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, 2003**
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)

5201 Truxtun Avenue, Suite 300
Bakersfield, California 93309
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(661) 616-3900**

(Former name, former address and former fiscal year, if changed since last report)

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 o

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. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
YES x NO o

As of June 30, 2003, the aggregate market value of the voting stock held by non-affiliates was $285,032,394. As of February 9, 2004, the registrant had 20,915,746 shares of Class A Common Stock outstanding. The registrant also had 898,892 shares of Class B Stock outstanding on February 9, 2004, 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.

BERRY PETROLEUM COMPANY
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PART I

PART I

Items 1 and 2. Business and Properties

Company Website

The Company has a website located at http:\\www.bry.com. The website can be used to access recent news releases and Securities and Exchange Commission filings, crude oil price postings, the Company’s Annual Report, Proxy Statement, Board committee charters, the code of ethics for senior financial officers and other items of interest.

General

Berry Petroleum Company, (Berry or Company), is an independent energy company engaged in the production, development, acquisition, exploitation and exploration of crude oil and natural gas. While the Company was incorporated in Delaware in 1985 and has been a publicly traded company since 1987, it can trace its roots in California oil production back to 1909. Currently, Berry's principal reserves and producing properties are located in the San Joaquin Valley, Los Angeles and Ventura basins in California and the Uinta Basin in northeastern Utah. The Company’s corporate headquarters are located in Bakersfield, California. The Company also opened an office in Denver, Colorado in 2003 to pursue opportunities in the Rocky Mountain region. Management believes that these facilities are adequate for its current operations and anticipated growth. Information contained in this report on Form 10-K reflects the business of the Company during the year ended December 31, 2003.

The Company's mission is to increase shareholder returns, primarily through maximizing the value and cash flow of the Company's assets. To achieve this, Berry's corporate strategy is to, at a minimum, increase its net proved reserves annually, grow production annually and, in the process, increase both net income and cash flow in total and per share. To increase proved reserves and production, the Company will compete to acquire oil and gas properties with principally proved reserves and exploitation potential or sizeable acreage positions that the Company believes can ultimately contain substantial reserves which can be

developed at reasonable costs. Additionally, the Company will continue to focus on the further development of its properties through developmental drilling, well completions, remedial work and by application of enhanced oil recovery (EOR) methods, as applicable. In conjunction with the goals of maximizing profitability and the exploitation and development of its substantial heavy crude oil base, the Company owns three cogeneration facilities which are intended to provide an efficient and secure long-term supply of steam which is necessary for the economic production of heavy oil. Berry views these assets as a key part of its long-term success. Berry believes that its primary strengths are its ability to maintain a cost-efficient operation, its flexibility in acquiring attractive producing properties which have significant exploitation and enhancement potential, its strong financial position and its experienced management team and staff. While the Company continues to seek investment opportunities in California, the Company has identified the Rocky Mountain region as a primary area of interest for growth. The Company believes that it can be successful in growing its reserve base and production in a profitable manner by investing in certain assets in the region. Additio nally, it provides substantial opportunity for the Company to diversify its existing predominantly heavy crude oil base into light oil and natural gas. Strategically, the Company desires to increase its natural gas reserves and production as the Company consumes approximately 37,000 MMBtu daily as fuel for steam generation which is utilized in its California heavy oil operations. During the year, the Company opened an office in Denver and completed the purchase of the Brundage Canyon properties in the Uinta Basin in northeastern Utah. This acquisition and its ongoing development and operations are assisting Berry in achieving its strategies in the near term. The Company has an unsecured credit facility with a current borrowing base of $200 million (at year-end 2003, $150 million is available) which may be utilized in adding reserves and production through acquisitions.

Proved Reserves

As of December 31, 2003, the Company's estimated proved reserves were 110 million barrels of oil equivalent, (BOE), of which 91% are heavy crude oil, 6% light crude oil and 3% natural gas. A significant portion of these proved reserves are owned in fee. Geographically, 91% of the Company’s reserves are located in California and 9% in the Rocky Mountain region. Production in 2003 was 6 million BOE, up 15% from 2002 production of 5.3 million BOE. For the five years 1999 through 2003, the Company's average annual reserve replacement rate was 163% and the acquisition, finding and development cost was $4.13 per BOE. Based on average daily fourth quarter production for each year, the Company’s reserves-to-production ratio was 16.2 years at year-end 2003, reduced from 18.3 years at year-end 2002.

