UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1998
Commission file number 1-9735

BERRY PETROLEUM COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE	77-0079387
(State of incorporation or organization)	(I.R.S. Employer Identification Number)

28700 Hovey Hills Road
Taft, California 93268
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (661) 769-8811

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $.01 par value including associated stock purchase rights)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of February 19, 1999, the registrant had 21,109,717 shares of Class A Common Stock outstanding and the aggregate market value of the voting stock held by nonaffiliates was approximately $136,057,000. This calculation is based on the closing price of the shares on the New York Stock Exchange on February 19, 1999 of $9 5/8. The registrant also had 898,892 shares of Class B Stock outstanding on February 19, 1999, all of which is held by an affiliate of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Part III is incorporated by reference from the registrant's definitive Proxy Statement for its Annual Meeting of Shareholders to be filed, pursuant to Regulation 14A, no later than 120 days after the close of the registrant's fiscal year.

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PART I

Items 1 and 2. Business and Properties

General

Berry Petroleum Company, ("Berry" or "Company"), is an independent energy company engaged in the production, development, acquisition, exploitation, exploration and marketing of crude oil and natural gas. The Company was incorporated in Delaware in 1985 and has been a publicly traded company since 1987. Currently, Berry's principal reserves and producing properties are located in Kern, Los Angeles and Ventura Counties in California. Information contained in this report on Form 10-K reflects the business of the Company during the year ended December 31, 1998. The Company's corporate headquarters are located on its properties in the South Midway-Sunset field, near Taft, California and Management believes the current facilities are adequate.

The Company's mission is to increase shareholder wealth, primarily through maximizing the value and cash flow of the Company's assets. To achieve this, Berry's corporate strategy is to remain a low cost producer and to grow the Company's asset base strategically. To increase production and proved reserves, the Company will compete to acquire oil and gas properties with primarily proved reserves with exploitation potential and will focus on the further development of its existing properties by application of enhanced oil

recovery (EOR) methods, developmental drilling, well completions and remedial work. Berry believes that its primary strengths are its ability to maintain a low cost operation and its flexibility in acquiring attractive producing properties which have significant exploitation and enhancement potential. While the Company is not currently involved in exploration activities, the Company may investigate and pursue a focused exploration program in the future. The Company has unused borrowing capacity to finance acquisitions and will consider, as appropriate, the issuance of capital stock to finance future purchases.

Proved Reserves

As of December 31, 1998, the Company's estimated proved reserves were 92.6 million barrels of oil equivalent, (BOE), of which 99.3% is crude oil. The majority of these proved reserves are owned in fee. Substantially all of the Company's reserves as of December 31, 1998 were located in California with 94% and 6% of total reserves in Kern and Ventura Counties, respectively. The Company's reserves have a long life, in excess of 20 years, which is primarily a result of the Company's strong position in heavy crude oil (the Company's properties in the Midway-Sunset field average 13 degree API gravity and the Montalvo field averages 16 degree API gravity). Production in 1998 was 4.4 million BOE, down 3% from 1997 production of 4.6 million BOE. For the five years 1994 through 1998, the Company's average reserve replacement rate was 202% at a cost of $3.19 per BOE.

Acquisitions

South Midway-Sunset

Effective August 1, 1998, Berry purchased two leases and two fee properties totaling 280 acres with estimated reserves of up to 1.3 million barrels of 13 degree gravity crude oil for $3.1 million. The properties are adjacent to Berry's other core South Midway-Sunset properties and averaged 208 net barrels of oil per day (BPD) for the Company in 1998. The acquisition also included the assignment of a steam contract which delivers a minimum of 2,000 barrels of steam per day (BSPD) for use in production. The Company paid for this acquisition out of cash flow.

Placerita

On December 23, 1998, the Company announced that it entered into an agreement to purchase the Placerita oilfield in Los Angeles County for $35 million. By agreement, the Company took over operations as of January 1, 1999. The Company completed the transaction on February 12, 1999. None of the 1998 operating data nor year end reserves of the property are included in the Company's 1998 year end financial statements or tabular data presented in this report. This acquisition is very important to the Company's future operations. These properties are currently producing approximately 2,800 net BPD of 13 degree gravity crude oil. Berry estimates the proved reserves to be approximately 20

million barrels, which at closing gave the Company approximately 112 million barrels versus 92.6 million BOE at December 31, 1998. In addition, the acquisition included a 42 megawatt cogeneration facility which provides steam for use in the enhanced oil recovery methods utilized to produce the oil. On January 21, 1999, the Company amended its existing credit agreement and increased its borrowing base to $110 million. The Company increased its borrowings in January 1999 by approximately $32 million to finance this acquisition.

Operations

Berry operates all of its principal oil producing properties. Berry utilizes primary recovery methods at its Montalvo field. The Midway-Sunset and Placerita fields contain predominantly heavy crude oil which requires heat, supplied in the form of steam, that is injected into the oil producing formations to reduce the oil viscosity which improves the mobility of the oil in flowing to the well-bore for production. Berry utilizes primary and cyclic steaming recovery methods in the Midway-Sunset field and steam-drive in the Placerita field. Field operations include the initial recovery of the

crude oil and its transport through treating facilities into storage tanks. After the treating process is completed, which includes removal of water and solids by mechanical, thermal and chemical processes, the crude oil is either metered through Lease Automatic Custody Transfer (LACT) units and transferred into crude oil pipelines owned by other companies or, as in the case of the Placerita field, loaded on trucks. The point-of-sale is usually the LACT unit or truck loading facility.

Revenues

The percentage of revenues by source for the prior three years is as follows:

	1998	1997	1996
Sales of oil and gas	100%	97%	97%
Interest and other income	-%(1)	3%	3%

(1) less than 1%

Oil Marketing

The world and California markets for crude oil remained extremely depressed throughout 1998 and into 1999. In October 1997, world crude oil prices began a decline to the lowest levels in decades. Several factors have caused an imbalance in supply of and demand for crude oil that may continue to keep crude oil prices low in the near future.

The collective Asian economies have been responsible for a large part of the world's growth in energy demand during the past few years. In 1998, the Asian economies faltered and, as a result, growth in demand for crude oil from this region has been reduced. In addition to this reduction in world demand, Iraq has increased its crude oil production under the United Nations "food for oil" sales program from approximately .5 million BPD in 1997 to a current level of 2.5 million BPD. Also, the Organization of Petroleum Exporting Countries (OPEC) agreed in late 1997 to an increase in production quotas that resulted in a further increase in world crude supplies. Until current crude oil supply and demand conditions change, crude oil prices are likely to remain at low levels. For example, since early 1998, OPEC has implemented production quota reductions among members, in addition to other exporting nations voluntarily reducing production, in an attempt to reduce supply and increase world crude oil prices. To date, this attempt has not resulted in higher crude oil prices.

On a positive note, the crude price differential between lighter crude oils and California's heavy crude oil remains at historically low levels. The lower light/heavy crude price differential is due to the decline in competing Alaska North Slope (ANS) production, lifting of the export ban on ANS crude oil, and past expansion of deep conversion capacity in West Coast refineries designed to increase the use and improve the refining economics of heavy crude oil. In addition, unlike other parts of the world where crude oil inventories are at excessive levels, crude oil inventories on the West Coast remain at or near average historical levels. Also, California is still experiencing strong gasoline and asphalt demand.

Another factor that will positively impact the California heavy crude market is the current construction of a new 132 mile crude oil pipeline, the Pacific Pipeline, that will deliver unblended San Joaquin Valley heavy crude oil into the Los Angeles refining market. The Pacific Pipeline is insulated and provides another transportation outlet for San Joaquin Valley heavy crude oil without requiring lighter crude oil volumes as transportation blendstock. The construction of the Pacific Pipeline has been completed and the pipeline has been put into operation as of March 1999.

Berry competitively markets its crude oil production to competing buyers including independent marketing, pipeline and integrated oil companies. Management does not believe that the loss of any single customer or contract would materially affect its business. The Company sells its oil and gas production under both short-term and long-term contracts up to 18 months in duration, whereby the Company agrees to deliver certain volumes of crude oil to pipeline delivery points at the Company's properties. These contracts provide for the sale of crude oil at current market prices. At various times

in the past, the Company has been able, through its marketing efforts, to obtain crude oil price premiums, the level of which depends upon current market conditions. From time to time, the Company also enters into crude oil and natural gas hedge contracts depending on various factors, including Management's view of future crude oil and natural gas prices, and the Company's future financial commitments. The Company currently has a bracketed zero cost collar hedge contract with an independent refiner for 3,000 BPD based upon California 13 degree gravity heavy crude oil posted price. This contract expires on December 31, 1999. The hedging activities contributed $.50 to the average price received for the Company's crude oil in 1998 and resulted in a net cost to the Company of less than $.01 per barrel in 1997. Berry's 1998 average heavy crude oil sales price was $9.02 per barrel, down $5.68 per barrel, or 39%, from $14.70 in 1997.

Steaming Operations

At December 31, 1998, approximately 94% of the Company's proved reserves, or 87 million barrels, consisted of heavy crude oil produced from depths averaging less than 2,000'. With the acquisition of the Placerita properties in February 1999, approximately 95% of the proved reserves, or 107 million barrels, consisted of heavy crude oil. The depths of the Placerita wells range from 1,100' to 2,800', averaging 1,800'. The Company, in achieving its goal of being a low cost heavy oil producer, has focused on reducing its steam cost by the purchase of two gas-fired cogeneration facilities in 1995 and 1996, and the Placerita cogeneration facility in early 1999. Steam generation from these facilities is more efficient than conventional steam generators, as both steam and electricity are produced from the same natural gas fuel supply. The proceeds received from the sale of electricity offset a large portion of the cost of producing steam and are reported as a reduction to operating costs in the Company's financial statements.

For its South Midway-Sunset properties, the Company's current steam production is generated by its 38 and 18 megawatt cogeneration facilities (approximately 18,500 BSPD) and, as needed, from conventional steam generators. In addition, the Company made modifications to use the duct-firing capability of its 38 megawatt facility to produce up to an additional 4,500 BSPD available for delivery to its South Midway-Sunset properties. In August 1998, the Company acquired a steam contract from an on-site, non-owned cogeneration facility for a minimum delivery of 2,000 BSPD for use in the Company's operations. Conventional steam generators are used by the Company at its South Midway-Sunset properties as required to maintain current production levels, to economically produce additional crude oil and as emergency back-up steam generation to the cogeneration facilities. Due to low oil prices, the Company temporarily shut down the duct-firing steam capacity in early 1998 and reduced the utilization of conventional steam generators at the South Midway-Sunset field to reduce costs and improve cash flow. The Company started increasing the volume of steam injected in this field in late 1998, and in early 1999 restored duct-firing, offsetting some conventional steam generation. On its North Midway-Sunset properties, the Company relies solely on conventional steam generators for its steam requirements. On its Placerita properties, the Company generates approximately 13,500 BSPD from its 42 megawatt cogeneration facility, acquires another 3,000 BSPD from a third party cogeneration facility and has available another 6,000 BSPD from conventional steam generators. The Company has ample productive steam capacity for its requirements at all three core areas.

The Company's two cogeneration facilities in the South Midway-Sunset field sold electricity to a large California-based utility under Standard Offer #2 (SO2) contracts in 1996. The SO2 contract for the 38 megawatt facility expired on January 16, 1997, while the contract for the 18 megawatt facility does not expire until January 31, 2002. The SO2

contract for the 38 megawatt facility was replaced by a 15-year Standard Offer #1 (SO1) contract effective January 16, 1997, which resulted in lower electricity revenues than under the previous SO2 contract. However, under the SO1 contract, the Company will continue to receive Short Run Avoided Cost pricing plus a portion of the proceeds related to available capacity that was received in prior years. The 42 megawatt facility (Placerita), which has two separate 21 megawatt gas fired turbines, has two SO2 contracts; one which expires in May 2002, and the other in March 2009. The electricity from this

facility is sold to a different California-based utility than the other contracts. Deregulation of the electricity generation market in California may have a positive or negative impact on the Company's future electricity revenues. The Company believes, at a minimum, continued steam generation from cogeneration facilities will be significantly more efficient and cost effective than conventional steam generators.

The Company has physical access to gas pipelines, such as the Kern River/El Paso and Southern California Gas Company systems, to transport its gas purchases required for steam generation. Prior to February 1997, natural gas purchases for the 38 megawatt cogeneration facility were subject to a long-term gas transportation agreement which required the Company to pay above-market transportation rates for a substantial portion of the facility's gas requirements. The expiration of this contract resulted in substantial reductions in gas transportation costs beginning in 1997. Currently, none of the Company's cogeneration facilities are subject to any long-term gas transportation agreements.

Environmental and Other Regulations

The operations of Berry are affected by federal, state, regional and local laws and regulations, including laws governing allowable rates of production, well spacing, air emissions, water discharges, endangered species, marketing, pricing, taxes, land use restrictions and other laws relating to the petroleum industry. Berry is further affected by changes in such laws and by constantly changing administrative regulations.

The Company's oil and gas operations and properties are subject to numerous federal, state and local laws and regulations relating to environmental protection. These laws and regulations govern, among other things, the amounts and types of substances and materials that may be released into the environment, the issuance of permits in connection with drilling, production and electricity generation activities, the discharge and disposition of waste materials, the reclamation and abandonment of wells and facility sites and the remediation of contaminated sites. In addition, these laws and regulations may impose substantial liabilities for the Company's failure to comply with them or for any contamination resulting from the Company's operations.

Berry has established policies and procedures for continuing compliance with environmental laws and regulations affecting its production. The costs incurred to comply with these laws and regulations are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to environmental matters; however, the Company does not believe any such additional future expenses are material to its financial position or results of operations.

Although environmental requirements do have a substantial impact upon the energy industry, generally these requirements do not appear to affect the Company any differently, or to any greater or lesser extent, than other companies in California and in the domestic industry as a whole. Berry believes that compliance with environmental laws and regulations will not have a material adverse effect on the Company's operations or financial condition but there can be no assurances that changes in or additions to laws or regulations regarding the protection of the environment will not have such an impact in the future.

Berry maintains insurance coverage which it believes is customary in the industry, although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1998, which would have a material impact upon the Company's financial position or results of operations.

Competition

The oil and gas industry is highly competitive. As an independent producer, the Company does not own any refining or retail outlets and, therefore, it has little control over the price it receives for its crude oil. As such, higher costs, fees and taxes assessed at the producer level cannot necessarily be passed on to the Company's customers. In acquisition activities, significant competition exists as both integrated and

independent companies and individual producers and operators are active bidders for desirable oil and gas properties. Although many of these competitors have greater financial and other resources than the Company, Management believes that it is in a position to compete effectively due to its low cost structure, transaction flexibility, strong financial position and experience.

Employees

On December 31, 1998, the Company had 88 full-time employees. In conjunction with the acquisition of the Placerita properties, the Company increased its full-time employees to 103 as of February 19, 1999.

Oil and Gas Properties

Development

South Midway-Sunset - Berry owns and operates working interests in twenty-two properties consisting of 2,010 acres located in the South Midway-Sunset field. The Company estimates these properties account for approximately 84% of the Company's proved oil and gas reserves and approximately 85% of its current daily production. Fourteen of these properties are owned in fee. The wells produce from an average depth of approximately 1200'. These properties rely on thermal EOR methods, primarily cyclic steaming.

During 1998, the primary focus in this field was directed at the continued integration and further development of the Formax and Tannehill properties, acquired in 1996, into the Company's operations. Of the 17 new wells drilled in 1998 in this area, 10 were drilled on these recently acquired properties. In addition, during 1998, the Company drilled a total of 3 horizontal wells in this field and completed 35 workovers on existing wells. The Company's objectives related to using this developing technology were to improve ultimate recovery of original oil-in-place, reduce the development and operating costs of the properties and accelerate production. In 1999, the Company plans to drill an additional 8 development wells in this field, 3 of which will be horizontal wells.

North Midway-Sunset - Berry owns and operates approximately 1,975 acres in the North Midway-Sunset field which account for approximately 10% of the Company's proved oil and gas reserves and 8% of daily production. These properties also rely on thermal EOR methods, primarily cyclic steaming. Berry's interests consist of four fee properties comprising 1,009 acres and nine leases comprising 966 acres. These wells produce from an average depth of approximately 1200'.

During 1998, the Company drilled 3 development wells to maintain productive capacity and develop proved reserves and one exploitation well to begin delineation of the diatomite accumulation in the Antelope Zone on top of the Fairfield anticline. At current crude oil price levels, the Company has no plans to drill additional development wells in this area. The Company has, however, budgeted one well to continue delineation of the Antelope Shale and other diatomaceous intervals.

Montalvo - Berry owns a 100% working interest in six leases, comprising 8,563 acres, in Ventura County, California comprising the Montalvo field. The State of California is the lessor for two of the six leases. The Company estimates current proved reserves from Montalvo account for approximately 6% of Berry's proved oil and gas reserves. Total production from these leases represents approximately 7% of Berry's total current daily oil and gas production. The wells produce from an average depth of approximately 12,500'. No new wells were drilled in 1998 or 1997.

Placerita - On February 12, 1999, Berry acquired the Placerita oilfield from a large California oil producer. The property consists of six leases (three are federal leases) and two fee properties totaling approximately 700 acres. The average depth of the wells is approximately 1,800'. These properties rely on thermal EOR methods, primarily steam drive.

The following is a summary of capital expenditures incurred during 1998 and 1997 and projected capital expenditures for 1999:

CAPITAL EXPENDITURES SUMMARY
(in thousands)

	1999(1) (Projected)	1998	1997
South Midway-Sunset Field			
New wells	$ 1,615	$ 2,886	$ 10,078
Remedials/workovers	370	767	1,695
Facilities	380	1,028	3,180
Cogeneration facilities	(2) 2,300	623	208
	4,665	5,304	15,161
North Midway-Sunset Field			
New wells	175	826	1,719
Remedials/workovers	-	57	251
Facilities	-	45	336
	175	928	2,306
Montalvo			
Remedials/workovers	-	117	-
Facilities	-	108	-
	-	225	-
Other	412	524	1,130
Totals	$ 5,252	$ 6,981	$ 18,597

(1) Budgeted capital expenditures may be adjusted for numerous reasons including, but not limited to, results of drilling and oil price levels. See the Future Developments section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(2) Principally relates to a major turnaround required on the 38 megawatt facility.

Exploration

The Company did not participate in the drilling of any exploratory wells in 1998 or 1997 and has none budgeted for 1999. Although the Company has significantly reduced its exploration program since 1994 to concentrate on growth through development of existing assets and strategic acquisitions, the Company may investigate and pursue a focused exploration program in the future.

Enhanced Oil Recovery Tax Credits

In 1990, President Bush signed into law the Revenue Reconciliation Act of 1990 which included a tax credit for certain costs associated with extracting high-cost marginal oil which utilizes at least one of nine designated "enhanced" or tertiary recovery methods. Cyclic steam and steam drive recovery methods, which Berry utilizes extensively, are qualifying EOR methods. In 1996, California conformed to the federal law thus, on a combined basis, the Company is able to achieve credits approximating 12% of its qualifying costs. The credit is earned for a qualified EOR project by investing in one of three types of expenditures: (1) drilling new wells, (2) adding facilities that are integrally related to qualified EOR production, or (3) utilizing a tertiary injectant, such as steam, to produce oil. This credit is significant in reducing the Company's income tax liabilities and effective tax rate.

Oil and Gas Reserves

The Company continued to engage DeGolyer and MacNaughton (D&M) to estimate

the proved oil and gas reserves and the future net revenues to be derived from properties of the Company for the year ended December 31, 1998. D&M is an independent oil and gas consulting firm located in Dallas, Texas. In preparing their reports, D&M reviewed and examined geologic, economic, engineering and other data provided by the Company considered applicable to each reserve determination. They also examined the reasonableness of certain economic assumptions regarding forecasted operating and development costs and recovery rates in light of the economic environment on December 31, 1998. For the Company's operated properties, these reserve estimates are filed annually with the U.S. Department of Energy. Refer to the Supplemental Information About Oil & Gas Producing Activities (Unaudited) for the Company's oil and gas reserve disclosures.

