



# Independent Stock Idea

May 1, 2009

rating: hold  
s&p 500: 873

## Berry Petroleum (BRY) Getting through Tough Times

<i>Symbol</i>	BRY	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	188
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	19
<i>Price (\$/sh)</i>	16.92	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/24/09	<i>Adjusted Reserves/Production NTM</i>	11.3
<i>Shares (mm)</i>	45	<i>EV/Ebitda</i>	9.2
<i>Market Capitalization (\$mm)</i>	750	<i>PV/Ebitda</i>	14.7
<i>Debt (\$mm)</i>	970	<i>Undeveloped Reserves (%)</i>	48
<i>Enterprise Value (EV) (\$mm)</i>	1,720	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	17.00
<i>Present Value (PV) (\$mm)</i>	2,750	<i>Present Value Proven Reserves(\$/boe)</i>	12.40
<i>Net Present Value (\$/share)</i>	40	<i>Oil and Gas Ebitda Margin (%)</i>	47
<i>Debt/Present Value</i>	0.35	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.52
<i>McDep Ratio - EV/PV</i>	0.63	<i>Price/Earnings Next Twelve Months</i>	33
<i>Dividend Yield (%/year)</i>	1.8	<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\$75 a barrel and natural gas, \$10 a million btu.			
For historical research on Berry since 2004 see <a href="http://www.mcdep.com/4bry.htm">http://www.mcdep.com/4bry.htm</a>			

### Summary and Recommendation

Hold-rated **Berry Petroleum (BRY)** offers unlevered appreciation potential of 60% to a McDep Ratio of 1.0 and levered appreciation potential of 136% to Net Present Value (NPV) of \$40 a share. During the first quarter, according to results released on April 30, Berry generated unlevered cash flow (Ebitda) from oil and gas production of about \$9 a barrel as the difference between price of about \$29 and cash operating costs of about \$20. Hedging gains added about \$18 a barrel, which made it possible for Berry to carry its high debt load. The quarter just ended may have been a low point as we project Ebitda gains in the quarters ahead (see table Next Twelve Months Operating and Financial Estimates). While our present value estimate remains reasonable for a long-term oil price of \$75 a barrel, the implied unlevered multiple (PV/Ebitda) looks high because of low Ebitda for 2009 (see table Functional Cash Flow and Present Value). Pointing to expected oil price recovery, futures prices for the next six years averaged US\$66 a barrel recently (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



