether at this Special Meeting or a subsequent meeting, or (2) if at any time



unitholder approval is no longer required under the Nasdaq Marketplace Rules as a condition to the listing on the Nasdaq of the Units that would be issued upon such conversion.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT UNITHOLDERS VOTE FOR APPROVAL OF THE CLASS B CONVERSION AND ISSUANCE PROPOSAL.**

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**Reasons for Board of Directors Recommendation**

Our board of directors believes that the Class B Conversion and Issuance Proposal is in the best interests of our company and our unitholders and should be approved for the following reasons:

If our unitholders fail to approve the Class B Conversion and Issuance Proposal, each class B Unit will continue to be entitled to receive 115% of the amount of distributions paid on each Unit. This would reduce the amount of cash available to be distributed to the unitholders holding Units.

Issuance of all the requisite equity capital in the form of Units would have required a unitholder vote prior to such issuance under the Nasdaq Marketplace Rules and thereby delayed the repayment of indebtedness. Any delay in the repayment of indebtedness would have caused us to continue to incur interest expense at a rate higher than the cost of issuing the Class B Units. The institutional investors agreed to accept Class B Units in lieu of additional Units, provided we ask unitholders to approve the conversion of the Class B Units into Units no later than 90 days after acquisition of the Class B Units. We are now asking you for this approval.

If our unitholders fail to approve the Class B Conversion and Issuance Proposal at this Special Meeting, we have agreed to solicit our unitholders again at a subsequent Special Meeting. Any subsequent solicitation would result in additional costs and expenses to us and would decrease the amount of cash available to be distributed to our unitholders.

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**PROPOSAL TWO**

**APPROVAL OF AMENDMENT TO THE LINN ENERGY, LLC  
LONG-TERM INCENTIVE PLAN**

Pursuant to a recommendation of the Compensation Committee made in November 2006, the Board of Directors has approved an amendment to our LTIP, subject to unitholder approval. The Board of Directors believes that this amendment is necessary in order to continue to attract and retain high caliber individuals to serve as officers, directors, employees and consultants of our company. If the amendment is approved, it will be effective as of the date of the Special Meeting of unitholders. The proposed amendment to the LTIP, if approved, will provide that not more than 1,500,000 of the total number of Units authorized to be issued under the LTIP may be issued as Restricted Units.

Adoption of the LTIP Amendment Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by holders of Units, provided that the total votes cast represent over 50% in interest of all our outstanding Units. A properly executed proxy submitted without instructions on how to vote will be voted FOR this proposal, unless your proxy is properly revoked. A properly executed proxy submitted and marked ABSTAIN with respect to any matter will not be voted, although it will be counted for purposes of determining the existence of a quorum.

For a more complete description of the LTIP Amendment, please read Proposed Amendment to the LTIP below and a copy of the First Amendment to the Linn Energy, LLC Long-Term Incentive Plan included as Annex A to this Proxy Statement (the LTIP Amendment). For a more complete description of the LTIP generally, please read Summary Description of the Linn Energy Long-Term Incentive Plan below. A copy of the LTIP is included as Annex B to this Proxy Statement. The statements made in this Proxy Statement with respect to the LTIP Amendment Proposal should be read in conjunction with, and are qualified in their entirety by reference to, the full text of the LTIP and the LTIP Amendment, which are incorporated by reference herein from Annex A and Annex B.

**Proposed Amendment to the LTIP**

As of the date hereof, we have made Restricted Unit awards under the LTIP of 298,909 Restricted Units in connection with hiring certain officers of Linn Energy, which does not include another 200,000 Restricted Units that will be awarded in December 2006 under the LTIP in connection with the appointment of Mark E. Ellis as our Executive Vice President and Chief Operating Officer. As a result, an aggregate of 1,091 Restricted Units are currently available for delivery with respect to awards under the LTIP out of the initial 500,000 Restricted Units authorized at the time of our initial public offering. Based on our expectations regarding near-term awards, our Board of Directors does not believe that this amount is sufficient. Additionally, subject to your approval of the LTIP Amendment Proposal, our Compensation Committee has approved an aggregate of 400,500 Restricted Unit awards to certain of our executive officers and other employees.