Production

The following table sets forth certain information regarding production for the years ended December 31, as indicated:

	1998	1997	1996
Net annual production(1):			
Oil (Mbbls)	4,359	4,503	3,491
Gas (Mmcf)	245	282	491
Total equivalent barrels(2)	4,399	4,550	3,573
Average sales price:			
Oil (per bbl)	$ 9.02	$ 14.70	$ 15.42
Gas (per mcf)	2.64	2.68	1.99
Per BOE	9.05	14.71	15.36
Average production cost (per BOE)	4.05	4.92	4.92

(1) Net production represents that owned by Berry and produced to its interest, less royalty and other similar interests.

(2) Equivalent oil and gas information is at a ratio of 6 thousand cubic feet (mcf) of natural gas to 1 barrel (bbl) of oil.

Acreage and Wells

At December 31, 1998, the Company's properties accounted for the following developed and undeveloped acres:

	Developed Acres		Undeveloped Acres	
	Gross	Net	Gross	Net
California	6,573	6,572	6,846	6,846
Other	360	42	-	-
	6,933	6,614	6,846	6,846

Gross acres represent acres in which Berry has a working interest; net acres represent Berry's aggregate working interests in the gross acres.

Berry currently has 2,119 gross oil wells (2,113 net) and 4 gross gas wells (3.1 net). Gross wells represent the total number of wells in which Berry has a working interest. Net wells represent the number of gross wells multiplied by the percentages of the working interests owned by Berry. One or more completions in the same bore hole are counted as one well. Any well in which one of the multiple completions is an oil completion is classified as an oil well.

Drilling Activity

The following table sets forth certain information regarding Berry's drilling activities for the periods indicated:

	1998		1997		1996	
	Gross	Net	Gross	Net	Gross	Net
Exploratory wells drilled:						

Productive	-	-	-	-	-	-
Dry(1)	-	-	-	-	-	-
Development wells drilled:						
Productive	20	20	89	88.9	46	45.1
Dry(1)	1	1	1	1	3	2.1
Total wells drilled:						
Productive	20	20	89	88.9	46	45.1
Dry(1)	1	1	1	1	3	2.1

(1) A dry well is a well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well

Title and Insurance

The Company is not aware of any defect in the title to any of its principal properties. Notwithstanding the absence of a recent title opinion or title insurance policy on all of its properties, the Company believes it has satisfactory title to its properties, subject to such exceptions as the Company believes are customary and usual in the oil and gas industry and which the Company believes will not materially impair its ability to recover the proved oil and gas reserves or to obtain the resulting economic benefits.

The oil and gas business can be hazardous, involving unforeseen circumstances such as blowouts or environmental damage. Although it is not insured against all risks, the Company maintains a comprehensive insurance program to address the hazards inherent in the oil and gas business.

Item 3. Legal Proceedings

The Company is a party to certain lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, the Company does not expect such matters to have a material adverse effect on the financial statements of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers

Listed below are the names, ages (as of December 31, 1998) and positions of the executive officers of Berry and their business experience during at least the past five years. All officers of the Company are appointed in May of each year at an organizational meeting of the Board of Directors. There are no family relationships between any executive officer and members of the Board of Directors.

JERRY V. HOFFMAN, 49, Chairman of the Board, President and Chief Executive Officer. Mr. Hoffman has been President and Chief Executive Officer since May 1994 and President and Chief Operating Officer from March 1992 until May 1994. Mr. Hoffman was added to the Board of Directors in March 1992 and named Chairman on March 21, 1997. Mr. Hoffman held the Senior Vice President and Chief Financial Officer positions from January 1988 until March 1992. Mr. Hoffman has held a variety of other positions with the Company and its predecessors since February 1985.

GEORGE T. CRAWFORD, 38, Manager of Production, since January 4, 1999. Mr. Crawford, a petroleum engineer, was previously the Production Engineering Supervisor for ARCO Western Energy, a subsidiary of Atlantic Richfield Corp. (ARCO). Mr. Crawford was employed by ARCO from 1989 to 1998 in numerous engineering and operational assignments including Production Engineering Supervisor, Planning and Evaluation Consultant and Operations Superintendent.

DONALD A. DALE, 52, Controller since December 1985. Mr. Dale was the Controller for the Company's predecessor from September 1985 to December 1985.

RALPH J. GOEHRING, 42, Senior Vice President and Chief Financial Officer. Mr. Goehring has been Senior Vice President since April 1997, Chief Financial Officer since March 1992 and was Manager of Taxation from September 1987 until March 1992. Mr. Goehring is also the Assistant Secretary for the

Company.

KENNETH A. OLSON, 43, Corporate Secretary since December 1985 and Treasurer since August 1988. Mr. Olson has held a variety of other positions with the Company and its predecessors since July 1985.

BRIAN L. REHKOPF, 51, Manager of Engineering since September 1997, joined the Company's engineering department in June 1997. Mr. Rehkopf, a registered petroleum engineer, was previously a Vice President and Asset Manager with ARCO Western Energy, a subsidiary of ARCO since 1992 and an Operations Engineering Supervisor with ARCO from 1988 to 1992.

MICHAEL R. STARZER, 37, Vice President of Corporate Development since March 1996 and Manager of Corporate Development since April 1995. Mr. Starzer, a registered petroleum engineer, was with Unocal from August 1983 to May 1991 and from August 1993 to April 1995. Mr. Starzer was an engineering consultant and worked with the California State Lands Commission from May 1991 to August 1993.

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

Shares of Class A Common Stock (Common Stock) and Class B Stock, referred to collectively as the "Capital Stock", are each entitled to one vote and 95% of one vote, respectively. Each share of Class B Stock is entitled to a $1.00 per share preference in the event of liquidation or dissolution. Further, each share of Class B Stock is convertible into one share of Common Stock at the option of the holder.

In 1989, the Company adopted a Shareholder Rights Agreement and declared a dividend distribution of one such Right for each outstanding share of Capital Stock on December 22, 1989. Each share of Capital Stock issued after December 22, 1989 includes one Right. The Rights expire on December 8, 1999. See Note 7 of Notes to the Financial Statements.

In conjunction with the acquisition of Tannehill in 1996, the Company issued a Warrant Certificate to the beneficial owners of Tannehill Oil Company. This Warrant authorizes the purchase of 100,000 shares of Berry Petroleum Company Class A Common Stock until November 8, 2003 at $14.06 per share. All the warrants are currently outstanding and the underlying shares will not be registered under the Securities Act of 1933.

Berry's Class A Common Stock is listed on the New York Stock Exchange under the symbol "BRY". The Class B Stock is not publicly traded. The market data and dividends for 1998 and 1997 are shown below:

	1998			1997		
	Price Range		Dividends	Price Range		Dividends
	High	Low	per Share	High	Low	per Share
First Quarter	$ 17 1/2	$ 13 3/4	$.10	$ 15 7/8	$ 14	$.10
Second Quarter	15 3/8	13	.10	19	13 7/8	.10
Third Quarter	13 13/16	10 1/2	.10	20 1/2	16 3/16	.10
Fourth Quarter	14 1/4	11 1/2	.10	21 3/8	17	.10

The closing price per share of Berry's Common Stock, as reported on the New York Stock Exchange Composite Transaction Reporting System for February 19, 1999, December 31, 1998 and December 31, 1997 was $9 5/8, $14 3/16 and $17 7/16, respectively.

The number of holders of record of the Company's Common Stock was 885 (and approximately 3,000 street name shareholders) as of February 19, 1999. There was one Class B Stockholder of record as of February 19, 1999.

The Company paid cash dividends for many years prior to the roll-up of the various Berry companies into Berry Petroleum Company on December 16, 1985. Since Berry's formation, the Company has paid dividends on its Common Stock for eight consecutive semi-annual periods through September 1989 and for 37 consecutive quarters through December 31, 1998. The Company intends

to continue the payment of dividends, although future dividend payments will depend upon the Company's level of earnings, operating cash flow, capital commitments, financial covenants and other relevant factors.

At December 31, 1998, dividends declared on 4,033,150 shares of certain Common Stock are restricted, whereby 37.5% of the dividends declared on these shares are paid by the Company to the surviving member of a group of individuals, the B group, for as long as this remaining member shall live.

Item 6. Selected Financial Data

The following table sets forth certain financial information with respect to the Company and is qualified in its entirety by reference to the historical financial statements and notes thereto of the Company included in Item 8, "Financial Statements and Supplementary Data." The statement of operations and balance sheet data included in this table for each of the five years in the period ended December 31, 1998 were derived from the audited financial statements and the accompanying notes to those financial statements (in thousands, except per share and per barrel data):

	1998	1997	1996	1995	1994
Statement of Operations Data:					
Sales of oil and gas	$ 39,858	$ 67,172	$ 55,264	$ 45,773	$ 39,451
Operating costs	17,828	22,407	17,587	18,264	21,224
General and administrative expenses (G&A)	3,975	5,907	4,820	4,578	5,118
Depreciation, depletion & amortization (DD&A)	10,080	10,138	7,323	6,847	7,270
Net income (loss)	3,879	19,260	17,546	12,203	(1,129)
Basic net income (loss) per share	.18	.88	.80	.56	(.05)
Weighted average number of shares outstanding	22,007	21,976	21,939	21,932	21,932
Balance Sheet Data:					
Working capital	$ 9,081	$ 11,499	$ 7,850	$ 36,506	$ 38,273
Total assets	173,804	177,724	176,403	117,722	118,254
Long-term debt	30,000	32,000	36,000	-	-
Shareholders' equity	106,924	111,871	101,009	92,060	88,632
Cash dividends per Share	.40	.40	.40	.40	.40
Operating Data:					
Cash flow from Operations	19,924	31,401	29,182	17,070	14,579
Capital expenditures (excluding acquisitions)	6,981	18,597	15,616	14,569	5,911
Property acquisitions	2,991	-	69,330	503	1,023
Per BOE:					
Sales price	$ 9.05	$ 14.71	$ 15.36	$ 13.48	$ 11.60
Operating costs	4.05	4.92	4.92	5.41	6.28
G&A	.90	1.30	1.35	1.35	1.51
Cash flow	4.10	8.49	9.09	6.72	3.81
DD&A	2.29	2.23	2.05	2.03	2.15
Operating income	$ 1.81	$ 6.26	$ 7.04	$ 4.69	$ 1.66
Production (BOE)	4,399	4,550	3,573	3,379	3,382
Proved Reserves Information:					
Total BOE	92,609	101,043	102,116	78,068	77,084
Present value (PV10) of estimated future					

cash flow before income taxes	$113,811	$376,459	$634,579	$308,370	$263,890
Year end BOE price for PV10 purposes	7.05	12.19	18.37	13.39	12.49
Other:					
Return on average shareholders' equity	3.5%	18.1%	18.2%	13.6%	(1.2)%
Return on average total assets	2.2%	10.9%	13.3%	10.5%	(0.9)%
Total debt/total debt plus equity	21.9%	22.2%	29.8%	N/A	N/A

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides information on the results of operations for each of the three years ended December 31, 1998 and the financial condition, liquidity and capital resources as of December 31, 1998. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

The profitability of the Company's operations in any particular accounting period will be directly related to the average realized prices of oil and gas sold, the type and volume of oil and gas produced and the results of acquisition, development, exploitation and exploration activities. The average realized prices for oil and gas will fluctuate from one period to another due to world and regional market conditions and other factors. The aggregate amount of oil and gas produced may fluctuate based on the success of development and exploitation of oil and gas reserves pursuant to current reservoir management. Production rates, steam costs net of electricity revenue, labor, maintenance expenses and production taxes are expected to be the principal influences on operating costs. Accordingly, the results of operations of the Company may fluctuate from period to period based on the foregoing principal factors, among others.

Results of Operations

Net income for 1998 was $3.9 million, down $15.4 million, or 80%, from $19.3 million in 1997 and $13.6 million, or 78% from $17.5 million in 1996. For the fourth quarter of 1998, net income was a loss of ($1.1) million, down $5.8 million and $6.4 million from $4.7 million in the fourth quarter of 1997 and $5.3 million in the fourth quarter of 1996, respectively. Although the Company maintained good cost discipline in 1998, profitability decreased due to a very negative pricing environment for crude oil.

The following table presents certain operating data for the years ended December 31, 1998, 1997 and 1996:

	1998	1997	1996
Net production - BOE per day	12,053	12,465	9,762
Per BOE:			
Average sales price	$ 9.05	$ 14.71	$ 15.36
Operating costs*	3.46	4.24	4.44
Production taxes	.59	.68	.48
Total operating costs	4.05	4.92	4.92
DD&A	2.29	2.23	2.05
G&A	.90	1.30	1.35

* Excluding production taxes.

Operating income from producing operations was $12.3 million in 1998, down $22.7 million and $18.4 million, respectively, from $35 million in 1997 and $30.7 million in 1996 due to the significant decline in oil prices in 1998 compared to the prior years.

The average sales price/BOE received in 1998 was $9.05, or 38% below the average of $14.71 in 1997 and 41% lower than the average of $15.36 for 1996. World oil prices declined sharply in early 1998. The average posting for Midway-Sunset crude oil which began the year at $12.19 had reached $6.50 by March 16, 1998. Although postings rebounded slightly for short periods during

the balance of 1998, the average posted price during December 1998 was only $6.53 and the average posted price has remained at very low levels in 1999. Oil and gas production of 12,053 BOE/day in 1998 was 412 BOE/day, or 3% lower than production of 12,465 BOE/day in 1997, but 2,291 BOE/day, or 24% higher than 1996 production of 9,762 BOE/day. The decrease in production from 1997 was primarily related to the reduction of steam injection and reduced capital expenditures on the Company's Midway-Sunset properties. This reduction was necessitated by the poor crude oil pricing environment. The increases in production compared to 1996 were primarily related to production from and development of acquisitions made in the latter part of 1996.

The Company continued to achieve excellent cost control in 1998. Operating costs for the year averaged $4.05/BOE, down 18% from $4.92/BOE in both 1997 and 1996. Many factors contributed to the positive results achieved in this area. The Company's Management correctly interpreted the decline in oil prices as a long-term event and moved quickly to reduce costs and protect the cash flow of the Company. An across-the-board 10% salary reduction was implemented and selected personnel reductions were made. Steam production from higher cost sources such as conventional steam generation and cogeneration plant duct firing was eliminated or significantly reduced. The number of well service rigs was reduced and some low producing wells were shut-in. In addition, production taxes began to decline in the second half of 1998 due to lower oil property valuations. Also, the price of cogeneration steam was lower than 1997 primarily because of lower gas prices.

DD&A/BOE increased to $2.29 in 1998, up 3% from $2.23 in 1997 and 12% from $2.05 in 1996. The increase is due to higher depreciation related to additional facilities and a higher basis related to the cumulative effect of recent capital budgets.

The Company purchased certain properties in the Midway-Sunset field in the third quarter of 1998 for $3.1 million in cash. The acquisition included four producing properties and a steam purchase contract from an on-site, non-owned cogeneration plant. These properties currently produce approximately 210 BPD and the Company believes that additional development opportunities on these properties are available.

On December 31, 1998, the Company recorded a $1.8 million pre-tax impairment charge relating to non-producing properties in Kern County due to the low year end oil price of $7.05/barrel.

Included in the 1998 gain/(loss) on sale of assets is a charge of $.76 million which represents the write-off of a receivable and related legal expenses incurred to collect amounts owed from the 1995 sale of its Rincon properties. Included in the 1997 gain/(loss) on sale of assets is a gain of $1.0 million resulting from the sale of certain non-core properties in that year.

General

Interest expense in 1998 was $1.9 million, down from $2.3 million in 1997, but up significantly from $.2 million in 1996. The Company did not capitalize interest expense in any of these periods. The reduction from 1997 was due to the reduction in debt in both 1997 and 1998 and generally lower borrowing rates in 1998. The Company did not have long-term debt until the borrowings were made pursuant to the acquisitions made in the latter part of 1996. Interest and dividend income was $.8 million in 1998, up from $.6 million in 1997, but down from $2.1 million in 1996.

G&A was $4.0 million in 1998, down 32% and 17%, respectively, from $5.9 million in 1997 and $4.8 million in 1996. On a per BOE basis, G&A decreased to $.90 from $1.30 in 1997 and $1.35 in 1996. In light of the severe market conditions faced by the Company in early 1998, several steps were initiated to reduce and control costs. An across-the-board 10% salary reduction, with certain members of Management taking even higher reductions, was implemented in March of 1998. Simultaneously, reductions were made in the number of employees. These two factors accounted for approximately $1.0 million of the G&A savings as compared to 1997. The salaries were reinstated effective January 1, 1999. In addition, the Company experienced lower compensation related to the exercise of stock options by employees and directors and also

lower medical claims.

The Company's effective income tax rate in 1998 was 9%, down from 32% and 36% in 1997 and 1996, respectively. The lower rate in 1998 was due primarily to the impact of certain tax benefits, primarily EOR credits and percentage depletion, applied against lower income in 1998 compared to 1997 and 1996. The Company expects that its effective rate will remain significantly below the 32% rate it achieved in 1997 if the current low oil price environment continues.

In December 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share". As required by this new standard, the Company reports two earnings per share amounts, basic net income per share and diluted net income per share. Basic net income per share is computed by dividing income available to common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator). The computation of diluted net income per share is similar to the computation of basic net income per share except that the denominator is increased to include the dilutive effect of the additional common shares that would have been outstanding if all convertible securities had been converted to common shares during the period.

Also, during 1997 the Company adopted the provisions of the American Institute of Certified Public Accountants Statement of Position (SOP) 96-1, "Environmental Remediation Liabilities" and SFAS No. 125, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities." The adoption of these two pronouncements had no material impact on the financial statements of the Company.

During 1996, the Company implemented the disclosure requirements of SFAS No. 123, "Accounting for Stock Based Compensation." This statement sets forth alternative standards for recognition of the cost of stock-based compensation and requires that a Company's financial statements include certain disclosures about stock-based employee compensation arrangements regardless of the method used to account for them. As allowed in this statement, the Company continues to apply Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations in recording compensation related to its plans. The supplemental disclosure requirements and further information related to the Company's stock option plans are presented in Note 9 to the Company's financial statements.

Financial Condition, Liquidity and Capital Resources

Working capital as of December 31, 1998 was $9.1 million, down from $11.5 million at December 31, 1997 and up from $7.9 million at December 31, 1996. Cash flow from operations in 1998 was $19.9 million, down 37% and 32%, respectively, from $31.4 million in 1997 and $29.2 million in 1996. The decrease in cash flow in 1998 was primarily due to a 38% decrease in the average sales price of heavy crude oil and a 3% decrease in production. Working capital decreased in 1998 from 1997, primarily because internal cash flows paid a portion, but not all, of the cost of $7.0 million in capital expenditures, the payment of $8.8 million in dividends, the retirement of $2.0 million in long-term debt and the cost of property acquisitions of $3.0 million. The Company's 1998 capital budget included the drilling of 21 development wells, remedial work on a number of other wells and $1.3 million in improvements to surface facilities.

On December 1, 1996, the Company established a $150 million unsecured revolving credit facility with NationsBank, N.A. As of December 31, 1998, the borrowing base was $35 million. On January 21, 1999, the Company amended its credit agreement and established a new borrowing base of $110 million and included two additional banks in its syndication. The primary purpose of this amendment was to increase the borrowing base and to fund the Placerita acquisition. The Company is carrying $62 million in long-term debt under this credit facility as of February 19, 1999.

The total proved reserves at December 31, 1998 were 92.6 million BOE, down from 101 million BOE at December 31, 1997 and 102.1 million BOE at December 31, 1996. The decrease in 1998 was primarily related to production of 4.4 million barrels and the reduction of 5 million barrels deemed uneconomic at the December 31, 1998 oil price of $7.05/barrel, partially offset by the

acquisition of approximately 1 million barrels of reserves in properties adjacent to the Company's South Midway-Sunset properties.

