THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BRY.OQ - Q2 2019 Berry Petroleum Corp Earnings Call

EVENT DATE/TIME: AUGUST 08, 2019 / 3:00PM GMT

CORPORATE PARTICIPANTS

Arthur T. Smith *Berry Petroleum Corporation - Chairman, President & CEO*

Cary D. Baetz *Berry Petroleum Corporation - Executive VP, CFO & Director*

Gary A. Grove *Berry Petroleum Company, LLC - Executive VP & COO*

Todd Crabtree *Berry Petroleum Corporation - Manager of IR*

CONFERENCE CALL PARTICIPANTS

Kashy Oladipo Harrison *Piper Jaffray Companies, Research Division - Research Analyst*

Michael Jay Wartell *Venor Capital Management LP - Limited Partner and Co-CIO*

PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Berry Petroleum's Second Quarter 2019 Earnings Conference Call. (Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to turn the conference over to Mr. Todd Crabtree of Investor Relations. Sir, please begin.

Todd Crabtree - *Berry Petroleum Corporation - Manager of IR*

Thank you, Howard, and welcome to everyone.

Speaking this morning will be Trem Smith, Board Chair, CEO and President; Gary Grove, Chief Operating Officer and Executive Vice President; and Cary Baetz, Chief Financial Officer and Executive Vice President.

Trem will review activities and highlights from the quarter. Gary, then Cary will discuss our key operational and financial results. Trem will then make a few concluding remarks.

As a reminder, today's call contains certain projections and other forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied in these statements. These include risks outlined in the public filings.

Our website berrypetroleum.com has links to the August investor presentation and the May Analyst Investor Day presentation referenced today as well as links to reconciliations of non-GAAP financial measures to the related GAAP measures, an audio replay and the call transcripts.

I will now turn the call over to Trem Smith, Berry's Board Chair, CEO and President.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

Thank you, Todd. Welcome to Berry's second quarter earnings call.

July 26 marked the 1-year anniversary of Berry becoming a public company. I'm proud to say we continue to perform and execute our plan as we promised. Year-over-year, we have continuously grown our value and return capital and earnings to shareholders.

The second quarter of 2019 was no different. We grew our California production 11% since the second quarter of last year and current California production is up more than 1,300 barrels a day or 6.5% compared to June. We believe these results demonstrate our capital efficiency, as you can see on Slide 26 of the August investor presentation, and we will discuss this in much more detail later in the call.

Since our initial public offering, we've declared $47 million in dividends and have repurchased 4% of our outstanding shares for $39 million, while growing California production by 11% over the past 12 months. This has all been done out of our free cash flow. We are pleased to announce that the Board has approved the third quarter dividend of $0.12 per share, continuing our commitment to return value to the shareholders.

We are executing our plan with operational excellence, and we are seeing results. As I've said many times before, we are fixated on long-term value throughout the cycle and not on quarter-by-quarter results. This is wholly exemplified by our results to-date.

The first half of the year was particularly constructive, and our capital program has positioned us for robust volume growth in the second half just as we planned. Of the 210 wells we've drilled in the first half of the year, 133 of them will begin to contribute to production in the second half of the year. As our 6.5% growth in current California production indicates, some have already begun to contribute.

To highlight this growth plan, since January, we have been focused on laying the groundwork for substantially higher production volume in the second half of the year. For example, we drilled 86 thermal diatomite wells that will come online in the last 6 months now that the Midway-Sunset aquifer exemption has been approved by the EPA. We made the prudent business decision to frontload the year with capital expenditures so that we could accelerate our production in the second half. This is all in line with the guidance we gave at the beginning of 2019.

While our production is ramping up, we will spend less capital in the second half than in the first and expect to be within our stated annual production guidance.

To this point, as I referenced at the beginning of the call, compared to June, our current California production is up by more than 1,300 barrels per day or 6.5%. This growth is in line with our expectations.

We are actively pursuing other opportunities to grow our manufacturing-like business, which is systematic, repeatable, consistent and stable, and is characterized by oil, oily, low-risk, low-decline, long-life, high-margin production from conventional reservoirs. So Berry has years of low-risk inventory. We are actively considering opportunities in the M&A market. This is an elective process, however, so we will only do a transaction if we believe it creates value.

On our last call, we addressed the current legislative environment. As we said then and remains true today, the bills that were most concerning to our business have been suspended. There is a lot of interest in what is happening at the state legislative level, and we continue to be proactive in monitoring lawmakers' activities.