**Effects of Approval**

We will use the additional Units deliverable under the LTIP to provide incentive to our officers, directors, employees and consultants for superior performance and to enhance our ability to attract and retain the services of individuals essential for our growth and profitability. These amendments will be effective immediately upon the approval of our unitholders. The LTIP will continue to be administered under the direction of the Compensation Committee of our Board of Directors.

**Effects of Failure to Approve**

If the LTIP Amendment Proposal is not approved, then we will be unable to award Restricted Units under the LTIP beyond the current limitation because the NASDAQ Marketplace Rules require unitholder approval of material amendments to our LTIP. Once current availability of Restricted Units under the LTIP is exhausted, our Board of Directors would be required to consider making other awards under the LTIP to help attract, retain and motivate new employees and directors.

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**Summary Description of the Linn Energy, LLC Long-Term Incentive Plan**

The LTIP consists of four components: Restricted Units, Phantom Units, Unit Options and unit appreciation rights. The LTIP currently limits the number of units that may be delivered pursuant to awards to 3,900,000 Units, provided that no more than 500,000 of such Units (as adjusted) may be issued as Restricted Units. Units withheld to satisfy exercise prices or tax withholding obligations are available for delivery pursuant to other awards.

*Unit Grants.* A unit grant is a unit that vests immediately upon issuance. In the future, the compensation committee may make unit grants under the plan to employees and members of our Board of Directors.

*Unit Options.* A unit option is a right to purchase a unit at a specified price. In the future, the compensation committee may make option grants under the plan to employees and members of our Board containing such terms as the committee shall determine. Unit options will have an exercise price that will not be less than the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the compensation committee, although vesting may accelerate upon the achievement of specified financial objectives. In addition, the unit options will become exercisable upon a change in control of our company, unless provided otherwise by the committee. If a grantee's employment, consulting relationship or membership on the Board of Directors terminates for any reason, the grantee's unvested unit options will be automatically forfeited unless, and to the extent, the option agreement or the compensation committee provides otherwise.

Upon exercise of a unit option (or a unit appreciation right, as defined below, settled in units), we will issue new units, acquire units on the open market or directly from any person or use any combination of the foregoing, in the compensation committee's discretion. If we issue new units upon exercise of the unit options (or a unit appreciation right settled in units), the total number of units outstanding will increase. The availability of unit options and unit appreciation rights is intended to furnish additional compensation to employees and members of our Board of Directors and to align their economic interests with those of unitholders.

*Restricted Units.* A restricted unit is a unit that vests over a period of time and that during such time is subject to forfeiture. In the future, the compensation committee may make additional grants of restricted units under the plan to employees, consultants and directors containing such terms as the compensation committee shall determine. The compensation committee will determine the period over which restricted units (and distributions related to such units) will vest. The committee may base its determination upon the achievement of specified financial objectives. In addition, the restricted units will vest upon a change of control of our company, as defined in the plan, unless provided otherwise by the committee.

If a grantee's employment, consulting relationship or membership on the Board of Directors terminates for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the compensation committee or the terms of the award agreement provide otherwise. Units to be delivered as restricted units may be units issued by us, units acquired by us in the open market, units already owned by us, units acquired by us from any other person or any combination of the foregoing. If we issue new units upon the grant of the restricted units, the total number of units outstanding will increase.

We intend the restricted units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of our units. Therefore, plan participants will not pay any consideration for the units they receive, and we will receive no remuneration for the units.

*Phantom Units.* A phantom unit entitles the grantee to receive a unit upon the vesting of the phantom unit or, in the discretion of the compensation committee, cash equivalent to the value of a unit. In the future, the compensation committee may make grants of phantom units under the plan to employees, consultants and directors containing such

terms as the compensation committee shall determine. The compensation committee will determine the period over which phantom units will vest. The committee may base its determination upon the achievement of specified financial objectives. In addition, the phantom units will vest upon a change of control of our company, unless provided otherwise by the committee.

