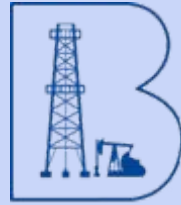


# Berry Petroleum Company



Morgan  
Keegan

## Delivering on Growth Forecast

Presented by: Robert F. Heinemann – President & CEO



**Berry Petroleum Company - 1999 Broadway, Ste. 3700 – Denver CO, 80202 – [www.bry.com](http://www.bry.com) - 303-999-4400 - IR 1-866-472-8279**

### Safe Harbor Under the Private Securities Litigation Reform Act of 1995 - Forward-Looking Statements

This presentation contains forward-looking statements concerning our expectations about our future business and results of operations. Words such as “anticipate,” “will,” “intend,” “continue,” “target(s),” “expect,” “achieve,” “strategy,” “future,” “estimated,” or other comparable words or phrases or the negative of those words, and other words of similar meaning indicate forward-looking statements. These statements relate to future events. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including those discussed under “Risk factors” in the Company’s SEC filings, which could cause our actual results to differ from those projected in any forward-looking statements we make. We believe that it is important to communicate our future expectations. However, there may be events in the future that we are unable to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements speak only as of the date of such statement.



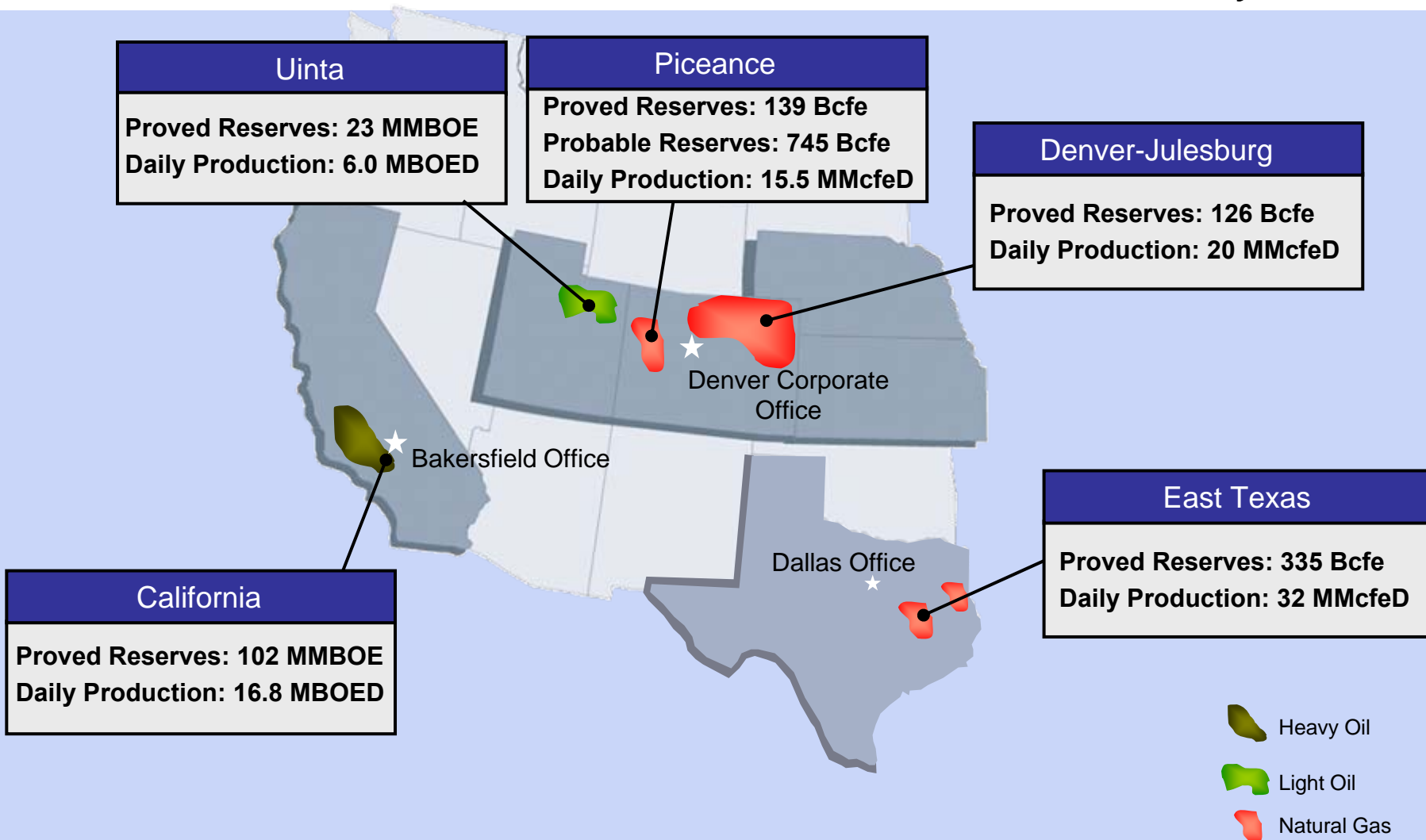
# Berry's 5 Key Messages for Today

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- **Berry is growing at 10-15% per year**
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- **Berry's Diatomite asset is big and getting bigger**
  - *Berry is increasing its oil-in-place estimates for the Diatomite heavy oil asset by 37.5% to 330 million barrels based on appraisal drilling of the northern portion of the asset. Peak production is now forecast at 12,000 barrels per day in 2015. At \$100 WTI and \$10 HH, the rate of return for the project is approximately 100%.*
- **Berry's East Texas acquisition is on track**
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- **Berry is improving its bottom-line**
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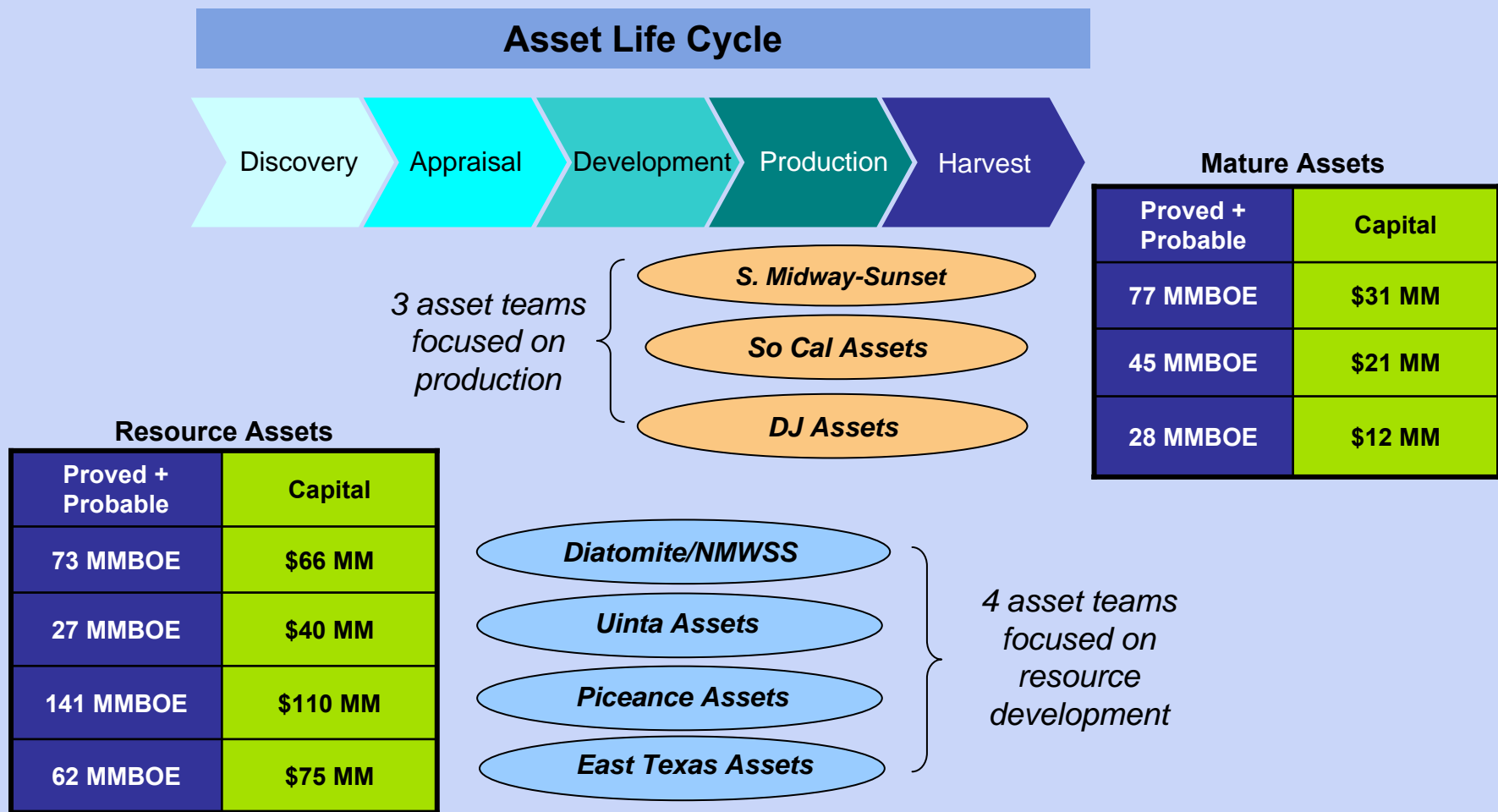
# Berry Petroleum's Core Assets