Most recently, Governor Newsom committed $1.5 million to the budget to do an impact study on the state's low carbon emission goals. As he said in an interview on July 24 in McKittrick, California, "we've never done a real study to understand the real impact to real people" in achieving these goals.

We believe Governor Newsom is committed to taking a measured and data-informed approach to the issues. To use his own words from that same interview, "I'm moving forthrightly, but I want to do it in a deliberative, honest and pragmatic way. I'm an environmentalist. I'm passionate about low-carbon, green growth." He concludes with, "But I want to do it thoughtfully."

We agree with the governor's approach. Berry is working proactively to develop diverse working relationships with a range of local and statewide stakeholders to help ensure the state retains the economic value the oil and gas industry provides, while helping the state achieve its carbon footprint reduction goals. For instance, we strongly believe that California will benefit by lowering its dependence on foreign oil and stabilizing California production, namely, stop the production decline from the state's very own oil and gas field, while seeking -- still seeking to hit its aggressive low carbon emission goal primarily through the increased use of electric vehicles.

We don't think these ideas are mutually exclusive. Right now, we Californians consume 1.8 million barrels of oil a day with 70% of the supply coming from waterborne imports and a majority, approximately 60%, coming from foreign countries. This equates to sending roughly $30 billion per year to other countries with less stringent environmental regulations and historically poor human rights policies.

Because the shale boom oil is unable to make its way into California, Californians will continue to depend on Middle Eastern and South American oil to meet demand. I'd also like to point out that California demand for all types of fuel, including gasoline, distillates and jet fuel is not decreasing, but in fact, increasing, 6%, 8% and 27%, respectively, between 2012 and 2017. That said, California can't and won't meet its green energy goals overnight. A solution like this requires vision, leadership, teamwork and a commitment to the higher good for all citizens of California. That's what Berry First is all about, engaging in the conversations and the work necessary to move us all forward and then delivering on our promises.

As a reminder, the goal of our Berry First initiative is to create a win-win results for Berry, the communities where we do business and our investors. Berry will be part of the solution for California and affordable energy.

For my final point, our track record of consistently delivering on our promises and growing value is yet to be fully recognized by the market. As I've reported previously, we've continued to perform as we said we would, we've grown over production from our existing asset base, we've returned capital and earnings to our investors through our fixed dividend and share repurchases, and we have lived within free cash flow.

No other small- or mid-cap E&P company that we are aware of can make this claim. Again, Berry's assets are substantially different from the resource plays and our manufacturing-like business model is different too. In light of this, we continuously review and advance our core business strategy to help ensure we are maximizing the value to our investors.

I will now turn it over to Gary, who'll give you greater insight into our operational performance for the second quarter.

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Thank you, Trem, and good morning, everyone.

The stage is set for a very productive second half of the year. This morning, I will highlight a few results from the second quarter in regard to production, CapEx and OpEx as well as speak to our expectations for the remainder of the year.

As the COO, I'm not normally the excitable one, but I am pleased with our current position for growth based on the work we accomplished in the first half of the year. We efficiently protected our production base during Q1 and Q2. Production for the first 2 quarters was steady as only approximately 45% of our capital was spent on projects that impacted production in the first half, effectively maintaining our base production. This amount of capital closely aligns the annual guidance for maintenance capital in order to hold our production flat, which is part of how we define our levered free cash flow.

As I would illustrate in a moment, we expect to see the largest impact of our first and second quarter drilling during the second half and at the year-end exit rate.

Overall, CapEx is running as expected on all projects and was approximately $56 million this past quarter, which was an increase from approximately $49 million in the first quarter. For the first half of 2019, we spent approximately $106 million. About 45% of this is maintenance capital to hold our production flat, and roughly 55% of the $106 million is growth capital, which is almost exclusively associated with growth in the second half of this year and beyond.

At Berry, we're both protecting and growing our base. To this point, our drilling program was very active during the second quarter. We drilled 114 wells in California, paving the way for our volume-driven second half. Slide 11 of our August investor presentation has more details on the well types drilled in both the first and second quarters.

Through the end of the second quarter of this year, we drilled 210 wells. 133 of those wells did not impact production during Q1 and Q2, representative of the 55% growth capital that I mentioned before. And 86 of those 133 wells were proactively drilled in the thermal diatomite. We did this in anticipation of midyear approval of the Midway-Sunset aquifer exemption, which received final EPA approval on May 30.

