

*Berry Petroleum Company Transcript***FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2008 TELECONFERENCE**

February 25, 2009 1:00 pm MT, 3:00 pm ET

*Speakers:*

*Robert F. Heinemann - President and Chief Executive Officer*

*Michael Duginski – Executive Vice President and Chief Operating Officer*

*David D. Wolf - Executive Vice President and Chief Financial Officer*

**Bob Heinemann - Berry Petroleum Company - President and CEO**

Thank you and good afternoon. I'd like to remind everyone we are conducting this call under Safe Harbor provisions and joining me today are Michael Duginski, our Chief Operating Officer, and David Wolf, our Chief Financial Officer.

Today Berry Petroleum has posted its 2008 results. The Company earned \$134 million of net income or \$2.94 per share. This resulted in 3% higher than last year's number of \$130 million or \$2.89 per share. The full-year results for 2008 include a \$12 million loss from the fourth quarter due to \$38.5 million write-off of receivables from the bankruptcy of Big West of California, a subsidiary of Flying J, Incorporated. We also wrote-off certain rig related charges and dry hole expense in the fourth quarter. For the full-year 2008 these write-offs reduced our net income by approximately \$25 million or \$0.56 per share. The Flying J bankruptcy accounted for about 85% of this loss.

Overall 2008 was another year of growth for Berry. Our operating cash flow increased by 71% to \$410 million, supported by the commodity prices of last year and due to Company's production growth. Production averaged right at 32,000 barrels per day supported by increases from the developments in our Diatomite, Poso Creek, and Piceance assets as well as the East Texas acquisition.

Obviously our proved reserves are the third leg of the growth story from last year. Proved reserves increased 45% to 246 million barrels and we replaced 756% of the 11.7 million barrels equivalent produced last year. The all in F&D costs including these Texas acquisitions was \$12.30 a barrel. Our proved reserves now stand at 51% oil and 49% natural gas, 55% of the proved reserves are classified as proved development. The reserve-to-production ratio increased to 19 years.

Before asking Michael and David to provide you with additional operational and financial details, I'd like to make a few comments about the forward outlook in Berry. In the second half of last year we experienced a sharp drop in commodity prices, the anticipation of a significant California severance tax on production as well as the retraction of credit markets as part of the global financial crisis. While a number of these are beyond our control we've been very focused on addressing those issues that we can proactively influence to put the Company on a firm financial footing.

I'd like to point out six things that we've done. We reduced our activity sharply late last year in expectation of the commodity downturn. We also focused very early on cost reductions because of the impact on year-end reserves. We are now targeting a 20% to 25% reduction in operating capital and G&A costs compared to 2008.

Secondly we marketed our crude successfully in January and February and now into March under short-term agreements with a variety of refiners in California. These agreements are based on the differential between the posted price for San Joaquin heavy oil and West Texas Intermediate. That differential has decreased to less than \$8 today.



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Thirdly, we hedged 90% of our crude production for 2009 such that WTI averages \$40 a barrel the Company will rely on \$65.50 a barrel. These hedging levels and our realizations make the recent decline in the heavy oil differential even more important to our cash flow projections.

Fourth we amended our credit facility to ensure that we would not violate the covenants under that facility. While this was described in an 8-K filing last week, I want to emphasize that this amendment was entirely due to the Flying J bankruptcy. It would have not been needed if that event had not transpired.

Fifth we locked in LIBOR rates through 2012 in a 2% range using interest rate hedges and swaps.

And then lastly we've developed a 2009 capital program that invests in our higher return projects, balances expenditures to be within cash flow, and produces over 32,000 barrels a day. Now while we are pleased with the progress on cost reductions, crude oil marketing hedging, amendments in 2009 that we made in a relatively short period of time, we are pursuing additional steps that we believe will improve the Company.

With that, let me now turn the call over to David Wolf who will provide more detail on our financial results.

### David Wolf - Berry Petroleum Company - CFO

Thank you, Bob. First I will go over the full-year 2008 results for the fourth quarter review and then walk through some of our 2009 guidance. The full-year 2008 oil and gas revenues were \$698 million, oil revenues comprised \$519 million, and gas revenues \$179 million. Total revenues including electricity sales, gas, marketing and other items were just over \$800 million. As Bob highlighted, our net income was \$134 million or \$2.94 per diluted share.

Our oil prices per barrel after hedging for 2008 was approximately \$70. Our gas price after hedging was \$7. This gave us an average BOE price after hedging of \$59.81.

Total operating cost for 2008 averaged \$38.44 per BOE. Our oil and gas operating cost were \$17.10 per BOE. The variance over our 2007 numbers reflect increased volumes of injected steam, the higher cost of natural gas, higher contract and service costs, as well as higher compression, gathering and dehydration costs.

Production taxes were \$2.56 per BOE in 2008, compared to \$1.75 in 2007. This was due to our increased value of our oil and gas production. Our DD&A cost in 2008 was \$11.81 per BOE, compared to \$9.54 per BOE in 2007.

G&A for 2008 was \$4.73 per BOE, the higher G&A in 2008 versus 2007 reflects a few items. One is a higher headcount. Two, the higher the cost of relocating our office and employees to Denver mid-year and we also include about \$2.3 million of rig termination fees in G&A.

Our effective tax rate for 2008 remain on par with 2007 at 37%. We would expect 2009 to be roughly in the same range. Under our standardized measure calculation, our after-tax PV-10 as of December 31st, 2008 was \$1.14 billion. The price used in the year-end 2008 measure was \$30.92 per BOE, which did include a California differential of \$14.05. If you were to adjust the California differential to something closer to \$8, that standardized measure calculation would be roughly \$1.4 billion.

