

Rating: Buy  
S&P 500: 1466

## Berry Petroleum Company Rocky Mountain Constraints

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	298
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	17
<i>Price (\$/sh)</i>	36.76	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/07	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	45	<i>EV/Ebitda</i>	7.5
<i>Market Capitalization (\$mm)</i>	1,650	<i>PV/Ebitda</i>	8.6
<i>Debt (\$mm)</i>	600	<i>Undeveloped Reserves (%)</i>	32
<i>Enterprise Value (EV) (\$mm)</i>	2,250	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	30.00
<i>Present Value (PV) (\$mm)</i>	2,570	<i>Present Value Proven Reserves(\$/boe)</i>	17.10
<i>Net Present Value (\$/share)</i>	44	<i>Present Value Proven Reserves(\$/mcf)</i>	2.80
<i>Debt/Present Value</i>	0.23	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.43
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.30

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.

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

For historical research on Berry since 2004 see <http://www.mcdep.com/4bry.htm>

### Summary and Recommendation

Buy-recommended **Berry Petroleum (BRY)** offers unlevered appreciation potential of 14% to estimated net present value (NPV) of \$44 a share that includes recognition of developing resource value in Rocky Mountain acquisitions of the past few years. Second quarter results reported on August 1 displayed unlevered cash flow (Ebitda) decline for natural gas because volume growth was offset by lower price before hedging (see table Next Twelve Months Operating and Financial Estimates). Berry and other Rocky Mountain natural gas producers eagerly await new pipeline capacity due next year to move volumes to eastern markets. Meanwhile, Berry does well while it waits because NPV is concentrated 73% on oil production (see table Functional Cash Flow and Present Value). The diatomite and Poso Creek projects are contributing to growing oil volume. The company's aggressive expansion is supported by long-term oil price that appears to be in an uptrend despite volatility of short-term quotes (see chart Six-Year Commodity Price Meter). Investors apparently like management's strategy as BRY stock trades above its 200-day average.

Kurt H. Wulff, CFA

Please see disclosures on the final page.

