

Rating: Buy
S&P 500: 1293

Berry Petroleum Company Growth Record

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	279
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	16
<i>Price (\$/sh)</i>	70.07	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/22/06	<i>Adjusted Reserves/Production NTM</i>	10.6
<i>Shares (mm)</i>	23	<i>EV/Ebitda</i>	6.3
<i>Market Capitalization (\$mm)</i>	1,580	<i>PV/Ebitda</i>	5.9
<i>Debt (\$mm)</i>	180	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (\$mm)</i>	1,750	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	32.40
<i>Present Value (PV) (\$mm)</i>	1,640	<i>Present Value Proven Reserves(\$/boe)</i>	13.00
<i>Net Present Value (\$/share)</i>	65	<i>Present Value Proven Reserves(\$/mcfe)</i>	2.20
<i>Debt/Present Value</i>	0.11	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.23
<i>McDep Ratio - EV/PV</i>	1.07	<i>Price/Earnings Next Twelve Months</i>	17
<i>Dividend Yield (%/year)</i>	0.9	<i>Indicated Annual Dividend (US\$/sh)</i>	0.62

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

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

Summary and Recommendation

Though stock price of buy-recommended **Berry Petroleum (BRY)** exceeds estimated net present value of \$65 a share, industry conditions continue to improve. The estimate presumes a long-term oil price of \$50 a barrel while futures investors price Light, Sweet Crude Oil at \$65 a barrel for the next six years. Meanwhile, the company just reported its third year of double digit production growth as a result of active drilling and acquisitions. Acquisitions add to net present value offset by debt and by long-term oil price hedging. Adjusted reserve life of 10.6 years is longer than the median among operating companies in our coverage domiciled in the U.S. Unlevered cash flow multiple, EV/Ebitda, of 6.3 years seems low absolutely, but in line with reserve life compared to peers.

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Berry Petroleum Company
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
				<u>(US\$mm)</u>	
North American Natural Gas	40	12.6	7.5	300	18%
Oil	239	10.2	5.6	1,340	82%
	279	10.6	5.9	1,640	100%
Debt (US\$mm)					180
Net Present Value (US\$mm)					1,460
Shares (mm)					23
Net Present Value - Standard Estimate (US\$/sh)					65
Net Present Value - Approximation by Correlation (US\$/sh)					69

Berry Petroleum Company
Quarterly Results

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Next</i>
	<u>12/31/04</u>	<u>9/30/05</u>	<u>12/31/05</u>	<u>2005</u>	<u>3/31/06</u>	<u>6/30/06</u>	<u>9/30/06</u>	<u>2006E</u>	<u>Twelve</u>
									<u>Months</u>
Volume									
Natural Gas (mmcf)	9.1	21.8	25.2	21.6	25.2	25.2	25.2	25.2	25.2
Oil (mbd)	19.90	20.00	19.44	19.40	19.44	19.44	19.44	19.44	19.44
Total (mbd)	21.4	23.6	23.6	23.0	23.6	23.6	23.6	23.6	23.6
Price									
Henry Hub (\$/mmbtu)	7.10	8.56	13.00	8.65	8.99	7.52	7.86	8.32	8.65
Differential (\$/mmbtu)	0.85	0.78	3.00	1.09	1.13	0.94	0.99	1.05	1.09
Company (\$/mcf)	5.93	7.78	10.00	7.56	7.86	6.57	6.87	7.27	7.55
WTI Cushing (\$/bbl)	48.31	62.52	60.02	56.31	62.28	62.26	64.21	63.48	64.36
Differential	8.47	10.68	10.10	9.39	12.48	12.48	12.87	12.72	12.90
Company	39.84	51.84	49.92	46.92	49.79	49.78	51.34	50.77	51.46
Total (\$/bbl)	39.54	51.05	51.71	46.68	49.33	47.94	49.54	49.50	50.37
Revenue (\$mm)									
Natural Gas	5	16	23	60	18	15	16	67	70
Oil	73	95	89	332	87	88	92	360	365
Other, incl hedge	(10)	(15)	(15)	(42)				-	
Total	67	96	97	350	105	103	108	427	435
Expense									
Lease operating	22	28	33	111	32	32	33	129	129
General and administrative	5	6	5	21	6	6	7	26	26
Total	27	34	38	132	38	39	39	155	155
Ebitda	40	62	59	218	67	64	69	272	279
Exploration	1	4	2	9	2	2	2	9	9
Deprec., Deplet., & Amort.	9	10	12	41	13	13	13	52	52
Other, incl hedge	0	(1)	(0)	(1)	13	13	15	57	60
Ebit	30	50	45	169	39	36	38	154	158
Interest	0	2	2	6	3	3	3	12	12
Ebt	30	49	43	163	36	33	35	142	146
Income Tax	4	15	13	50	12	12	12	50	51
Net Income (\$mm)	25	34	30	112	23	22	23	92	95
Per Share (\$)	1.13	1.52	1.35	5.00	1.03	0.96	1.02	4.11	4.23
Shares (millions)	22	23	23	22	23	23	23	23	23
Lease operating (\$/bbl)	11.12	12.92	14.99	13.16	15.00	15.00	15.00	15.00	15.00
General and admin (\$/bbl)	2.64	2.76	2.48	2.55	3.00	3.00	3.00	3.00	3.00
Deprec., D, & A (\$/bbl)	4.67	4.42	5.61	4.84	6.00	6.00	6.00	6.00	6.00
Ebitda Margin	60%	65%	61%	62%	64%	62%	64%	64%	64%
Tax rate	15%	30%	30%	31%	35%	35%	35%	35%	35%

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