The majority of this year's growth capital is focused on our thermal diatomite. For these thermal diatomite wells, which are cyclically steamed, we put steam in the ground initially and it takes 1 to 2 months to get to peak performance or a full array as shown by the type curve on Slide 51 of our May Analyst and Investor Day presentation.

Consequently, we do not see our peak response for the thermal diatomite wells in the first month, which is why our calculated business decision to predrill in the thermal diatomite locations allows us to accelerate our future production results. To highlight the process, our first well pad of 14 wells in the thermal diatomite started to steam in early July, and we've already started seeing production response with peak response expected in the next few weeks.

Looking forward, we expect to begin steam injection in approximately one pad each month for the remainder of the year. These pads consist of approximately 15 to 20 wells each.

As you know, our core business is thermal stimulation of conventional reservoirs. These types of operations are all low-decline wells and do not drop off rapidly like you see in the resource plays. The type curves for each of Berry's thermal development well types are shown on Slides 51, 52 and 53 in our May Analyst and Investor Day presentation.

As evidenced by our quarter-over-quarter increase in drilling activity, our drilling program was more front-end loaded for the year. Today, we've been running 4 rigs in California, and we plan to continue with 3 to 4 rigs for the remainder of 2019. Currently, overall project capital is at or slightly below the mid-range of our guidance.

One last point on capital. An additional $2.7 million was spent on small bolt-on M&A transactions in both California and Utah.

That brings us to production. Second quarter production was up 1% quarter-over-quarter with 27,500 barrels of oil equivalent per day in the second quarter compared to first quarter production of 27,300 barrels of oil equivalent per day.

Oil production was flat from the first quarter to the second quarter at 23,600 barrels of oil per day. Second quarter sales of 27,400 barrels of oil equivalent per day were down 1% from Q1 sales of 27,800 barrels of oil equivalent per day as a result of lower inventory sales in Utah during the quarter.

We concentrate on protecting the base and seeing value creation and growth with every dollar we invest. While the majority of our first half capital will have more impact on the second half, we've maintained our base while we look forward to an impactful second half of the year. The nature of our business is more like quarter-to-quarter as demonstrated by the 11% growth in California production over the past 12 months.

Nonetheless, as we've referenced, current California production is up 6.5% compared to June as we begin to realize the impact of our thermal projects, most notably, the thermal diatomite.

Now to OpEx. Fuel gas is a large part of the OpEx for the company. Second quarter fuel gas prices are lower than the first quarter, which is driving the reduction in OpEx to $20.38 per BOE in the second quarter from $21.71 per BOE in the first quarter.

Our actual cost for fuel prior to any hedge impact averaged $2.03 per MMBtu this quarter versus $4.87 per MMBtu in the previous quarter. Kern delivered average $2.07 per MMBtu in the second quarter versus $5.03 per MMBtu in the first, and SoCal Citygate daily gas averaged $2.54 per MMBtu versus $6.38 per MMBtu in the first quarter. Our hedging program increased OpEx by approximately $3.7 million in the quarter.

Finally, we used approximately 75,000 MMBtu per day in the second quarter versus 71,000 MMBtu per day in the first quarter. As planned, our usage rate will continue to increase towards the latter part of the year as more thermal projects come online.

Overall, we're pleased with our position, and I'm confident in our team's ability to execute our program in the second half of the year. Further information on operations and production can be found in the earnings release as well as in the August investor presentation on our website. Our 10-Q, which will be filed later today, will also provide additional detail.

I'll now turn the call over to Cary, who'll touch on our financial results.

Cary D. Baetz - *Berry Petroleum Corporation - Executive VP, CFO & Director*

Thanks, Gary.

Year-to-date production and capital spending are in line with our expectations and are on track for our full year guidance. We had significant improvement in our second quarter OpEx compared to the first quarter, largely due to the decrease in fuel gas prices that are major component of our steam operations.

In fact, while gas prices in the first quarter were unseasonably high, higher than they've been in at least 4 years, market factors have now driven gas prices down significantly lower. As we discussed in the first quarter call, we have eliminated most of this volatility by hedging a majority of our gas needs through the fall of 2020.

We have currently hedged about 2/3 of our expected purchases from the third quarter of 2019 through October of 2020 at roughly $3 an MMBtu. Please see Slides 24 and 25 of our August investor presentation.