Our substantial hedge position which is obviously excluded from these calculations was valued at \$315 million at the end of the year. Based on strip pricing in mid-February and a current California differential in the \$8 range, our PV calculation after tax would approximately be \$1.8 billion. Our hedge value at strip would add another \$200 million of value to that number.

Fourth quarter our operating cash flow was \$78 million versus \$92 million in capital expenditures for the quarter. Oil and gas revenues totaled \$140 million in the fourth quarter. We did report a loss of \$12 million or \$0.27 per diluted share, and this loss as Bob mentioned, resulted primarily from the Flying J bankruptcy pre-tax write-off of \$38 million. Additionally, we took charges for rig termination fees, rig impairments, and dry hole expense, totaling



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\$7.2 million. At year-end our debt was \$1.16 billion, comprising of \$200 million of senior sub notes and \$957 million drawn under senior secured credit facility. We have commitments of \$1.21 billion today. Our liquidity at the end of the year was \$245 million. And our EBITDAX to total funded debt ratio under our bank deal was 2.7 times.

We did release last week that the Company executed amendment to our senior security credit facility which among other things increased our maximum EBITDAX to total funded debt ratio to 4.75 times through the year-end '09, 4.5 through year-end 2010, and four times thereafter. It's important to note that this amendment was launched prior to the positive outcome for Berry related to the California severance tax as well as a significantly wider California differential than we were experiencing today. The amendment provides the Company flexibility to raise capital under the terms of our bank deal including, but not limited to, second lien financing, unsecured debt and other junior capital.

Let's spend a second on the 2009 guidance range that we also have in our 10-K. Our operating costs for oil and gas production in 2009 is expected to be in the \$13.50 to \$15 per BOE range, production taxes in the \$1.50 to \$2 range, DD&A \$14 to \$16 range, G&A \$3.75 to \$4 per BOE range, interest expense \$3 to \$4 range.

Let me spend a minute on our cash flow guidance for 2009. Based on \$47.50 per barrel, WTI price and a Henry Hub price of \$5 and using an \$8 differential in California which is more conservative than the current differential, you would increase both the operating and discretionary cash flow ranges that have been provided in our prior press release by approximately \$15 million. Though again, at an \$8 differential in California we estimate our operating cash flow to range between \$190 million to \$215 million at 2009. We estimate our discretionary cash flow to range between \$260 million and \$290 million in 2009. As mentioned in our press release and 10-K, our 2009 cash flow is fairly insensitive to changes in commodity prices.

With that, I will turn it over to Michael Duginski to walk through an operational overview.

### Michael Duginski - Berry Petroleum Company - COO

Thank you, David. As Bob mentioned, year-end proved reserves increased significantly to 246 million barrels from 169 million barrels equivalent at the end of 2007 of 45% increase. The 88 million barrels of reserve additions replaced 756% of the Company's production last year and 43% were replaced organically from our development capital or 392% organic replacement rate.

Diatomite proved reserves increase by 160% to over 30 million barrels as a result of drilling 85 development wells and additional production history demonstrating the ultimate recoveries. Our Piceance base improved reserves increased 80% to 42 million barrels from drilling 72 gross wells and also the active development of the offset operators on our property. We were able to hold our South Midway-Sunset proved reserves flat after production offsetting a low base decline with improved recovery from deeper zones and the planks of the field.

The East Texas acquisition added 50 million barrels equivalent of reserves to our year-end total. All of our reserves were stress-tested at a WTI price of \$44.60 per barrel and Henry Hub price of \$4 - \$5.63 per MMBtu utilizing appropriate differentials including a California heavy oil differential of \$14.05. Additionally we had no asset impairments. These reserve additions were driven by \$398 million of development capital and \$668 million of acquisition costs. And with the addition of capitalized interest this resulted in finding and development costs of \$12.30 per BOE.

As mentioned, the Company made a significant acquisition of two properties in Limestone and Harrison Counties of East Texas for \$668 million closing on the 15th of July in 2008, developing a new core area for Berry. The assets included 100 producing natural gas wells, 4500 acres, in which we have identified over 100 drilling locations targeting multi-zone stacked pay opportunities in Pettit, Travis Peak, Cotton Valley Sands, Cotton Valley Lime, Bossier Sands, as well as the Bossier and Haynesville Shale. We believe this is an excellent entry point into a price-favored base with strong cash margins and excellent potential to grow production with upside and exposure to a prolific shale play.



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We completed four vertical Haynesville tests in 2008 averaging 1.2 million per day initial production (IP) and demonstrating the productivity of the shale on our properties. Three offset operators to our Darco property have reported horizontal Haynesville shale IPs averaging eight million cubic feet a day and we expect to drill our first horizontal Haynesville well by midyear. We are also actively evaluating a Bossier shale horizontal well at our Freestone property.

As mentioned for the year production increased 19% to 31,970 BOE a day consisting of 64% oil and 36% natural gas. In California, Diatomite production increased 86% to 1840 barrels a day and Poso production was 3,100 barrels a day a 58% increase year-on-year. In our Rocky Mountain operation, production increased 22% to 13,000 barrels of equivalent production per day driven by 105% increased in our Piceance production growth to over 3500 BOE per day.