The Company's present value of estimated future net cash flows before income taxes, discounted at 10%, was $114 million at December 31, 1998, down substantially from $376 million and $635 million at December 31, 1997 and December 31, 1996, respectively. This decline is also primarily related to the decline in oil prices. The values were based on year end oil prices of $7.05, $12.19 and $18.37 per BOE for 1998, 1997 and 1996, respectively.

Year 2000

In 1997, the Company began a review of its computer hardware, software applications and process control equipment with embedded semiconductor chips to determine which components, if any, would not function correctly in the years 2000 and beyond. In the third quarter of 1998, the Company created a Year 2000 (Y2k) team to monitor the results of the review on an ongoing basis to better ensure that the Company's operations will not experience any material adverse effects when the year 2000 arrives.

As part of the review, started in 1997, the Company determined that its accounting software would have to be modified or replaced. The Company has identified new software that is represented to be Y2k compliant. Two modules were replaced in the first half of 1998. The remaining modules are scheduled to be replaced during the first nine months of 1999. The total cost of the software and hardware purchased to complete the installation is estimated to be approximately $.6 million. If, for some reason, the software cannot be purchased and installed by the year 2000, the Company intends to modify its existing software to handle Y2k. These modifications would be made by the Company's in-house information systems personnel. The Company has evaluated all of its other software, which is predominantly purchased from third party providers, and determined that they are substantially Y2k compliant as of the end of 1998.

The Company has performed an evaluation of its computer hardware and determined that with only a few minor exceptions, it is Y2k compliant at this time. Minor upgrades were completed on some of the equipment to make them compliant at no material cost to the Company.

The Company has made inquiries to the operator of the Company's two cogeneration facilities to ensure that all equipment is Y2k compliant. These facilities provide over two-thirds of the Company's steam, which is necessary to produce the Company's heavy oil reserves. The Company has been informed by the operator that the facilities are Y2k compliant at this time. If, by the year 2000, the cogeneration facilities are not compliant, it could have a material adverse effect on the Company's production volumes and results of operations. If the plants were shut down, the Company would fire its conventional generators, which would result in a lower volume of steam at a higher cost to the Company. However, the Company believes such action will not be necessary and is confident that the facilities will be compliant when the year 2000 arrives. Facilities and equipment at the Placerita properties acquired in February 1999 and the non-owned cogeneration facilities which provide additional steam to the Placerita and South Midway-Sunset properties will be evaluated during the first half of 1999.

The Company's customers are predominantly major oil companies or large independent refiners. If any of these customers were not Y2k compliant by the end of 1999 and could not buy the Company's crude oil, it could have a material impact on the Company's operations. The Company's operations could also be impacted if the pipeline companies that transport the crude oil or if any of the utility or critical service providers were not Y2k compliant and could not provide their products and services. However, Management anticipates that these companies will be ready and, therefore, the Company's operations will not be materially impacted when the year 2000 arrives. The Company has communicated with the financial institutions that are business partners of the Company. It is anticipated that they will be Y2k compliant by the year 2000 resulting in no material impact to the Company. If any of the Company's other business partners are not Y2k compliant by the year 2000, Management does not believe it will have a material impact on the Company's operations.

Future Developments

On February 12, 1999, the Company completed the acquisition of the Placerita oilfield producing properties and a 42 megawatt duel-turbine cogeneration facility from a large California oil producer for $35 million. The producing properties contain approximately 20 million barrels of proven reserves of 13 degree gravity crude oil. Production on the properties is enhanced primarily through the use of steam drive methods. The power from both turbines at the cogeneration facility is sold under SO2 contracts. This facility generates economical steam available for the property and lowers operating costs substantially. The Company began operating the property on December 31, 1998, and continues to integrate the operations.

Due to the continuing historic low crude oil prices received by the Company in early 1999, the Company is operating under an austere capital budget. In addition, the Company estimates that it has shut-in approximately 550 BPD of production due to poor economics. As oil prices improve, it is likely that the Company will return to production these shut-in wells and may increase its capital budget as cash flow allows.

Deregulation of the electricity generation market in California may have a positive or negative impact on the Company's future steam costs as electricity prices somewhat de-couple from natural gas prices. As of December 31, 1998, the Company's electricity price received for sales from the two cogeneration plants owned by the Company correlates directly with natural gas prices. Therefore, our net steam costs are fairly consistent between quarters and years. In the future, electricity prices will be determined by not only the cost of natural gas, but also the cost of coal, hydroelectric, nuclear and other sources of fuel. In addition, power consumption demand may make electricity prices more volatile than in the past.

Impact of Inflation

The impact of inflation on the Company has not been significant in recent years because of the relatively low rates of inflation experienced in the United States.

Forward Looking Statements

"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. With the exception of historical information, the matters discussed in this Form 10-K are forward-looking statements that involve risks and uncertainties. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, but are not limited to, the timing and extent of changes in commodity prices for oil, gas and electricity, environmental risks, drilling and operating risks, uncertainties about the estimates of reserves, Y2k non-compliance by the vendors, customers, the Company, etc. and government regulation.

Item 8. Financial Statements and Supplementary Data

BERRY PETROLEUM COMPANY
Index to Financial Statements and
Supplementary Data

Financial statement schedules have been omitted since they are either not required, are not applicable, or the required information is shown in the financial statements and related notes.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Berry Petroleum Company

In our opinion, the accompanying balance sheets and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Berry Petroleum Company (the "Company") at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

s/s PRICEWATERHOUSECOOPERS LLP

February 12, 1999
Los Angeles, California

BERRY PETROLEUM COMPANY
Balance Sheets
December 31, 1998 and 1997
(In Thousands, Except Share Information)

	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,058	$ 7,756
Short-term investments available for sale	710	718
Accounts receivable	5,495	8,990
Prepaid expenses and other	4,049	1,979
Total current assets	17,312	19,443
Oil and gas properties (successful efforts		

basis), buildings and equipment, net	155,571	157,441
Other assets	921	840
	$ 173,804	$ 177,724
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,491	$ 4,432
Accrued liabilities	2,108	2,459
Federal and state income taxes payable	632	1,053
Total current liabilities	8,231	7,944
Long-term debt	30,000	32,000
Deferred income taxes	28,649	25,909
Shareholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized; no shares outstanding	-	-
Capital stock, $.01 par value:		
Class A Common Stock, 50,000,000 shares authorized; 21,109,729 shares issued and outstanding (21,094,494 in 1997)	211	211
Class B Stock, 1,500,000 shares authorized; 898,892 shares issued and outstanding (liquidation preference of $899)	9	9
Capital in excess of par value	53,400	53,422
Retained earnings	53,304	58,229
Total shareholders' equity	106,924	111,871
	$ 173,804	$ 177,724

The accompanying notes are an integral part of these financial statements.

BERRY PETROLEUM COMPANY
Statements of Operations
Years ended December 31, 1998, 1997 and 1996
(In Thousands, Except Per Share Data)

	1998	1997	1996
Revenues:			
Sales of oil and gas	$ 39,858	$ 67,172	$ 55,264
Interest and dividend income	805	643	2,081
Gain/(loss) on sale of assets	(716)	1,093	-
Other income (expense), net	(48)	87	(72)
	39,899	68,995	57,273
Expenses:			
Operating costs	17,828	22,407	17,658
Depreciation, depletion & amortization	10,080	10,138	7,323
Interest expense	1,939	2,302	178
Impairment of properties	1,827	-	-
General and administrative	3,975	5,907	4,820
	35,649	40,754	29,979
Income before income taxes	4,250	28,241	27,294
Provision for income taxes	371	8,981	9,748
Net income	$ 3,879	$ 19,260	$ 17,546
Basic net income per share	$ .18	$ .88	$ .80

Diluted net income per share	$ .18	$ .87	$ .80
Weighted average number of shares of capital stock outstanding (used to calculate basic net income per share)	22,007	21,976	21,939
Effect of dilutive securities:			
Stock options	25	173	25
Other	5	16	-
Weighted average number of shares of capital stock used to calculate diluted net income per share	22,037	22,165	21,964

The accompanying notes are an integral part of these financial statements.

BERRY PETROLEUM COMPANY
Statements of Shareholders' Equity
Years Ended December 31, 1998, 1997 and 1996
(In Thousands, Except Per Share Data)

	Capital Stock Class A	Capital Stock Class B	Capital in Excess of Par Value	Retained Earnings	Shareholders' Equity
Balances at January 1, 1996	$ 210	$ 9	$ 52,850	$ 38,991	$ 92,060
Stock options expired	-	-	(1)	-	(1)
Stock options Exercised	-	-	180	-	180
Cash dividends Declared - $.40 per share	-	-	-	(8,776)	(8,776)
Net income	-	-	-	17,546	17,546
Balances at December 31, 1996	210	9	53,029	47,761	101,009
Stock options exercised	1	-	393	-	394
Cash dividends declared - $.40 per share	-	-	-	(8,792)	(8,792)
Net income	-	-	-	19,260	19,260
Balances at December 31, 1997	211	9	53,422	58,229	111,871
Stock options Exercised	-	-	(58)	-	(58)
Deferred director fees - stock compensation	-	-	36	-	36
Cash dividends declared - $.40 per share	-	-	-	(8,804)	(8,804)
Net income	-	-	-	3,879	3,879
Balances at December 31, 1998	$ 211	$ 9	$ 53,400	$ 53,304	$ 106,924

The accompanying notes are an integral part of these financial statements.

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BERRY PETROLEUM COMPANY
Statements of Cash Flows
Years Ended December 31, 1998, 1997 and 1996
(In Thousands)

	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 3,879	$ 19,260	$ 17,546
Depreciation, depletion and Amortization	10,080	10,138	7,323
Gain on sale of assets	(55)	(1,093)	-
Impairment of properties	1,827	-	-
Increase in deferred income tax liability	2,740	4,917	4,024
Other, net	(260)	(302)	(258)
Net working capital provided by operating activities	18,211	32,920	28,635
Decrease (increase) in current assets other than cash, cash equivalents and short-term investments	1,425	2,039	(2,262)
Increase (decrease) in current liabilities other than notes payable	288	(3,558)	2,809
Net cash provided by operating Activities	19,924	31,401	29,182
Cash flows from investing activities:			
Capital expenditures, excluding property acquisitions	(6,981)	(18,597)	(15,616)
Property acquisitions	(2,991)	-	(69,330)
Proceeds from sale of assets	350	1,892	352
Purchase of short-term investments	-	(14)	(710)
Maturities of short-term investments	8	-	15,700
Restricted cash deposit	-	2,570	(2,570)
Other, net	(240)	(50)	(100)
Net cash used in investing activities	(9,854)	(14,199)	(72,274)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	3,000	36,000
Proceeds from issuance of short-term notes payable	-	-	6,900
Payment of long-term debt	(2,000)	(7,000)	-
Payment of short-term notes payable	-	(6,900)	-
Dividends paid	(8,804)	(8,792)	(8,776)
Other, net	36	276	179
Net cash provided by (used in) financing activities	(10,768)	(19,416)	34,303
Net decrease in cash and cash Equivalents	(698)	(2,214)	(8,789)
Cash and cash equivalents at beginning of year	7,756	9,970	18,759
Cash and cash equivalents at end of year	$ 7,058	$ 7,756	$ 9,970
Supplemental disclosures of cash flow information:			
Interest paid	$ 1,924	$ 2,319	$ -
Income taxes paid	$ 270	$ 4,280	$ 4,709

The accompanying notes are an integral part of these financial statements.

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

1. General

The Company is an independent energy company engaged in the production, development, acquisition, exploitation, exploration and marketing of crude oil and natural gas. Substantially all of the Company's oil and gas reserves are located in California. Approximately 99% of the Company's production is crude oil, which is principally sold to other oil companies for processing in refineries located in California.

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of significant accounting policies

Cash and cash equivalents

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents.

Short-term investments

All short-term investments are classified as available for sale. Short-term investments consist principally of United States treasury notes and corporate notes with remaining maturities of more than three months at date of acquisition. Such investments are stated at cost, which approximates market. The Company utilizes specific identification in computing realized gains and losses on investments sold.

Oil and gas properties, buildings and equipment

The Company accounts for its oil and gas exploration and development costs using the successful efforts method. Under this method, costs to acquire and develop proved reserves and to drill and complete exploratory wells that find proved reserves are capitalized and depleted over the remaining life of the reserves using the units-of-production method. Exploratory dry hole costs and other exploratory costs, including geological and geophysical costs, are charged to expense when incurred. The costs of carrying and retaining unproved properties are also expensed when incurred.

Depletion of oil and gas producing properties is computed using the units-of-production method. Depreciation of lease and well equipment is computed using the units-of-production method or on a straight-line basis over estimated useful lives ranging from 10 to 20 years. The estimated costs, net of salvage value, of plugging and abandoning oil and gas wells and related facilities are accrued using the units-of-production method and are taken into account in determining DD&A expense. Buildings and equipment are recorded at cost. Depreciation is provided on a straight-line basis over estimated useful lives ranging from 5 to 30 years for buildings and improvements and 3 to 10 years for machinery and equipment. Assets are grouped at the field level and if it is determined that the book value of long-lived assets cannot be recovered by estimated future undiscounted cash flows, they will be written down to fair value. When assets are sold, the applicable costs and accumulated depreciation and depletion are removed from the accounts and any gain or loss is included in income. Expenditures for maintenance and repairs are expensed as incurred.

2. Summary of significant accounting policies (cont'd)

Hedging

The Company has periodically entered into bracketed zero cost collar hedge contracts on a portion of its crude oil production with a California refiner to protect the Company's revenues from potential price declines. Any revenues received or costs incurred related to this hedging activity are reflected in sales of oil and gas of the Company.

Steam Costs

The costs of producing steam are recorded as an operating expense of the Company. Proceeds received from the sale of electricity produced by its cogeneration plants are reported as a reduction to operating costs in the Company's financial statements.

Stock-Based Compensation

During 1996, the Company implemented the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." This statement sets forth alternative standards for recognition of the cost of stock-based compensation and requires that a Company's financial statements include certain disclosures about stock-based employee compensation arrangements regardless of the method used to account for them. As allowed in this statement, the Company continues to apply Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations in recording compensation related to its plans. The supplemental disclosure requirements and further information related to the Company's stock option plans are presented in Note 9 to the Company's financial statements.

Income Taxes

Income taxes are provided based on the liability method of accounting pursuant to SFAS No. 109, "Accounting for Income Taxes." The provision for income taxes is based on pre-tax financial accounting income. Deferred tax assets and liabilities are recognized for the future expected tax consequences of temporary differences between income tax and financial reporting, and principally relate to differences in the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which differences are expected to reverse. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

Earnings Per Share

In December 1997, the Company adopted SFAS No. 128, "Earnings per Share." As required by this new standard, the Company reports two earnings per share amounts, basic net income and diluted net income per share. Basic net income per share is computed by dividing income available to common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator). The computation of diluted net income per share is similar to the computation of basic net income per share except that the denominator is increased to include the dilutive effect of the additional common shares that would have been outstanding if all convertible securities had been converted to common shares during the period. Comparative earnings per share data for prior periods presented has been restated to conform to the new standard.

Reclassifications

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform with the 1998 presentation.

3. Fair value of financial instruments

Financial instruments consist of cash and short-term investments, whose carrying amounts are not materially different from their fair values because of the short maturity of those instruments. Cash equivalents consist principally of commercial paper investments. Cash equivalents of $6.9 million and $6.2 million at December 31, 1998 and 1997, respectively, are stated at cost, which approximates market.

The Company's short-term investments available for sale at December 31, 1998 and 1997 consist of one United States treasury note. All of the short-term investments at December 31, 1998 mature in less than one year. The carrying value of the Company's long-term debt, which was incurred in 1996, is assumed to approximate its fair value since it is carried at current interest rates. For the three years ended December 31, 1998, realized and unrealized gains and losses were insignificant to the financial statements. United States treasury notes with an aggregate market value of $.6 million are pledged as collateral to the California State Lands Commission as a performance bond on the Company's Montalvo properties.

To protect the Company's revenues from potential price declines, the Company entered into a bracketed zero cost collar hedge contract with a California refiner covering 3,000 BPD of its crude oil production. The posted price of the Company's 13 degree API gravity crude oil was used as the basis for the hedge. The current contract expires on December 31, 1999.

4. Concentration of Credit Risks

The Company sells oil, gas and natural gas liquids to pipelines, refineries and major oil companies. Credit is extended based on an evaluation of the customer's financial condition. For the three years ended December 31, 1998, the Company has experienced no credit losses on the sale of oil, gas and natural gas liquids.

The Company places its temporary cash investments with high quality financial institutions and limits the amount of credit exposure to any one financial institution. For the three years ended December 31, 1998, the Company has not incurred losses related to these investments.

The following summarizes the accounts receivable balances at December 31, 1998 and 1997 and sales activity with significant customers for each of the years ended December 31, 1998, 1997 and 1996 (in thousands):

	Accounts Receivable		Sales For the Year Ended December 31,		
Customer	December 31, 1998	December 31, 1997	1998	1997	1996
A	$ 794	$ 1,681	$ 12,409	$ 19,482	$ 14,478
B	601	1,587	10,785	12,875	-
C	435	1,812	7,281	23,804	23,067
D	454	15	6,282	7,119	10,982
	$ 2,284	$ 5,095	$ 36,757	$ 63,280	$ 48,527

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

5. Oil and gas properties, buildings and equipment

Oil and gas properties, buildings and equipment consist of the following at December 31 (in thousands):

	1998	1997
Oil and gas:		
Proved properties:		
Producing properties, including intangible drilling costs	$ 133,372	$ 128,453
Lease and well equipment	93,637	92,461

	227,009	220,914
Less accumulated depreciation, depletion and amortization	73,577	65,828
	153,432	155,086
Commercial and other:		
Land	170	151
Buildings and improvements	4,007	4,034
Machinery and equipment	3,775	3,653
	7,952	7,838
Less accumulated depreciation	5,813	5,483
	2,139	2,355
	$ 155,571	$ 157,441

The following sets forth costs incurred for oil and gas property acquisition, exploration and development activities, whether capitalized or expensed (in thousands):

	1998	1997	1996
Acquisition of properties(1)	$ 2,991	$ -	$ 69,330
Exploration	-	-	40
Development(2)	6,896	18,172	15,689
	$ 9,887	$ 18,172	$ 85,059

(1) Excludes cogeneration facility costs and includes certain closing and consultant costs related to the acquisitions.

(2) Includes cogeneration facilities.

The Company completed two significant acquisitions (Tannehill and Formax) in 1996 for a combined purchase price of approximately $75 million, including the purchase of an 18 megawatt cogeneration facility. In 1998, the Company completed one acquisition consisting of minerals and a steam contract. These properties are in the Company's core South Midway-Sunset producing area. These acquisitions had proved reserves of approximately 28 million barrels upon acquisition.

5. Oil and gas properties, buildings and equipment (cont'd)

Results of operations from oil and gas producing and exploration activities

The results of operations from oil and gas producing and exploration activities (excluding corporate overhead and interest costs) for the three years ended December 31 are as follows (in thousands):

	1998	1997	1996
Sales to unaffiliated parties	$ 39,858	$ 67,172	$ 55,264
Production costs	(17,828)	(22,407)	(17,658)
Depreciation, depletion and Amortization	(9,686)	(9,731)	(6,868)
	12,344	35,034	30,738
Income tax expenses	(3,223)	(10,870)	(10,230)
Results of operations from producing and exploration			

activities	$ 9,121	$ 24,164	$ 20,508

6. Debt obligations	1998	1997
Long-term debt for the years ended December 31 (in thousands):		
Revolving bank facility	$ 30,000	$ 32,000

At December 31, 1998, Berry had a $150 million unsecured three-year revolving credit facility with NationsBank N.A. As of December 31, 1997, the borrowing base was $40 million and the principal amount outstanding was $32 million. As of January 23, 1998, the borrowing base was reduced to $35 million. On January 21, 1999, the Company amended its existing credit agreement with the bank primarily to increase the borrowing base to $110 million and add two additional banks to its syndication. In addition, the facility has been revised to be a five-year bullet loan. The maximum amount available is subject to an annual redetermination of the borrowing base in accordance with the lender's customary procedures and practices. Both parties have bilateral rights to one additional redetermination each year. The revolving period is scheduled to terminate on January 21, 2004. Interest on amounts borrowed is charged at NationsBank base rate or at London Interbank Offered Rates (LIBOR) plus 75 to 150 basis points, depending on the ratio of outstanding credit to the borrowing base. The weighted average interest rate on outstanding borrowings at December 31, 1998 was 6.02%. The Company pays a commitment fee of 25 to 35 basis points on the available unused portion of the commitment. The credit agreement contains other restrictive covenants as defined in the agreement.