As a result of these lower costs and comparably higher oil prices, our Q2 unhedged adjusted EBITDA was about $12 million higher than the first quarter, coming in at $66 million. On an hedged basis, adjusted EBITDA was $63 million in the second quarter compared to $69 million in the first quarter. Essentially, all of the hedge impact in the second quarter resulted from our gas hedges designed to stabilize our cost so that we're more predictable in the midst of the gas market volatility.

We continue to manage our oil hedge portfolio and now have Brent swaps on just under 60% of our expected second half 2019 oil sale at about $72.50 per barrel. We've also continued to layer in 2020 hedges as we expect to have at least 50% of our 2020 production hedge. For 2020, we currently have approximately 12,000 barrels per day hedged at $65.70. Please see Slide 23 of our August investor presentation.

Our G&A expenses increased in the second quarter, mostly due to higher noncash stock compensation associated with our annual stock grant made in March. Adjusted G&A increased in the second quarter primarily due to organizational growth and system enhancements. We have start -- we should start seeing a substantial G&A improvement on a per BOE basis as production increases in the second half of 2019.

Our taxes other than income is made up of ad valorem, property tax and severance taxes in compliance with California greenhouse gas program. In total, cost were $3 million higher in the second quarter compared to the first quarter, largely due to increased market rates for our greenhouse gas allowance requirements in the second quarter and the impact of severance tax refund in the first quarter. These taxes are in line with our annual guidance.

Our second quarter adjusted EBITDA covered our capital expenditures of $57 million, while levered free cash flow, which includes interest and dividends, reflected approximately $13 million of usage. This was expected as our 2019 plan anticipated front-end loaded capital and drilling in the first half of the year.

With the increase in production and cash flows in the second half of the year, as Gary noted, in the first half of the year, we drilled 133 wells that had no production impact before the second half. Capital in the first half of the year was $106 million, and we expect total year capital to come in at about the mid-point of our guidance, if not, a little over, but well within the range.

I also want to remind you that we manage our business over the cycle, not on a quarterly basis. Our capital plan is set each year and is designed to operate within levered free cash flow. Our trailing 12-month basis at the end of the second quarter, we had a positive levered free cash flow of $22 million, which included $199 million of capital expenditures, $37 million of interest and $37 million of dividends paid.

Some clarity on the $199 million of capital expenditures. Roughly half was used to maintain production, which happens to work out to our stated $10 per barrel of capital needed to maintain flat production. The remaining $100 million was discretionary capital that we are using to create long-term value. Roughly $43 million of the growth capital was a big contributor for the 11% growth in California production in the last 12 months. And the remaining $57 million, as highlighted by Trem and Gary, will help drive our production growth for second half this year and beyond.

As highlighted by Trem, we have grown and are growing our production from our existing asset base. We have and are returning capital and earnings to our investors through our fixed dividend, and we are all doing that out of levered free cash flow.

Additionally, we have spent $39 million on stock repurchases during the period. At the current prices, we expect to have a positive levered free cash flow for fiscal 2019. At the end of July, we had availability of $371 million on our $400 million RBL facility, which includes $9 million of letters of credit and borrowings of $20 million. The majority was from our Q2 stock repurchase program. Based upon current pricing, we expect to be fully paid down on the revolver by year-end.

We continued our share repurchase program during the second quarter, resulting in a cumulative reduction of 3.6 million outstanding shares of common stocks. 1 million of these shares were repurchased in the second quarter for a cost of about $11 million, which is reflected in our liquidity as well. At the end of the quarter, our fully diluted share count was approximately 81 million shares.

Before handing it back to Trem and in an effort to avoid any potential confusion, I want to let everyone know that we will be filing our 10-Q today. It will include both the regular filing and the refiling for the purpose of our outstanding shelf registration segment. Tomorrow, we will file a universal shelf and change the form of the registration statement for the outstanding shelf from an S-1 to an S-3.

Again, there is no capital raised, just shelf registration statement maintenance.

I'm done with the housekeeping items, and I'll turn it back over to you, Trem.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

Thank you, Cary and Gary, and thank you to our highly effective management team and our exceptional staff that together are executing our plan and have gotten us into the strong position we are in today.

In closing, I want to highlight 4 important points that we've addressed today that sets us apart from others in the industry and that showcase our strong position.

First, we're the only a small- or mid-cap E&P company we're aware of that has grown production from our existing asset base, returned capital and earnings to our investors through our fixed dividend and share repurchases and lived within levered free cash flow.

Second, we always plan for the longer term, and our year-over-year performance proves that we're executing in line with guidance.