Our East Texas acquisition added 2400 BOE per day to the annual production because the acquisition date was in mid July. In California we endured a challenging end of year with the Flying J bankruptcy and the proposed California severance tax. I am pleased to do say that we have placed all of our California production with various price favored short-term contracts and since year-end the California differential has shrunk from \$14.05 per barrel to \$7.58 per barrel today, a similar price from what our Flying J contracts were. From 1993 when WTI ranges between \$30 and \$40 per barrel, the average differential is \$6.40 per barrel and we expect it to return there.

With regard to the proposed California severance tax, a California budget that runs through June 2010 has passed without a provision for oil severance tax. Looking forward to 2009, we currently have a \$100 million capital budget planned that is focused on the continued development of our Diatomite assets and one rig drilling program in East Texas. We expect California production to grow with the Diatomite production growth offsetting other heavy oil natural decline. East Texas will remain flat with one rig drilling program and without capital investment we expect production declines in our Rockies natural gas assets.

We are focused on capital and operating cost reductions of 20% and to date we have made significant progress in each of those areas. We have re-bid all of our development services and materials resulting in capital reductions of 17%. As a result of lower activity, lower fuel and electricity prices, and lower commodity prices, we are projecting operating cost to decrease by 20%. As a result of the low differentials cost reduction and hedging, we are realizing operating margins of \$25 per barrel as we did in 2004, 2005 when crude prices were \$40 to \$50 per barrel.

### **Bob Heinemann - Berry Petroleum Company - President and CEO**

Thank you, Michael. Those - - that concludes our opening remarks. We would certainly be happy to entertain any questions that you have.

### **QUESTION AND ANSWER**

Operator

Ladies and gentlemen, (Operator Instructions). Your first question comes from the line of David Tameron from Wachovia Securities. Please proceed.

David Tameron - Wachovia Securities - Analyst

Hi, good afternoon everyone. Congratulations on some good year and numbers for reserves and production. A couple questions, can you talk about the mixed shelf that was filed this afternoon? What the plans are?

David Wolf - Berry Petroleum Company - CFO

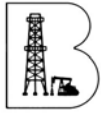


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We are no longer a WKSI (well-known seasoned issuer), David, so we took steps in order to ensure that when and if the bond market opens to Berry that we could term out some of our bank facility..

David Tameron - Wachovia Securities - Analyst

Okay. We aren't supposed to read anything as far as timing?

David Wolf - Berry Petroleum Company - CFO

No, you know where our bonds trade and as we continue to prove our balance sheet through 2009, the expectation would be that when the bond market becomes available to Berry we would look to access it.

David Tameron - Wachovia Securities - Analyst

Okay. And while I got you David, what is your current debt level and current liquidity position as of, I guess, today?

David Wolf - Berry Petroleum Company - CFO

We are probably in the \$200 to \$225 million range. I don't have today's exact number.

David Tameron - Wachovia Securities - Analyst

Down \$15 or \$20 million?

David Wolf - Berry Petroleum Company - CFO

Yes, that's because we bring in a fair amount of carry-in from the commitments of 2008 so you would see a modest increase in the first quarter and then the free cash flow starts to kick in.

David Tameron - Wachovia Securities - Analyst

All right. I guess I have a slew of questions here. Let me pick and choose. Bob, you started to mention contract pricing in California. And then I guess you're in negotiations or where exactly is that at and when should we expect to hear something?

Bob Heinemann - Berry Petroleum Company - President and CEO

Well, we are currently marketing our crude on a short-term basis. We have not terminated our contract with Flying J. Depending on how the market moves, then were we will have to make a decision about pursuing a longer term contract. Obviously the slope of the curve is quite sharp at the moment and we want to see where that's going to - - where that vector is going to lead us to before we get out to a longer term contract.

David Tameron - Wachovia Securities - Analyst

Okay. But right now it's all being sold under that short-term deal if I'm understanding right, and then at some point will you choose to lock it in?

Bob Heinemann - Berry Petroleum Company - President and CEO

That's the idea. We have marketed March. Probably the next thing we will start to look and see what kind of commitments we can get on a longer term basis.



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David Tameron - Wachovia Securities - Analyst

And what's - - okay, that's fine. And as far as insurance related to the Big West, I was trying to get through the K. It said something in there about there may be insurance on the back end due to contract?

Bob Heinemann - Berry Petroleum Company - President and CEO

Well, our administrative claim is \$12 million. Our pre-petition claim is \$26 million. That's \$38 million of the receivable that we wrote-off. We are also accumulating performance damages under the existing refining contract that we have and we have apparent guarantee that goes to Big West which is the owner of the Bakersfield refinery and the Salt Lake City refinery and it shows to be generating significant cash flow this year and then that parent guarantee also rolls up to Flying J, Incorporated. So, obviously, we are not bankruptcy experts, we are not running the Company on the expectation of a bankruptcy result, but we have a pretty good view of where our position is.

David Tameron - Wachovia Securities - Analyst

All right. One more (inaudible) question and I will let somebody else jump on. If I think about the Piceance, I know you have a drilling commitment there that's 2011, it doesn't sound like you're going to do a whole lot there this year, which I don't blame you for. But how do you manage that to get that drilling commitment done by early 2011? What do you think about that?

Bob Heinemann - Berry Petroleum Company - President and CEO

Well, the first thing I want to point out on the Piceance is the fundamental of the basin are changing and they are changing quite rapidly. Rigs that topped out in the \$26,000 to \$28,000 a day are now down into the \$15,000 to \$17,000 a day. We are also looking very hard at the subsurface performance. We think we have a chance to improve our EURs in the basin. So, with our transportation we have on Rex and the possibility of getting more transportation on Ruby, the fundamentals on the basin are changing very rapidly within about 120 days.