In conjunction with the purchase of Tannehill in November 1996, the Company incurred $6.9 million in short-term notes, which were due and paid on January 6, 1997.

7. Shareholders' equity

Shares of Class A Common Stock (Common Stock) and Class B Stock, referred to collectively as the "Capital Stock", are each entitled to one vote and 95% of one vote, respectively. Each share of Class B Stock is entitled to a $1.00 per share preference in the event of liquidation or dissolution. Further, each share of Class B Stock is convertible into one share of Common Stock at the option of the holder.

In December 1989, the Company adopted a Shareholder Rights Agreement and declared a dividend distribution of one Right for each outstanding share of Capital Stock. Each Right, when exercisable, entitles the holder to purchase one one-hundredth of a share of a Series A Junior Participating Preferred Stock, or in certain cases other securities, for $38.00. The exercise price and number of shares issuable are subject to adjustment to prevent dilution. The Rights would become exercisable, unless earlier redeemed by the Company, 10 days following a public announcement that a person or group has acquired, or obtained the right to acquire, 20% or more of the outstanding shares of Common Stock or, 10 business days following the commencement of a tender or exchange offer for such outstanding shares which would result in such person or group acquiring 20% or more of the outstanding shares of Common Stock, either event occurring without the prior consent of the Company.

The Rights will expire in December 1999 or may be redeemed by the Company at $.01 per Right prior to that date unless they have theretofore become exercisable. The Rights do not have voting or dividend rights, and until they become exercisable, have no diluting effect on the earnings of the Company. A total of 250,000 shares of the Company's Preferred Stock has been designated Series A Junior Participating Preferred Stock and reserved for issuance upon exercise of the Rights.

In conjunction with the acquisition of Tannehill, the Company issued a Warrant Certificate to the beneficial owners of Tannehill Oil Company. This Warrant authorizes the purchase of 100,000 shares of Berry Petroleum Company Class A Common Stock until November 8, 2003 at $14.06 per share. All the

warrants are currently outstanding and the underlying shares will not be registered under the Securities Act of 1933.

The Company issued 15,268, 47,621, and 13,932 shares in 1998, 1997 and 1996, respectively, through its stock option plans.

At December 31, 1998, dividends declared on 4,033,150 shares of certain Common Stock are restricted, whereby 37.5% of the dividends declared on these shares are paid by the Company to the surviving member of a group of individuals, the B Group, as long as this remaining member shall live.

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

8. Income taxes

The Provision for income taxes consists of the following (in thousands):

	1998	1997	1996
Current:			
Federal	$ (716)	$ 3,502	$ 3,519
State	(881)	995	1,027
	(1,597)	4,497	4,546
Deferred:			
Federal	1,968	3,940	4,322
State	-	544	880
	1,968	4,484	5,202
Total	$ 371	$ 8,981	$ 9,748

The current deferred tax assets and liabilities are offset and presented as a single amount in the financial statements. Similarly, the noncurrent deferred tax assets and liabilities are presented in the same manner. The following table summarizes the components of the total deferred tax assets and liabilities before such financial statement offsets. The components of the net deferred tax liability consist of the following at December 31 (in thousands):

	1998	1997
Deferred tax asset		
Federal benefit of state taxes	$ 1,514	$ 1,900
Credit/deduction carryforwards	2,481	1,440
Other, net	(479)	415
	3,516	3,755
Deferred tax liability		
Depreciation and depletion	(26,143)	(24,069)
State taxes, net of federal benefit	(4,545)	(4,546)
Other, net	(275)	(619)
	(30,963)	(29,234)
Net deferred tax liability	$ (27,447)	$ (25,479)

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

8. Income taxes (cont'd)

Reconciliation of the statutory federal income tax rate to the effective income tax rate follows:

	1998	1997	1996
Tax computed at statutory federal rate	34.0%	35.0%	35.0%
Asset acquisition/sale differences	(3.0)	-	-
State income taxes, net of federal Benefit	2.0	3.5	4.5
Tax credits	(24.3)	(7.6)	(4.5)
Other	-	.9	.7
Effective tax rate	8.7%	31.8%	35.7%

The Company has $.3 million of loss carryforwards which may be utilized in future years to reduce the Company's federal income taxes. These loss carryforwards expire in the year 2000. The Company also has approximately $3.0 million of federal and $1.6 million of state enhanced oil recovery (EOR) tax credit carryforwards available to reduce future income taxes. The EOR credits will expire in the years 2012 and 2013, if not previously utilized.

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

9. Stock option and stock appreciation rights plans

The Company has a 1987 Nonstatutory Stock Option Plan (the NSO Plan) and a 1987 Stock Appreciation Rights Plan (the SAR Plan). The NSO Plan provided for the granting of options (Options) to purchase up to an aggregate of 700,000 shares of Common Stock. The SAR Plan originally authorized a maximum of 700,000 shares of Common Stock subject to stock appreciation rights (SARs). Holders of SARs had the right upon exercise to receive a payment, payable at the discretion of the Compensation Committee in cash or in shares of Common Stock, equal to the amount by which the market price exceeds the Base Price (as defined) with respect to the shares subject to such SARs on the date of exercise. In December 1994, the Board of Directors adopted a resolution to terminate the 1987 Stock Appreciation Rights Plan without utilizing the 307,860 SARs which were still available for issuance. The 1,120 outstanding SARs at December 31, 1997 were exercised in early 1998. Total compensation expense recognized for the SAR Plan was less than $100,000 in 1998, 1997 and 1996, respectively.

On December 2, 1994, the Board of Directors of the Company adopted the Berry Petroleum Company 1994 Stock Option Plan which was restated and amended in December 1997 (the 1994 Plan) and approved by the shareholders in May 1998. The 1994 Plan provides for the granting of stock options to purchase up to an aggregate of 2,000,000 shares of Common Stock. All Options, with the exception of the formula grants to non-employee Directors, will be granted at the discretion of the Compensation Committee of the Board of Directors. The term of each Option may not exceed ten years from the date the Option is granted.

On December 4, 1998, December 5, 1997, June 2, 1997 and December 6, 1996, 434,000, 200,000, 40,000 and 480,000 Options, respectively, were issued to certain key employees at an exercise price of $12.50, $19.375, $15.50 and $14.00 per share, respectively, which was the closing market price of the Company's Class A Common Stock on the New York Stock Exchange on those dates. The Options vest 25% per year for four years. The 1994 Plan also allows for Option grants to the Board of Directors under a formula plan whereby all non-employee Directors are eligible to receive 5,000 Options annually on December 2 at the fair value on the date of grant. The Options granted to the non-employee Directors vest immediately. Through the 1994 Plan, 45,000, 30,000 and 33,000 Options, respectively, were issued on December 2, 1998, December 2, 1997 and 1996, (5,000 Options to each of the non-employee Directors each year for 1998 and 3,000 for 1997 and 1996) at an exercise price of $12.625, $18.9375 and $13.75 per share, respectively. In addition, 25,000 Options were granted on May 15, 1998 to the Non-employee Directors on December 2, 1997 at an exercise price of $18.9375.

The Company applies APB No. 25 and related interpretations in accounting for its stock option plans. Accordingly, since the stock options related to the 1987 Plan were issued at prices below the existing current market prices and they were fully vested previously, compensation related to this plan was recorded in prior years. The Options issued per the 1994 Plan were issued at market price. Compensation recognized related to the 1994 Plan was $.04 million in 1998, $.5 million in 1997 and $.1 million in 1996.

Under SFAS No. 123, compensation cost would be recognized for the fair value of the employee's option rights. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	1998	1997	1996
Dividend - $/year	$ .40	$ .40	$ .40
Expected option life-years	4	4	4
Volatility	28.13%	26.03%	24.97%
Risk-free interest rate	4.68%	5.48%	6.10%

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

9. Stock option and stock appreciation rights plans (cont'd)

Had compensation cost for the 1994 Plan been based upon the fair value at the grant dates for awards under this plan consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	1998	1997	1996
Net income as reported	$ 3,879	$ 19,260	$ 17,546
Pro forma	$ 3,244	$ 19,185	$ 17,387
Net income per share as reported	$ .18	$ .88	$ .80
Pro forma	$ .15	$ .87	$ .79

The following is a summary of stock-based compensation activity for the years 1998, 1997 and 1996.

	1998		1997		1996	
	Options	SARs	Options	SARs	Options	SARs
Balance out-standing, January 1	924,429	1,120	861,229	9,200	431,141	39,740
Granted	504,000	-	270,000	-	513,000	-
Exercised	(75,799)	(1,120)	(196,800)	(8,080)	(76,912)	(30,540)
Canceled/ expired	(125,000)	-	(10,000)	-	(6,000)	-
Balance out-standing, December 31	1,227,630	-	924,429	1,120	861,229	9,200
Balance exer-cisable at December 31	449,880	-	256,929	1,120	231,229	9,200
Available for future grant	681,800	-	60,800	-	320,800	-
Exercise price-Range	$ 9.80	$ 9.80	$ 9.80	$ 9.80	$ 9.80	$ 9.80

	to 19.375		to 19.375	to 10.00	to 14.00	to 10.00
Weighted average remaining contractual life (years)	9	-	9	1	9	2
Weighted average fair value per option granted during the year	$ 2.82		$ 4.56		$ 3.22	

Weighted average option exercise price information for the years 1998, 1997 and 1996 as follows:

	1998	1997	1996
Outstanding at January 1	$ 14.71	$ 12.61	$ 10.52
Granted during the year	$ 12.83	$ 18.75	$ 13.98
Exercised during the year	$ 11.42	$ 11.03	$ 12.82
Expired during the year	$ 14.34	$ 14.00	$ 10.69
Outstanding at December 31	$ 14.18	$ 14.71	$ 12.61
Exercisable at December 31	$ 14.17	$ 13.09	$ 11.02

BERRY PETROLEUM COMPANY
Notes to the Financial Statements

10. Retirement Plan

The Company sponsors a defined contribution retirement or thrift plan (401(k) Plan) to assist all employees in providing for retirement or other future financial needs. Employee contributions (up to 6% of their earnings) are matched by the Company dollar for dollar. Effective November 1, 1992, the 401(k) Plan was modified to provide for increased Company matching of employee contributions whereby the monthly Company matching contributions will range from 6% to 9% of eligible participating employee earnings, if certain financial results are achieved. The Company's contributions to the 401(k) Plan were $.2 million in 1998 and $.3 million in 1997 and 1996.

11. Quarterly financial data (unaudited)

The following is a tabulation of unaudited quarterly operating results for 1998 and 1997 (in thousands, except for per share data):

	Operating Revenues	Gross Profit	Net Income (loss)	Basic Net Income Per Share	Diluted Net Income Per Share
First Quarter	$ 11,473	$ 4,569	$ 2,071	$ .09	$ .09
Second Quarter	9,590	3,136	1,514	.07	.07
Third Quarter	10,105	2,926	1,378	.06	.06
Fourth Quarter	8,642	1,665	(1,084)	(.04)	(.04)
	$ 39,810	$ 12,296	$ 3,879	$ .18	$ .18
1997					
First Quarter	$ 17,025	$ 8,952	$ 4,816	$ .22	$ .22
Second Quarter	15,988	8,787	4,652	.21	.21
Third Quarter	16,775	8,697	5,136	.23	.23
Fourth Quarter	17,327	8,533	4,656	.22	.21
	$ 67,115	$ 34,969	$ 19,260	$ .88	$ .87

12. Subsequent Event

On December 23, 1998, the Company announced that it had entered into an agreement with Aera Energy, LLC to acquire the Placerita, California oilfield

for $35 million in cash. The Company closed the transaction on February 12, 1999. The Placerita oilfield consists of six leases and two fee properties totaling approximately 700 acres and produces approximately 2,800 net BPD of 13 degree gravity crude oil. The Company estimates the property has approximately 20 million barrels of proved reserves, of which 65% are developed. The acquisition also includes a 42 megawatt cogeneration facility which generates electricity sold to a major utility and provides approximately 13,500 BSPD for injection into the reservoir. The Company financed the acquisition through borrowings under its credit facility.

BERRY PETROLEUM COMPANY

Supplemental Information About Oil & Gas Producing Activities (Unaudited)

The following estimates of proved oil and gas reserves, both developed and undeveloped, represent interests owned by the Company located solely within the United States. Proved reserves represent estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells for which relatively major expenditures are required for completion.

Disclosures of oil and gas reserves which follow are based on estimates prepared by independent engineering consultants as of December 31, 1998, 1997 and 1996. Such estimates are subject to numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. These estimates do not include probable or possible reserves. The information provided does not represent Management's estimate of the Company's expected future cash flows or value of proved oil and gas reserves.

Changes in estimated reserve quantities

The net interest in estimated quantities of proved developed and undeveloped reserves of crude oil and natural gas at December 31, 1998, 1997 and 1996, and changes in such quantities during each of the years then ended were as follows (in thousands):

	1998		1997		1996	
	Oil Mbbls	Gas Mmcf	Oil Mbbls	Gas Mmcf	Oil Mbbls	Gas Mmcf
Proved developed and undeveloped reserves:						
Beginning of year	100,454	3,531	101,336	4,682	77,071	5,983
Revision of previous estimates	(4,894)	774	3,647	(869)	739	(810)
Production	(4,359)	(245)	(4,503)	(282)	(3,491)	(491)
Sale of reserves in place	-	-	(26)	-	-	-
Purchase of reserves in place	732	-	-	-	27,017	-
End of year	91,933	4,060	100,454	3,531	101,336	4,682
Proved developed reserves:						
Beginning of year	86,858	1,457	76,358	2,608	62,856	3,380
End of year	83,532	1,604	86,858	1,457	76,358	2,608

BERRY PETROLEUM COMPANY

Supplemental Information About Oil & Gas Producing Activities
(Unaudited)(Cont'd)

The standardized measure has been prepared assuming year end sales prices adjusted for fixed and determinable contractual price changes, current costs and statutory tax rates (adjusted for tax credits and other items), and a ten percent annual discount rate. No deduction has been made for depletion, depreciation or any indirect costs such as general corporate overhead or interest expense.

Standardized measure of discounted future net cash flows from estimated production of proved oil and gas reserves (in thousands):

	1998	1997	1996
Future cash inflows	$ 656,607	$ 1,232,749	$ 1,875,373
Future production and development Costs	(388,546)	(421,305)	(429,879)
Future income tax expenses	(33,577)	(246,668)	(495,412)
Future net cash flows	234,484	564,776	950,082
10% annual discount for estimated timing of cash flows	(127,967)	(297,182)	(529,523)
Standardized measure of discounted future net cash flows	$ 106,517	$ 267,594	$ 420,559
Pre-tax standardized measure of discounted future net cash flows	$ 113,811	$ 376,459	$ 634,579
Average sales prices at December 31:			
Oil ($/bbl)	$ 7.05	$ 12.19	$ 18.37
Gas ($/mcf)	$ 2.10	$ 2.33	$ 3.02

Changes in standardized measure of discounted future net cash flows from proved oil and gas reserves (in thousands):

	1998	1997	1996
Standardized measure - beginning of year	$ 267,594	$ 420,559	$ 208,301
Sales of oil and gas produced, net of production costs	(22,030)	(44,765)	(37,677)
Revisions to estimates of proved reserves:			
Net changes in sales prices and production costs	(216,265)	(259,026)	170,529
Revisions of previous quantity Estimates	(8,400)	14,014	4,020
Change in estimated future development costs	(17,262)	(1,775)	(19,294)
Purchases of reserves in place	1,597	-	171,456
Sale of reserves in place	-	(244)	-
Development costs incurred during the period	6,728	18,597	9,305
Accretion of discount	37,539	63,458	30,837
Income taxes	46,293	109,780	(101,936)
Other	10,723	(53,004)	(14,982)
Net increase (decrease)	(161,077)	(152,965)	212,258
Standardized measure - end of year	$ 106,517	$ 267,594	$ 420,559

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information called for by Item 10 is incorporated by reference from information under the caption "Election of Directors" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A no later than 120 days after the close of its fiscal year. The information on Executive Officers is contained in Part I of this Form 10-K.

Item 11. Executive Compensation

The information called for by Item 11 is incorporated by reference from information under the caption "Executive Compensation" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A no later than 120 days after the close of its fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information called for by Item 12 is incorporated by reference from information under the captions "Ownership by Directors and Management" and "Principal Shareholders" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A no later than 120 days after the close of its fiscal year.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 and related Securities and Exchange Commission rules require that Directors and Executive Officers report to the Securities and Exchange Commission changes in their beneficial ownership of Berry stock, and that any late filings be disclosed. Based solely on a review of the copies of such forms furnished to the Company, or written representations that no Form 5 was required, the Company believes that all Section 16(a) filing requirements were complied with.

Item 13. Certain Relationships and Related Transactions

The information called for by Item 13 is incorporated by reference from information under the caption "Certain Relationships and Related Transactions" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A no later than 120 days after the close of its fiscal year.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

A. Financial Statements and Schedules

See Index to Financial Statements and Supplementary Data in Item 8.

B. Reports on Form 8-K

A Form 8-K was filed on February 26, 1999 to report an Item 2 - Acquisition of Assets. The Form 8-K was filed to report the acquisition on February 12, 1999 of the Placerita oilfield assets for $35 million.

C. Exhibits

Exhibit No.	Description of Exhibit	Page
3.1*	Registrant's Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Registration	

Statement on Form S-1 filed on June 7, 1989, File No. 33-29165)

3.2* Registrant's Restated Bylaws (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 on June 7, 1989, File No. 33-29165)

3.3* Registrant's Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 3.3 to the Annual Report on Form 10-K for the year ended December 31, 1989, File No. 0-11708)

4.1* Rights Agreement between Registrant and Bank of America dated as of December 8, 1989 (filed as Exhibit 1 to Form 8-K filed on December 20, 1989, File No. 0-11708)

10.1* Description of Cash Bonus Plan of Berry Petroleum Company (filed as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-9735)

10.2* Salary Continuation Agreement dated as of December 5, 1997, by and between Registrant and Jerry V. Hoffman (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, File No.1-9735)

10.3* Form of Salary Continuation Agreement dated as of December 5, 1997, by and between Registrant and Ralph J. Goehring and Michael R. Starzer (filed as Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-9735)

10.4* Form of Salary Continuation Agreements dated as of March 20, 1987, as amended August 28, 1987, by and between Registrant and selected employees of the Company (filed as Exhibit 10.12 to the Registration Statement on Form S-1 filed on June 7, 1989, File No. 33-29165)

10.5* Instrument for Settlement of Claims and Mutual Release by and among Registrant, Victory Oil Company, the Crail Fund and Victory Holding Company effective October 31, 1986 (filed as Exhibit 10.13 to Amendment No. 1 to the Registrant's Registration Statement on Form S-4 filed on May 22, 1987, File No. 33-13240)

10.6* Warrant Certificate dated November 14, 1996, by and between Registrant and Tannehill Oil Company (filed as Exhibit 10.16 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735)

10.7* Credit Agreement, dated as of December 1, 1996, by and between the Registrant and NationsBank of Texas, N.A. (filed as Exhibit 10.1 in Registrant's Form 8-K filed on December 18, 1996, File No. 1-9735)

10.8* Standard Offer #2 Power Purchase Agreement dated May 1984 by and between Registrant's predecessor and Pacific Gas and Electric Company (filed as Exhibit 10.14 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735)

10.9* Standard Offer #1 Power Purchase Agreement dated January 16, 1997, by and between Registrant and Pacific Gas and Electric Company (filed as Exhibit 10.15 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735) 10.10* Purchase and Sale Agreement, dated as of January 26, 1999, by and between the Registrant and Aera Energy LLC (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on February 26, 1999, File No. 1-9735)

10.11* Standard Offer #2 Power Purchase Agreement (Newhall Phase I), as amended, dated December 1985, between Tenneco Oil Company and Southern California Edison (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on February 26, 1999, File No. 1-9735)

10.12* Standard Offer #2 Power Purchase Agreement (Newhall Phase II), as amended, dated December 1985, between Tenneco Oil Company and Southern California Edison (filed as Exhibit 10.3 to the Registrant's Form 8-K filed on February 26, 1999, (File No. 1-9735)

Exhibits (cont'd)

Exhibit No.	Description of Exhibit	Page

10.13	Amended and Restated 1994 Stock Option Plan	42
10.14	Second Amendment to Credit Agreement dated as of January 21, 1999, by and between Registrant and NationsBank, N.A.	49
23.1	Consent of PricewaterhouseCoopers LLP	76
23.2	Consent of DeGolyer and MacNaughton	77
27. **	Financial Data Schedule	
99.1	Undertaking for Form S-8 Registration Statements	79
99.2*	Form of Indemnity Agreement of Registrant (filed as Exhibit 28.2 in Registrant's Registration Statement on Form S-4 filed on April 7, 1987, File No. 33-13240)	
99.3*	Form of "B" Group Trust (filed as Exhibit 28.3 to Amendment No. 1 to Registrant's Registration Statement on Form S-4 filed on May 22, 1987, File No. 33-13240)	

* Incorporated by reference
** Included in the Company's electronic filing on EDGAR

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on March 12, 1999.

