

Rating: Buy
S&P 500: 1266

Berry Petroleum Company **Oil Rich**

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$m)</i>	357
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	15
<i>Price (\$/sh)</i>	34.97	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/9/06	<i>Adjusted Reserves/Production NTM</i>	9.9
<i>Shares (mm)</i>	45	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (\$mm)</i>	1,570	<i>PV/Ebitda</i>	5.9
<i>Debt (\$mm)</i>	360	<i>Undeveloped Reserves (%)</i>	29
<i>Enterprise Value (EV) (\$mm)</i>	1,930	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	39.50
<i>Present Value (PV) (\$mm)</i>	2,110	<i>Present Value Proven Reserves(\$/boe)</i>	16.70
<i>Net Present Value (\$/share)</i>	39	<i>Present Value Proven Reserves(\$/mcf)</i>	2.80
<i>Debt/Present Value</i>	0.17	<i>Earnings Next Twelve Months (US\$/sh)</i>	2.30
<i>McDep Ratio - EV/PV</i>	0.91	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	0.9	<i>Indicated Annual Dividend (US\$/sh)</i>	0.31

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

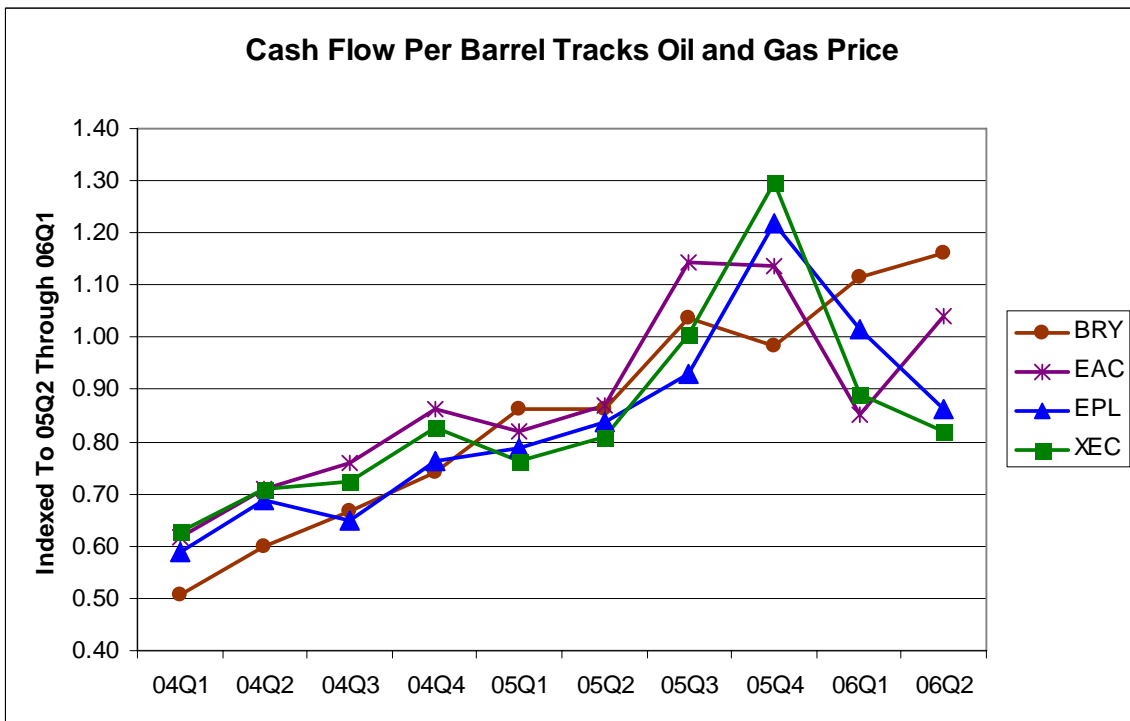
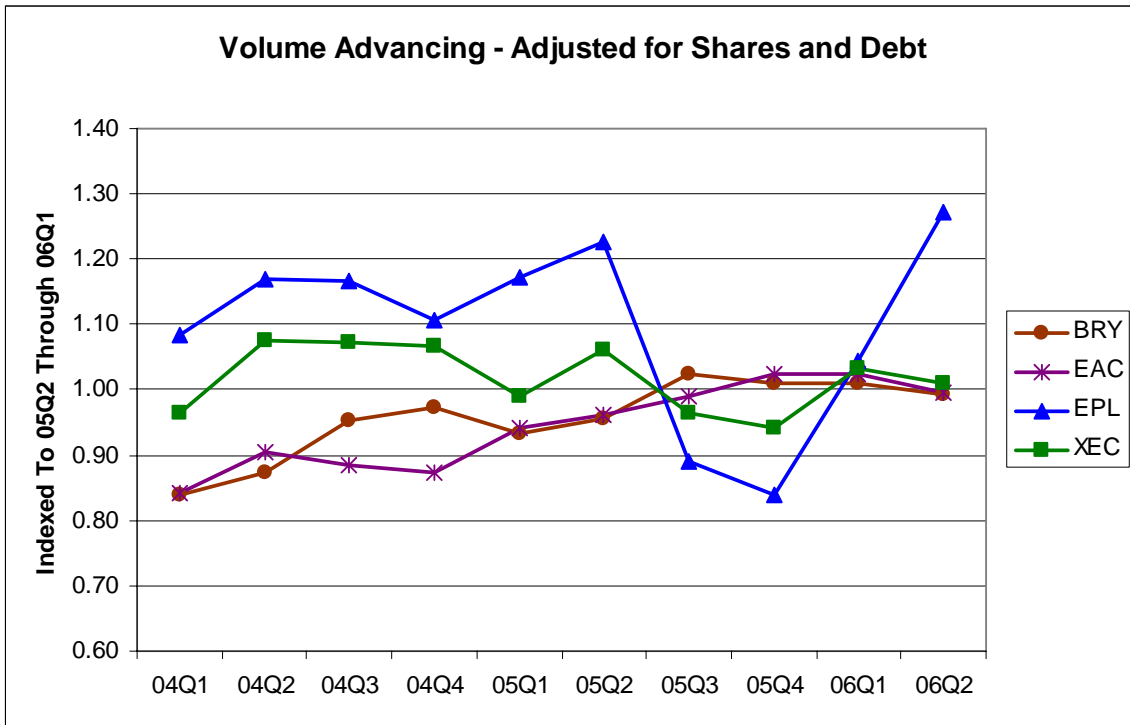
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Berry Petroleum (BRY)** offers 12% possible appreciation to net present value (NPV) estimated at \$39 a share presuming a long-term oil price of \$60 a barrel. We raised our estimate of NPV from \$32 a share when we revised our oil price from \$50 a barrel on June 6. The oil price looks low compared to the current futures price of \$75 for oil delivered over the next six years. Meanwhile Berry's oil and gas volume has been rising adjusted for shares and debt (see chart). The recent flattening of the trend through the second quarter of 2006 reported on August 9 reflects an increase in debt to finance acquisitions that are expected to contribute to future volume. Cash flow per barrel has been rising directly with oil price (see chart). Recent performance on that measure contrasts with peers who have greater representation in natural gas that lagged oil price sharply in 2006. Diatomite oil in California, oil drilling at Lake Canyon in Utah and natural gas development in the Piceance Basin of Colorado are among the most promising sources of volume to be added to currently proven reserves.