Now, obviously I'm not committing that we are going to go spend a bunch of capital this year but the fundamentals could change, our outlook could change, our activity could change. And we also have a plan that will enable us to earn our acreage based on access that we have, based on activity of other offset operators. So, we don't see a big piece of our acreage or our holding in the Piceance in jeopardy based on pace.

David Tameron - Wachovia Securities - Analyst

All right. I will get back into queue. Thanks.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thanks.

Operator

Your next question comes from the line of Brian Singer from Goldman Sachs. Please proceed.

Brian Singer - Goldman Sachs - Analyst

Thank you. Good afternoon.

Bob Heinemann - Berry Petroleum Company - President and CEO

Hello Brian.



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Brian Singer - Goldman Sachs - Analyst

Two questions. First, can you provide just a little bit more color on the Haynesville in terms of optionality if there is any to the extent that the first well is successful and I guess where CapEx would come out of to the extent that you wanted to get more aggressive there?

Michael Duginski - Berry Petroleum Company - COO

I think the simplest way to answer your question is we have a one rig drilling program in East Texas. We are trying to move our horizontal activity up as quickly as possible. So with the first well that we drill and upon success, we would directly follow-up with an additional well and keep that program going since we are expect to go drill with one rig all year. So we are hoping for success early on. We are trying to accelerate the well so that we can do a follow-up well. That's a lot of the reason why we say we are going to drill either one or two wells this year and hopefully on success we would continue to drill.

Brian Singer - Goldman Sachs - Analyst

Okay. That's helpful. And then maybe it's too early to the ask this but how do you look at 2010 just given the combination of a lower '09 program but the potential to pay down some debt, are you looking at an acceleration in 2010 and does that mean that it really is a second half of 2010 before one would see that? How are you thinking about things right now?

Bob Heinemann - Berry Petroleum Company - President and CEO

Well, I think all those answers are - - require some type of forecast on the commodity. If we see the commodity firming, not necessarily with big absolute increase in second half this year ,but if we see the commodity firming, for example, if we see crude oil demand start to tune-up a little bit, then we could put some more dollars back to work in the back half of this year. So, for us to say we are going to grow 10% or get back into a full growth mode, I think we have to see some support on the commodity.

Brian Singer - Goldman Sachs - Analyst

Yes. Okay. If I could ask just one last quick one, looks like Rockies' realizations have come down a bit, obviously Henry Hub has too, but is there some price where you would expect either yourself or your partners to shut an existing wells in the Rockies?

Michael Duginski - Berry Petroleum Company - COO

Well, based on what our operating costs are at about \$1/Mcf and relatively low transportation charges, I really don't see us shutting-in any existing wells. Where we are right now is we have a certain inventory of recompletions that actually even at these prices today have relatively high rates of return that we would be - - we are hoping to expand or execute this year, say the mid-part of the year. We don't see any need to shut in existing production. We are hoping to do recompletions and if we see a price response as Bob said with our improved economics there, you could see us drill potentially at the end of the year in Piceance.

Brian Singer - Goldman Sachs - Analyst

All right. Thank you.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thank you, Brian.



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Operator

Your next question comes from the line of Michael Jacobs from Tudor, Pickering, & Holt. Please proceed.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

Good afternoon, everyone.

Bob Heinemann - Berry Petroleum Company - President and CEO

Hi, Mike.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

Quick question for David. Now that the Midway Sunset differential is coming in quite a bit, how do you think about locking in those differentials vis-à-vis longer term contracts?

David Wolf - Berry Petroleum Company - CFO

Well, Mike, we are in the process of, just as we already answered, we have short-term contracts and the reason for the short-term contracts was to see that differential come down. We are studying the life of the San Joaquin Valley posting, and like I said in my comments, if crude oil are going to be in the 30 to \$40 range, we expect the differential to come down into the mid sixes. When we see those type of differentials, you see us do longer term contracts.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

And you touched earlier on improving EURs in the Piceance, is there anything that you are doing differently on the completion side to drive those results? Maybe if you could elaborate a little that would be great.

Bob Heinemann - Berry Petroleum Company - President and CEO

I think if you look at a number of seasoned Piceance operators they have been able improve their EURs power well quite substantially over time. And it really relies on these high water fracs which use lower profit and concentration and higher water concentration, perhaps to facilitate with gels, et cetera. Some of those EURs have increased as much as 50% and it has taken people two or three years to bring that to bear.

If we could get a 20% increase, our EUR would go to about 1.8 BCF per well and we think we have a really good chance at drilling wells below \$1.7 million per well. And we think that cost could make the opportunity pretty interesting particularly with low transportation. If we get the - - if we decide to go ahead and do some completions in the Piceance later this year, that will be one of the things that we will be testing.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

Sounds good. You touched on post-tax PV-10 and I went through the 10-K quickly. I didn't see a pre-tax number. Could you give us the pre-tax PV-10 and perhaps segregate it by PUD versus PD?

David Wolf - Berry Petroleum Company - CFO

I don't have the PUD versus PD, but the income tax was roughly \$630 odd million so you obviously add that back onto the 1.14.

Michael Jacobs - Tudor, Pickering & Holt - Analyst



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Okay.

David Wolf - Berry Petroleum Company - CFO

We will follow-up separately with your break out question.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

All right. Thank you. One final question before I jump off. You've seen some of your assets in the public domain. Bob, can you talk about how you address the balance sheet with respect to other items that could be considered non-core?