*225 MMBOE Proved Reserves and 35 MBOED Production Today*





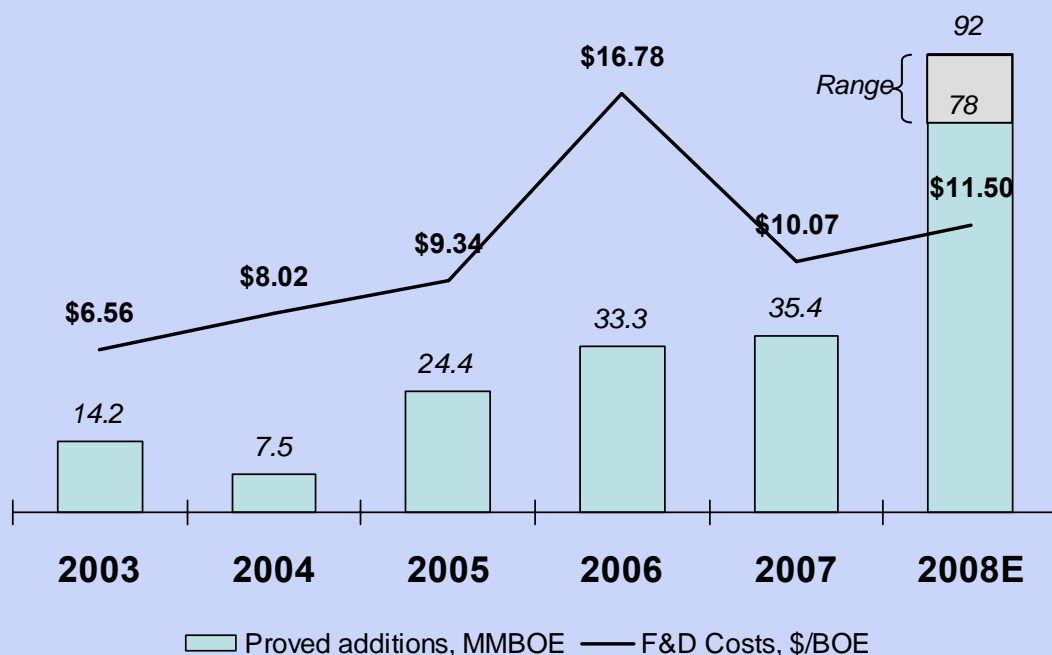
# Organized Around Seven Asset Teams





# Significant Reserve Additions at Competitive Costs...

## Reserve Additions and F&D Costs

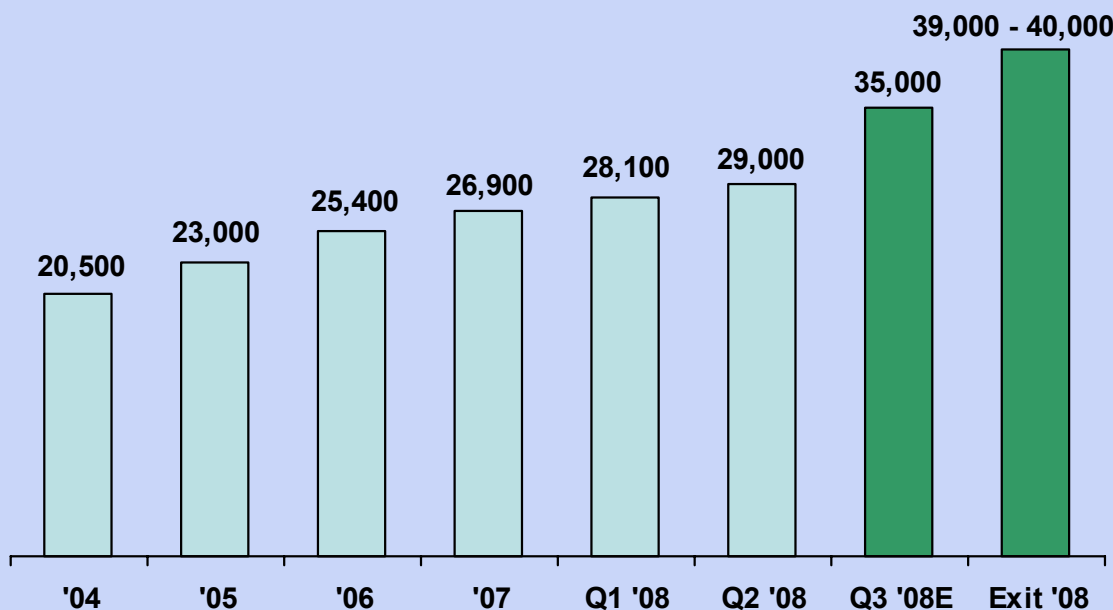


- Berry's historic F&D costs have been in the sub-\$10/BOE range
- Three year trailing average now stands at \$12.23/BOE
- Spike in 2006 F&D costs was due to the acquisition of 850 Bcfe of Probable reserves in the Piceance
- Implied reserve life based on Q4 2007 production is 18.6 years
- Expected reserves additions in 2008 range from 78 to 92 MMBOE which should translate into an F&D cost of about \$10.00 - \$13.00/BOE
- Percentage of undeveloped proved reserves has increased to 53% due to Piceance and East Texas development plans



# Provide the Basis for Production Growth

## Production Growth (BOED)

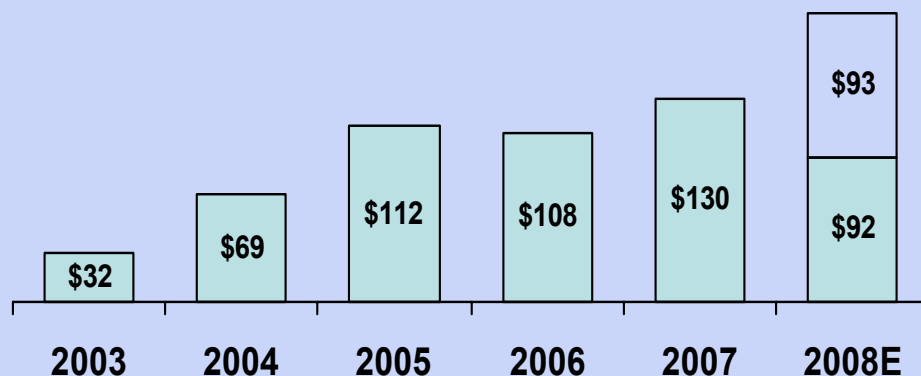


- Production has been increasing at 9-10% compounded growth rate
- The growth in production has occurred in light oil and gas while heavy oil has remained essentially flat
- Berry will be growing both its oil and gas production over the next few years
- Oil growth will come from Poso Creek, the diatomite and new steam floods in California
- The gas component of the Company's production will increase with the development of the East Texas and Piceance assets