Third, the first half of 2019 has positioned us well for the high-margin second half oil production growth, for which we plan.

Fourth, we have been proactive in developing diverse working relationships with a range of stakeholders, both local and statewide, to help ensure California meets its low carbon emission goals and reduce its dependence on foreign oil by stabilizing production from the state's very own oil and gas fields.

We're excited about where Berry is today, and we're looking forward to the remainder of 2019 and beyond. We're confident that the market will recognize Berry's uniqueness in the E&P space and the value proposition that it provides shareholders.

I will now open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have a questioner coming from the line of Kashy Harrison from Simmons Energy.

Kashy Oladipo Harrison - *Piper Jaffray Companies, Research Division - Research Analyst*

So I was wondering if you could us help a little bit think through production shaping for the third and the fourth quarter, specifically if we take -- is the 6.5% increase in California good proxy for the entire Q3? And then to get to the mid-point of guidance, it feels like that would imply a pretty big jump in Q4. Does that sound about right in the ballpark?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

I think -- Kashy, this is Gary. So what I would tell you is that it's going to -- a lot of the growth, as I've mentioned, is going to be driven by our thermal diatomite production going forward to the year. And with the capital we spent in the first half, it's setting us up to bring on about 1 pad of anywhere between 15 and 20 wells a month for the remainder of the year. So you can almost think about that being somewhat linear in a certain fashion.

But again, refer back to our type curves because once we bring them on steam, there's another month to 2 months before it reach peak performance with that. I think if you go back to the May investor presentation, that will help you model that out going forward. And then if you also look at the number of injectors that we drilled in the first half of the year, and then look at those type curves again that are in that Investor Day presentation as well, you can get a chance to model that into the second half of the year as we give those quarter results on the number of injectors that we drilled.

Then lastly, as we drill throughout the end of the year, you can see just the sandstone producers, which would be the remainder of the activity, is going to be pretty consistent through the third and into the beginning of the fourth quarter. So that will let you model that as well and see what that production profile holds from that, and that should bring you into our guidance range as we've stated.

Kashy Oladipo Harrison - *Piper Jaffray Companies, Research Division - Research Analyst*

Got you. So it sounds like mid-point of oil guidance is still very feasible and still intact?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Yes. I would say that's true at this point in time, yes.

Kashy Oladipo Harrison - *Piper Jaffray Companies, Research Division - Research Analyst*

Excellent. And then maybe more of a big-picture question. Looking at the broader macro, not just for oil, but really for the whole global economy, I think there's a lot of uncertainty over where we're headed. And so just giving concerns in the market, I was just wondering how are you thinking today about capital allocation in 2020 taking into account that the market could very well be oversupplied next year and demand could be weak, but then also taking into consideration the amount of hedges that you put in place for Brent next year.

Cary D. Baetz - *Berry Petroleum Corporation - Executive VP, CFO & Director*

Yes, Kashy, this is Cary. And I would say, at this point in time, we aren't ready to kind of address 2020. As Trem kind of said in his, we do have a unique business model, and we are looking at our strategy constantly and evaluating our strategy to make sure that we are doing right by investors and creating the greatest amount of value. That being said, obviously, 2020 does have some apparent headwinds. I don't think at this point in time we will have the growth that we currently have. But the idea for us is to make sure that we are protecting our base. We're growing where we see value to grow, but that we're also thinking of the return to the shareholders and capital back to shareholders as well. So I think as we get in the November call, we'll have a lot more clarity about 2020 and our plans going forward.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

Kashy, this is Trem. Just to build on that, there are 3 components to our strategy: one is protect the base, our base business; the other is to grow value; and included in growing value is primary focus is returning value to the shareholders. So those will not change, and they will be incorporated in our 2020 thinking.

Kashy Oladipo Harrison - *Piper Jaffray Companies, Research Division - Research Analyst*

That's great. And it kind of dovetail -- delves right into my next question. There is a possibility that we could get further interest rate cuts, which could increase demand for yielding assets. And so as you see here today, you have a 6% dividend yield that's right in line with some of the majors and could be extremely attractive in the environment we could be headed in. And so what's the thought on potentially raising the dividend moving forward or employing maybe special dividends to return excess capital to shareholders and get more excitement in your name?