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Berry Petroleum Company
Quarterly Results

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>Twelve</i>
									<i>Months</i>
									<i>6/30/07</i>
Volume									
Natural Gas (mmcf)	22.1	21.6	28.5	31.1	31.1	31.1	30.4	31.1	31.1
Oil (mbd)	18.99	19.40	18.71	19.59	19.59	19.59	19.37	19.59	19.59
Total (mb)	2,063	8,396	2,111	2,254	2,278	2,278	8,922	2,229	9,039
Total (mbd)	22.7	23.0	23.5	24.8	24.8	24.8	24.4	24.8	24.8
Price									
Henry Hub (\$/mmbtu)	6.76	8.65	8.97	6.81	6.57	8.68	7.76	10.87	8.64
Differential (\$/mmbtu)	0.62	1.22	2.10	1.22	1.18	1.56	1.53	1.56	1.56
Company (\$/mcf)	6.14	7.43	6.87	5.59	5.39	7.13	6.23	8.92	7.08
WTI Cushing (\$/bbl)	53.05	56.31	63.33	70.47	76.12	79.08	72.25	80.36	79.10
Differential	9.06	9.45	11.62	13.90	15.01	15.60	13.92	15.85	15.61
Company	43.99	46.86	51.71	56.57	61.11	63.48	58.33	64.51	63.49
Total (\$/bbl)	42.83	46.50	49.59	51.76	55.10	59.16	53.99	62.22	59.11
Revenue (\$mm)									
Natural Gas	12	59	18	16	15	20	69	25	80
Oil	76	332	87	101	110	114	412	114	454
Other, incl hedge	(8)	(41)	(3)	(6)			(9)		
Total	81	350	102	111	126	135	473	139	534
Expense									
Lease operating	26	111	29	31	33	35	128	37	141
General and administrative	5	21	8	8	9	9	34	9	36
Total	32	132	37	38	42	44	162	46	177
Ebitda	49	218	65	72	84	90	311	93	357
Exploration	1	9	7	3	3	3	16	3	12
Deprec., Deplet., & Amort.	10	41	14	17	16	16	63	16	63
Other, incl hedge	(0)	(1)	4	(3)	26	28	55	30	114
Ebit	39	169	40	55	39	43	177	45	169
Interest	2	6	2	3	3	3	10	3	10
Ebt	38	163	38	52	36	41	168	42	159
Income Tax	12	50	15	18	13	14	60	15	56
Net Income (\$mm)	25	112	23	34	24	26	107	28	103
Per Share (\$)	0.57	2.50	0.52	0.76	0.53	0.59	2.39	0.61	2.30
Shares (millions)	45	45	45	45	45	45	45	45	45
Lease operating (\$/bbl)	12.80	13.16	13.73	13.53	14.41	15.47	14.30	16.48	15.56
General and admin (\$/bbl)	2.52	2.55	3.79	3.51	4.00	4.00	3.83	4.00	4.00
Deprec., D, & A (\$/bbl)	4.61	4.84	6.63	7.54	7.00	7.00	7.05	7.00	7.00
Ebitda Margin	61%	62%	64%	65%	67%	67%	66%	67%	67%
Tax rate	32%	31%	39%	35%	35%	35%	36%	35%	35%

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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	50	9.1	6.0	300	14%
Oil	307	10.1	5.9	1,810	86%
	357	9.9	5.9	2,110	100%
Debt (US\$mm)					360
Net Present Value (US\$mm)					1,750
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					39
Net Present Value - Approximation by Correlation (US\$/sh)					35

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