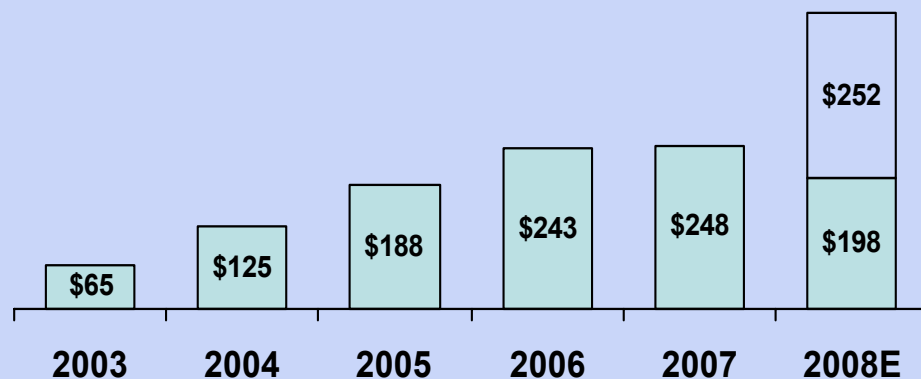


# Improving the Bottom Line

## Net Income (\$ Millions)



## Operating Cash Flow (\$ Millions)

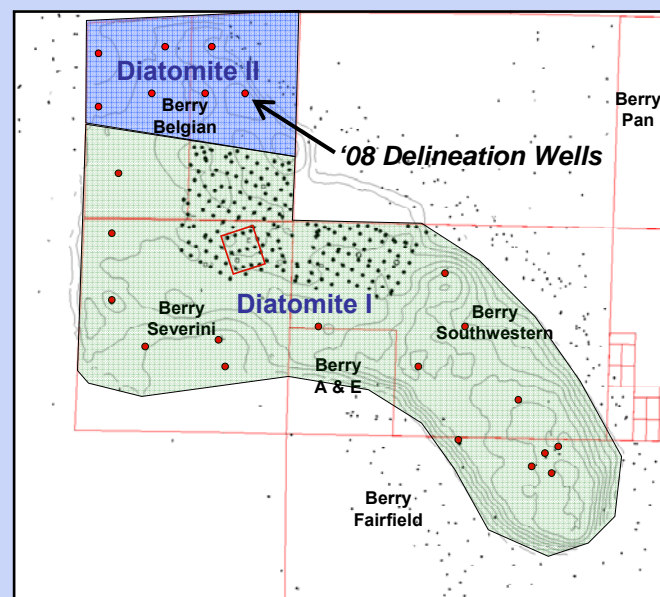


- Full year estimates for 2008 net income and cash flow are \$185 million and \$450 million, respectively, based on \$100 WTI and \$10 HH
- Net income and cash flow have been increasing at more than 30% compounded growth rate since 2003
- Increases have been driven by commodity price and production growth
- In the second quarter of 2008, Berry earned \$49 million of net income and generated \$108 million of discretionary cash flow while producing 29,000 BOED
- ROCE has exceeded 15% for six consecutive years

# Diatomite Resource Increased by Delineation Drilling

## *Total Oil-In-Place Is Now 330 Million Barrels*

- **Diatomite I: Original development**
  - OOIP increased by 4% to 250 MMBOE based on well performance
  - 620 well development
  - Northern area was originally assumed to be too shallow
- **Diatomite II: New resource**
  - Well performance and offset activity led to reassessment of northern area
  - Delineation wells confirmed that the northern dip flattened and contains a 300 – 400 foot thick oil column with reservoir characteristics very similar to current development
  - Additional OOIP is estimated at 80 MMBOE for a total of 330 MMBOE
  - 230 additional well locations