Cary D. Baetz - *Berry Petroleum Corporation - Executive VP, CFO & Director*

Kashy, I think you must have a bug in our office when we're talking. We talk about all this on a regular basis. Again, I do -- as the person responsible for the financials and liquidity of the company, I do worry about getting us into too high base fixed charge, an annual fixed charge. But I think across-the-board, looking at different models are something that we're considering across-the-board. So again, alluding to Trem, a big foundation for us is to make sure that we are protecting the base that we're also thinking about the shareholder and returns of capital to shareholders. So I think, again, November, we'll have more clarity towards that side. But again, our thinking is not dissimilar to how -- the 3 things that you laid out. And again, those are the things that we're aligning ourselves to as well again. But for us, it's always managing to long-term value.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

And let me just add this. This is Trem. We're one of those rare companies in the E&P space that's actually in a position to be able to do this. And so we're going to take advantage of it.

Kashy Oladipo Harrison - *Piper Jaffray Companies, Research Division - Research Analyst*

That all sounds great. And then looking forward to November. And then just 2 more super quick housekeeping modeling items for me. In the G&A reconciliation, there's a restructuring, other nonrecurring cost line. Looks like it's been there for a while. Just wondering when we can expect those to kind of disappear. And then also, are the -- is the production tax percentage rate for Q2 the right way to think about production taxes moving forward?

Cary D. Baetz - *Berry Petroleum Corporation - Executive VP, CFO & Director*

Yes. I think overall, the G&A side, the nonrecurring -- obviously, every company has some level of nonrecurring or onetime with people leaving and all that. But the restructuring has basically gone away. So we won't -- that noise will go across-the-board down significantly. I hate to say we still have some startup things that we're doing system-wide and things like that, that we'll look at that may be a onetime at some point in time. But overall, I think it's still fairly going to be fairly benign. On the severance taxes and all that, I think the second quarter is more representational based upon greenhouse gas requirements in California. It's probably more representational. I think that aligns closely with the mid-range of guidance we gave for the year.

Operator

(Operator Instructions) Our next question or comment comes from the line of Ashwin Reddy from Venor Capital.

Michael Jay Wartell - *Venor Capital Management LP - Limited Partner and Co-CIO*

It's Mike Wartell. I got a question. Do you guys think that you'll be able to come back to the market before November to give us a better idea of kind of how you intend to increase shareholder value? Because obviously, this quarter, although it's somewhat explainable, it's not totally explainable on why we miss production and why we had additional costs that weren't really kind of at least forecasted to the market in any way, shape or form until the numbers came out. And obviously, the stock is reflecting that being down between 7% and 8% today. So as a shareholder, and I'm sure other shareholders, we'd probably want you guys to kind of come back a lot quicker than November to kind of give us a better handle on what you intend to do with free cash flow. Could you comment on that?

Cary D. Baetz - *Berry Petroleum Corporation - Executive VP, CFO & Director*

Yes, Mike. Again, I'm not going to -- again, it requires more than just the people in this room to make that decision. And the timing of that will be around -- I would like to -- again, I think from a company's plan point -- you just want to write there, Mike -- from a company's plan point of view what we've done, we are within our guidance and our plans for the year. The Street obviously has different views on how they look at things. And again, we look at those, we talk to the analyst on a legal regular basis, but we don't manage this business on a quarter-to-quarter. These assets aren't easy to do that. Again, timing of which things come on steaming and all that obviously can impact production.

Part of the reason we did want to show how we're doing to-date on production is to show that what we've said does respond to the capital and does move forward. So the timing before November, we can make no commitment to it. But I will tell you, Mike, it is forefront of us. It's something that we're looking at hard, but we also want to make sure with everything that's going on in the marketplace right now, the plan that we have in place is something that we can do repeatable time and time again.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

And Mike, just to add, this is Trem. We also want the market to receive our messages positively. Okay? So it does require some thought and some gathering. So we'll probably be in touch with you to get some feedback.

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

And Mike, just to come through at the end here on production, as we talked earlier the question about modeling production out. Again, the way these assets are for often if you're different from us than 1 month -- by 1 month, as an example, and when things come online and that can have a fairly -- that can explain some of the differences that maybe The Street has, what Cary just talked about and how we model it internally. So we're very comfortable with where we are set up for the second half of the year and looking forward to it.

Operator

(Operator Instructions) I'm showing no additional questions in the queue at this time. I'd like to turn the conference back over to management for any closing remarks.

Arthur T. Smith - *Berry Petroleum Corporation - Chairman, President & CEO*

I want to thank everybody for attending today, and we look forward to further communication in the future. Thanks.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.