

Linn Energy, LLC

New Breed of Oil and Gas Income Stock

<i>Symbol</i>	LINE	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$m)</i>	286
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	67
<i>Price (\$/sh)</i>	29.32	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/4/07	<i>Adjusted Reserves/Production NTM</i>	21.1
<i>Shares (mm)</i>	114	<i>EV/Ebitda</i>	16.3
<i>Market Capitalization (\$mm)</i>	3,340	<i>PV/Ebitda</i>	14.5
<i>Debt (\$mm)</i>	1,300	<i>Undeveloped Reserves (%)</i>	32
<i>Enterprise Value (EV) (\$mm)</i>	4,640	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	27.80
<i>Present Value (PV) (\$mm)</i>	4,200	<i>Present Value Proven Reserves(\$/boe)</i>	16.30
<i>Net Present Value (\$/share)</i>	25	<i>Present Value Proven Reserves(\$/mcf)</i>	2.70
<i>Debt/Present Value</i>	0.31	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.36
<i>McDep Ratio - EV/PV</i>	1.12	<i>Price/Earnings Next Twelve Months</i>	81
<i>Distribution Yield (%/year)</i>	7.8	<i>Indicated Annual Distribution (US\$/sh)</i>	2.28

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu.

Summary and Recommendation

Adding the units of **Linn Energy, LLC (LINE)** to our coverage, we calculate a tentative McDep Ratio moderately above 1.0 for a stock that offers high income distributions primarily from long life natural gas production. The valuation is tentative because there is little operating history for newly acquired properties that account for most of the company's assets. A recently completed acquisition of natural gas properties for \$2 billion from Dominion Resources, the electric utility, seems well-timed as the price of the clean fuel appears depressed relative to oil. Linn is a leader by market capitalization in the newly expanding oil and gas production income category of U.S. Master Limited Partnerships (MLPs). The LLC – Limited Liability Corporation – structure is similar to the MLP structure and we think it is important that the general partner of Linn does not have the undesirable compensation scheme of our sell-recommended MLP. An early indication that Linn's distribution may be partly financed by debt causes us to be cautious before drawing a firmer conclusion on the outlook for the stock.

Natural Gas Looks Timely – Again

It is exhilarating to see how well oil has done as a commodity in recent years and it is humbling to see that natural gas price is at steep discount to oil. Not knowing whether one or the other is going to do better next, long-time investors may keep representation in both fuels. Linn shares a natural gas concentration with our buy-recommendations **Hugoton Royalty Trust (HGT)** and **San Juan Basin Royalty Trust (SJT)**.

Kurt H. Wulff, CFA

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Natural Gas and Oil Income Stocks - Rank by McDep Ratio

	<i>Symbol/ Rating</i>	<i>Price (\$/sh) 4-Oct 2007</i>	<i>Shares (mm)</i>	<i>Market Cap (\$mm)</i>	<i>Net Present Value (\$/un)</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
U.S. Royalty Trusts							
Sabine Royalty Trust	SBR	46.63	14.6	680	45.00	-	1.04
Permian Basin RT	PBT	14.95	46.6	700	16.50	-	0.91
Mesa RoyaltyTrust	MTR	62.35	1.9	120	70.00	-	0.89
San Juan Basin Royalty Trust	SJT	B 35.28	46.6	1,640	40.00	-	0.88
Cross Timbers Royalty Trust	CRT	40.27	6.0	240	46.00	-	0.88
Hugoton RoyaltyTrust	HGT	B 24.91	40.0	1,000	34.00	-	0.73
<i>Total or Median</i>				4,400			0.89
Canadian Income Trusts (US\$)							
Pengrowth Energy Trust	PGH	18.24	246.0	4,490	17.00	0.27	1.05
Enerplus Resources Fund	ERF	47.08	128.0	6,030	52.00	0.13	0.92
Penn West Energy Trust	PWE	B 31.16	241.5	7,530	36.00	0.20	0.89
Canadian Oil Sands Trust	COSWF	B 31.84	479.0	15,250	39.00	0.08	0.83
<i>Total or Median</i>				33,300		0.17	0.91
U.S. Master Limited Partnerships (MLPs)							
Kinder Morgan Energy Partners, L.P.	KMP	S 49.80	178.6	8,900	17.00	0.53	1.91
Encore Energy Partners, L.P. (39%)	ENP	21.02	9.0	190	18.00	0.14	1.14
Linn Energy, LLC	LINE	29.32	114.0	3,340	25.00	0.31	1.12
Dorchester Minerals, L.P.	DMLP	20.62	28.2	580	27.00	-	0.76
<i>Total or Median</i>				13,000		0.23	1.13