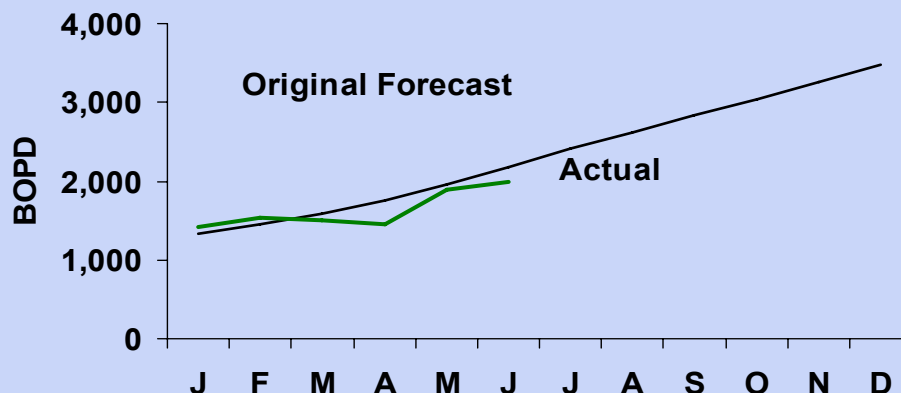


# Performance on Plan

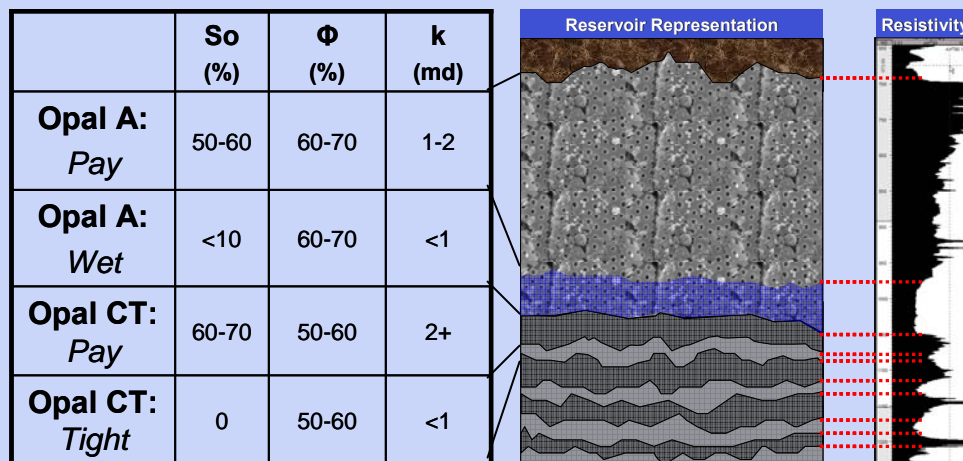
## Risk Reduced by 2008 Development Drilling

- **Diatomite performance in line with expectations**
  - Existing wells performing at plan
  - Start-up of new wells slightly delayed due to infrastructure construction
- **Early project risk was that Opal CT formation was of lower quality than the Opal A**
- **Further analysis revealed crude oil in the Opal CT is stored in lobes, interbedded with lower quality reservoir rock.**
  - Formation permeability and oil saturation are actually higher in the Opal CT lobes than Opal A pay

### Time Normalized Well Performance



### Opal A vs. CT

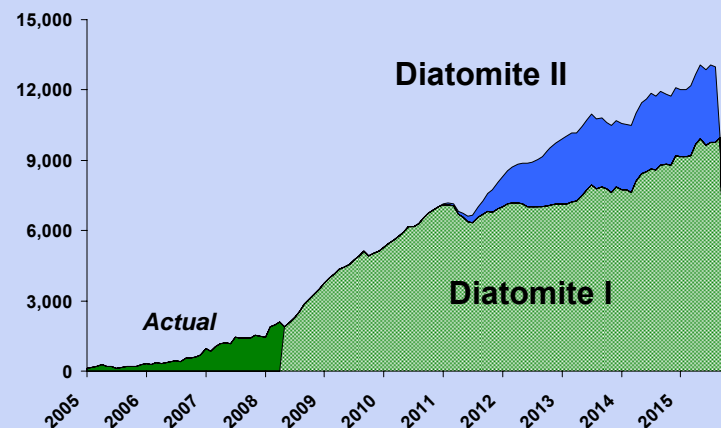




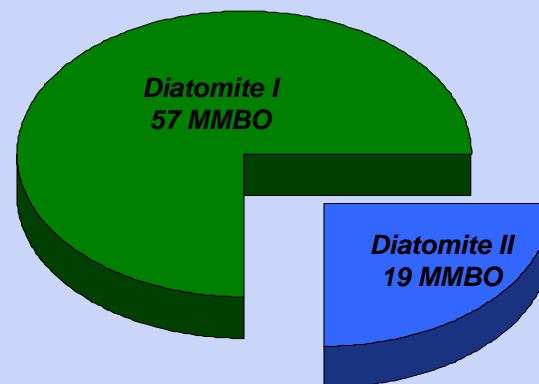
# Diatomite Development Project is Bigger

- Diatomite II increases the risked 3P reserves by 19 MMBO to 76 MMBO for the entire asset
- Ultimate recovery is estimated at 22-23%
- Project management challenges remain as the pace of development is constrained by infrastructure and surface locations

## Diatomite I & II Production (BOED)



## Diatomite I & II Risked Reserves





# Strong Economics Create Value

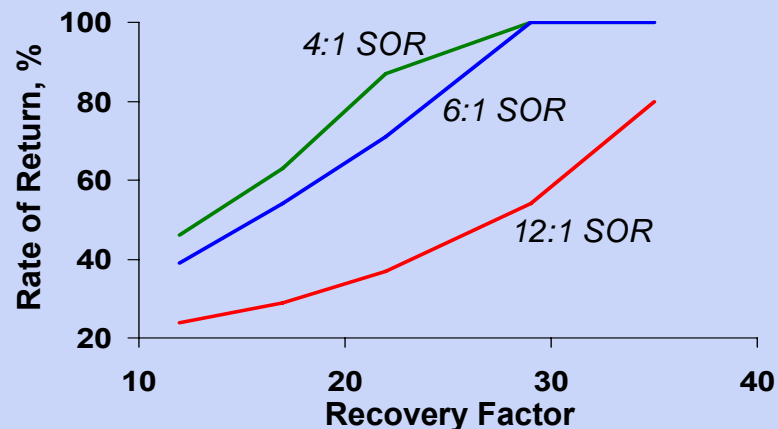
## Self funding after 2009

- At \$100 WTI and \$10.00 HH, rate of return for diatomite development is over 70% assuming 6:1 SOR (steam to oil ratio) and 22% recovery
- F&D cost of \$7.50 to drill 850 wells and install infrastructure to develop 76 MMBOE of risked 3P reserves
- Steam costs are approximately 75% of the operating expense. Cost of conventional steam can be estimated as 40% of the product of the gas price and the SOR
- Returns are sensitive to recovery factor and the project SOR. These returns are solid even down to a 12% recovery factor and a 12:1 SOR
- Development expected to become self funding by Dec 2009 @ \$100/bbl WTI

