



Rating: Buy
 S&P 500: 1360

Berry Petroleum Company Timely Natural Gas Deal

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 6/30/09 (US\$m)</i>	672
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	30
<i>Price (\$/sh)</i>	55.63	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	6/13/08	<i>Adjusted Reserves/Production NTM</i>	10.2
<i>Shares (mm)</i>	45	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (\$mm)</i>	2,520	<i>PV/Ebitda</i>	6.4
<i>Debt (\$mm)</i>	1,370	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (\$mm)</i>	3,890	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	55.80
<i>Present Value (PV) (\$mm)</i>	4,310	<i>Present Value Proven Reserves(\$/boe)</i>	19.10
<i>Net Present Value (\$/share)</i>	65	<i>Present Value Proven Reserves(\$/mcf)</i>	3.20
<i>Debt/Present Value</i>	0.32	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.20
<i>McDep Ratio - EV/PV</i>	0.90	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	0.5	<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\$100 a barrel and natural gas, \$14 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 11% to estimated net present value (NPV) of \$65 a share. NPV jumped from \$50 a share on May 13 when we raised long-term oil price for calculating present value to \$100 from \$80 a barrel. A \$620 million acquisition announced on June 10 concentrates NPV more on natural gas and extends geographical operations for the California and Rockies producer to Texas. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (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) support NPV (see table Functional Cash Flow and Present Value). Berry's increase in natural gas emphasis to 42% of NPV appears timely considering the wide price gulf with oil (see chart Six-Year Commodity Price Meter). The company also takes advantage of time running out for sellers to deal before possible changes in taxation with a new government in Washington in 2009.