Acquisitions

The Company actively pursued its growth strategy, completing two acquisitions during the year. In August 2003, the Company completed the acquisition of the Brundage Canyon properties, in the Uinta Basin of Utah, for approximately $45 million. Brundage Canyon is Berry’s first acquisition of a Company operated core asset outside of California, and is consistent with the Company’s goal of building a strong asset portfolio in the Rocky Mountain region. This acquisition was financed utilizing the Company’s revolving credit facility. At year-end, proved reserves for this property were approximately 9.2 million BOE or 8% of total reserves. In addition, the Company added to its California assets through the purchase of certain properties in the Poso Creek field in March, 2003 for $2.6 million. This acquisition added approximately 2.5 million BOE of proved reserves.

Operations

Berry operates all of its principal oil producing properties. In California, the Midway-Sunset and Placerita fields contain predominantly heavy crude oil which requires heat, supplied in the form of steam, injected into the oil producing formations to reduce the oil viscosity which allows the oil to flow to the well-bore for production. Berry utilizes cyclic steam and steam flood recovery methods in the Midway-Sunset and Placerita fields and primary recovery methods at its Montalvo field. Berry is able to produce its heavy oil at its Montalvo field without steam since the majority of the producing reservoir is at a depth in excess of 11,000 feet and thus the reservoir temperature is high enough to produce the oil without the assistance of additional heat from steam. In Utah, the Brundage Canyon field consists of light gravity crude and associated natural gas produced from a depth o f approximately 6,000 feet. Company-wide 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 metered through lease automatic custody transfer units or gauged before sale and subsequently transferred into crude oil pipelines owned by other companies or transported via truck. Crude oil produced from the Brundage Canyon field is transported by truck, while its gas production, net of field usage, is transported by feeder pipelines to two main shipper pipelines.

Revenues

Total revenues for 2003 increased by $50 million or 38% over 2002. Total revenues and the percentage of revenues by source for the prior three years are as follows:

	2003	2002	2001
Total revenues (in millions)	$ 181	$ 131	$ 138
Sales of oil and gas	75%	78%	72%
Sales of electricity	24%	21%	26%
Other	1%	1%	2%

Crude Oil and Natural Gas Marketing

The global and California crude oil markets continue to remain strong. The Organization of Petroleum Exporting Countries (OPEC) has successfully managed crude oil prices despite petroleum product demand weakness due to worldwide economic slowdowns and political instability during 2001 and 2002. Product prices began to rise in 2002 and continued to exhibit an overall-strengthening trend during 2003. The NYMEX settlement price for West Texas Intermediate (WTI), the U.S. benchmark crude oil, averaged $30.99 for 2003 compared to $26.15 for 2002 and $25.95 in 2001. The range for the year 2003 was a low of $25.24 and a high of $37.83. The average posted price for the Company’s 13º API heavy crude oil was $25.27 for 2003 compared to $20.67 for 2002 and $18.70 for 2001. The range of posted prices for the Company’s heavy crude oil in 2003 included a low of $18.81 and a high o f $32.44.

While crude oil price differentials between WTI and California's heavy crude widened during 2001, the trend reversed in 2002 and continued to stay below $6 per barrel during 2003. The crude price differential between WTI and California's heavy crude oil has averaged $5.73, $5.48 and $7.25 for 2003, 2002 and 2001, respectively. A price-sensitive royalty burdens one of the Company's California properties which produces approximately 4,000 barrels per day. This royalty is 75% of the amount of the heavy oil posted price above a base price which was $14.59 in 2003. This base price escalates at 2% annually, thus the threshold price is $14.88 per barrel in 2004.

Berry markets its crude oil production to competing buyers including independent marketers but primarily to major oil refining companies. Because of the Company's ability to deliver significant volumes of crude oil over a multi-year period, the Company was able to secure a three-year sales agreement, beginning in April 2000, with a major California refiner whereby the Company sold in excess of 80% of its California production under a negotiated pricing mechanism. This contract was renegotiated during 2002 and extended through 2005. Over 90% of the Company's current California production is subject to this new contract. Pricing in the new agreement is based upon the higher of the average of the local field posted prices plus a fixed premium, or WTI minus a fixed differential. Both methods are calculated using a monthly determination. In addition to providing a premium abov e field postings, the agreement effectively eliminates the Company's exposure to the risk of widening WTI to California heavy crude price differentials and allows the Company to effectively hedge its production based on WTI pricing. The Brundage Canyon crude oil, which is approximately 40 degree API gravity, is priced at WTI less a fixed differential.