BERRY PETROLEUM COMPANY

/s/ JERRY V. HOFFMAN	/s/ RALPH J. GOEHRING	/s/ DONALD A. DALE
JERRY V. HOFFMAN	RALPH J. GOEHRING	DONALD A. DALE
Chairman of the Board, President and Chief Executive Officer	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	Controller Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates so indicated.

Name	Office	Date
/s/ Jerry V. Hoffman Jerry V. Hoffman	Chairman of the Board, President & Chief Executive Officer	March 12, 1999
/s/ William F. Berry William F. Berry	Director	March 12, 1999
/s/ Gerry A. Biller Gerry A. Biller	Director	March 12, 1999
/s/ Ralph B. Busch, III Ralph B. Busch, III	Director	March 12, 1999
/s/ William E. Bush, Jr. William E. Bush, Jr.	Director	March 12, 1999
/s/ Richard F. Downs Richard F. Downs	Director	March 12, 1999
/s/ John A. Hagg John A. Hagg	Director	March 12, 1999
/s/ Thomas J. Jamieson Thomas J. Jamieson	Director	March 12, 1999
/s/ Roger G. Martin Roger G. Martin	Director	March 12, 1999

EXHIBIT A

BERRY PETROLEUM COMPANY
RESTATED AND AMENDED
1994 STOCK OPTION PLAN

ARTICLE I

PURPOSE OF PLAN

The purpose of this Plan is to promote the growth and profitability of the Company and other Participating Companies by providing, through the ownership of Options, incentives to attract and retain highly talented persons to provide managerial, administrative and other specialized services to the Company and other Participating Companies and to motivate such persons to use their best efforts on behalf of the Company and other Participating Companies.

ARTICLE II

DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings set forth in this Article II:

2.1 Accrued installment. The term "Accrued installment" shall mean any vested installment of an Option.

2.2 Board. The term "Board" shall mean the Board of Directors of the Company.

2.3 Committee. The term "Committee" shall mean the Compensation Committee, or a successor committee, appointed by the Board and constituting not less than two members of the Board, each of whom is a Disinterested Person.

2.4 Company. The term "Company" shall mean Berry Petroleum Company, a Delaware corporation, or any successor thereof.

2.5 Director. The term "Director" shall mean a member of the Board, or a member of the board of directors of any Participating Company.

2.6 Disinterested Person. The term "Disinterested Person" shall mean any person defined as a Disinterested Person in Rule 16b-3 of the Securities and Exchange Commission as amended from time to time and as promulgated under the Exchange Act.

2.7 Effective Date. The term "Effective Date" shall mean December 2, 1994.

2.8 Eligible Person. The term "Eligible Person" shall mean, except as provided in Section 3.1, any full-time or part-time employee, officer or Director of any Participating Company.

2.9 Exchange Act. The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.10 Fair Market Value. The term "Fair Market Value" shall mean the closing sale price on the trading day in question of the Shares on the Composite Tape for New York Stock Exchange Listed Stocks, or, if the Shares are not quoted on the Composite Tape, on the New York Stock Exchange, or, if the Shares are not listed on such Exchange, on the principal United States securities exchange on which the Shares are listed, or, if the Shares are not listed on any such exchange, the closing bid quotation with respect to the Shares on the trading day in question on the National Association of Securities Dealers, Inc. Automated Quotations Systems or any similar system then in use, or if no such quotation is available, the fair market value on the date in question of the Shares as determined in good faith by the Committee. If the day in question is not a trading day, the determination of Fair Market Value shall be made as of the nearest preceding trading day.

2.11 Option. The term "Option" shall mean a nonstatutory option to acquire Shares granted under this Plan.

2.12 Optionee. The term "Optionee" shall mean an Eligible Person who has been granted an Option.

2.13 Parent Corporation. The term "Parent Corporation" shall mean a corporation as defined in Internal Revenue Code Section 424(e) or any successor thereto.

2.14 Participating Company. The term "Participating Company" shall mean the Company and any Parent Corporation or Subsidiary Corporation of the Company.

2.15 Plan. The term "Plan" shall refer to the Company's 1994 Stock Option Plan.

2.16 Shares. The term "Shares" shall mean shares of the Company's Class A Common Stock, $.01 par value, and may be unissued shares or treasury shares or shares purchased for purposes of this Plan.

2.17 Subsidiary Corporation. The term "Subsidiary Corporation" shall mean a corporation as defined in Internal Revenue Code Section 424(f) or any successor thereto.

2.18 Terminating Transaction. The term "Terminating Transaction" shall mean any of the following events: (a) the dissolution or liquidation of the Company; (b) a reorganization, merger or consolidation of the Company with one or more other corporations as a result of which the Company goes out of existence or becomes a subsidiary of another corporation (which shall be deemed to have occurred if another corporation shall own, directly or indirectly, over eighty percent (80%) of the aggregate voting power of all outstanding equity securities of the Company); (c) a sale of all or substantially all of the Company's assets; or (d) a sale of the equity securities of the Company representing more than eighty percent (80%) of the aggregate voting power of all outstanding equity securities of the Company to any person or entity, or any group of persons and entities acting in concert.

2.19 Termination Date. The term "Termination Date" shall mean December 2, 2004.

2.20 Total Disability. The term "Total Disability" shall mean a permanent and total disability as that term is defined in Internal Revenue Code Section 22(e)(3) or any successor thereto.

ARTICLE III

ADMINISTRATION OF PLAN; GRANT TO DIRECTORS

3.1 Administration by the Committee. This Plan shall be administered by the Compensation Committee of the Board, or its successor (the "Committee"). Subject to the provisions of this Plan document, the Committee shall have full and absolute power and authority in its sole discretion to (i) determine which Eligible Persons shall receive Options, (ii) determine the time when Options shall be granted, (iii) determine the terms and conditions, not inconsistent with the provisions of this Plan, of any Option granted hereunder, (iv) determine the number of shares subject to or covered by each Option, and (v) interpret the provisions of this Plan and of any Option granted under this Plan. A member of the Committee shall not be an Eligible Person, and shall not have been an Eligible Person at any time within one (1) year prior to appointment to the Committee. Except as otherwise provided herein or otherwise permitted by Rule 16b-3(c)(3) of the Exchange Act, during said one (1) year prior to such appointment, no member of the Committee shall have been eligible to acquire stock, stock options or stock appreciation rights under any plan of the Company.

3.2 Grant to Non-employee Directors. All non-employee Directors of the Company holding office on December 5, 1997, shall receive a grant of 5,000 Options, (3,000 of which have been granted to the 12 directors on that date except for Mr. Middleton) conditioned upon the receipt of Shareholder Approval at the May 15, 1998 Annual Meeting of Shareholders. For the duration of the 1994 Plan, each non-employee Director holding office on December 2nd of each

year shall automatically receive a grant of 5,000 Options.

The above referenced Options to non-employee Directors shall be granted upon the following terms and conditions:

(a) The exercise price of the Options shall be Fair Market Value on the date of grant.

(b) The Options shall vest immediately upon grant.

(c) This "formula" grant to non-employee Directors shall not be amended more than once every (6) six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement income Security Act or the rules thereunder.

3.3 Rules and Regulations. The Committee may adopt such rules and regulations as the Committee may deem necessary or appropriate to carry out the purposes of this Plan and shall have authority to take all action necessary or appropriate to administer this Plan.

3.4 Binding Authority. All decisions, determinations, interpretations, or other actions by the Committee shall be final, conclusive, and binding on all Eligible Persons, Optionees, Participating Companies and any successors-in-interest to such parties.

ARTICLE IV

NUMBER OF SHARES AVAILABLE UNDER THIS PLAN

The maximum aggregate number of Shares which may be optioned and sold under this Plan is 2,000,000 Shares. In the event that Options granted under this Plan shall for any reason terminate, lapse, be forfeited, or expire without being exercised, the Shares subject to such unexercised Options may again be subjected to Options under this Plan. In any event, however, no Option may be granted hereunder if the sum of Shares subject to such Option and the number of Shares subject to unexpired Options previously granted hereunder (or subject to unexercised options or stock appreciation rights under any other stock option or stock appreciation right plan of the Company) would exceed twenty percent (20%) of the total shares of voting stock outstanding at such time.

ARTICLE V

TERM OF PLAN

This Plan shall be effective as of the Effective Date and shall terminate on the Termination Date. No Option may be granted hereunder after the Termination Date.

ARTICLE VI

OPTION TERMS

6.1 Form of Option Agreement. Any option granted under this Plan shall be evidenced by an agreement ("Option Agreement") in such form as the Committee, in its discretion, may from time to time approve. Any Option Agreement shall contain such terms and conditions as the Committee may deem, in its sole discretion, necessary or appropriate and which are not inconsistent with the provisions of this Plan.

6.2 Vesting and Exercisability of Options. Subject to the limitations set forth herein and/or in any applicable Option Agreement entered into hereunder, Options granted under this Plan shall vest and be exercisable in accordance with the rules set forth in this Section 6.2:

a. General. Subject to the other provisions of this Section 6.2, Options shall vest and become exercisable at such times and in such installments as the Committee shall provide in each individual Option Agreement. Notwithstanding the foregoing, the Committee may in its sole discretion accelerate the time at which an Option or installment thereof may be exercised. Unless otherwise provided in this Section 6.2 or in the Option

Agreement pursuant to which an Option is granted, an Option may be exercised when Accrued Installments accrue as provided in such Option Agreement and at any time thereafter until, and including, the Option Termination Date (as defined below).

b. Termination of Options. All installments and Options shall expire and terminate on such date as the Committee shall determine ("Option Termination Date"), which in no event shall be later than ten (10) years from the date on which such Option was granted.

c. Termination of Eligible Person Status Other Than by Reason of Death or Disability. In the event that the employment of an Eligible Person with a Participating Company is terminated for any reason (other than by reason of death or Total Disability), any installments under an Option held by such Eligible Person which have not accrued as of such termination date shall expire and become unexercisable as of such termination date. Except as otherwise provided herein, in the event that an Eligible Person who is a Director terminates his directorship or otherwise ceases to be a Director for any reason (other than by reason of death or Total Disability), any installments under an Option held by such Eligible Person which have not accrued as of the directorship termination date shall expire and become unexercisable as of the directorship termination date. All Accrued installments as of the employment termination date and/or the directorship termination date shall remain exercisable only within such period of time as the Committee may determine, but in no event shall any Accrued installments remain exercisable for a period in excess of three (3) months following such termination date or for a period in excess of the original Option Termination Date, whichever is earlier. For purposes of this Plan, an Eligible Person who is an employee or Director of any Participating Company shall not be deemed to have incurred a termination of his employment or his directorship (whichever may be applicable) so long as such Eligible Person is an employee or Director (whichever may be applicable) of any Participating Company.

d. Leave of Absence. In the case of any employee on an approved leave of absence, the Committee may make such provision respecting continuance of any Options held by the employee as the Committee deems appropriate in its sole discretion, except in no event shall an Option be exercisable after the original Option Termination Date.

e. Death or Total Disability of Eligible Person. In the event that the employment or directorship of an Eligible Person with a Participating Company is terminated by reason of death or Total Disability, any unexercised Accrued installments of Options granted hereunder to such Eligible Person shall expire and become unexercisable as of the earlier of:

(1) The applicable Option Termination Date, or

(2) The first anniversary of the date of termination of the employment or directorship of such Eligible Person by reason of the Eligible Person's death or Total Disability. Any such Accrued Installments of a deceased Eligible Person may be exercised prior to their expiration only by the person or persons to whom the Eligible Person's Option rights pass by will or the laws of descent and distribution. Any Option installments under such a deceased or disabled Eligible Person's Option that have not accrued as of the date of the termination of employment, or directorship due to death or Total Disability shall expire and become unexercisable as of such termination date.

f. Termination of Affiliation of Participating Company. Notwithstanding the foregoing provisions of this section, in the case of an Eligible Person who is an employee or Director of a Participating Company other than the Company, upon an Affiliation Termination (as defined herein) of such Participating Company such Eligible Person shall be deemed (for all purposes of this Plan) to have incurred a termination of his employment or directorship with such Participating Company for reasons other than death or Total Disability, with such termination to be deemed effective as of the effective date of said Affiliation Termination. As used herein the term "Affiliation Termination" shall mean, with respect to a Participating Company, the termination of such Participating Company's status as a Participating Company (as defined herein) with respect to the Company.

6.3 Options Not Transferable. Options granted under this Plan may not be sold, pledged, hypothecated, assigned, encumbered, gifted or otherwise transferred or alienated in any manner, either voluntarily or involuntarily or by operation of law, other than by will or the laws of descent and distribution, and

(except as specifically provided to the contrary in Section 6.2(e) hereof) may be exercised during the lifetime of an Optionee only by such Optionee.

6.4 Restrictions on Issuance of Shares.

a. No Shares shall be issued or delivered upon exercise of an Option unless and until there shall have been compliance with all applicable requirements of the Securities Act of 1933, all applicable listing requirements of any market or securities exchange on which the Company's Common Stock is then listed, and any other requirements of law or of any regulatory body having jurisdiction over such issuance and delivery. The inability of the Company to obtain any required permits, authorizations or approvals necessary for the lawful issuance and sale of any Shares hereunder on terms deemed reasonable by the Committee shall relieve the Company, the Board, and the Committee of any liability in respect of the nonissuance or sale of such Shares as to which such requisite permits, authorizations or approvals shall not have been obtained.

b. As a condition to the granting or exercise of any Option, the Committee may require the person receiving or exercising such Option to make any representations and warranties to the Company as may be required or appropriate under any applicable law or regulation, including, but not limited to, a representation that the Option or Shares are being acquired only for investment and without any present intention to sell or distribute such Option or Shares, if such a representation is required under the Securities Act of 1933 or any other applicable law, rule or regulation.

c. The exercise of any Option under this Plan is conditioned on approval of this Plan, within twelve (12) months of the adoption of this Plan by the Board, by (i) the vote of the holders of a majority of the outstanding securities of the Company present, or represented, and entitled to vote at a meeting duly held in accordance with applicable law, or (ii) the written consent of the holders of a majority of the securities of the Company entitled to vote if the requirements of Rule 16b-3(b)(2) promulgated under the Exchange Act are otherwise satisfied. In the event such shareholder approval is not obtained within such time period, any Options granted hereunder shall be void.

6.5 Option Adjustments.

a. If the outstanding Shares are increased, decreased, changed into or exchanged for a different number or kind of shares of the Company through reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made in the number or kind of shares, and the per-share Option price thereof which may be issued in the aggregate and to any individual Optionee under this Plan upon exercise of Options granted under this Plan; provided, however, that no such adjustment need be made if, upon the advice of counsel, the Committee determines that such adjustment may result in the receipt of federally taxable income to holders of Options granted hereunder or the holders of Shares or other classes of the Company's securities.

b. Upon the occurrence of a Terminating Transaction (as defined in Article II hereof), as of the effective date of such Terminating Transaction, this Plan and any then outstanding Options (whether or not vested) shall terminate unless (i) provision is made in writing in connection with such transaction for the continuance of this Plan and for the assumption of such Options, or for the substitution of such Options of new options covering the securities of the successor or surviving corporation in the Terminating Transaction or an affiliate thereof, with appropriate adjustments as to the number and kind of securities and prices, in which event this Plan and such outstanding Options shall continue or be replaced, as the case may be, in the manner and under the terms so provided; or (ii) the Committee otherwise shall provide in writing for such adjustments as it deems appropriate in the terms and conditions of the then outstanding Options (whether or not vested),

including without limitation (A) accelerating the vesting of outstanding Options, and/or (B) providing for the cancellation of Options and their automatic conversion into the right to receive the securities or other properties which a holder of the Shares underlying such Options would have been entitled to receive upon consummation of such Terminating Transaction had such Shares been issued and outstanding (net of the appropriate option exercise prices). If this Plan or the Options shall terminate pursuant to the foregoing provisions of this paragraph (b) because neither (i) nor (ii) is satisfied, any Optionee holding outstanding Options shall have the right, at such time immediately prior to the consummation of the

Terminating Transaction as the Company shall designate, to exercise his or her Options to the full extent not theretofore exercised, including any installments which have not yet become Accrued installments.

c. In all cases, the nature and extent of adjustments under this Section 6.5 shall be determined by the Committee in its sole discretion, and any such determination as to what adjustments shall he made, and the extent thereof, shall be final, binding and conclusive. No fractional shares of stock shall be issued under this Plan pursuant to any such adjustment.

6.6 Taxes. The Committee shall make such provisions and take such steps as it deems necessary or appropriate for the withholding of any federal, state, local and other tax required by law to be withheld with respect to the grant or exercise of an Option under this Plan, including, but without limitation, the withholding of the number of Shares at the time of the grant or exercise of an Option the Fair Market Value of which would satisfy any withholding tax on said exercise or grant, the deduction of the amount of any such withholding tax from any compensation or other amounts payable to an Optionee by any member of the Participating Companies, or requiring an Optionee (or the Optionee's beneficiary or legal representative) as a condition of granting or exercising an Option to pay to any member of the Participating Companies any amount required to be withheld, or to execute such other documents as the Committee deems necessary or appropriate in connection with the satisfaction of any applicable withholding obligation.

6.7 Legends. Each Option Agreement and each certificate representing Shares acquired upon exercise of an Option shall be endorsed with all legends, if any, required by applicable federal and state securities laws to be placed thereon. The determination of which legends, if any, shall be placed upon Option Agreements and/or said Share certificates shall be made by the Committee in its sole discretion and such decision shall be final, binding and conclusive.

ARTICLE VII

SPECIAL OPTION TERMS UNDER THIS PLAN

7.1 Option Exercise Price. The Option exercise price for Shares to be issued under this Plan shall be determined by the Committee in its sole discretion, but shall not be less than eighty percent (80%) of the Fair Market Value of the Shares on the date of grant. The date of grant shall be deemed to be the date on which the Committee authorizes the grant of the Option, unless a subsequent date is specified in such authorization.

7.2 Exercise of Options. An Option may be exercised in accordance with this Section 7.2 as to all or any portion of the Shares covered by an Accrued installment of the Option from time to time during the applicable Option period, except that an Option shall not be exercisable with respect to fractions of a Share. Options may be exercised, in whole or in part, by giving written notice of exercise to the Company, which notice shall specify the number of Shares to be purchased and shall be accompanied by payment in full of the purchase price in accordance with Section 7.3. An Option shall be deemed exercised when such written notice of exercise and payment has been received by the Company. No Shares shall be issued until full payment has been made and the Optionee has satisfied such other conditions as may be required by this Plan, as may be required by applicable law, rules, or regulations, or as may be adopted or imposed by the Committee. Until the stock certificates have been issued, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to optioned Shares notwithstanding the

exercise of the Option. No adjustment will be made for a dividend or other rights for which the record date is prior to the date the stock certificate is issued, except as provided in Section 6.5.