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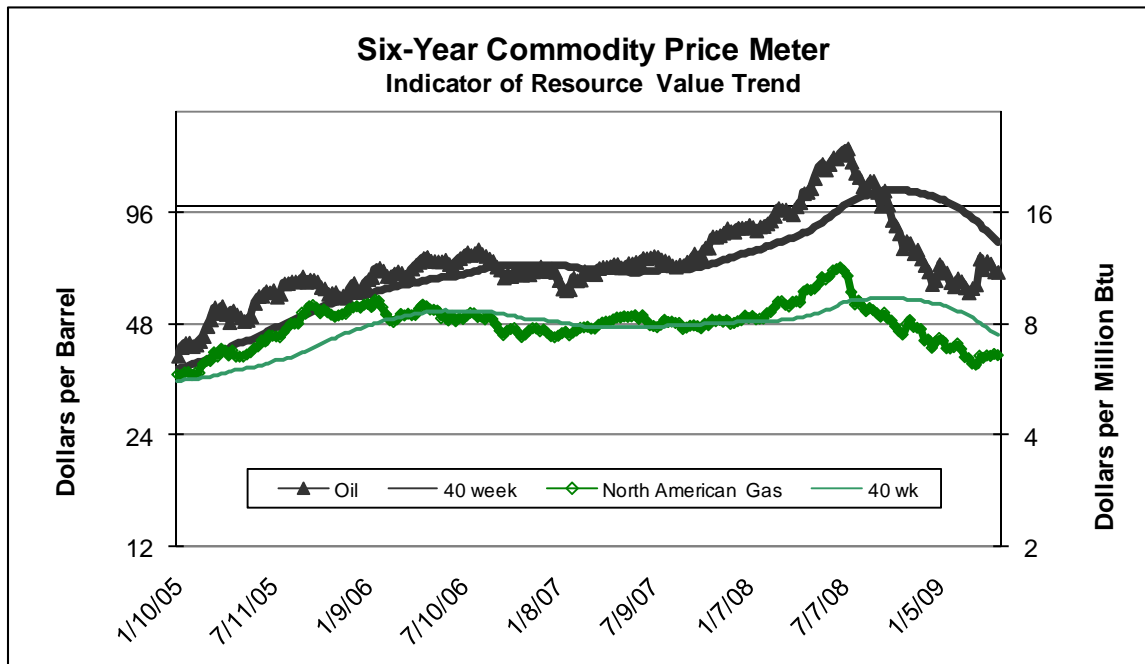
Berry Petroleum Company									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	Twelve
									Months
									3/31/10
<b>Volume</b>									
Natural Gas (mmcf)	49.1	96	70	64	64	64	64	64	64
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	19.89	19.7	20.3	19.5	19.5	19.5	19.5	19.5	19.5
Total (mb)	2,554	3,274	11,700	2,721	2,751	2,781	2,781	11,034	11,034
Total (mbd)	28.1	35.6	32.0	30.2	30.2	30.2	30.2	30.2	30.2
<b>Price</b>									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.42	3.62	4.57	4.13	4.30
Differential (\$/mmbtu)	0.47	2.67	2.17	1.02	0.82	0.87	1.10	0.95	1.04
Company (\$/mcf)	7.55	4.28	6.87	3.88	2.59	2.75	3.47	3.17	3.27
WTI Cushing (\$/bbl)	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	54.12
Differential	15.36	9.61	14.10	10.27	7.10	7.08	9.16	8.35	9.30
Company	82.58	48.84	85.49	32.69	42.87	45.58	46.54	41.97	44.82
Total (\$/bbl)	71.71	38.47	69.36	29.35	33.18	35.26	37.41	33.83	35.87
<b>Revenue (\$mm)</b>									
Natural Gas	34	38	175	22	15	16	21	75	77
Oil	149	88	636	57	76	82	84	299	319
Other, incl hedge	(19)	14	(115)					-	
Total	164	140	697	80	91	98	104	373	396
<b>Expense (\$mm)</b>									
Lease operating	48	54	230	43	41	39	39	162	157
General and administrative	11	18	55	13	13	13	13	52	51
Total	59	72	285	56	54	52	52	214	208
<b>Ebitda</b>	105	68	412	24	37	46	52	159	188
Exploration	4	3	12	0	0	0	0	0	3
Deprec., Deplet., & Amort.	28	42	141	37	39	39	39	153	154
Other, incl hedge	3	(7)	(11)	(49)	(19)	(13)	(7)	(88)	(46)
<b>Ebit</b>	70	30	271	36	17	20	20	94	75
Interest	4	10	27	10	10	10	10	40	40
<b>Ebt</b>	66	20	244	26	7	10	10	54	35
Income Tax	23	7	85	9	3	4	4	19	12
<b>Net Income (\$mm)</b>	43	13	159	17	5	7	7	35	23
Per Share (\$)	0.95	0.29	3.49	0.38	0.10	0.15	0.15	0.78	0.52
<b>Shares (millions)</b>									
Lease operating (\$/bbl)	18.64	16.50	19.66	15.81	15.00	14.00	14.00	14.69	14.25
General and admin (\$/bbl)	4.46	5.50	4.71	4.78	4.73	4.67	4.67	4.71	4.62
Deprec., D, & A (\$/bbl)	10.88	12.83	12.01	13.60	14.00	14.00	14.00	13.90	14.00
Ebitda Margin	64%	49%	59%	30%	41%	47%	50%	43%	47%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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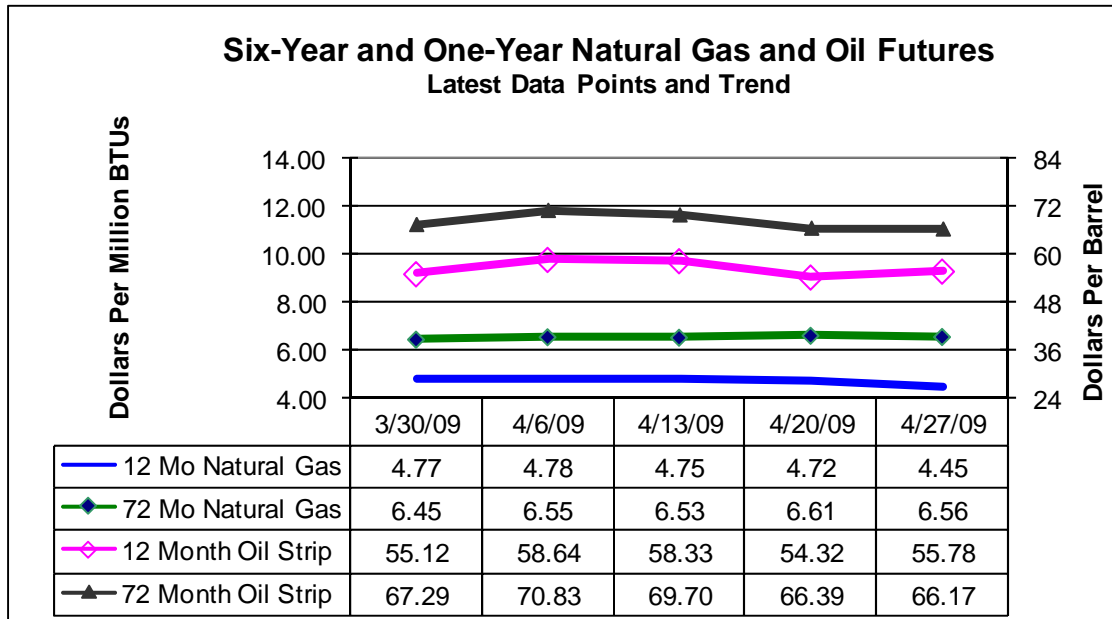
Berry Petroleum Company					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	40	17.7	26.3	1,050	38%
Oil	148	9.1	11.5	1,700	62%
	188	11.3	14.7	2,750	100%
Debt (US\$mm)					970
Net Present Value (US\$mm)					1,780
Shares (mm)					45
Net Present Value - Standard Estimate (US\$/sh)					40
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					33





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