If a grantee's employment, consulting relationship or membership on the Board of Directors terminates for any reason, the grantee's phantom units will be automatically forfeited unless, and to the extent, the compensation committee or the terms of the award agreement provide otherwise. Units to be delivered upon the vesting of

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phantom units may be units issued by us, units acquired by us in the open market, units already owned by us, units acquired by us from any other person or any combination of the foregoing. If we issue new units upon vesting of the phantom units, the total number of units outstanding will increase. The compensation committee, in its discretion, may grant tandem distribution equivalent rights with respect to phantom units that entitle the holder to receive cash equal to any cash distributions made on units while the phantom units are outstanding.

We intend the issuance of any units upon vesting of the phantom units under the plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of our units. Therefore, plan participants will not pay any consideration for the units they receive, and we will receive no remuneration for the units.

*Unit Appreciation Rights.* A unit appreciation right is an award that, upon exercise, entitles the participant to receive the excess of the fair market value of a unit on the exercise date over the exercise price established for the unit appreciation right. Such excess may be paid in units, cash or a combination thereof, as determined by the compensation committee in its discretion. Initially, we do not expect to grant unit appreciation rights under our long-term incentive plan. In the future, the compensation committee may make grants of unit appreciation rights under the plan to employees, consultants and directors containing such terms as the committee shall determine. Unit appreciation rights will have an exercise price that will not be less than the fair market value of the units on the date of grant. In general, unit appreciation rights will become exercisable over a period determined by the compensation committee. In addition, the unit appreciation rights will become exercisable upon a change in control of our company, unless provided otherwise by the committee. If a grantee's employment, consulting relationship or membership on the Board of Directors terminates for any reason, the grantee's unvested unit appreciation rights will be automatically forfeited unless, and to the extent, the grant agreement or compensation committee provides otherwise.

*Benefits Under the LTIP for 2007.* Subject to unitholder approval of the LTIP Amendment Proposal, on December 6, 2006, the Compensation Committee of our Board of Directors approved restricted unit awards to certain of our executive officers and other employees. The following table sets forth the number of the restricted units that have been awarded (subject to your approval of the LTIP Amendment Proposal) to the following: (i) the Named Executive Officers; (ii) all current executive officers as a group; (iii) all current directors who are not executive officers as a group and (iv) all employees, including all current officers who are not executive officers, as a group:

<b>Name and Position</b>	<b>Number of Restricted Units</b>
Michael C. Linn, Chairman of the Board and Chief Executive Officer	150,000
Kolja Rockov, Executive Vice President and Chief Financial Officer	140,000
Mark E. Ellis(1), Executive Vice President and Chief Operating Officer	
Thomas A. Lopus, Senior Vice President – Operations	15,000
Roland P. Keddie, Senior Vice President and Secretary	15,000
Lisa D. Anderson, Senior Vice President and Chief Accounting Officer	15,000
Executive Group	335,000
Non-Executive Director Group	
Non-Executive Officer Employee Group	49,000

(1) Mr. Ellis will commence employment with our company on December 18, 2006.

**THE BOARD OF DIRECTORS RECOMMENDS THAT UNITHOLDERS VOTE FOR APPROVAL OF THE LTIP AMENDMENT PROPOSAL, AND PROXIES EXECUTED AND RETURNED WILL BE SO VOTED**

**UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.**



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**Reasons for Board of Directors Recommendation**

Our Board of Directors believes that our future success depends, in large part, upon our ability to maintain a competitive position to:

attract new employees and executives with competitive compensation packages;

retain our existing executives who are attractive candidates to other companies in our industries;

motivate and recognize our directors, officers, employees and consultants; and

ensure the availability of incentive awards for employees we hire as a result of acquisitions.

