

Rating: Buy  
S&P 500: 1540  
Intraday

## **Berry Petroleum Company Plans Master Limited Partnership (MLP)**

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 9/30/08 (US\$mm)</i>	385
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	16
<i>Price (\$/sh)</i>	47.08	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/31/07	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	45	<i>EV/Ebitda</i>	7.1
<i>Market Capitalization (\$mm)</i>	2,120	<i>PV/Ebitda</i>	6.7
<i>Debt (\$mm)</i>	610	<i>Undeveloped Reserves (%)</i>	32
<i>Enterprise Value (EV) (\$mm)</i>	2,730	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	38.70
<i>Present Value (PV) (\$mm)</i>	2,590	<i>Present Value Proven Reserves(\$/boe)</i>	17.20
<i>Net Present Value (\$/share)</i>	44	<i>Present Value Proven Reserves(\$/mcf)</i>	2.90
<i>Debt/Present Value</i>	0.23	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.74
<i>McDep Ratio - EV/PV</i>	1.05	<i>Price/Earnings Next Twelve Months</i>	13
<i>Dividend Yield (%/year)</i>	0.6	<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**

While the price of buy-recommended **Berry Petroleum (BRY)** is above estimated net present value (NPV) currently estimated at \$44 a share, oil price has again advanced beyond that anticipated in NPV. Third quarter results reported today point to a jump to new records in unlevered cash flow (Ebitda) beginning in the next quarter as a result of oil price increases now in the futures market (see table Next Twelve Months Operating and Financial Estimates). Projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) supports estimated NPV concentrated 73% on oil (see table Functional Cash Flow and Present Value). Attempting to enhance further a more than three-fold total return for investors in less than four years, management announced on October 22 that it plans to offer in early 2008 a new MLP. That will present investors an income alternative in addition to capital gain potential in BRY. Meanwhile, six-year oil price doubled from the end of 2004 to mid 2006, traded sideways for almost a year and now is rising again perhaps toward another double, subject to short declines from time to time (see chart Six-Year Commodity Price Meter).