Berry markets produced natural gas from Utah, Wyoming and California. In October 2003, the Company began marketing produced gas from the Brundage Canyon field. The majority of the natural gas from Brundage Canyon is sold in the Salt Lake City market at a Questar monthly index related price with an adjustment for transportation. Brundage Canyon volume in excess of Berry's firm pipeline transportation volume is sold at the field at a Questar daily spot related price. The Company owns a non-operated working interest in the South Joe Creek field in the Powder River Basin in Wyoming. Berry started marketing its working interest share of production in-kind from South Joe Creek in December 2002, at Glenrock, Wyoming at monthly Colorado Interstate Gas (CIG) index related prices. Additionally, produced gas from the West Montalvo field near Oxnard, CA is exchanged and valued at a daily SoCal Border spot related price.

For 2003, SoCal Border first-of-month indices averaged $5.05 per MMBtu and the Rockies CIG indices averaged $4.19 per MMBtu. The average monthly index price for the Questar price point was $4.07 per MMBtu in the fourth quarter of 2003. The closing price for the NYMEX prompt month natural gas contract averaged $5.84, $3.37 and $4.05 for years 2003, 2002 and 2001 respectively. The weighted average price the Company received per Mcf during these years was $5.03, $2.31 and $4.06 respectively.

The Company has physical access to interstate gas pipelines, such as the Kern River Pipeline and the Questar Pipeline, as well as California intrastate systems owned by Southern California Gas Company and Pacific Gas & Electric (PG&E), to move gas to or from market. To avoid negative financial impacts to the Company should California pipeline capacity become constrained, the Company entered into a long-term gas transportation contract with Kern River Gas Transmission Company for 12,000 MMBtu/D. This is a ten year contract which began in May 2003. The Company also holds two firm transportation contracts on the Questar Pipeline system in Utah.

From time to time, the Company enters into crude oil and natural gas hedge contracts, the terms of which depend on various factors, including Management's view of future crude oil prices and the Company's future financial commitments. This price protection program is designed to moderate the effects of a severe price downturn while allowing Berry to participate in the upside after a maximum per barrel payment. Currently, the hedges are in the form of swaps or options; however, the Company is considering using a variety of hedge instruments for use in the future. The Company has utilized bracketed zero-cost collars as they meet the Company's objectives of retaining significant upside while being adequately protected on a significant downside price movement. These price protection activities resulted in a net cost or (benefit)/BOE to the Company of $1.96 in 2003, $.72 in 2002 and ($.16) in 2001.

The following table summarizes the hedge position of the Company as of February 9, 2004:

Crude Oil and Natural Gas Hedges
(Based on NYMEX Pricing)

		Floor		Ceiling	
Term	Barrels Per Day	Sell Put	Buy Put	Sell Call	Buy Call
Crude Oil Hedges					
01/01/2004 – 03/31/2004	2,500	$ 18.25	$ 22.10	$ 25.40	$ 30.10
01/01/2004 – 03/31/2004	2,500	$ 18.25	$ 22.10	$ 25.45	$ 30.10
04/01/2004 – 12/31/2004	1,000	$ 19.00	$ 22.00	$ 25.50	$ 29.40
04/01/2004 – 12/31/2004	1,000	$ 19.50	$ 23.00	$ 26.00	$ 29.75
04/01/2004 – 12/31/2004	1,000	$ 19.50	$ 23.00	$ 26.00	$ 29.50
04/01/2004 – 12/31/2004	1,000	$ 19.50	$ 23.00	$ 26.25	$ 29.85

01/01/2004 – 04/30/2004	1,000	$	-	$	25.00	$	25.00	$ -
01/01/2004 – 12/31/2004	1,500	$	-	$	29.25	$	29.25	$ -
01/01/2004 – 12/31/2004	1,500	$	-	$	29.00	$	29.00	$ -
Natural Gas Hedges	MMBtu Per Day							
01/01/2004 – 06/30/2006	2,500	$	-	$	4.85	$	4.85	$ -
01/01/2004 – 06/30/2006	2,500	$	-	$	4.85	$	4.85	$ -

Payments to our counterparties are triggered when NYMEX monthly average prices are between the Ceiling Sell Call and Buy Call prices. Conversely, payments from our counterparties are received when the NYMEX monthly average prices are between the Floor Sell Put and Buy Put prices. Management regularly monitors the crude oil markets and the Company's financial commitments to determine if, when, and at what level some form of crude oil hedging or other price protection is appropriate.