7.3 Payment of Option Exercise Price.

a. Except as otherwise provided in Section 7.3(b), the entire Option exercise price shall be paid in cash at the time the Option is exercised.

b. In the discretion of the Committee, an Optionee may elect to pay for all or some of the Optionee's Shares with Common Stock of the Company previously acquired and owned at the time of exercise by the Optionee, subject to all restrictions and limitations of applicable laws, rules and regulations, and subject to the satisfaction of any conditions the Committee may impose, including, but not limited to, the making of such

representations and warranties and the providing of such other assurances that the Committee may require with respect to the Optionee's title to the Company's Common Stock used for payment of the exercise price. Such payment shall be made by delivery of certificates representing the Company's Common Stock, duly endorsed or with duly signed stock power attached, such Common Stock to be valued at its Fair Market Value on the date notice of exercise is received by the Company.

ARTICLE VIII

AMENDMENT OR TERMINATION OF PLAN

8.1 Board Authority. The Board may amend, alter, and/or terminate this Plan at any time; provided, however, that unless required by applicable law, rule, or regulation or unless no longer required to satisfy the requirements of Rule 16b-3 promulgated under the Exchange Act, the Board shall not amend this Plan without the approval of stockholders (as obtained in accordance with the provisions of Section 6.4(c) hereof) if the amendment would (A) materially increase the benefits accruing to participants under this Plan, (B) materially increase the number of securities which may be issued under this Plan, or (C) materially modify the requirements as to eligibility for participation in this Plan. In determining whether a given amendment is within the scope of (A), (B) or (C), the Company may rely, without limitation, upon the regulations promulgated and the advice provided by the Securities and Exchange Commission with respect to Rule 16b-3. No amendment of this Plan or of any Option Agreement shall affect in a material and adverse manner Options granted prior to the date of any such amendment without the consent of any Optionee holding any such affected Options.

8.2 Contingent Grants Based on Amendments. Options may be granted in reliance on and consistent with any amendment adopted by the Board alone which is necessary to enable such Options to be granted under this Plan, even though such amendment requires future stockholder approval; provided, however, that any such contingent Option by its terms may not be exercised prior to stockholder approval of such amendment and provided, further, that in the event stockholder approval is not obtained within twelve (12) months of the date of grant of such contingent Option, then such contingent Option shall be deemed canceled and no longer outstanding.

ARTICLE IX

GENERAL PROVISIONS

9.1 Availability of Plan. A copy of this Plan shall be delivered to the Secretary and Assistant Secretary of the Company and shall be shown by the Secretary or Assistant Secretary to any Eligible Person making reasonable inquiry concerning this Plan.

9.2 Notice. Any notice or other communication required or permitted to be given pursuant to this Plan or under any Option Agreement must be in writing and shall be deemed to have been given when delivered to and actually received by the party to whom addressed. Notice shall be given to Optionees at their most recent addresses shown in the Company's records. Notice to the Company shall be addressed to the Company at the address of the Company's

principal executive offices, to the attention of the Secretary of the Company.

9.3 Titles and Headings. Titles and headings of sections of this Plan are for convenience of reference only and shall not affect the construction of any provision of this Plan.

SECOND AMENDMENT TO CREDIT AGREEMENT

This Second Amendment to Credit Agreement (the "Second Amendment") is entered into as of the 21st day of January, 1999, by and among Berry Petroleum Company ("Borrower"), NationsBank, N.A., successor by merger to NationsBank of Texas, N.A., as Administrative Agent ("Agent"), and each of the financial institutions set forth on the signature pages hereto as Banks.

WITNESSETH:

WHEREAS, Borrower, Agent and NationsBank, N.A. in its individual capacity "NationsBank") are parties to that certain Credit Agreement dated as of December 1, 1996, as amended by that certain First Amendment to Credit Agreement by and among Borrower, Agent and NationsBank dated as of May 29, 1998 (as amended, the "Credit Agreement") (unless otherwise defined herein, all terms used herein with their initial letter capitalized shall have the meaning given such terms in the Credit Agreement); and

WHEREAS, pursuant to the Credit Agreement, NationsBank has made certain Loans to Borrower and issued certain Letters of Credit for the account of Borrower; and

WHEREAS, immediately prior to the execution of this Second Amendment, NationsBank has entered into Assignment and Assumption Agreements with each of Wells Fargo Bank (Texas), N.A. and Union Bank of California, N.A. (collectively, the "New Banks," and together with NationsBank, the "Banks") pursuant to which NationsBank assigned to the New Banks, and each of the New Banks (a) acquired from NationsBank a portion of NationsBank's Commitment and a portion of the Loans and Letter of Credit Exposure held by NationsBank under the Credit Agreement and each of the other Loan Papers, (b) assumed and agreed to perform a portion of NationsBank's obligations under the Credit Agreement and the other Loan Papers, and (c) became a party to, and a "Bank" under, the Credit Agreement and the other Loan Papers; and

WHEREAS, Schedule 1 hereto reflects the Commitments of each Bank after giving effect to the Assignment and Assumption Agreements referenced above, and pursuant to Section 13.10 of the Credit Agreement, Schedule 1 to the Credit Agreement is deemed amended and restated in the form of Schedule 1 hereto; and

WHEREAS, Borrower has requested that Banks (i) amend certain terms of the Credit Agreement in certain respects, and (ii) establish a Borrowing Base of $110,000,000 to be effective January 21, 1999 and continuing until the next Determination Date; and

WHEREAS, subject to the terms and conditions herein contained, the Banks have agreed to Borrower's request.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Borrower, Agent and Banks hereby agree as follows:

SECTION 1 Amendments. Subject to the satisfaction of each condition precedent set forth in Section 3 hereof and in reliance on the representations, warranties, covenants and agreements contained in this Second Amendment, the Credit Agreement shall be amended effective January 21, 1999 (the "Effective Date") in the manner provided in this Section 1.

1.1 Additional Definitions. Section 1.1 of the Credit Agreement shall be amended to insert the following additional defined terms together with the definitions thereof set forth below in alphabetical order:

"Competitive Bid Eurodollar Loan" means a Competitive Bid Loan from a Bank to Borrower bearing interest at a rate equal to the Competitive Bid Eurodollar Margin offered by such Bank and accepted by Borrower pursuant to Section 2.2.1 above or below the Adjusted Eurodollar Rate.

"Competitive Bid Eurodollar Margin" means, as to any Competitive Bid made by a Bank pursuant to Section 2.2.1 to make a Competitive Bid Eurodollar Loan, the margin above or below the Adjusted Eurodollar Rate offered by the Bank making such Competitive Bid, expressed as a decimal to no more than four decimal places.

"Competitive Bid Fixed Rate" means, as to any Competitive Bid made by a Bank pursuant to Section 2.2.1 to make a Competitive Bid Fixed Rate Loan, the fixed rate of interest offered by the Bank making such Competitive Bid expressed as a decimal to no more than four decimal places.

"Competitive Bid Fixed Rate Loan" means a Competitive Bid Loan from a Bank to Borrower bearing interest at an absolute fixed rate.

1.2 Amendment to Definitions. The definitions of "Applicable Margin," "Commitment Fee Percentage," "Competitive Bid Loan," "Eurodollar Loan," "Interest Period," "Letter of Credit Fee," "Letter of Credit Fronting Fee," "Loan Papers," "Minimum Consolidated Tangible Net Worth," and "Termination Date" contained in Section 1.1 of the Credit Agreement shall be amended to read in full as follows:

"Applicable Margin" means, on any date, with respect to each Type of Loan, the amount determined in accordance with the table below by reference to the ratio of (a) Outstanding Credit on such date, to (b) the Borrowing Base in effect on such date; provided, that, so long as the Borrowing Base is equal to or less than $50,000,000 and no Borrowing Base Deficiency exists, the Applicable Margin for Base Rate Loans shall be 0% and the Applicable Margin for Committed Eurodollar Loans shall be .75%:

Ratio of Outstanding Credit to Borrowing Base	Applicable Margin for Base Rate Loans	Applicable Martin for Committed Eurodollar Loans
<= .50 to 1	0.00%	.75%
> .50 to 1 <= .75 to 1	0.00%	1.00%
> .75 to 1 <= .90 to 1	0.00%	1.25%
> .90 to 1	0.00%	1.50%

"Commitment Fee Percentage" means, on any date, a per annum percentage determined in accordance with the table below by reference to the ratio of (a) the Outstanding Credit on such date, to (b) the Borrowing Base in effect on such date; provided, that, so long as the Borrowing Base is equal to or less than $50,000,000 and no Borrowing Base Deficiency exists, the Commitment Fee Percentage shall be .25%:

Ratio of Outstanding Credit to Borrowing Base	Commitment Fee Percentage
<= .50 to 1	.25%
> .50 to 1 <= .75 to 1	.25%
> .75 to 1 <= .90 to 1	.30%
> .90 to 1	.35%

"Competitive Bid Loan" means a Loan from a Bank to Borrower pursuant to the bidding procedure described in Section 2.2.1. Each Competitive Bid Loan may be either a Competitive Bid Fixed Rate Loan or a Competitive Bid Eurodollar Loan in each case as requested by Borrower in the applicable Competitive Bid Request.

"Eurodollar Loan" means a Loan bearing interest with reference to the Adjusted Eurodollar Rate. Each Eurodollar Loan having a different Interest Period shall be deemed to be a separate Eurodollar Loan. Eurodollar Loans may be Committed Loans (a "Committed Eurodollar Loan") or Competitive Bid Loans.

"Interest Period" means: (a) with respect to each Borrowing comprised of Eurodollar Loans, the period commencing on the date of such Borrowing and

ending one (1), two (2), three (3) or six (6), and, if available to Banks, nine (9) or twelve (12) months thereafter, as Borrower may elect in the applicable Request for Committed Loans or Competitive Bid Request; provided that:

(i) any Interest Period which would otherwise end on a day which is not a Eurodollar Business Day shall be extended to the next succeeding Eurodollar Business Day

unless such Eurodollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Eurodollar Business Day;

(ii) any Interest Period which begins on the last Eurodollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (iii) below, end on the last Eurodollar Business Day of a calendar month;

(iii) if any Interest Period includes a date on which any payment of principal of such Loans is required to be made hereunder, but does not end on such date, then (A) the principal amount of each Eurodollar Loan required to be repaid on such date shall have an Interest Period ending on such date, and (B) the remainder of each such Eurodollar Loan shall have an Interest Period determined as set forth above; and

(iv) no Interest Period for Competitive Bid Eurodollar Loans shall be for a period of more than three (3) months.

(b) with respect to each Borrowing comprised of Competitive Bid Fixed Rate Loans, the period commencing on the date of such Borrowing and ending 7, 30, 60 or 90 days thereafter as Borrower may elect in the applicable Competitive Bid Request; provided, that:

(i) any Interest Period (other than an Interest Period determined pursuant to clause (ii)(A) below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(ii) if any Interest Period includes a date on which any payment of principal of the Loans is required to be made hereunder, but does not end on such date, then (A) the principal amount of each Competitive Bid Fixed Rate Loan required to be repaid on such date shall have an Interest Period ending on such date, and (B) any remainder of each such Competitive Bid Fixed Rate Loan shall have an Interest Period determined as set forth above; and

(iii) no Interest Period shall extend past the thirtieth (30th) day prior to the Termination Date.

"Letter of Credit Fee" means, the Letter of Credit Fee payable pursuant to Section 2.1(b) and which shall accrue each day at the greater of (a) a per annum fee of $500, or (b) a per annum rate in effect on such day determined in accordance with the table below by reference to the ratio of (i) the Outstanding Credit on such day, to (ii) the Borrowing Base in effect on such day provided, that, so long as the Borrowing Base is equal to or less than $50,000,000 and no Borrowing Base Deficiency exists, the Letter of Credit Fee shall be the greater of (y) a per annum fee of $500, or (z) .75%:

Ratio of Outstanding Credit to Borrowing Base	Per Annum Letter of Credit Fee
<= .50 to 1	.75%
> .50 to 1 <= .75 to 1	1.00%
> .75 to 1 <= .90 to 1	1.25%
> .90 to 1	1.50%

"Letter of Credit Fronting Fee" means the Letter of Credit Fronting Fee

payable pursuant to Section 2.1(b) which shall accrue each day at a per annum rate of .125%.

"Loan Papers" means this Agreement, the First Amendment, the Second Amendment, the Notes and all other certificates, documents or instruments delivered in connection with this Agreement, as the foregoing may be amended from time to time.

"Minimum Consolidated Tangible Net Worth" means the sum of (a) $90,000,000 plus (b) seventy-five percent (75%) of any increase in the shareholders equity of Borrower resulting from the issuance of equity securities by Borrower after the Effective Date of the Second Amendment.

"Termination Date" means January 21, 2004.

"Second Amendment" means that certain Second Amendment to Credit Agreement dated as of January 21, 1999, by and among Borrower, Agent and the Banks.

1.3 Elimination of Certain Definitions. Section 1.1 of the Credit Agreement shall be amended to eliminate the defined terms "Additional Interest," "Competitive Bid Availability," "Competitive Bid Rate," "Conversion Date," "Over Funded Bank," "Single Bank Credit Limit" and "Under Funded Bank" and the definitions of such terms.

1.4 Amendment to Commitment Provisions. Article II of the Credit Agreement shall be amended to read in full as follows:

ARTICLE II

THE CREDIT

SECTION 2.1. Commitments. (a) Each Bank severally agrees, subject to the terms and conditions set forth in this Agreement, to make Committed Loans to Borrower from time to time in amounts not to exceed in the aggregate amount at any

one time outstanding, the lesser of (i) such Bank's Commitment Percentage of the Borrowing Base in effect at such time reduced by the amount of such Bank's Letter of Credit Exposure, or (ii) the amount of such Bank's Commitment at such time reduced by the amount of such Bank's Letter of Credit Exposure. In addition to the foregoing, each Bank may, in its sole and absolute discretion, and in accordance with the procedures set forth in Section 2.2.1 make Competitive Bid Loans to Borrower without limit with respect to the amount of such Bank's Commitment or such Bank's Commitment Percentage of the Borrowing Base, but subject in all respects to Section 2.1(c) and the other terms and provisions of this Agreement. Each Committed Borrowing shall be in an aggregate principal amount of $1,000,000 or any larger integral multiple of $100,000 (except that any Base Rate Committed Borrowing may be in an amount equal to the Availability). Borrower's right to request Competitive Bid Loans and the right of each Bank to make Competitive Bid Loans hereunder shall be subject to the restriction that no Bank shall be permitted to make Competitive Bid Loans with an Interest Period expiring on or after the thirtieth (30th) day prior to the Termination Date. Subject to the foregoing limitations and the other provisions of this Agreement, Borrower may obtain Borrowings under this Section 2.1(a), and repay Loans and request new Borrowings under this Section 2.1(a).

(b) Agent, or such Bank designated by Agent which (without obligation to do so) consents to the same ("Issuer") will, from time to time until the ninetieth (90th) day prior to the Termination Date, upon request by Borrower, issue Letters of Credit for the account of Borrower so long as (i) the sum of (A) the total Letter of Credit Exposure then existing and (B) the amount of the requested Letter of Credit does not exceed twenty five percent (25%) of the Borrowing Base then in effect, and (ii) Borrower would be entitled to a Committed Borrowing under Section 2.1(a) in an amount greater than or equal to the requested Letter of Credit. Not less than three (3) Domestic Business Days prior to the requested date of issuance of any such Letter of Credit, Borrower shall execute and deliver to Issuer, Issuer's customary letter of credit application. Each Letter of Credit shall be in the minimum amount of $5,000 and shall be in form and substance acceptable to

Issuer. No Letter of Credit shall have an expiration date later than the earlier of (i) thirty (30) days prior to the Termination Date, or (ii) one (1) year from the date of issuance. Upon the date of issuance of a Letter of Credit, Issuer shall be deemed to have sold to each other Bank, and each other Bank shall be deemed to have purchased from Issuer, a participation in the related Letter of Credit and Letter of Credit Exposure equal to such Bank's Commitment Percentage thereof. Issuer shall notify each Bank by telephone, teletransmission or telex of each Letter of Credit issued pursuant to the terms hereof. If any Letter of Credit is presented for payment by the beneficiary thereof, Agent shall cause a Committed Borrowing comprised of Base Rate Loans to be made to reimburse Issuer for the payment under the Letter of Credit, whether or not Borrower would then be entitled to a Committed Borrowing pursuant to the terms hereof, and each Bank which participated in such Letter and Letter of Credit Exposure shall be obligated to make a Base Rate Loan equal to the amount of its participation interest. On the Termination Date, and on each Quarterly Date prior to the Termination Date,

and in the event the Commitments are terminated in their entirety prior to the Termination Date, on the date of such termination, Borrower shall pay to (a) the Administrative Agent for the ratable benefit of each Bank, the Letter of Credit Fee which accrued during the Fiscal Quarter (or portion thereof) ending on such date, and (b) Administrative Agent solely for its own account, the Letter of Credit Fronting Fee which accrued during the Fiscal Quarter (or portion thereof) ending at such date. The Letter of Credit Fees and Letter of Credit Fronting Fees payable hereunder shall accrue on a daily basis at the per annum rates specified in the definitions of such terms and on the aggregate outstanding Letter of Credit Exposure each day computed on the basis of the actual number of days elapsed and assuming a calendar year of 360 days.

Upon the occurrence of any Event of Default, and at the times required by Section 3.4 hereof, Borrower shall deposit with Agent cash or readily marketable United States Treasury securities with a maturity of one year or less in such amounts as Agent may request, up to a maximum amount equal to the aggregate existing Letter of Credit Exposure of all Banks. Any cash or securities so deposited shall be held by Agent for the ratable benefit of all Banks with Letter of Credit Exposure as security for such Letter of Credit Exposure and as security for the Base Rate Loans to be made pursuant to this Section 2.1(b) upon any payment of any related Letter of Credit, and Borrower will, in connection therewith, execute and deliver such security agreements in form and substance satisfactory to Agent which it may, in its discretion, require. As drafts or demands for payment are presented under any Letter of Credit, Agent shall apply such cash (and liquidate such treasury securities and apply the cash proceeds thereof) to satisfy such drafts or demands. When either (i) all Letters of Credit have expired, the Obligations have been repaid in full and the Commitments of all Banks have been terminated, or (ii) all Events of Default have been cured to the satisfaction of the Required Banks, Agent shall release to Borrower any remaining cash and securities deposited under this Section 2.1(b).

Whenever Borrower is required to make deposits under this Section 2.1(b) and fails to do so on the day such deposit is due, Agent or any Bank may, without notice to Borrower, make such deposit (whether by transfers from other accounts maintained with any Bank or otherwise) using any funds then available to any Bank of Borrower, any guarantor, or any other person liable for all or any part of the Obligations.

(c) No Bank will be obligated to, or shall, lend to Borrower or incur Letter of Credit Exposure, and Borrower shall not be entitled to borrow any amount or obtain Letters of Credit hereunder in an amount which would cause the Outstanding Credit to exceed the Borrowing Base then in effect under Article III. Nothing in this Section 2.1(c) shall be deemed to limit any Bank's obligation to fund Base Rate Loans with respect to its participation in Letters of Credit in connection with any Committed Borrowing comprised of Base Rate Loans made as a result of the drawing under any Letter of Credit.

SECTION 2.2. Method of Borrowing.