### Full Development Economics

<b>Oil and Gas Prices</b>	<b>\$100/\$10.00</b>
<b>AFIT ROR (%)</b>	<b>&gt;70%</b>
<b>3P Reserves (MMBOE)</b>	<b>76</b>
<b>Capital (\$MM)</b>	<b>\$500 - 600</b>
<b>Wells</b>	<b>850</b>
<b>F&amp;D (\$/bbl)</b>	<b>\$7.50</b>
<b>Operating Exp.(\$/bbl)</b>	<b>\$25.00</b>

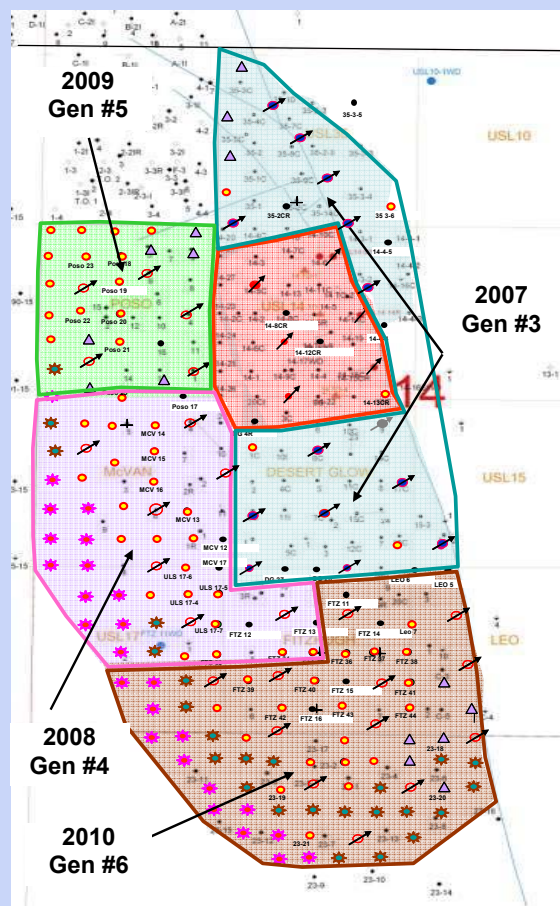
### ROR vs. Recovery Factor & SOR



# Accelerated Poso Creek Development

## Ramping Up On Track

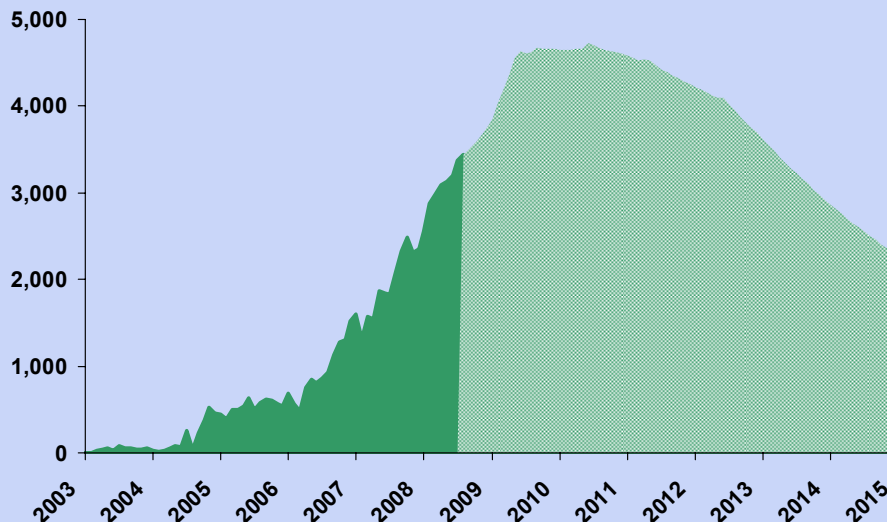
### Poso Creek Development Stages



### Asset Highlights

- Acquired for \$3 MM in three separate transactions beginning in '03, now has 12 MMBOE proved reserves
- Accelerated development to bridge the gap between SMWSS decline and the Diatomite ramp-up, production has steadily increased to over 2,500 BOED
- Added a fourth steam generator in February and drilling 50 infill more wells in 2008 & 2009

### Total Average Daily Production (BOED)





# Heavy Oil Operating Costs

## *Dependent on Natural Gas Prices*

- 12,000 MMBtu/D of the cogeneration fuel volumes are purchased at Rockies prices using firm transportation on the Kern River pipeline with the balance of all fuel purchased at SoCal border prices
- Percentage of cogeneration fuel allocated to electricity varies by quarter with seasonal changes in the price received under electricity contracts
- Fuel consumption for conventional steam generation increases throughout 2008 as capacity is added in Poso Creek and the diatomite
- A \$1/MMBtu change in natural gas prices will impact quarterly fuel operating costs by approximately \$2.7 MM for the balance of 2008

### Steam Generation Fuel Costs

<i>MMBtu/D unless noted</i>	Q1	Q2	Q3E	Q4E
Cogeneration fuel consumption	27,735	24,916	27,300	27,300
Less amount allocated to electricity	(23,125)	(18,205)	(19,575)	(22,075)
Fuel consumed in conventional steam generation	17,025	20,671	21,200	23,850
Net fuel consumed in steam generation	21,634	27,382	28,925	29,075
SoCal Border price (\$/MMBtu)	\$7.61	\$9.86	\$9.75	\$9.00
Rockies gas price (\$/MMBtu)	\$6.96	\$8.48	\$7.75	\$7.00
Total steam generation fuel costs (\$MM)	\$15	\$25	\$25	\$24