Bob Heinemann - Berry Petroleum Company - President and CEO

Well, we have said all along that we would consider selling assets. It's obviously not easy to transact in this environment, but we've done it in the not too distant past and we would do that again in the future. Not to name any asset but obviously we would be looking at non-reserve midstream assets and we would be looking at assets that really don't fit the portfolio longer term. And that's where we are on it. So, if with sold an asset we would use proceeds to pay down debt.

Michael Jacobs - Tudor, Pickering & Holt - Analyst

Thank you very much.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thank you.

Operator

Your next question comes from the line of Phil McPherson from Global Hunter Securities. Please proceed.

Phil McPherson - Global Hunter Securities - Analyst

Hi, good afternoon guys.

Bob Heinemann - Berry Petroleum Company - President and CEO

Hi Phil.

Phil McPherson - Global Hunter Securities - Analyst

Great job surviving this tough environment. David, I'm a little confused on one number. You are talking about your discretionary cash flow and then total cash flow and it was a little bit different than what you said in December. In December you said cash flow \$220 to \$240 million and then you had this \$190 to \$200 million number. Can you run through those numbers again?

David Wolf - Berry Petroleum Company - CFO

Sure, we've got \$220 to \$240 million is discretionary cash flow. The comparable number that we talked about today is \$260 to \$290 million.

Phil McPherson - Global Hunter Securities - Analyst



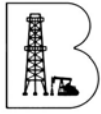
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Okay.

David Wolf - Berry Petroleum Company - CFO

And a couple of things have moved that number up by roughly the \$40, \$50 million. First of all, the California differential has improved. The second, and probably more meaningful, is we have taken a series of steps in December to collapse roughly 10,000 barrels per day that was collared \$47 by \$70. And we collapsed those collars and swapped those barrels at roughly \$54, \$55 per Bbl.

So getting a \$10 uplift from our base case or our management case, is really what contributed to most of the incremental discretionary cash flow because we did not change our WTI or Henry Hub assumption. The other number is an operating cash flow number. That's in our press release.

Phil McPherson - Global Hunter Securities - Analyst

Okay. Got it.. When you talk in the press release about oil averaging \$40, if you guys would average 65 then we need to subtract out that differential in California, right?

David Wolf - Berry Petroleum Company - CFO

Correct.

Phil McPherson - Global Hunter Securities - Analyst

What's the differential like in Utah right now?

Michael Duginski - Berry Petroleum Company - COO

The differential is under a contract is approximately 25%. So at a 40-dollar price we are realizing \$30. So that's \$10 to us which is actually quite favorable to the market.

Bob Heinemann - Berry Petroleum Company - President and CEO

We've all talked in the past about how thin the posting is but that number is significantly better than the posting that you can go look up.

Phil McPherson - Global Hunter Securities - Analyst

Okay. Great. And while we are in Utah, is there any - - not that you're looking to drill there but actually the forest and the environmental stuff, has there been any talk about that? And with the new Energy Secretary, is that being affected?

Michael Duginski - Berry Petroleum Company - COO

We haven't heard anything regarding any delays in our EIS and our understanding is its moving along. We expect it in the second quarter, or by mid-year I should say, and we have not heard anything about any delays, any staffing issues or anything else that would impact us getting that approval.

Phil McPherson - Global Hunter Securities - Analyst

Okay. Great. Last question. You didn't put this guidance in today's press release, but are you still sticking to that 33,500 barrels average for '09, is that what you are going with?

Bob Heinemann - Berry Petroleum Company - President and CEO



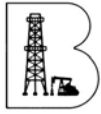
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*Berry Petroleum Company Transcript*

No, I think what we really try to say in the press release we are probably down 1,000 barrels off of that.

Phil McPherson - Global Hunter Securities - Analyst

Okay.

Bob Heinemann - Berry Petroleum Company - President and CEO

And the reason for that really is a lower starting point. And the reason for the lower starting point is the impact of the Flying J bankruptcy. Some of these heavy oil fields after you shut them in for a time, it takes them a time to recover, particularly those fields that have significant water in them and those are the fields that we see coming back at the slowest pace. Then obviously you go and do a well-by-well analysis. And then you end up asking yourself your lowest rate wells with the highest water cut, is it economic to bring them back.

Phil McPherson - Global Hunter Securities - Analyst

Got it.

Bob Heinemann - Berry Petroleum Company - President and CEO

And that is the biggest change in the forecast.

Phil McPherson - Global Hunter Securities - Analyst

So then you would expect first quarter California production to be down maybe 10% or more from fourth quarter and then rebound in the second quarter back to those fourth quarter levels or roughly?

Bob Heinemann - Berry Petroleum Company - President and CEO

Off the top of our head - - our heads are going up and down. We would have to do a little analysis probably to get you a better number. But that - - directionally that feels about right.

Phil McPherson - Global Hunter Securities - Analyst

Okay, great, guys, I will hop back on if I have more, thank you.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thanks, Phil.

Operator

Your next question comes from the line of Rocky Rasley from Vaquero Energy. Please proceed.

Rocky Rasley - Vaquero Energy

Good afternoon, gentlemen. I had heard that in the discussions here that you have favorable transportation costs. Can you give me an idea what those are? In your Piceance basin, I'm sorry?

Michael Duginski - Berry Petroleum Company - COO

Well, we have capacity on the Rex pipeline. Those are publicly posted transportation costs.



## Berry Petroleum Company Transcript

Rocky Rasley - Vaquero Energy

Okay. And can you tell me what your gas price differential is for the Piceance?