**INTERESTS OF CERTAIN PERSONS**

In considering the recommendation of our board of directors to approve the Class B Conversion and Issuance Proposal, you should be aware that if the Class B Conversion and Issuance Proposal is approved at our Special Meeting, the Class B Unitholders will receive Units. The Units will be listed on The NASDAQ Global Market and will therefore be a more liquid security than the Class B Units. Our other unitholders will not receive any additional securities or other consideration if the Class B Conversion and Issuance Proposal is approved.

You should also be aware that, upon conversion of the Class B Units to Units, Quantum Energy Partners II LP will own 23.84% of our outstanding Units, Michael C. Linn will own 8.67% of our outstanding Units and Lehman Brothers MLP Partners, L.P. will own 5.2% of our outstanding Units.

**DESCRIPTION OF UNITS**

**Units**

The Units represent limited liability company interests in us. The holders of Units are entitled to participate in distributions and exercise the rights or privileges available to unitholders under our limited liability company agreement.

***Distributions***

The Units currently receive distributions of available cash from operating surplus in an amount equal to the quarterly distribution, which amount was \$0.43 per Unit with respect to the third quarter of 2006. The amount of available cash, if any, at the end of any quarter may be greater or less than the current aggregate quarterly distribution to be distributed on all units.

***Voting Rights***

Unitholders have the right to vote with respect to the election of our board of directors, certain amendments of our limited liability company agreement, the merger of our company or the sale of all or substantially all of our assets, and the dissolution of our company.

***Dissolution and Liquidation***

If we liquidate, we will allocate gain and loss to entitle the holders of Units a preference over the holders of Class B Units to the extent required to permit the unitholders to receive their unrecovered initial Unit price, plus the initial quarterly distribution for the quarter during which liquidation occurs, plus any arrearages.

***No Preemptive Rights***

Holders of Units are not entitled to preemptive rights with respect to issuances of additional securities by us.

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**Class B Units**

We amended our limited liability company agreement in connection with the private placement to create a new series of units designated as Class B Units. The Class B Units, together with our Units, represent membership interests in us. Unlike the Units, the Class B Units are not publicly traded.

***Conversion***

Upon approval of the Class B Conversion and Issuance Proposal, each Class B Unit will convert automatically into one Unit and none of the Class B Units will remain outstanding. If unitholder approval is not received, then each Class B Unit will remain outstanding and will continue to receive distributions of 115% of the amount of distributions paid on each Unit.

***Distributions***

Each Class B Unit has the right to share in distributions on a pro rata basis with the Units, with the amount of any distributions on such Class B Unit equaling 115% of the quarterly cash distribution amount payable on each Unit.

***Voting Rights***

Class B Units are non-voting except that the Class B Units shall be entitled to vote as a separate class on any matter that adversely affects the rights or preferences of the Class B Units in relation to other classes of interests or as required by law. The approval of a majority of the Class B Units shall be required to approve any matter upon which the holders of Class B Units are entitled to vote.

***Dissolution and Liquidation***

If we liquidate, we will allocate gain and loss to entitle the holders of Units a preference over the holders of Class B Units to the extent required to permit the unitholders to receive their unrecovered initial Unit price, plus the initial quarterly distribution for the quarter during which liquidation occurs, plus any arrearages for the unitholders.

***No Preemptive Rights***

Holders of Class B Units, like holders of Units, are not entitled to preemptive rights with respect to issuances of additional securities by us.

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The following table sets forth information concerning the compensation for services rendered in all capacities to Linn Energy, LLC and its subsidiaries for the years ended December 31, 2005 and 2004 for our President and Chief Executive Officer and our four other most highly compensated executive officers.

**Summary Compensation Table**

	Year	Annual Compensation			All Other Compensation (2) (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation(1) (\$)	
Michael C. Linn	2005	200,000			\$ 8,400
President and Chief Executive Officer	2004	18,750	200,000		
Kolja Rockov(3)	2005	159,848			