B = Buy, S = Sell

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

**Linn Energy, LLC
Functional Cash Flow and Present Value**

	<i>NTM Ebitda (US\$mm)</i>	<i>Adjusted R/P</i>	<i>PV/ Ebitda</i>	<i>Present Value (US\$mm)</i>	
North American Natural Gas	191	18.8	15.7	3,000	71%
Oil	95	28.8	12.7	1,200	29%
	286	21.1	14.7	4,200	100%
Debt (US\$mm)					1,300
Net Present Value (US\$mm)					2,900
Shares (mm)					114
Net Present Value - Standard Estimate (US\$/sh)					25
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					25

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Natural Gas and Oil Income Stocks - Rank by EV/Ebitda

	Symbol/ Rating	Price (\$/sh) 4-Oct 2007	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT B	35.28	10.0	13.2	11.6	14.4	6.9
Sabine Royalty Trust	SBR	46.63	9.6	10.1	10.5	10.5	9.6
Cross Timbers Royalty Trust	CRT	40.27	12.0	11.8	10.4	11.0	9.1
Mesa Royalty Trust	MTR	62.35	21.9	11.0	9.8	11.2	8.9
Hugoton Royalty Trust	HGT B	24.91	13.9	11.9	8.8	12.7	7.9
Permian Basin RT	PBT	14.95	8.1	8.9	8.1	10.1	9.9
	<i>Median</i>		<i>11.0</i>	<i>11.4</i>	<i>10.1</i>	<i>11.1</i>	<i>9.0</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF B	31.84	21.7	10.2	8.5	10.3	9.8
Pengrowth Energy Trust	PGH	18.24	7.1	7.6	8.0	51.0	15.8
Enerplus Resources Fund	ERF	47.08	9.4	8.7	8.0	16.8	10.8
Penn West Energy Trust	PWE B	31.16	7.7	7.6	6.8	14.1	13.2
	<i>Median</i>		<i>8.5</i>	<i>8.1</i>	<i>8.0</i>	<i>15.4</i>	<i>12.0</i>
U.S. Master Limited Partnerships (MLPs)							
Linn Energy, LLC	LINE	29.32	21.1	14.5	16.3	81.1	7.8
Kinder Morgan Energy Partners, L.P.	KMP S	49.80	7.6	8.0	15.3	34.3	6.8
Encore Energy Partners, L.P.	ENP	21.02	12.7	8.2	9.4	29.6	6.7
Dorchester Minerals, L.P.	DMLP	20.62	9.1	12.0	9.2	14.3	10.9
	<i>Median</i>		<i>10.9</i>	<i>10.1</i>	<i>12.3</i>	<i>32.0</i>	<i>7.3</i>

EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended September 30, 2008; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses

Natural Gas and Oil Income Stocks - Rank by NTM Distribution Yield

	Symbol	Revenue Royalty (%)	Natural Gas/ Ebitda (%)	Dist/ Ebitda	Dist/ Equity Ebitda	NTM Distribution (\$mm)	Dist. Yield (\$/un) (%)
U.S. Royalty Trusts							
San Juan Basin Royalty Trust	SJT	-	98	0.81	0.81	114	2.45
Hugoton Royalty Trust	HGT	-	88	0.69	0.69	79	1.97
Mesa Royalty Trust	MTR	-	69	0.88	0.88	10	5.56
Cross Timbers Royalty Trust	CRT	84	66	0.94	0.94	22	3.66
Sabine Royalty Trust	SBR	100	55	1.00	1.00	65	4.46
Permian Basin RT	PBT	35	35	0.80	0.80	69	1.49
	<i>Total or Median</i>		<i>68</i>	<i>0.84</i>	<i>0.84</i>	<i>400</i>	<i>9.0</i>
Canadian Income Trusts (US\$)							
Canadian Oil Sands Trust	COSWF	-	(7)	0.75	0.82	1,498	3.13
Enerplus Resources Fund	ERF	-	40	0.74	0.85	651	5.08
Penn West Energy Trust	PWE	-	34	0.69	0.87	994	4.12
Pengrowth Energy Trust	PGH	-	40	0.93	1.28	707	2.87
	<i>Total or Median</i>		<i>37</i>	<i>0.75</i>	<i>0.86</i>	<i>3,800</i>	<i>12.0</i>
U.S. Master Limited Partnerships (MLPs)							
Encore Energy Partners, L.P.	ENP		15	0.55	0.64	13	1.40
Kinder Morgan Energy Partners, L.P.	KMP		-	0.76	1.60	607	3.40
Linn Energy, LLC	LINE		67	0.91	1.33	260	2.28
Dorchester Minerals, L.P.	DMLP	64	71	1.00	1.00	63	2.25
	<i>Total or Median</i>		<i>41</i>	<i>0.83</i>	<i>1.16</i>	<i>900</i>	<i>7.3</i>