Michael Duginski - Berry Petroleum Company - COO

Well, like I said we are on a fixed differential so via our transportation so we transport our gas into the mid-continent. So we are really not realizing the CIG pricing. So, I just don't know it off the top of my head today because we don't get paid in CIG.

Rocky Rasley - Vaquero Energy

Okay. I see. So are you bundling your gas then and when you sell it into the Rex transportation and you sell it at the delivery point?

Michael Duginski - Berry Petroleum Company - COO

Yes, we do.

Rocky Rasley - Vaquero Energy

Okay. All right. And the 2011 well commitment, is that a lease commitment or what exactly is that?

Michael Duginski - Berry Petroleum Company - COO

Yes, it's a lease commitment.

Rocky Rasley - Vaquero Energy

Okay. And as I understand it then depending on how your price and commodity goes and well costs, there could be a well in 2009, 2010 if the economics allow?

Michael Duginski - Berry Petroleum Company - COO

Definitely.

Rocky Rasley - Vaquero Energy

All right.

Michael Duginski - Berry Petroleum Company - COO

We have, like we said, we have a schedule to meet all those commitments right now even if we don't drill in '09.

Rocky Rasley - Vaquero Energy

Okay. All right. That will do it for me, gentlemen. Thank you.

Michael Duginski - Berry Petroleum Company - COO

Thank you.

Operator



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SOURCE: Berry Petroleum Company



## Berry Petroleum Company Transcript

Your next question comes from the line of Gregg Brody from JP Morgan. Please proceed.

Gregg Brody - JP Morgan - Analyst

Good afternoon, guys.

Bob Heinemann - Berry Petroleum Company - President and CEO

Hello.

Gregg Brody - JP Morgan - Analyst

Just want to jump back to the asset sales. Are any of these assets on the market yet or just an informal mention?

David Wolf - Berry Petroleum Company - CFO

Hey, Greg, it's David. The answer is, yes, we are in various stages of several data runs.

Gregg Brody - JP Morgan - Analyst

Just when you think about your liquidity and potential increasing your spend. What would be some things you would be looking forward to be able to do that outside of the firming of the commodity price in terms of if you have asset sales?

David Wolf - Berry Petroleum Company - CFO

A couple of things, one, the California differential, every dollar that narrows is about \$6 million of pretax cash flow. So if we go from \$8 to \$7, there is incremental debt reduction. From the standpoint of realizing greater capital and operating cost reductions, if we were able to reduce our operating capital costs by 5 percent, that would enable to us pay down another \$15, \$20 million of debt. So there are a few levers in addition to the non-core reserve asset sales that we are looking to effect.

Gregg Brody - JP Morgan - Analyst

Then at what point do you feel comfortable picking up your spending?

David Wolf - Berry Petroleum Company - CFO

Well I think again you probably have to have a view on the commodity but as we start to increase our liquidity above the \$250 million range, I think and you have - - you're not looking out six months to what your bank debt would be in terms of redeterminations. I think you then make an assessment of incremental spending i.e. ,so if we term out a fair amount of our bank fundings and increase our liquidity, that would also be an inflection point to increase spending if the price environment warranted it.

Bob Heinemann - Berry Petroleum Company - President and CEO

Yes, I think, I think the other thing you look for is you look for assets which were cash flow positive almost from the get-go within your asset team, so. And we have some of those opportunities.

Gregg Brody - JP Morgan - Analyst

Then one last question for you, on the - - your PUD percentage went up. Is that driven by the East Texas assets that you as acquired.



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## Berry Petroleum Company Transcript

Bob Heinemann - Berry Petroleum Company - President and CEO

Its probably three factors, East Texas is one of them. Offset operator activity in the Piceance is another factor to increase PUDs as well as our own one location off-drilling. And then because of the performance of the Diatomite asset as a whole and the strong analogy that we have with the Cymric project, Chevron's operated project, we see an increase in PUDs there as well.

Gregg Brody - JP Morgan - Analyst

That's helpful. Thanks a lot.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thank you.

Operator

Your next question comes from the line of Duane Grubert of CRT Capital. Please proceed.

Duane Grubert - CRT Capital - Analyst

Yes, on the Diatomite project, at your Analyst Day you had talked about some specific lease operating expenses (LOEs) to that program, thinking of them differently from Midway Sunset. Can you walk me through what those have become with the lower steaming cost and also if there's much of a differences early life versus late life LOE wise in a Diatomite development.

Michael Duginski - Berry Petroleum Company - COO

I don't have the analyst day presentation in front of me, but what I would tell you is we did see significant reductions in our non-fuel operating cost in the diatomite project of approximately 20% and what I would tell you is on capital costs we are we are seeing about a 10% decrease in our vertical wells in the diatomite. So capital is down about 10%. Non-fuel operating cost is down about 20%.

Then you have to go back to those economics and apply say an \$8 differential as opposed to the \$12 differential that we may have shown. So those would really be the improvement. And when we test the Diatomite economics, the economics are still strong all the way down to \$30 per barrel I think that we talked about that at the Analyst Day also. And that would improve, what's incorporating these cost reductions.

Bob Heinemann - Berry Petroleum Company - President and CEO

I think also you will see high steam to oil ratios (SOR) early in the development life of the project. You will plateau your production, your SOR will come down quite nicely and then it stands to reason late in the life you will see that SOR go back up. And now one of the things that we are starting to hear people, at least I would say probably discuss, if not implement, is late in the life of the better Diatomite projects you are going to hear people talk about going to even tighter well space and with continuous steam injection. And certainly I think there's a good chance that we would do that. That's far, far down the road for us. But it would be the type of thing you would think about when you are trying to book 3P reserves.