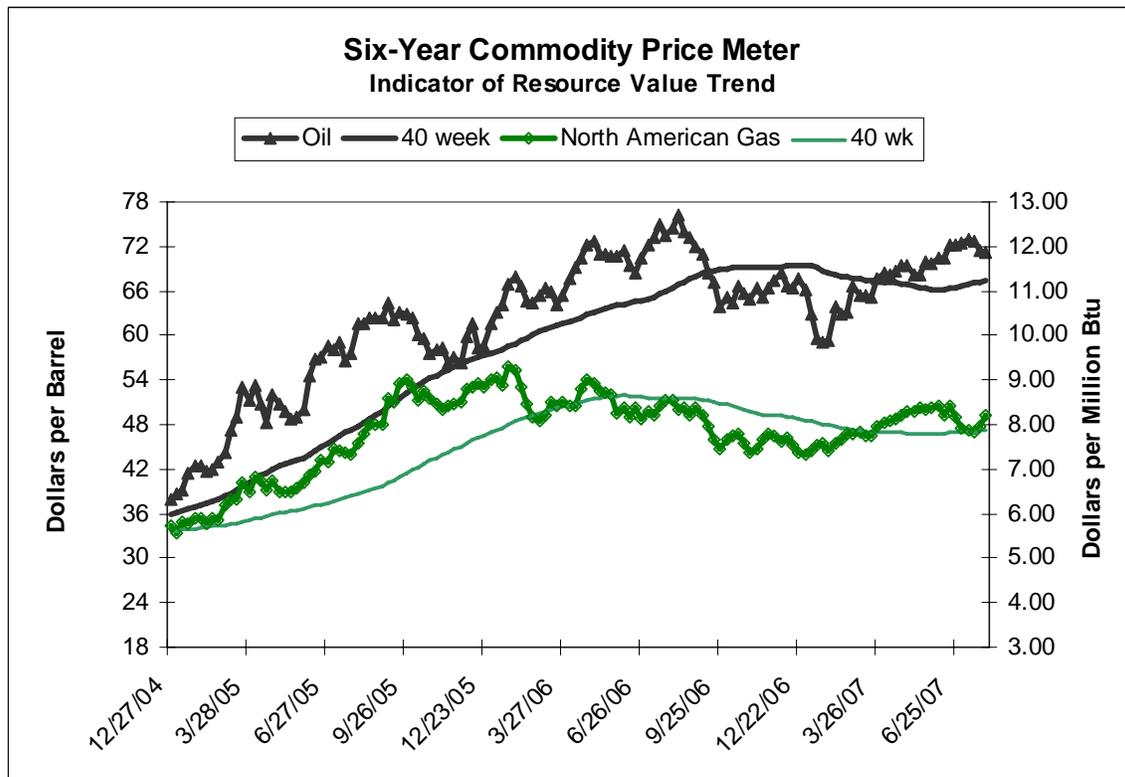
**Berry Petroleum Company**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>6/30/06</i>	<i>9/30/06</i>	<i>2006</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>6/30/08</i>
<b>Volume</b>									
Natural Gas (mmcf)	31.1	37.4	<b>34.3</b>	36.7	42.2	42.2	40.0	<b>40.3</b>	<b>40.6</b>
Oil (mbd)	19.59	20.19	<b>19.74</b>	19.37	20.16	20.16	20.50	<b>20.05</b>	<b>20.41</b>
Total (mb)	2,254	2,430	<b>9,288</b>	2,294	2,475	2,502	2,499	<b>9,770</b>	<b>9,918</b>
Total (mbd)	24.8	26.4	<b>25.4</b>	25.5	27.2	27.2	27.2	<b>26.8</b>	<b>27.2</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	6.81	6.58	<b>7.23</b>	6.81	7.56	6.64	7.64	<b>7.16</b>	<b>7.83</b>
Differential (\$/mmbtu)	1.22	1.72	<b>1.80</b>	1.72	3.20	2.81	3.23	<b>2.45</b>	<b>1.77</b>
Company (\$/mcf)	5.59	4.86	<b>5.43</b>	6.48	4.36	3.83	4.41	<b>4.71</b>	<b>6.07</b>
WTI Cushing (\$/bbl)	70.47	70.42	<b>66.05</b>	58.08	64.91	75.91	75.47	<b>68.59</b>	<b>74.50</b>
Differential	13.90	13.85	<b>13.48</b>	12.37	13.33	15.59	15.49	<b>14.03</b>	<b>15.30</b>
Company	56.57	56.57	<b>52.57</b>	45.71	51.58	60.33	59.97	<b>54.56</b>	<b>59.21</b>
Total (\$/bbl)	51.76	50.11	<b>48.09</b>	44.07	45.01	50.67	51.74	<b>47.96</b>	<b>53.54</b>
<b>Revenue (\$mm)</b>									
Natural Gas	16	17	<b>68</b>	21	17	15	16	<b>69</b>	<b>90</b>
Oil	101	105	<b>379</b>	80	95	112	113	<b>399</b>	<b>441</b>
Other, incl hedge	(6)	(6)	<b>(16)</b>	1	2			<b>3</b>	
Total	111	116	<b>431</b>	102	113	127	129	<b>471</b>	<b>531</b>
<b>Expense</b>									
Lease operating	31	36	<b>133</b>	37	40	46	47	<b>170</b>	<b>194</b>
General and administrative	8	9	<b>36</b>	10	10	10	10	<b>39</b>	<b>39</b>
Total	38	46	<b>169</b>	47	50	56	57	<b>209</b>	<b>233</b>
<b>Ebitda</b>	72	71	<b>262</b>	55	64	71	73	<b>262</b>	<b>298</b>
Exploration	3	1	<b>12</b>	1	4	4	2	<b>10</b>	<b>12</b>
Deprec., Deplet., & Amort.	17	19	<b>71</b>	20	24	24	24	<b>93</b>	<b>98</b>
Other, incl hedge	(3)	(2)	<b>(4)</b>	1	(5)	2	0	<b>(2)</b>	<b>1</b>
<b>Ebit</b>	55	53	<b>184</b>	33	41	41	46	<b>161</b>	<b>188</b>
Interest	3	3	<b>11</b>	4	5	5	5	<b>19</b>	<b>20</b>
<b>Ebt</b>	52	51	<b>173</b>	29	36	36	41	<b>142</b>	<b>168</b>
Income Tax	18	19	<b>64</b>	10	13	13	14	<b>50</b>	<b>59</b>
<b>Net Income (\$mm)</b>	34	32	<b>108</b>	19	23	24	27	<b>92</b>	<b>109</b>
Per Share (\$)	0.76	0.71	<b>2.42</b>	0.42	0.52	0.53	0.59	<b>2.06</b>	<b>2.43</b>
<b>Shares (millions)</b>									
Lease operating (\$/bbl)	13.53	14.91	<b>14.29</b>	16.30	16.11	18.40	18.82	<b>17.43</b>	<b>19.53</b>
General and admin (\$/bbl)	3.51	3.87	<b>3.91</b>	4.36	3.92	3.88	3.88	<b>4.00</b>	<b>3.97</b>
Deprec., D, & A (\$/bbl)	7.54	7.74	<b>7.62</b>	8.50	9.86	9.75	9.76	<b>9.49</b>	<b>9.84</b>
Ebitda Margin	65%	61%	<b>61%</b>	54%	56%	56%	56%	<b>56%</b>	<b>56%</b>
Tax rate	35%	37%	<b>37%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

Please see disclosures on the final page.

**Berry Petroleum Company**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	50	11.2	14.0	700	27%
Oil	248	10.0	7.6	1,880	73%
	298	10.2	8.7	2,580	100%
Debt (US\$mm)					600
Net Present Value (US\$mm)					1,980
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					44
Net Present Value - Approximation by Correlation (US\$/sh)					37



Please see disclosures on the final page.

**Disclaimer:** This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.