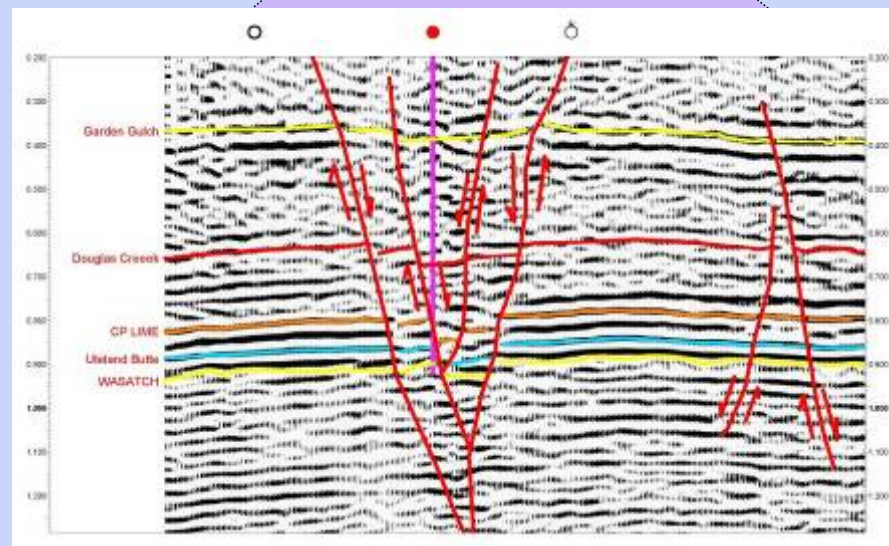
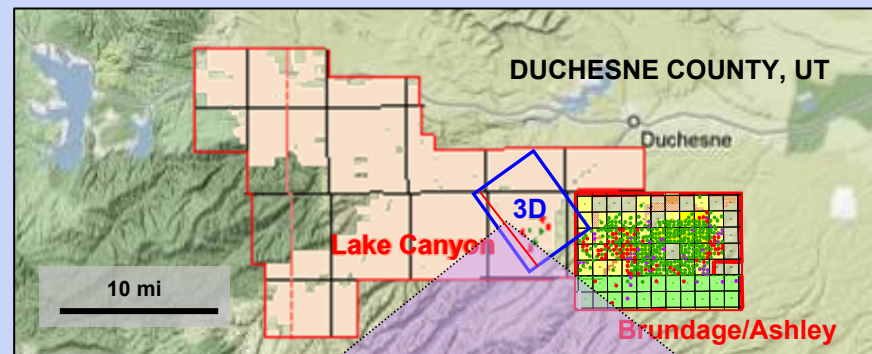
# Uinta Basin

## Re-focusing Brundage Canyon While Appraising Lake Canyon

### Asset Highlights

- **Brundage Canyon: 43,500 acres, 100% WI**
  - Proved reserves of 22.1 MMBOE with a 300+ well drilling inventory
  - Expansion is focused on Ashley Forest based on 10 producing wells and encouraging 2008 results. Well tests have ranged from 60 to 215 BOED
  - Water flood pilot to be initiated by the end of Q4 in an area with favorable reservoir development and continuity
- **Lake Canyon: 169,000 acres, 56.25% WI**
  - BRY has drilled 10 Green River wells with varying results, but in general, similar to Brundage Canyon
  - Very complex area with significant faulting and fracturing, challenging geochemistry and rugged terrain
  - Seismic data is identifying fractured structural features that have been used to select five well locations scheduled for Q4

### Uinta Assets





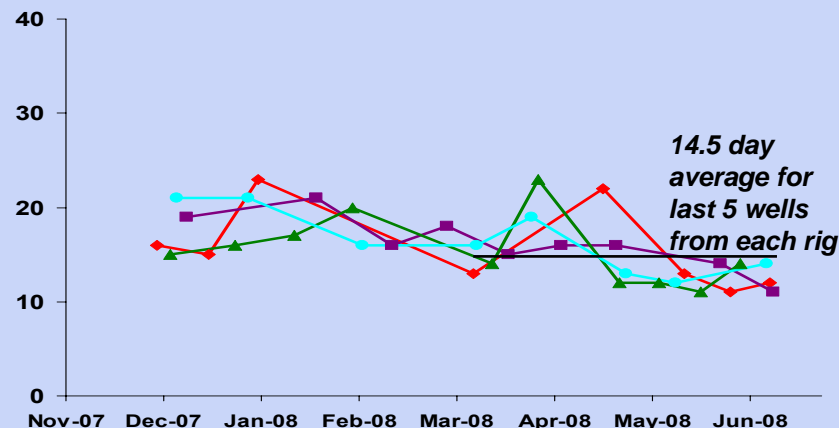
# Piceance Basin

## From Establishing Operations to Gas Manufacturing

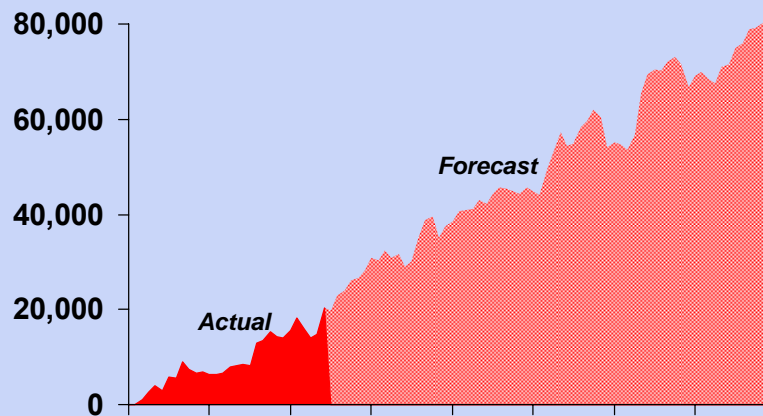
### Asset Highlights

- Two assets: Garden Gulch with 3,157 net acres and N. Parachute Ranch with 4,130 net acres
- 10-acre down spacing development with low geologic risk and long-lived reserves of 139 Bcfe Proved and 705 Bcfe Probable
- Drilling 60 wells in 2008 with a remaining inventory of over 900 locations
- Current focus is continued reduction in drilling and completion costs and increasing the ultimate recovery per well