NTM = Next Twelve Months Ended September 30, 2008
Ebitda = Earnings before interest, tax, depreciation and amortization

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Oil and Gas Income Stocks

A Weekly Analysis

October 5, 2007

Linn Energy, LLC Next Twelve Months Operating and Financial Estimates

	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007E</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>9/30/08</i>
Volume									
Natural Gas (bcf)	3.4	3.5	6.4	12.0	25.3	11.8	11.8	12.0	47.6
Natural Gas (mmcf)	37	39	70	130	69	130	130	130	130
Days	91	91	92	92	366	91	91	92	366
Oil (mb)	342	454	506	589	1,891	582	582	589	2,342
Oil (mbd)	3.8	5.0	5.5	6.4	5.2	6.4	6.4	6.4	6.4
Total (mb)	911	1,040	1,579	2,582	6,112	2,554	2,554	2,582	10,272
Total (mbd)	10.0	11.4	17.2	28.1	16.7	28.1	28.1	28.1	28.1
Price									
Henry Hub (\$/mmbtu)	6.81	7.56	6.16	7.09	6.90	8.12	7.65	7.83	7.67
Differential (\$/mmbtu)	0.68	0.91	0.74	0.85	0.83	0.97	0.92	0.94	0.92
Company (\$/mcf)	6.13	6.65	5.42	6.24	6.07	7.14	6.73	6.89	6.75
WTI Cushing (\$/bbl)	58.08	64.91	75.48	79.92	69.60	77.90	76.45	75.35	77.41
Differential	5.81	7.79	9.06	9.59	6.75	9.35	9.17	9.04	9.29
Company (\$/bbl)	52.27	57.12	66.42	70.33	62.84	68.55	67.28	66.31	68.12
Total (\$/bbl)	42.59	47.41	43.37	44.95	44.61	48.73	46.51	47.04	46.80
Revenue (\$mm)									
Natural Gas	21	23	35	75	154	85	80	82	321
Oil	18	26	34	41	119	40	39	39	160
Other	0	(0)			(0)				
Total	39	49	68	116	273	124	119	121	481
Expense									
Lease operating	12	15	21	34	82	33	33	34	134
General and administrative	11	13	14	15	53	15	15	15	62
Total	23	28	35	49	135	49	49	49	195
Ebitda									
Ebitda	16	21	34	67	138	76	70	72	286
Deprec., Deplet., & Amort.	12	13	22	41	88	41	41	41	164
Hedging and other	62	15			77	-	-	-	-
Ebit									
Ebit	(58)	(7)	12	26	(28)	35	29	31	121
Interest	10	10	13	20	53	20	20	20	80
Ebt									
Ebt	(68)	(17)	(1)	6	(81)	15	9	11	41
Income Tax									
Income Tax									
Net Income (\$mm)									
Net Income (\$mm)	(68)	(17)	(1)	6	(81)	15	9	11	41
Per Unit (\$)	(1.35)	(0.29)	(0.02)	0.05	(1.61)	0.13	0.08	0.10	0.36
Units (millions)									
Units (millions)	50	59	59	114	50	114	114	114	114
Lease operating (\$/bbl)	13.18	14.42	13.28	13.00	13.34	13.00	13.00	13.00	13.00
General and admin (\$/bbl)	12.08	12.50	8.86	6.00	8.75	6.00	6.00	6.00	6.00
Deprec., D,& A (\$/bbl)	13.18	12.50	13.93	16.00	14.45	16.00	16.00	16.00	16.00
Ebitda Margin	41%	43%	49%	58%	50%	61%	59%	60%	59%

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