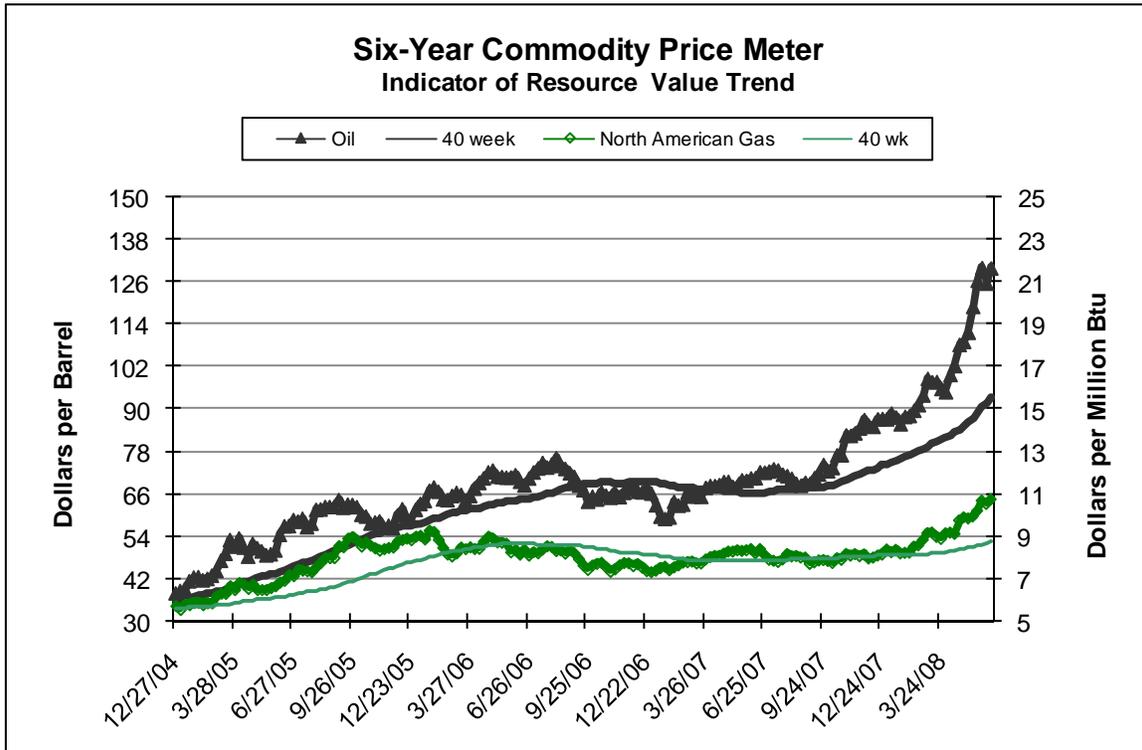
Kurt H. Wulff, CFA



Berry Petroleum Company									
Next Twelve Months Operating and Financial Estimates									
									<i>Next</i>
	<i>Q2</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Months</i>
	<i>6/30/07</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>	<i>2008E</i>	<i>3/31/09</i>	<i>6/30/09</i>	<i>6/30/09</i>
Volume									
Natural Gas (mmcf)	42.2	49.1	49.1	71	81	63	81	81	79
Days	91	91	91	92	92	366	90	91	365
Oil (mbd)	20.16	19.89	19.89	19.89	19.89	19.89	19.89	19.89	19.89
Total (mb)	2,475	2,554	2,554	2,920	3,073	11,101	3,006	3,040	12,038
Total (mbd)	27.2	28.1	28.1	31.7	33.4	30.3	33.4	33.4	33.0
Price									
Henry Hub (\$/mmbtu)	7.56	8.02	10.93	12.66	13.01	11.16	13.36	12.81	12.96
Differential (\$/mmbtu)	3.20	0.47	0.64	0.74	0.76	0.29	1.74	1.67	1.23
Company (\$/mcf)	4.36	7.55	10.30	11.93	12.25	10.86	11.62	11.15	11.73
WTI Cushing (\$/bbl)	64.91	97.94	124.11	134.65	134.60	122.83	133.95	134.74	134.49
Differential	13.33	15.36	24.78	26.89	26.88	23.43	26.75	25.70	26.55
Company	51.58	82.58	99.33	107.76	107.73	99.40	107.20	109.04	107.93
Total (\$/bbl)	45.01	71.71	88.39	94.25	93.88	87.61	92.03	91.98	93.03
Revenue (\$mm)									
Natural Gas	17	34	46	78	91	249	85	82	337
Oil	95	149	180	197	197	723	192	197	783
Other, incl hedge	2	(19)				(19)			
Total	113	164	226	275	288	953	277	280	1,120
Expense									
Lease operating	40	48	79	99	104	329	101	102	405
General and administrative	10	11	11	11	11	46	10	10	43
Total	50	59	90	110	115	375	111	112	448
Ebitda	64	105	135	165	173	579	166	168	672
Exploration	4	4	4	4	4	16	3	3	14
Deprec., Deplet., & Amort.	24	28	28	32	34	122	33	33	132
Other, incl hedge	(5)	3	10	10	10	33	10	10	40
Ebit	41	70	94	119	125	408	120	121	485
Interest	5	4	4	11	14	32	14	14	53
Ebt	36	66	90	108	111	375	106	107	432
Income Tax	13	23	31	38	39	131	37	38	151
Net Income (\$mm)	23	43	58	70	72	244	69	70	281
Per Share (\$)	0.52	0.95	1.29	1.55	1.60	5.38	1.52	1.54	6.20
Shares (millions)	45	45	45	45	45	45	45	45	45
Lease operating (\$/bbl)	16.11	18.64	30.89	33.79	33.84	29.65	33.49	33.50	33.66
General and admin (\$/bbl)	3.92	4.46	4.46	3.90	3.71	4.11	3.33	3.29	3.56
Deprec., D, & A (\$/bbl)	9.86	10.88	10.88	11.00	11.00	10.95	11.00	11.00	11.00
Ebitda Margin	56%	64%	60%	60%	60%	61%	60%	60%	60%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Berry Petroleum Company					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	200	15.6	9.0	1,800	42%
Oil	472	8.1	5.3	2,510	58%
	672	10.2	6.4	4,310	100%
Debt (US\$mm)					1,370
Net Present Value (US\$mm)					2,940
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					65
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					65



McDep LLC
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June 16, 2008



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