Duane Grubert - CRT Capital - Analyst

Okay. That makes sense to me. Separately on some of your oldest properties now that you are getting a defacto price stress test, do you have parts of a field that you are letting go in terms of reducing the steaming and just putting them on their final decline?

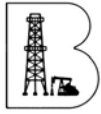


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Michael Duginski - Berry Petroleum Company - COO

Yes, we are. That's a good point, Duane, when one of the things I would say is that if crude oil prices were \$50 or \$60 per barrel at year-end, you would (inaudible) researches close to 60 million barrels primarily the reductions are from higher cost late in life steam flood such as our Placerita operations. We saw a certain amount of reserves be written off because they hit the economic limit much sooner at this stressed price that we describe. We had some minor adjustments of 1 and 2 million barrels in other fields, but nothing that material.

It really demonstrates the quality of our heavy oil assets in California particularly our Midway Sunset, both our North and South assets, and what a high margin property these are and how economic they are as opposed to some other California operations that are truly late in life or high water cut or high operating cost. We didn't see that - - obviously we didn't see any impairment and we saw very little reserves come off when you consider the total number of our reserves that are in California.

Bob Heinemann - Berry Petroleum Company - President and CEO

Now as Michael mentioned earlier, we were really happy to see that we were able to replace our reserves at south midway. So when we think about that economic cut off we still have a long way to go in our biggest legacy property.

Duane Grubert - CRT Capital - Analyst

Thank you very much.

Bob Heinemann - Berry Petroleum Company - President and CEO

Thank you.

Operator

Your next question is a follow-up from the line of Phil McPherson from Global Hunter Securities. Please proceed.

Phil McPherson - Global Hunter Securities - Analyst

I was just wondering in the Piceance if you had an inventory of uncompleted wells that you drilled and not fractured.

Michael Duginski - Berry Petroleum Company - COO

Yes, we talked about that in the fourth quarter that we because we were cutting our capital so dramatically that we wanted to go ahead and not complete those wells until we saw a price response in the Rockies and so we have 37 wells that either need to be completed or recompleted that are in our current inventory. We typically don't like to have a significant amount of recompletion activity in the winter because of the winter conditions on top of the Mesas and so we are evaluating right now as we come into the spring whether we are going to try to fund those recompletions sooner than later on in the year.

Phil McPherson - Global Hunter Securities - Analyst

But if you get a commodity price rebound in the back half of the year that's pretty low hanging fruit you come in there and recomplete them or frac them and get them off before year-end, right?

Michael Duginski - Berry Petroleum Company - COO

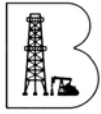


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SOURCE: Berry Petroleum Company



*Berry Petroleum Company Transcript*

These might be our highest rate of return projects.

Phil McPherson - Global Hunter Securities - Analyst

Thanks, guys.

Michael Duginski - Berry Petroleum Company - COO

Thank you.

Operator

(Operator Instructions) Your next question is a follow-up from the line of David Tameron from Wachovia Securities. Please proceed.

David Tameron - Wachovia Securities - Analyst

Hi, I think you answered this Michael, but can you talk about you said the reserve write-down is a pricing, I assume I looked at the reserve report, most of these revisions are due to pricing, can you talk about what areas got hit the hardest?

Michael Duginski - Berry Petroleum Company - COO

Like I said the majority of those reductions were in the Placerita field. If you took the difference between 160 million barrels and 146 million, what we reported, I would say over half of those come from Placerita and there are little ones and twos, 1 and 2 million-barrel reductions in some of our more mature areas of North, Midway Sunset field which are not Diatomite, Ethel D possibly and then the majority would be in North Midway.

David Tameron - Wachovia Securities - Analyst

Okay.

David Wolf - Berry Petroleum Company - CFO

Placerita is probably two-thirds of it, David.

David Tameron - Wachovia Securities - Analyst

On the gas side it's primarily Piceance?

Michael Duginski - Berry Petroleum Company - COO

We really didn't have significant revisions in Piceance.

David Tameron - Wachovia Securities - Analyst

Okay. And I have to go back and look at it but it looks like there was a 40 or 50 bcf reduction on the gas side? I was just wondering is that, if it's not Piceance, what is that?

Michael Duginski - Berry Petroleum Company - COO

Yes, what we had - - the main revision in gas was East Texas and what we had is when we did our evaluation, particularly the shallowest productive zones, the Travis Peak, we had no producing completions in Travis Peak.



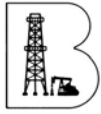
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## Berry Petroleum Company Transcript

The buyers reserve analysts gave them full credit for those reserves, but we don't have a producing completion in the Travis Peak and our reserve engineers D&M weren't comfortable giving us all that as proved reserves. So that was the major revision not a year-on-year issue but more of an announcement vs. year-end.

Bob Heinemann - Berry Petroleum Company - President and CEO

We think we will come back and get that.

David Tameron - Wachovia Securities - Analyst

Yes, that was going to be the follow-up. Okay. You guys are going through some issues with, I think, with California Public Utility Commission. Would that block any type of sale of any type electricity or any type of generation assets?

Michael Duginski - Berry Petroleum Company - COO

I don't believe so. I think, David, I think that would be an extreme case. We have standard offer contracts right now for all of our assets and although we may renegotiate those as they expire, we still expect to be selling power to the utilities in California.

David Tameron - Wachovia Securities - Analyst

Okay. A couple more believe it or not. David, you went through some PV-10 calculations and sensitivities. Can you throw those out again? I think you said you went from \$1.1 billion to \$1.3 billion based on these oil prices?