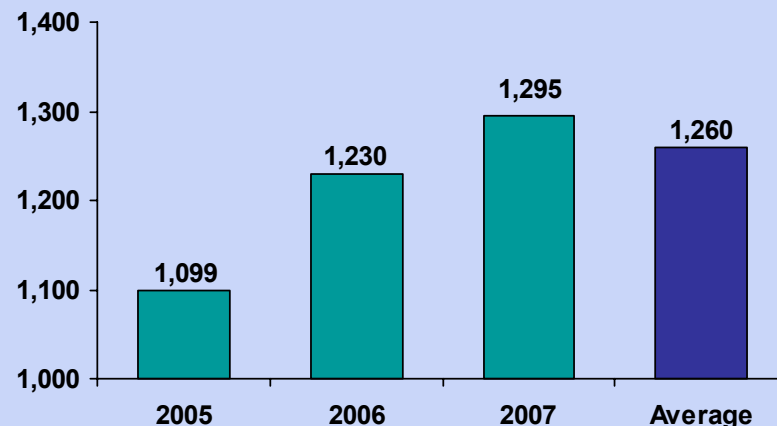
### Mesa Drilling Days



### Risked Production Forecast (Mcfed)



### Average Well Performance, Mcfed



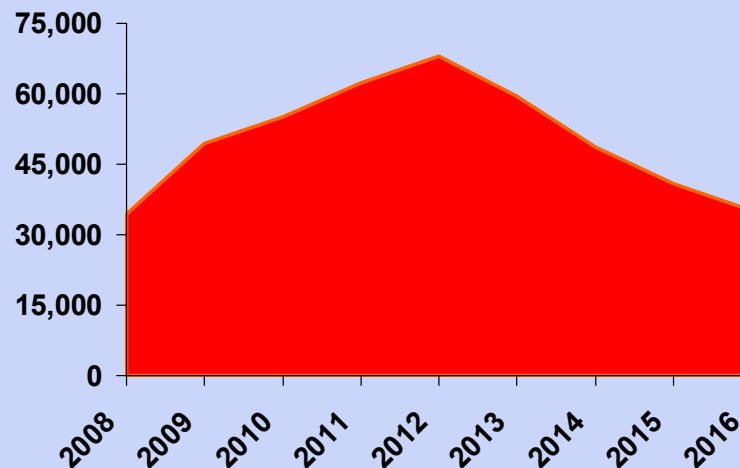


# Berry's Diversification into East Texas Gas

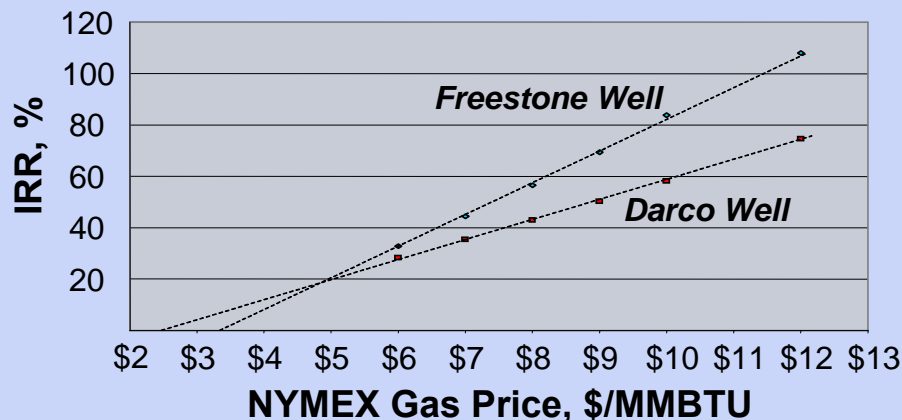
## Transaction Highlights

- Acquired two fields in East Texas :
  - Freestone Consolidated in Limestone County
  - Darco in Harrison County
  - 4,508 net (100% WI/75% - 80% NRI)
- \$620 million purchase price to acquire:
  - 335 Bcfe of proved reserves
  - 32 MMcfeD of current production
- New entry into prolific, price favored basin
  - Concentrated operations
  - Excellent inventory of drilling locations and recompletions
  - Five rigs currently under contract
- Repeatable development of multiple stacked reservoirs
  - Upside in the Haynesville and Bossier shales
  - \$425 million of future development capital (\$75 million in 2008)
  - Self-funded, identified production growth

## Production Forecast, McfeD



## Single Well Economics





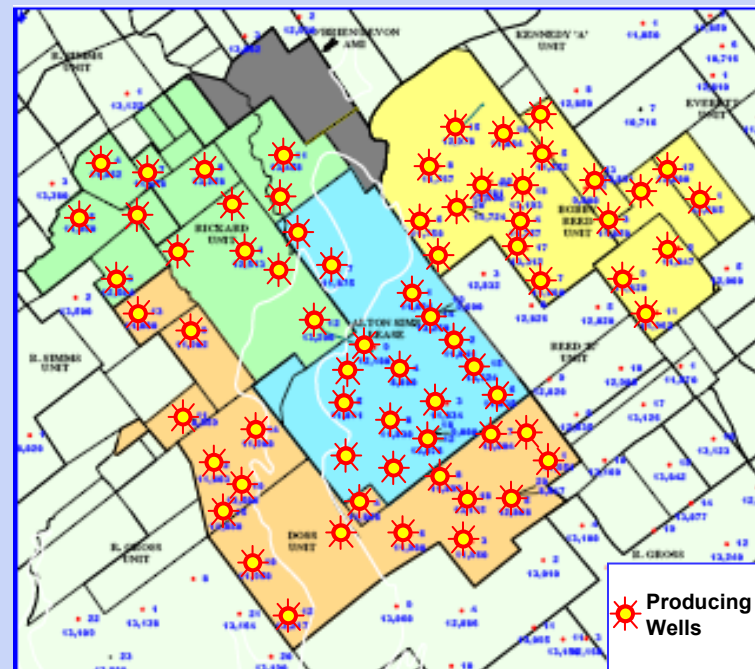
# Freestone Consolidated Field Overview

## *Limestone County*

### Asset Highlights

- 5 Gas Units covering 2,641 gross acres
- 73 wells producing net 26.3 MMcfeD
- 7 productive reservoirs from 7,900' –13,400' with an average EUR/well of 3,300 MMcfe
- Full development includes:
  - 20-acre infill wells to capture the Cotton Valley Lime, Bossier Sand, Upper/Lower Cotton Valley Sands
  - Shallow wells to capture the Travis Peak
- 4 rigs currently running
- Drilling inventory
  - 50 recompletions
  - 80 drilling locations
- Upside potential includes the Bossier Shale and horizontal drilling of the Cotton Valley Lime and Bossier Shale