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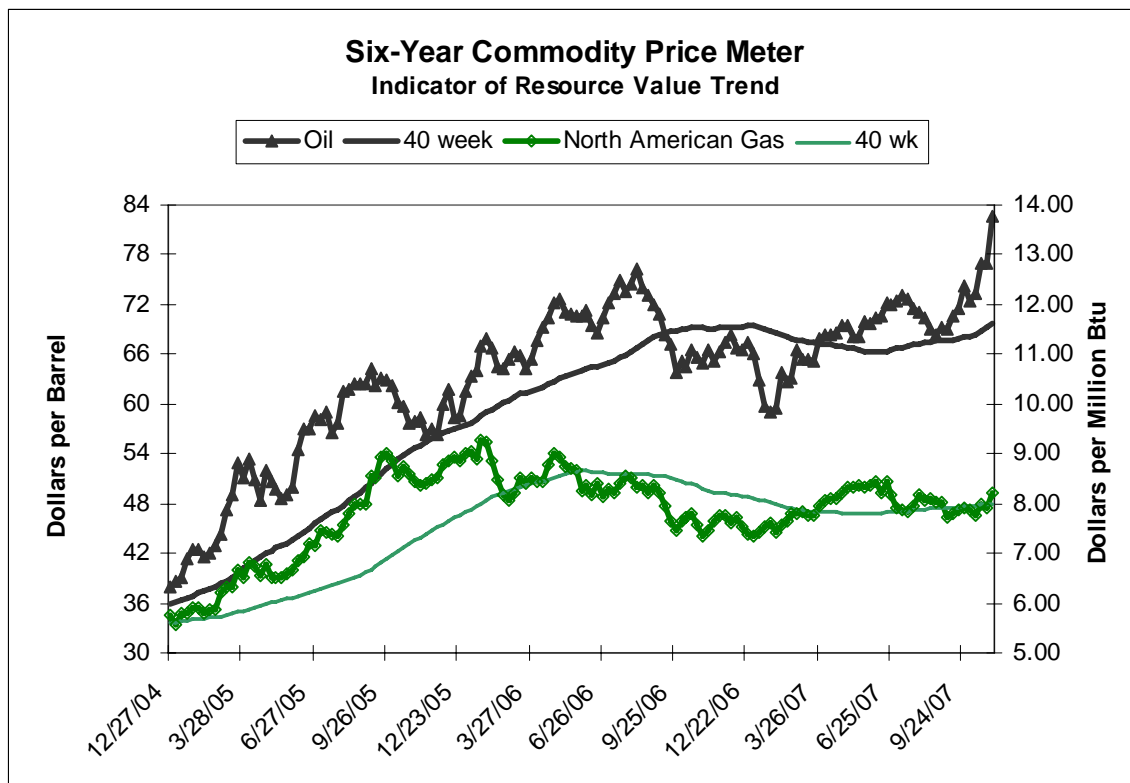
**Berry Petroleum Company**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	9/30/06	6/30/07	9/30/07	12/31/07	2007E	3/31/08	6/30/08	9/30/08	9/30/08
<b>Volume</b>									
Natural Gas (mmcf)	37.4	42.2	44.4	45.0	<b>42.1</b>	45.0	45.0	45.0	<b>45.0</b>
Days	92	91	92	92	<b>365</b>	91	91	92	<b>366</b>
Oil (mbd)	20.19	20.16	19.48	20.00	<b>19.75</b>	20.00	20.00	20.00	<b>20.00</b>
Total (mb)	2,430	2,475	2,472	2,530	<b>9,771</b>	2,503	2,503	2,530	<b>10,065</b>
Total (mbd)	26.4	27.2	26.9	27.5	<b>26.8</b>	27.5	27.5	27.5	<b>27.5</b>
<b>Price</b>									
Henry Hub (\$/mmbtu)	6.58	7.56	6.16	7.46	<b>7.00</b>	8.26	7.90	8.11	<b>7.93</b>
Differential (\$/mmbtu)	1.72	3.20	2.67	3.23	<b>2.45</b>	0.40	0.38	0.39	<b>1.11</b>
Company (\$/mcf)	4.86	4.36	3.49	4.23	<b>4.55</b>	7.86	7.52	7.72	<b>6.83</b>
WTI Cushing (\$/bbl)	70.42	64.91	75.48	91.02	<b>72.37</b>	91.70	89.32	87.41	<b>89.86</b>
Differential	13.85	13.33	15.39	18.56	<b>14.76</b>	18.69	18.21	17.82	<b>18.32</b>
Company	56.57	51.58	60.09	72.46	<b>57.61</b>	73.00	71.11	69.59	<b>71.54</b>
Total (\$/bbl)	50.11	45.01	49.32	59.62	<b>49.66</b>	65.95	64.02	63.24	<b>63.20</b>
<b>Revenue (\$mm)</b>									
Natural Gas	17	17	14	18	<b>70</b>	32	31	32	<b>112</b>
Oil	105	95	108	133	<b>415</b>	133	129	128	<b>524</b>
Other, incl hedge	(6)	2	(3)		<b>(0)</b>				
Total	116	113	119	151	<b>485</b>	165	160	160	<b>636</b>
<b>Expense</b>									
Lease operating	36	40	38	50	<b>165</b>	56	54	54	<b>213</b>
General and administrative	9	10	9	9	<b>38</b>	10	10	10	<b>39</b>
Total	46	50	48	59	<b>204</b>	66	64	64	<b>252</b>
<b>Ebitda</b>	71	64	71	92	<b>281</b>	99	97	96	<b>384</b>
Exploration	1	4	5	2	<b>11</b>	3	3	3	<b>11</b>
Deprec., Deplet., & Amort.	19	24	24	24	<b>93</b>	24	24	24	<b>97</b>
Other, incl hedge	(2)	(5)	(4)	0	<b>(7)</b>	(0)	0	(0)	<b>0</b>
<b>Ebit</b>	53	41	46	65	<b>185</b>	72	69	69	<b>276</b>
Interest	3	5	4	4	<b>18</b>	4	4	4	<b>17</b>
<b>Ebt</b>	51	36	42	61	<b>167</b>	68	65	65	<b>259</b>
Income Tax	19	13	15	21	<b>58</b>	24	23	23	<b>91</b>
<b>Net Income (\$mm)</b>	32	23	27	39	<b>109</b>	44	42	42	<b>168</b>
Per Share (\$)	0.71	0.52	0.60	0.88	<b>2.42</b>	0.98	0.94	0.94	<b>3.74</b>
<b>Shares (millions)</b>	45	45	45	45	<b>45</b>	45	45	45	<b>45</b>
Lease operating (\$/bbl)	14.91	16.11	15.49	19.71	<b>16.93</b>	22.20	21.42	21.16	<b>21.12</b>
General and admin (\$/bbl)	3.87	3.92	3.76	3.68	<b>3.92</b>	4.00	4.00	3.95	<b>3.90</b>
Deprec., D,& A (\$/bbl)	7.74	9.86	9.83	9.60	<b>9.47</b>	9.71	9.71	9.60	<b>9.66</b>
Ebitda Margin	61%	56%	60%	61%	<b>58%</b>	60%	60%	60%	<b>60%</b>
Tax rate	37%	35%	35%	35%	<b>35%</b>	35%	35%	35%	<b>35%</b>

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**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	70	10.0	10.0	700	27%
Oil	314	9.8	6.0	1,890	73%
	384	9.9	6.7	2,590	100%
Debt (US\$mm)					610
Net Present Value (US\$mm)					1,980
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					44
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					42



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