2.2.1. Competitive Bid Procedure. (a) In order to request Competitive Bids,

Borrower shall hand deliver, telex or telecopy to Agent a duly completed Competitive Bid Request, to be received by Agent not later than 12:00 noon (Dallas, Texas time), three (3) Domestic Business Days (in the case of any request for Competitive Bid Fixed Rate Loans) and five (5) Eurodollar Business Days (in the case of any request for Competitive Bid Eurodollar Loans) before the date specified for a proposed Competitive Bid Borrowing. No Competitive Bid Request shall be made with respect to any Type of Loan other than a Competitive Bid Fixed Rate Loan or a Competitive Bid Eurodollar Loan, and Competitive Bids shall be submitted and Competitive Bid Loans shall be made only of the Type requested in the applicable Competitive Bid Request. A Competitive Bid Request that does not conform substantially to the format of Exhibit C may be rejected at Agent's sole discretion, and Agent shall promptly notify Borrower of such rejection by telex or telecopier. Each Competitive Bid Request shall in each case refer to this Agreement and specify (x) the Borrowing date of such Competitive Bid Loans (which shall be a Domestic Business Day) and the aggregate principal amount thereof (which shall not be less than $5,000,000 and shall be an integral multiple of $100,000), (y) whether the Competitive Bid Loans to be made pursuant thereto are to be Competitive Bid Fixed Rate Loans or Competitive Bid Eurodollar Loans, and (z) the Interest Period with respect thereto. Promptly after its receipt of a Competitive Bid Request that is not rejected as aforesaid, Agent shall invite by telex or telecopier (in the form set forth in Exhibit D hereto) Banks to bid, on the terms and conditions of this Agreement, to make Competitive Bid Loans pursuant to such Competitive Bid Request.

(b) Each Bank may, in its sole discretion, make one or more Competitive Bids to Borrower responsive to each Competitive Bid Request. Each Competitive Bid by a Bank must be received by Agent via telex or telecopier, in the form of Exhibit E hereto, not later than 10:00 a.m. (Dallas, Texas time), two (2) Domestic Business Days (in the case of any request for Competitive Bid Fixed Rate Loans) or four (4) Eurodollar Business Days (in the case of any request for Competitive Bid Eurodollar Loans) before the date specified for a proposed Competitive Bid Borrowing. Competitive

Bids that do not conform substantially to the format of Exhibit E may be rejected by Agent after conferring with, and upon the instruction of Borrower, and Agent shall notify the applicable Bank of such rejection as soon as practicable. Each Competitive Bid shall refer to this Agreement and (x) specify the principal amount (which shall be in a minimum principal amount of $1,000,000 and in an integral multiple of $100,000 and which, subject to the conditions set forth in Section 2.1, may equal the entire principal amount of the Competitive Bid Borrowing requested by Borrower) of the Competitive Bid Loan that Bank is willing to make to Borrower, (y) specify the Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin at which such Bank is prepared to make the Competitive Bid Loan and (z) confirm the Interest Period with respect thereto specified by Borrower in its Competitive Bid Request. If any Bank shall elect not to make a Competitive Bid, such Bank shall so notify Agent via telex not later than 10:00 a.m. (Dallas, Texas time), two (2) Domestic Business Days (in the case of any request for Competitive Bid Fixed Rate Loans) or four (4) Eurodollar Business Days (in the case of any request for Competitive Bid Eurodollar Loans) before the date specified for a proposed Competitive Bid Borrowing; provided, however, that failure by any Bank to give such notice shall not cause such Bank to be obligated to make any Competitive Bid Loan as part of such Competitive Bid Borrowing. A Competitive Bid submitted by a Bank pursuant to this paragraph (b) shall be irrevocable.

(c) Agent shall promptly notify Borrower and each Bank by telex or telecopier of all the Competitive Bids made, the Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin and the principal amount of each Competitive Bid Loan in respect of which a Competitive Bid was made and the identity of Bank that made each bid. Agent shall send a copy of all Competitive Bids to Borrower and each Bank for their records as soon as practicable after completion of the bidding process set forth in this Section 2.2.1.

(d) Borrower may in its sole and absolute discretion, subject only to the provisions of this Section 2.2.1(d), accept or reject any Competitive Bid referred to in paragraph (c) above; provided, however, that the aggregate amount of the Competitive Bids so accepted by Borrower may

not exceed the principal amount of the Competitive Bid Borrowing requested by Borrower. Borrower shall notify Agent by telex or telecopier whether and to what extent it has decided to accept or reject any or all of the bids referred to in paragraph (c) above, not later than 10:00 a.m. (Dallas, Texas time), one (1) Domestic Business Day (in the case of any request for Competitive Bid Fixed Rate Loans) or three (3) Eurodollar Business Days (in the case of any request for Competitive Bid Eurodollar Loans) before the date specified for a proposed Competitive Bid Borrowing; provided, however, that (w) the failure by Borrower to give such notice shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (x) Borrower shall not accept a bid made at a particular Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin if Borrower has decided to reject a bid made at a lower Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin, (y) if Borrower shall accept bids made at a particular Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin but shall be restricted by other conditions hereof from borrowing the principal amount of all Competitive Bid Loans in respect of which bids at such Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin have been made, then Borrower shall accept a pro rata portion of each bid made at such Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin based as nearly as possible on the respective principal amounts of Competitive Bid Loans for which such bids were made, and (z) no bid shall be accepted for a Competitive Bid Loan unless such Competitive Bid Loan is in a minimum principal amount of $1,000,000 and an integral multiple of $100,000. Notwithstanding the foregoing, if it is necessary for Borrower to accept a pro rata allocation of the bids made in response to a Competitive Bid Request (whether pursuant to the events specified in clause (y) above or otherwise) and the available principal amount of Competitive Bid Loans to be allocated among Banks is not sufficient to enable Competitive Bid Loans to be allocated to each Bank in a minimum principal amount of $1,000,000 and in integral multiples of $100,000, then Borrower shall select Banks to be allocated such Competitive Bid Loans and shall round allocations up or down to the next higher or lower multiple of $100,000 as it shall deem appropriate. A notice given by Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) Agent shall promptly notify each bidding Bank whether or not its Competitive Bid has been accepted (and if so, in what amount and at what Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin) by telex or telecopier sent by Agent, and each successful bidder will thereupon become bound, subject to the other applicable conditions hereof, to make the Competitive Bid Loan in respect of which its bid has been accepted. After completing the notifications referred to in the immediately preceding sentence, Agent shall notify each Bank of the aggregate principal amount of all Competitive Bids accepted.

(f) No Competitive Bid Borrowing shall be made within five (5) Business Days of the date of any other Competitive Bid Borrowing unless Borrower and Agent shall mutually agree otherwise.

(g) If Agent shall at any time have a Commitment hereunder and shall elect to submit a Competitive Bid in its capacity as a Bank, it shall submit such bid directly to Borrower at least one half of an hour earlier than the latest time at which the other Banks are required to submit their bids to Agent pursuant to paragraph (b) above.

(h) All notices required by this Section 2.2.1 shall be made in accordance with Section 13.1.

2.2.2. Method of Committed Borrowing. (a) In order to request Committed Loans, Borrower shall hand deliver, telex or telecopy to Agent a duly completed Request for Committed Loans prior to 12:00 noon (Dallas, Texas time), (i) at least one (1) Domestic Business Day before the date specified for a proposed Base Rate Borrowing, and (ii) at least three (3) Eurodollar Business Days before the date of a proposed Eurodollar Borrowing. Each Request for Committed Loans shall be substantially in the form of Exhibit F hereto, and shall specify:

(i) the date of such Committed Borrowing, which shall be a Domestic Business Day in the case of a Committed Borrowing comprised of Base Rate Loans or a Eurodollar Business Day in the case of a Committed Borrowing comprised of Eurodollar Loans;

(ii) the aggregate amount of such Committed Borrowing;

(iii) whether the Loans comprising such Committed Borrowing are to be Base Rate Loans or Eurodollar Loans; and

(iv) in the case of a Committed Borrowing comprised of Eurodollar Loans the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

(b) Upon receipt of a Request for Committed Loans, Agent shall promptly notify each Bank of the contents thereof and the amount of the Committed Borrowing to be loaned by such Bank pursuant thereto, and such Request for Committed Loans shall not thereafter be revocable by Borrower.

(c) Not later than 12:00 noon (Dallas, Texas time) on the date of each Committed Borrowing, each Bank shall (except as provided in Section 2.2.2(d)) make available that portion of such Committed Borrowing allocated to such Bank pursuant to Section 2.1(a) in Federal or other funds immediately available in Dallas, Texas to Agent at its address referred to in Section 13.1. Notwithstanding the foregoing, if Borrower delivers to Agent a Request for Committed Loans prior to 10:00 a.m. (Dallas, Texas time) on a Domestic Business Day requesting a Committed Borrowing comprised of Base Rate Loans on such day, each Bank shall use its best efforts to make available to Agent that portion of such Committed Borrowing allocated to such Bank pursuant to Section 2.1 by 1:00 p.m. (Dallas, Texas time) on the same day. Unless Agent determines that any applicable condition specified in Section 6.2 has not been satisfied, Agent will make the funds so received from Banks available to Borrower at Agent's aforesaid address.

(d) If any Bank makes a new Committed Loan hereunder on a day on which Borrower is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Committed Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being

repaid shall be made available by such Bank to Agent or remitted by Borrower to Agent, as the case may be.

SECTION 2.3. Method of Obtaining Letters of Credit. (a) Borrower shall give Agent notice (a "Request for Letter of Credit") prior to 12:00 noon (Dallas, Texas time) at least three (3) Domestic Business Days before the date Borrower requests that a Letter of Credit be issued. Each Request for Letter of Credit shall be substantially in the form of Exhibit G attached hereto and shall be accompanied by the executed, complete letter of credit application and agreement referenced in Section 2.1(b).

(b) Upon receipt of a Request for Letter of Credit, Agent shall promptly notify each Bank of the contents thereof and of the material provisions of the related letter of credit application and agreement. Agent shall provide a copy of the Request for Letter of Credit and the original counterpart of the letter of credit application and agreement to the proposed Issuer.

(c) Provided that the proposed Issuer agrees to issue the requested Letter of Credit, and provided further that Agent has not determined that a condition to such issuance referred to in Section 6.2 has not been satisfied, not later than 12:00 noon (Dallas, Texas time) on the date Borrower requests that such Letter of Credit be issued, the Issuer shall issue such Letter of Credit and deliver the same to the beneficiary thereof and shall promptly thereafter provide notice thereof to each other Bank.

SECTION 2.4. Notes. The Committed Loans of each Bank shall be evidenced by a single Committed Note payable to the order of such Bank in an amount equal to such Bank's Commitment. The Competitive Bid Loans of each Bank shall be evidenced by a single Competitive Bid Note payable to the order of such Bank in an amount equal to the Total Commitment.

SECTION 2.5. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal balance thereof at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate in effect from day to day, each change in the Base Rate to be effective without notice to Borrower on the effective date of each such change, provided that in no event shall the rate

charged hereunder or under the Notes exceed the Maximum Lawful Rate. Interest on each Base Rate Loan shall be payable as it accrues on each Quarterly Date.

(b) Each Committed Eurodollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin plus the applicable Adjusted Eurodollar Rate; provided that in no event shall the rate charged hereunder or under the Notes exceed the Maximum Lawful Rate. Interest on each Eurodollar Loan having an Interest Period of one, two or three months shall be payable on the

last day of the Interest Period applicable thereto. Interest on each Committed Eurodollar Loan having an Interest Period of six, nine, or twelve months, shall be payable on the last day of the Interest Period applicable thereto and on each Quarterly Date during such Interest Period.

(c) Each Competitive Bid Fixed Rate Loan shall bear interest at a rate per annum equal to the fixed rate of interest offered by the Bank making such Competitive Bid Fixed Rate Loan in such Bank's Competitive Bid and accepted by Borrower pursuant to Section 2.2.1; provided, that in no event shall the rate charged hereunder or under the Notes exceed the Maximum Lawful Rate. Interest on each Competitive Bid Fixed Rate Loan shall be payable on the last day of the Interest Period applicable thereto.

(d) Each Competitive Bid Eurodollar Loan shall bear interest at a rate per annum equal to the sum of (i) the Competitive Bid Eurodollar Margin offered by the Bank making such Competitive Bid Eurodollar Loan in such Bank's Competitive Bid and accepted by Borrower pursuant to Section 2.2.1, plus (ii) the applicable Adjusted Eurodollar Rate; provided, that in no event shall the rate charged hereunder or under the Notes exceed the Maximum Lawful Rate. Interest on each Competitive Bid Eurodollar Loan shall be payable on the last day of the Interest Period applicable thereto.

(e) [Intentionally Deleted].

(f) With respect to Committed Loans and Competitive Bid Eurodollar Loans, Agent shall determine each interest rate applicable thereto in accordance with the terms hereof (and in accordance with the applicable Competitive Bids for Competitive Bid Eurodollar Loans accepted by Borrower). Agent shall promptly notify Borrower and Banks by telex, telecopy or cable of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(g) Notwithstanding the foregoing, if at any time the rate of interest calculated with reference to the Base Rate, any Competitive Bid Fixed Rate accepted by Borrower or the Adjusted Eurodollar Rate hereunder, if applicable, (the "contract rate") is limited to the Maximum Lawful Rate, any subsequent reductions in the contract rate shall not reduce the rate of interest on the affected Loan below the Maximum Lawful Rate until the total amount of interest accrued equals the amount of interest which would have accrued if the contract rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of any Note, the total amount of interest paid or accrued on such Note is less than the amount of interest which would have accrued if the contract rate had at all times been in effect with respect thereto, then at such time, to the extent permitted by law, Borrower shall pay to the holder of such Note an amount equal to the difference between (i) the lesser of the amount of interest which would have accrued if the

contract rate had at all times been in effect and the amount of interest which would have accrued if the Maximum Lawful Rate had at all times been in effect, and (ii) the amount of interest actually paid on such Note.

SECTION 2.6. [Intentionally Deleted]

SECTION 2.7. Voluntary Prepayments. Borrower may, subject to Section 5.1 and the other provisions of this Agreement, upon three (3) Business Days advance notice to Agent, prepay the principal of Committed Loans then outstanding in whole or in part. Any partial prepayment shall be in a minimum amount of $500,000 and shall be in an integral multiple of $100,000. Voluntary

prepayments of Competitive Bid Loans are not permitted.

SECTION 2.8. [Intentionally Deleted].

SECTION 2.9. Voluntary Reduction of Commitments and Prepayment of Loans. Borrower may, by notice to Agent five (5) Domestic Business Days prior to the effective date of any such reduction, reduce the Total Commitment (and thereby reduce the Commitment of each Bank ratably) in amounts not less than $5,000,000 or any larger multiple of $5,000,000. On the effective date of any such reduction, Borrower shall, to the extent required as a result of such reduction, make a principal payment on the Loans in an amount sufficient to cause the principal balance of all Loans then outstanding to be equal to or less than the Total Commitment as thereby reduced. Notwithstanding the foregoing, Borrower shall not be permitted to voluntarily reduce the Total Commitment to an amount less than the sum of (i) the aggregate Letter of Credit Exposure of all Banks, plus (ii) the aggregate outstanding principal balance of all Competitive Bid Loans.

SECTION 2.10. Termination of Commitments; Final Maturity; Maturity of Committed Eurodollar Loans and Competitive Bid Loans. The Total Commitment (and the Commitment of each Bank) shall terminate, and the entire outstanding principal balance of all Loans, all interest accrued thereon, all accrued but unpaid fees hereunder and all other outstanding Obligations shall be due and payable in full on the Termination Date. All Eurodollar Loans and Competitive Bid Loans shall be due and payable on the expiration of the Interest Period applicable thereto; provided, that, to the extent permitted by Section 2.1(a) and 6.2, such Loans may be refinanced on such date pursuant to a Refunding Borrowing.

SECTION 2.11. Application of Payments. Each repayment pursuant to Sections 2.7, 2.9, 2.10, 3.4 or 4.5 shall be made together with accrued interest on the amount repaid to the date of payment, and shall be applied to payment of the Loans of Banks in accordance with Section 4.2 and the other provisions of this Agreement.

SECTION 2.12. Commitment Fee. On the Termination Date, on each Quarterly Date prior to the Termination Date, and, in the event the Commitments are

terminated in their entirety prior to the Termination Date, on the date of such termination, Borrower shall pay to Agent, for the ratable benefit of each Bank based on each Bank's Commitment Percentage, a commitment fee equal to the Commitment Fee Percentage (applied on a per annum basis and computed on the basis of actual days elapsed and as if each calendar year consisted of 365 days) of the remainder of the following for each day during the Fiscal Quarter (or portion thereof) ending on such date (a) the Borrowing Base in effect on such day, minus (b) the sum of (i) the aggregate outstanding principal balance of all Committed Loans on such day, plus (ii) the aggregate outstanding Letter of Credit Exposure on such day.

SECTION 2.13. Agency Fee. Borrower shall pay to Agent and its Affiliates such other fees and amounts as Borrower shall be required to pay to Agent and its Affiliates from time to time pursuant to any separate agreement between Borrower and Agent or such Affiliates. Such fees and other amounts shall be retained by Agent and its Affiliates, and no Bank (other than Agent) shall have any interest therein.

SECTION 2.14 Increases in the Total Commitment. Borrower shall have the option, at any time, by written notice (an "Increase Request") to Agent and each Bank of requesting an increase in the Total Commitment to an amount up to $200,000,000. Any such increase shall require the approval of Required Banks, and no such increase shall have the effect of increasing the Commitment of any Bank without the prior written consent of such Bank which consent may be withheld by each Bank in its sole and absolute discretion. In the event Required Banks fail to notify Borrower of their approval of any increase in the Total Commitment within 15 Domestic Business Days following the date of the Increase Request, such increase will be deemed to be denied. In the event any of the Banks elect, in their sole and absolute discretion, to increase their respective Commitments, such Banks (individually, an "Electing Bank", and collectively, the "Electing Banks") shall notify (an "Increase Notice") Agent and Borrower of such election within 15 Domestic Business Days following the date of Borrower's Increase Request. If the aggregate amount by which the

Banks elect to increase their Commitments exceeds the amount of the increase in the Total Commitment requested by Borrower, the amount of the increase in the Total Commitment shall be allocated to increases in the Commitments of the Electing Banks in such manner as Agent and Borrower shall determine as specified in a written notice from Agent to all Banks; provided, that in no event shall the Commitment of any Electing Bank be increased by an amount greater than the amount specified by such Electing Bank in its Increase Notice. In the event Banks deliver Increase Notices and the aggregate amount of the increase in the Commitments specified therein is less than or equal to the increase in the Total Commitment requested by Borrower, each Electing Bank's Commitment shall be increased by the amount specified in its Increase Notice. In the event no Banks deliver Increase Notices or the aggregate amount of the increase in the Commitments of the Electing Banks specified in Increase Notices is less than or equal to the increase in the Total Commitment requested by Borrower, unless Required Banks have denied Borrower's request for an increase in the Total Commitment, Borrower

shall have the right to cause one or more other financial institutions selected by Borrower and approved by Agent, such approval to not be unreasonably withheld, to become parties to this Agreement as Banks ("New Banks") by executing an Addendum hereto in the form of Exhibit A to the Second Amendment, and each of such new Banks shall have the Commitments specified in such Addendums; provided, that the aggregate Commitments of the New Banks shall not exceed the difference between (a) the amount of the increase in the Total Commitment requested by Borrower in the related Increase Request, and (b) the amount of such requested increase which was satisfied by the existing Banks in the manner set forth above. Simultaneously with any increase in the Total Commitment contemplated by this Section 2.14, (w) the Commitment Percentages of each Bank shall be automatically adjusted to the decimal, expressed as a percentage, determined by dividing the amount of each Bank's Commitment (as then increased, if applicable) by the amount of the Total Commitment as then increased, (y) Borrower shall execute and deliver to each Bank which has increased its Commitment a new Note payable to such Bank in the amount of its Commitment as increased thereby, (y) Agent, on behalf of all Banks, and Borrower, shall enter into such conforming amendments to this Agreement and the other Loan Papers as Agent shall deem necessary or appropriate to reflect the increase in the Total Commitment contemplated thereby (and each Bank hereby authorizes Agent to enter into any such conforming amendments on its behalf, each of which shall be enforceable by and against each Bank to the same extent as if executed by such Bank), and (z) Borrower shall deliver to Agent such certificates of officers of Borrower and of Governmental Authorities, resolutions of the Board of Directors of Borrower and other documents and instruments, including, without limitation, opinions of counsel, as Agent shall reasonably require to evidence the corporate existence of Borrower, the due authorization of the increase in the Commitments and the Total Commitment, the due authorization, execution and delivery of any documents related to such increase (including any Addendum, new Notes or conforming amendments contemplated by this Section 2.14) and such other matters relating to such increase as Agent shall reasonably require. No increase in the Total Commitment shall result in any increase in the Borrowing Base unless the Banks shall simultaneously approve an increase in the Borrowing Base in the manner specified in Article III hereof.