David Wolf - Berry Petroleum Company - CFO

Sure. So our standardized measure which puts up with the 10-K was at year-end was \$1.14 billion. And that's on a per BOE price of \$30.92.

David Tameron - Wachovia Securities - Analyst

Okay.

David Wolf - Berry Petroleum Company - CFO

And that realization includes a deduct of \$14.05 associated with the California differential.

David Tameron - Wachovia Securities - Analyst

Okay.

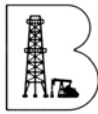
David Wolf - Berry Petroleum Company - CFO

So given that we are at \$7.57 today on the differential, we went back and tried to normalize that measure assuming an \$8 differential and that adds incrementally up to \$1.4 billion. So, \$200 million and change.

David Tameron - Wachovia Securities - Analyst

Okay.

David Wolf - Berry Petroleum Company - CFO

*Berry Petroleum Company Transcript*

Then what we said is we are obviously not in a \$44 flat world, what is our PV after tax if we used the strip. And that adds about another 400 million of value to \$1.8 billion at strip at year-end. And then since none of these include any of our significant hedges. If you were looking at it at strip, our hedges would be worth \$200 million and if you were looking at \$44 flat, i.e. the SEC price deck it would add \$315 million of value. So, basically a normalized measure in terms of PV after tax including hedging is closer to \$1.7 billion. And obviously that's an important number to our lenders.

David Tameron - Wachovia Securities - Analyst

Yes, that's was going to be the next question. If I think about that. If you care to venture, you are at \$1.2 billion your reserves are up, you're hedged out near-term to take away some of that price depression. So longer term I don't think it's going to be that much different than it was at your last redetermination. Do you care to take a guess of what your new base will be?

David Wolf - Berry Petroleum Company - CFO

I would say that there have been several positive developments. Obviously the differential, the fact that we've collapsed these collars for '09 and '10 and swaps. And the year-end reserves were at the top end of our guidance. The counter to that are lenders decks are lower primarily the first two years. We are pretty insensitive the first two years because we are hedged 90% and roughly mid 70% in 2010. If I had to guess right now I would say we are certainly north of \$1 billion.

And we've got a real supportive group of lenders that's amendment that past was 100% consenting vote for our 19 lenders and I would also say that we've raised capital in pretty tough markets in the past so we raised \$130 million of capital bank debt in November, December. So we are, our comfort level is at a minimum at \$150, \$200 million of liquidity. And you get comfortable with that because of the fact that we can free cash flow even at sensitivity prices. So that - until we know the number I would hate to put a finer brush than we will be north of \$1 billion.

David Tameron - Wachovia Securities - Analyst

Yes. When do you get that revolver?

Michael Duginski - Berry Petroleum Company - COO

It's a spring redetermination, so April timeframe.

Bob Heinemann - Berry Petroleum Company - President and CEO

David, just one other point to David's comment. It sounds like we talked a lot about heavy oil differential today. It's obviously an important part of our business and we keep quite an exhaustive database. But we would tell you is over the last many years, when WTI is less than \$40, the heavy oil differential is less than \$8, 98% of the time and it averages \$6.40 over that period of time. So it is not unexpected for us to see that differential come down into the mid- sixes in this type of pricing. And that even makes the case that David was quoting for the borrowing base even stronger.

David Tameron - Wachovia Securities - Analyst

All right. That's good. Thanks.

Operator

Your next question is a follow-up from the line of Rocky Rasley from Vaquero Energy. Please proceed.



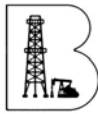
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## Berry Petroleum Company Transcript

Rocky Rasley - Vaquero Energy

Gentlemen, getting back to the well commitment that is coming up in 2011. If you don't drill in 2009, 2010, does that trigger lease rental that you need to pay? And if so, do you have an idea what that would be?

Michael Duginski - Berry Petroleum Company - COO

No, it doesn't. It was actually a drilling of commitment that we had with the buyer that we would drill a certain number of wells by 2011. Now what I would tell you is there is potential also for us to renegotiate that given the price environment that we are in.

Bob Heinemann - Berry Petroleum Company - President and CEO

The buyer also adds some conditions he has to meet as well.

Rocky Rasley - Vaquero Energy

Okay. All right. Thank you.

Operator

At this time there are no further questions in queue. I would now like to turn the call back over to Mr. Heinemann for closing remarks.

Bob Heinemann - Berry Petroleum Company - President and CEO

I would like to thank everyone for taking the time to hear about Berry. In addition to reviewing last year's results, we've attempted to describe how we are currently managing our business. We've described life after the Flying J bankruptcy, how we are recalibrating our cost structure in this environment, as well as taking a number of steps to provide the Company with increased financial flexibility. We look forward to communicating with you all in the near future. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

End of call

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Any statements in this conference call and transcript that are not historical facts are forward-looking statements that involve risks and uncertainties. Words such as "will," "might," "intend," "continue," "target(s)," "expect," "achieve," "strategy," "future," "may," "could," "goal(s)," or other comparable words or phrases or the negative of those words, and other words of similar meaning indicate forward-looking statements and important factors which could affect actual results. Forward-looking statements are made based on management's current expectations and beliefs concerning future developments and their potential effects upon Berry Petroleum Company. These items are discussed at length in Part I, Item 1A beginning on page 15 of our Form 10-K filed February 25, 2008 with the Securities and Exchange Commission, and any updates to those items are listed in our Form 10-Qs filed subsequent to that date.

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