### Freestone Properties



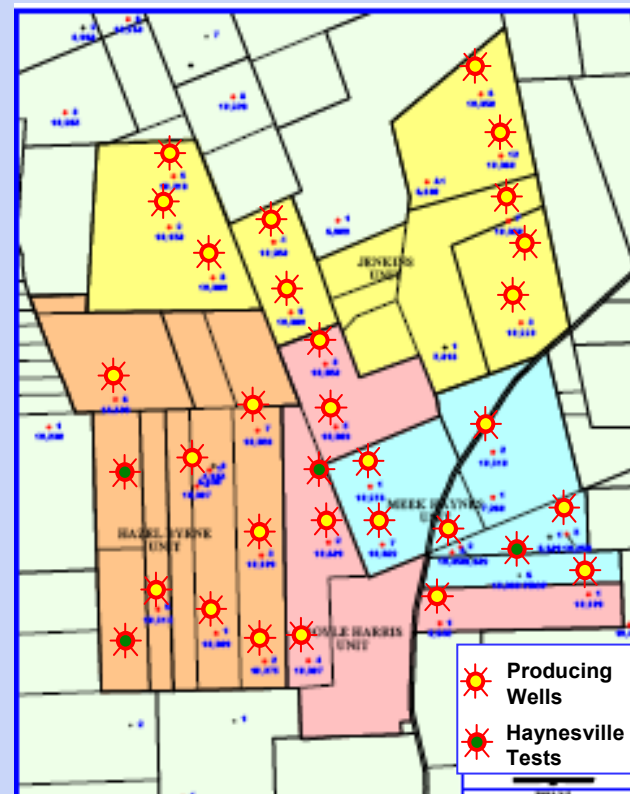
# Darco Field Overview

## Harrison County

### Asset Highlights

- 4 Gas Units covering 2,112 gross acres
- 27 wells producing net 5.7 MMcfeD
- 5 productive reservoirs from 6,600' –13,000' with an average EUR/well of 3,300 MMcfe
- Full development includes:
  - Drilling 40-acre locations
  - Recompleting additional zones in existing wells
- 1 rig currently running
- Drilling inventory
  - 28 recompletions
  - 26 drilling locations
- Upside potential includes 20-acre infill drilling, Haynesville, Travis Peak and a horizontal development program
- 4 vertical wells testing the Haynesville, 3 miles northwest of Penn Virginia's Fogle 5H well

### Darco Properties

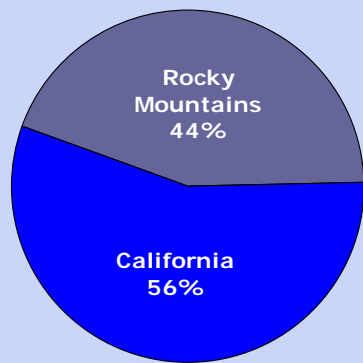




# Pro Forma Reserve Breakout & Production Growth

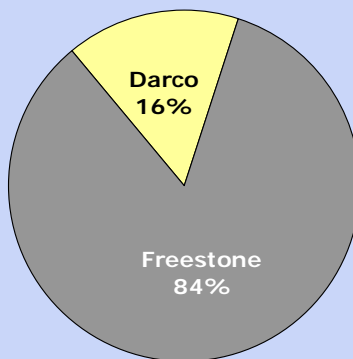
## Reserves and Production Increases from 10% to 15%

**Berry Reserve Split**



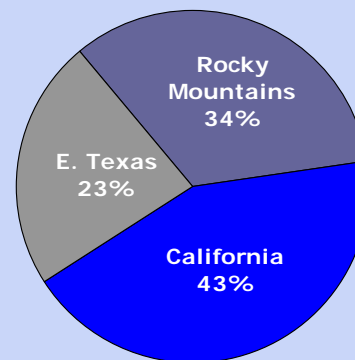
185 MM BOE Proved Reserves  
67% PD, 38% gas, R/P 17.0

**East Texas Reserve Split**



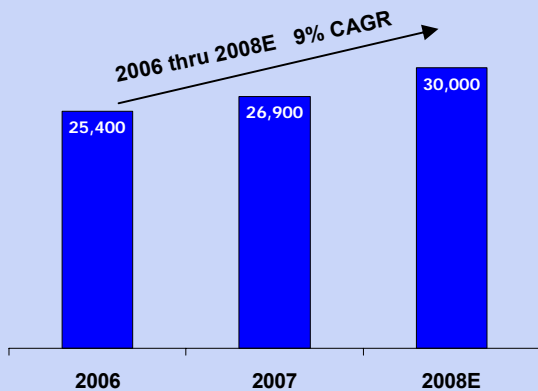
56 MM BOE Proved Reserves  
29% PD, 99% gas, R/P 27.1

**Combined Reserve Split**

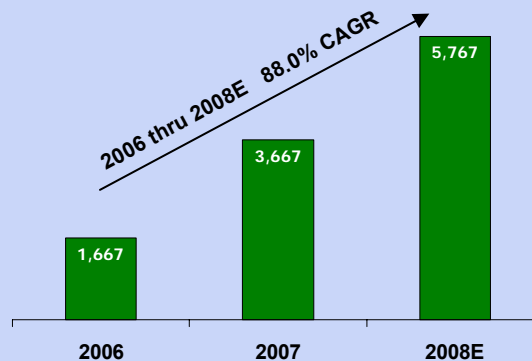


240 MM BOE Proved Reserves  
47% PD, 52% gas, R/P 18.6

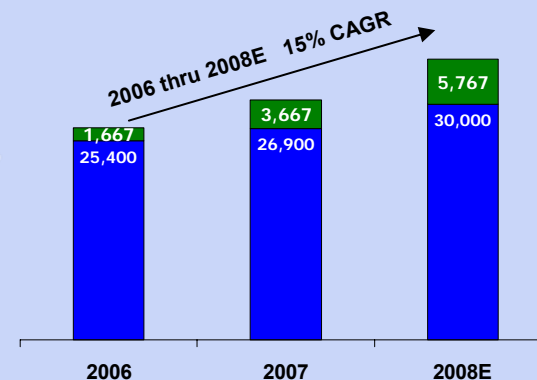
**Berry Prod (BOED)**



**East Texas Prod (BOED)**



**Combined Prod (BOED)**



Stated 2008 estimates are the midpoint of management's guidance. Reserves are year-end estimates and daily production is the annual average estimate.



# Financial Overview and Guidance

## Financing & Hedging

- 2008 will be another record year for Berry in production, earnings, cash flow and proved reserves
- Production of 33,000 BOED at \$100 WTI and \$10 HH will generate cash flows of approximately \$450 million which will fully fund our \$370 million capital program
- Began building a \$100/bbl floor on cash flow to execute development and repay debt with hedges of 5,000 bpd in 2009 and 2010 now in place
- Have \$200 million of additional liquidity through a new \$1 billion secured credit facility and a \$100 million liquidity facility

## 2008 Full-year Estimates

Capital investment	\$370 million
Cash Flow	\$450 million
YE Debt	\$1.1 billion
YE proved reserves	235 - 250 BOE
Tax rate	38 - 39%
F&D costs	\$10 - 13/BOE

## 2008 Guidance as of 8-25-08

	YTD @ June 30, 2008	July - December 2008 Forecast	Full Year 2008 Forecast
Production (BOED)	28,534	36,500 - 38,000	32,500 - 33,500
Operating Costs - Oil and Gas Production	\$18.64	\$16.00 - \$19.00	\$17.00 - \$19.00
Production Taxes	\$2.59	\$2.50 - \$3.50	\$2.50 - \$3.00
DD&A - Oil, Gas& Electricity Production	\$11.06	\$12.25 - \$13.25	\$11.75 - \$12.75
G&A	\$4.34	\$4.00 - \$4.50	\$4.00 - \$4.50
Interest	\$1.48	\$2.00 - \$2.50	\$1.50 - \$2.00



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