1.5 Amendments to Borrowing Base Provisions. Sections 3.1 of the Credit Agreement shall be amended to read in full as follows:

SECTION 3.1. Reserve Report; Proposed Borrowing Base. As soon as available and in any event by March 1 of each year, Borrower shall (a) make or cause to be made available to Agent and each Bank for its review and inspection at Borrower's offices in Taft, California and at the offices of the Approved Petroleum Engineer (or at such other locations as Agent, the Borrower and the Banks may mutually agree) a Reserve Report prepared as of the immediately preceding December 31, and (b) deliver to Agent and each Bank a Reserve Summary and a Reserve Engineer's Letter prepared with respect to such Reserve Report.

On or before April 1 of each year (or if such day is not a Domestic Business Day, on or before the Domestic Business Day immediately preceding April 1 (or on such other Domestic Business Day on or around April 1 as Agent, Borrower and Banks shall mutually agree), Borrower shall make available in Dallas, Texas (or at such other locations as Agent, the Borrower and the Banks may mutually

agree) the appropriate representatives of the Approved Petroleum Engineer and Borrower's in house engineering staff for a meeting with the engineering staff of each Bank to review the data contained in the Reserve Report and such other geologic, geophysical and other information regarding Borrower's Mineral Interests as each Bank shall request. On or before May 1, 1999 Borrower shall notify each Bank of the amount of the Borrowing Base which Borrower requests becomes effective on June 1, 1999 (or such date promptly thereafter as Required Banks shall elect). Simultaneously with the delivery to Agent and each Bank of each Reserve Summary and Reserve Engineer's Letter commencing with the Reserve Summary and Reserve Engineer's Letter to be delivered on or before March 1, 2000, Borrower shall notify each Bank of the amount of the Borrowing Base which Borrower requests becomes effective on the next April 1 (or such date promptly following April 1 as Required Banks shall elect).

The first sentence of Section 3.2 of the Credit Agreement shall be amended to read in full as follows:

Based in part on the Reserve Report made available to Banks pursuant to Section 3.1, Banks shall redetermine the Borrowing Base on or prior to June 1 (in the case of calendar year 1999) and May 1 (in the case of calendar year 2000 and thereafter)(or in each case, such date promptly thereafter as Required Banks shall elect).

Section 3.3(a) of the Credit Agreement shall be amended to read in full as follows:

(a) In addition to Scheduled Redeterminations, Required Banks, in their sole discretion, shall be permitted to make a Special Redetermination of the Borrowing Base once in each Fiscal Year. Any request by Required Banks pursuant to this Section 3.3 (a) shall be submitted to Agent and Borrower.

Section 3.5 of the Agreement shall be deleted in its entirety.

1.6 Certain Amendments to General Provisions. Sections 4.2 and 4.7 of the Credit Agreement shall be amended to read in full as follows:

SECTION 4.2. General Provisions as to Payments. (a) Borrower shall make each payment of principal of, and interest on, the Loans and all fees payable hereunder shall be paid not later than 12:00 noon (Dallas, Texas time) on the date when due, in Federal or other funds immediately available in Dallas, Texas, to Agent at its address referred to in Section 13.1. Agent will promptly (and if such payment is received by Agent by 10:00 a.m., and otherwise if reasonably possible, on the same Domestic Business Day) distribute to each Bank its share (as determined in

accordance with the other provisions of this Agreement) of each such payment received by Agent for the account of Banks. Whenever any payment of principal of, or interest on, Base Rate Loans or Competitive Bid Fixed Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day (subject to the definition of Interest Period). Whenever any payment of principal of, or interest on, the Eurodollar Loans shall be due on a day which is not a Eurodollar Business Day, the date for payment thereof shall be extended to the next succeeding Eurodollar Business Day (subject to the definition of Interest Period). If the date for any payment of principal is extended by operation of Law or otherwise, interest thereon shall be payable for such extended time. Borrower hereby authorizes Agent to charge from time to time against Borrower's accounts with Agent any amount then due.

(b) Prior to the occurrence of an Event of Default, all principal payments received by Banks on Competitive Bid Loans shall be applied to the Competitive Bid Loans then due, and all principal payments received by Banks in respect of Committed Loans shall be applied first, to Eurodollar Loans with Interest Periods ending on the date of such payment, then to Base Rate Loans, then to Eurodollar Loans next maturing until such principal payment is fully applied with such adjustments in such order of payment as Agent shall specify in order that each Bank receives its ratable share of each such payment.

(c) After the occurrence of an Event of Default, all amounts collected or received by Agent or any Bank in respect of the Obligations shall be applied

first to the payment of all proper costs incurred by Agent in connection with the collection thereof (including reasonable expenses and disbursements of Agent), second to the payment of all proper costs incurred by Banks in connection with the collection thereof (including reasonable expenses and disbursements of Banks), third to the reimbursement of any advances made by Banks to effect performance of any unperformed covenants of Borrower under any of the Loan Papers, fourth to the payment of any unpaid agency fees required pursuant to Section 2.13, fifth to the payment of any unpaid fees required pursuant to Sections 2.1(b), and 2.12 and sixth, to payment of the Loans to each Bank in accordance with each Bank's Sharing Percentage.

SECTION 4.7. Limitation on Number of Eurodollar Loans and Competitive Bid Loans. Unless otherwise agreed by Agent with the consent of the Required Banks, there may be no more than an aggregate of fifteen (15) Committed Eurodollar Loans and Competitive Bid Loans outstanding at any time.

1.7 Certain Amendments to Eurodollar Loan Provisions. Sections 5.1 and 5.2 of the Credit Agreement shall be amended to read in full as follows:

SECTION 5.1. Funding Losses. If Borrower makes any payment of principal with respect to any Committed Eurodollar Loan or Competitive Bid Loan

(whether pursuant to Sections 2.7, 2.9, 2.10, 3.4, 11.1, the remaining provisions of this Article V or as a voluntary or mandatory prepayment or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if Borrower fails to borrow any Committed Eurodollar Loan or Competitive Bid Loan after notice has been given to any Bank in accordance with Section 2.2, Borrower shall reimburse each Bank on demand for any resulting loss or expense incurred by it, including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, or any loss arising from the reemployment of funds at rates lower than the cost to such Bank of such funds and related costs, which in the case of the payment or prepayment prior to the end of the Interest Period for any Committed Eurodollar Loan or Competitive Bid Loan shall include the amount, if any, by which (i) the interest which such Bank would have received, absent such payment or prepayment for the applicable Interest Period exceeds (ii) the interest which such Bank would receive if the amount of such Committed Eurodollar Loan or Competitive Bid Loan were deposited, loaned, or placed by such Bank in the interbank eurodollar market on the date of such payment or prepayment for the remainder of the applicable Interest Period. Such Bank shall promptly deliver to Borrower and Agent a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 5.2. Basis for Determining Interest Rate Applicable to Eurodollar Loans Inadequate. If on or prior to the first day of any Interest Period the Required Banks advise Agent that the Adjusted Eurodollar Rate as determined by Agent will not adequately and fairly reflect the cost to such Banks of funding their Eurodollar Loans for such Interest Period, Agent shall give notice thereof to Borrower and Banks, whereupon the obligations of Banks to make Eurodollar Loans shall be suspended until Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist. Unless Borrower notifies Agent at least two (2) Domestic Business Days before the date of any Eurodollar Borrowing for which a Request for Committed Loans or a Competitive Bid Request requesting Competitive Bid Eurodollar Loans previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Loan.

1.8 Events of Default. Section 11.1 of the Credit Agreement shall be amended to (a) delete the word "or" at the end of clause (j) thereof, (b) to insert the word "or" after the semicolon at the end of clause (k) thereof; and (c) to add a new clause (l) which shall read in full as follows:

"(l) this Agreement or the other Loan Papers shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Borrower, or Borrower shall deny that it has any further liability or obligation under any of the Loan Papers to which it is a party."

1.9 Successors and Assigns. Section 13.10(c) of the Credit Agreement shall be amended to read in full as follows:

"(c) Each Bank may make assignments to the Federal Reserve Bank. Each Bank may also assign to one or more assignees (each an "Assignee") all or any part of its rights and obligations under the Loan Papers so long as (i) the assignor Bank and Assignee execute and deliver to Agent and Borrower for their consent and acceptance (that may not be unreasonably withheld and will not be required from Borrower during the existence of a Default) an assignment and assumption agreement in substantially the form of Exhibit J (an "Assignment and Assumption Agreement") and assignor Bank pays to Agent a processing fee of $3,500, (ii) the conditions (including, without limitation, minimum amounts of the Total Commitment that may be assigned or that must be retained) for that assignment set forth in the applicable Assignment and Assumption Agreement are satisfied, and (iii) no Event of Default exists under the Agreement. The "Effective Date" in each Assignment and Assumption Agreement must (unless a shorter period is agreeable to Borrower and Agent) be at least five Domestic Business Days after it is executed and delivered by the assignor Bank and the Assignee to each Agent and Borrower for acceptance. Once that Assignment and Assumption Agreement is accepted by Agent and Borrower, then, from and after the Effective Date stated on it (i) the Assignee automatically becomes a party to this Agreement and, to the extent provided in that Assignment and Assumption Agreement, has the rights and obligations of a Bank under the Loan Papers, (ii) the assignor Bank, to the extent provided in that Assignment and Assumption Agreement, is released from its obligations under this Agreement and, in the case of an Assignment and Assumption Agreement covering all of the remaining portion of the assignor Bank's rights and obligations under the Loan Papers, that Bank ceases to be a party to the Loan Papers, (iii) Borrower shall execute and deliver to the assignor Bank and the Assignee the appropriate Notes in accordance with this Agreement following the transfer, (iv) upon delivery of the Notes under clause (iii) preceding, the assignor Bank shall return to Borrower all Notes previously delivered to that Bank under this Agreement, and (v) Schedule 1 is automatically deemed to be amended to reflect the name, address, telecopy number and Commitment of the Assignee and the remaining Commitment (if any) of the assignor Bank, and Agent shall prepare and circulate to Borrower and Banks an amended Schedule 1 reflecting those changes.

1.10 Exhibits. Exhibits A, B, C, D, E, F, G, H, I and J to the Credit Agreement shall be amended to read in full as set forth in Exhibits A, B, C, D, E, F, G, H, I and J, attached hereto.

SECTION 2 Increase in Borrowing Base. Subject to the satisfaction of each condition precedent set forth in Section 3 hereof and in reliance on the representations, warranties, covenants and agreements herein contained, the Banks agree that the Borrowing Base in effect from and including January 21, 1999 until the effective date of the next Redetermination thereafter shall be $110,000,000.

SECTION 3 Conditions Precedent to Effectiveness of Amendments. The amendments to the Loan Agreement contained in Section 1 of this Second Amendment and the increase in the

Borrowing Base pursuant to Section 2 of this Second Amendment shall be effective only upon the delivery to Agent of each of the following:

(a) a Committed Note and a Competitive Bid Note payable to the order of each Bank, each in the amount of such Bank's Commitment after giving effect to the Assignment and Assumption Agreements referenced in the recitals hereto;

(b) a copy of the Certificate of Incorporation and all amendments thereto, of the Borrower accompanied by a certificate that such copy is true, correct and complete, and dated within twenty (20 days of the Effective Date of this Second Amendment, issued by the Secretary of State of Delaware, and accompanied by a certificate of the Secretary of Borrower that such copy is true, correct and complete on the Effective Date of the Second Amendment;

(c) a copy of the Bylaws, and all amendments thereto, of Borrower accompanied by a certificate of the Secretary of Borrower that such copy is true, correct and complete as of the Effective Date of the Second Amendment;

(d) certain certificates and other documents issued by the appropriate Governmental Authorities of such jurisdictions as Agent has requested relating to the existence of Borrower and to the effect that Borrower is in good

standing with respect to the payment of franchise and similar Taxes in such jurisdictions and is duly qualified to transact business in such jurisdictions;

(e) a certificate of incumbency of all officers of Borrower who are authorized to execute or attest the Notes referenced in Section 3(a) above, this Amendment and any other Loan Paper, dated the Effective Date of the Second Amendment, executed by the Secretary of Borrower;

(f) copies of resolutions approving the Notes referenced in Section 3(a) above and this Second Amendment and authorizing the transactions contemplated by this Second Amendment, duly adopted by the Board of Directors of Borrower and accompanied by a certificate, dated the Effective Date of the Second Amendment, of the Secretary of Borrower that such resolutions are true and correct copies of resolutions duly adopted at a meeting of or (if permitted by applicable Law and, if required by such Law, by the Bylaws of Borrower) by the unanimous written consent of the Board of Directors of Borrower, and that such resolutions constitute all of the resolutions adopted with respect to such transactions, have not been amended, modified, or revoked in any respect, and are in full force and effect as of the date hereof;

(g) an opinion of Nordman, Cormany, Hair & Compton, counsel for Borrower, dated the Effective Date of the Second Amendment, favorably opining as to the enforceability of the Second Amendment and each of the Notes referenced in Section 3(a) above and otherwise in form and substance satisfactory to Agent;

(h) such other documents, instruments, agreements and actions as may reasonably be required by Agent and each Bank; and

(i) payment of all fees to Agent and its Affiliates contemplated by separate letter agreements by and between Borrower and Agent.

SECTION 4 Representations and Warranties of Borrower. To induce the Banks and Agent to enter into this Second Amendment, Borrower hereby represents and warrants to Agent as follows:

4.1 Reaffirmation of Representations and Warranties. Each representation and warranty of Borrower contained in the Credit Agreement and the other Loan Papers is true and correct on the date hereof and will be true and correct after giving effect to the amendments set forth in Section 1 hereof.

4.2 Due Authorization; No Conflicts. The execution, delivery and performance by Borrower of this Second Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary action, require no action by or in request of, or filing with, any governmental body, agency or official and do not violate or constitute a default under any provision of applicable law or any Material Agreement binding upon Borrower or the Subsidiaries of Borrower or result in the creation or imposition of any Lien upon any of the assets of Borrower or the Subsidiaries of Borrower except Permitted Encumbrances.

4.3 Validity and Enforceability. This Second Amendment constitutes the valid and binding obligation of Borrower enforceable in accordance with its terms, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditor's rights generally, and (ii) the availability of equitable remedies may be limited by equitable principles of general application.

SECTION 5 Miscellaneous.

5.1 No Defenses. Borrower hereby represents and warrants to the Banks that there are no defenses to payment, counterclaims or rights of set-off with respect to the Obligations existing on the date hereof.

5.2 Reaffirmation of Loan Papers. Any and all of the terms and provisions of the Credit Agreement and the Loan Papers shall, except as amended and modified hereby, remain in full force and effect.

5.3 Parties in Interest. All of the terms and provisions of this Second Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

5.4 Legal Expenses. Borrower hereby agrees to pay on demand all reasonable fees and expenses of counsel to Agent incurred by Agent, in connection with the

preparation, negotiation and execution of this Second Amendment and all related documents.

5.5 Counterparts. This Second Amendment may be executed in counterparts, and all parties need not execute the same counterpart; however, no party shall be bound by this Second Amendment until all parties have executed a counterpart. Facsimiles shall be effective as originals.

5.6 Complete Agreement. THIS SECOND AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

5.7 Headings. The headings, captions and arrangements used in this Second Amendment are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify or modify the terms of this Second Amendment, nor affect the meaning thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed by their respective authorized officers on the date and year first above written.

BORROWER:

BERRY PETROLEUM COMPANY,
a Delaware corporation

By:
Jerry V. Hoffman, Chairman, President and Chief Executive Officer

By:
Ralph J. Goehring, Senior Vice President and Chief Financial Officer

AGENT:

NATIONSBANK, N.A., successor by merger to NationsBank of Texas, N.A.

By: s/s Claire Liu
Name: Claire M. Liu
Title: Managing Director

BANKS:

NATIONSBANK, N.A., successor by merger to NationsBank of Texas, N.A.

By: s/s Claire Liu
Name: Claire M. Liu
Title: Managing Director

WELLS FARGO BANK (TEXAS), N.A.

By: s/s Greg Petruska
Name: Greg Petruska
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: s/s Randy Osterberg
Name: Randy Osterberg
Title: Vice President

SCHEDULE 1

FINANCIAL INSTITUTIONS

Banks	Commitment Amount	Commitment Percentage
NationsBank, N.A.	$68,181,750	45.4545%
Wells Fargo Bank (Texas), N.A.	$40,909,050	27.2727%
Union Bank of California, N.A.	$40,909,050	27.2727%

Banks	Domestic Lending	Eurodollar Lending	Address for Notice
NationsBank, N.A.	901 Main Street, 64th Floor Dallas, Texas 75202 Fax No. (214) 508-1285	901 Main Street, 64th Floor Dallas, Texas 75202 Fax (214) 508-1285	901 Main Street, 64th Floor Dallas, Texas 75202 Fax (214) 508-1285
Wells Fargo Bank (Texas), N.A.	633 17th Street, 3rd Floor North Tower Denver, Colorado 80270 Fax No. (303) 293-5120	633 17th Street, 3rd Floor North Tower Denver, Colorado 80270 Fax No. (303) 293-5120	633 17th Street, 3rd Floor North Tower Denver, Colorado 80270 Fax No. (303) 293-5120
Union Bank of California N.A.	Energy Capital Services 445 S. Figueroa Street 15th Floor Los Angeles, CA 90071 Fax No. (213) 236-4096	Energy Capital Services 445 S. Figueroa Street 15th Floor Los Angeles, CA 90071 Fax No. (213) 236-4096	Energy Capital Services Dallas Office 500 N. Akard, Dallas, Texas 75201 Fax No. (214) 922-4209

Agent - Address:

901 Main Street, 64th Floor
Dallas, Texas 75202
Attn: _____
Fax: (214) 508-1285

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Berry Petroleum Company on Form S-8 (File No. 333-62799 and 333-62873) of our report dated February 19, 1999 on our audits of the financial statements of Berry Petroleum Company as of December 31, 1998 and 1997 and for the three years in the period ended December 31, 1998, which report is included in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
March 11, 1999

EXHIBIT 23.1

March 12, 1999

Berry Petroleum Company
P.O. Bin X
Taft, California 93268

Gentlemen:

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 1998, (the Annual Report) of Berry Petroleum Company (the Company), we hereby consent to (i) the use of and reference to our report dated February 16, 1999, entitled "Appraisal Report, as of December 31, 1998, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, Texas, and Wyoming; our report dated February 19, 1998, entitled "Appraisal Report, as of December 31, 1997, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, Texas and Wyoming; and our report dated February 12, 1997, entitled "Appraisal Report, as of December 31, 1996, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, and Texas (collectively referred to as the "Reports"), under the caption "Oil and Gas Reserves" in items 1 and 2 of the Annual Report and under the caption "Supplemental Information About Oil and Gas Producing Activities (Unaudited) in item 8 of the Annual Report; and (ii) the use of and reference to the name DeGolyer and MacNaughton as the independent petroleum engineering firm that prepared the Reports under such items; provided, however, that since the cash-flow calculations in the Annual Report include estimated income taxes not included in the Reports, we are unable to verify the accuracy of the cash-flow values in the Annual Report.

Very truly yours,

DeGOLYER and MacNAUGHTON

Exhibit 23.2

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UNDERTAKING FOR FORM S-8 REGISTRATION STATEMENT

For purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the Company hereby undertakes as follows, which undertaking shall be incorporated by reference into the Company's Registration Statements on Form S-8 (No. 333-62799 and 333-62873):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to director, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Exhibit 99.1