Steaming Operations

Cogeneration Steam Supply

As of December 31, 2003, approximately 86% of the Company's proved reserves, or 94 million barrels, consisted of heavy crude oil produced from depths shallower than 2,000 feet. The Company, in pursuing its goal of being a cost-efficient heavy oil producer, has remained focused on minimizing its steam cost. One of the main methods of keeping steam costs low is through the ownership and efficient operation of cogeneration facilities. Two of these cogeneration facilities, a 38 megawatt (MW) and an 18 MW facility are located in the Company's South Midway-Sunset field. The Company also owns a 42 MW rated cogeneration facility located at the Company's Placerita field. Steam generation from these facilities, with a total steam capacity of approximately 38,000 barrels of steam per day (BSPD), is more efficient than conventional steam generation as both steam and electricity are c oncurrently produced from a common fuel stream. The Company purchases approximately 2,000 BSPD under contract on favorable terms from a non-Company owned cogeneration facility

Conventional Steam Generation

In addition to these cogeneration plants, the Company owns sixteen conventional boilers. The number which are operated at any one time is dependent on the quantity needed to meet peak steam demands. The total rated capacity of the conventional boilers is also approximately 38,000 BSPD.

Blending Sources for an Advantage

The Company believes it has a distinct advantage over other operators by the ownership of these varied steam generation facilities and sources, allowing for maximum control over the steam supply, location, and to some extent the aggregated cost. The Company's steam supply and flexibility are crucial for the maximization of oil production, cost control and ultimate reserve recovery.

High natural gas prices have persisted throughout 2003. The cost of natural gas purchased per MMBtu averaged $4.88, $3.13, and $5.76 for 2003, 2002 and 2001, respectively. Many of the Company's conventional steam generators were run in 2003 to achieve the Company's goal of increasing heavy oil production to record levels.

The Company believes that it may become necessary to add additional steam capacity for its future development projects at South Midway-Sunset and Placerita to allow for full development of its properties. While the Company vigorously pursued the possibility of constructing additional cogeneration facilities in 2001 and tested the market in 2002, the regulatory environment and operating and financial conditions for new cogeneration facilities in California remain uncertain. The Company regularly reviews its most economical source for obtaining additional steam to achieve its growth objectives.

Electricity Generation

The total annual average electrical generation of the Company's three cogeneration facilities is approximately 93 MW, of which the Company consumes approximately 8 MW for use in its operations. The three facilities can also supply approximately 38,000 BSPD. Each facility is centrally located on an oil producing property such that the steam generated by the facility is capable of being delivered to the wells that require steam for the enhanced oil recovery process. The Company's investment in its cogeneration facilities have been for the express purpose of lowering the steam costs in its heavy oil operations and securing operating control of the respective steam generation. Expenses of operating the cogeneration plants are analyzed monthly on a Company-wide basis. Any profits from cogeneration operations are considered profits from electricity generation. If expenses excee d electricity revenues, the excess expenses are recorded as oil and gas operating costs.

Electricity Sales Contracts

Historically, the Company has sold electricity produced by its cogeneration facilities to Southern California Edison Company (Edison) and PG&E under long-term contracts. These contracts are referred to as Standard Offer (SO) contracts under which the Company is paid an energy payment that reflects the

utility's avoided short-term variable cost to produce electricity (SRAC) plus a capacity payment that reflects a recovery of capital expenditures that would otherwise have been made by the utility. The capacity payments are either fixed throughout the term of the agreement or can be adjusted from time to time by the California Public Utilities Commission (CPUC). The SRAC energy price is determined by a formula that reflects the utility's marginal fuel cost and a conversion efficiency that represents a hypothetical utility resource to generate electricity in the absence o f the cogenerator. Natural gas is now the marginal fuel for California Investor Owned Utilities (IOUs) so this formula provides a hedge against the Company's cost of gas to produce electricity and steam in its cogeneration facilities.

As the California energy crisis worsened in 2000, neither utility paid the Company for electricity delivered under the contracts from late 2000 through March 2001. PG&E filed for bankruptcy on April 6, 2001 and Edison operated on the brink of bankruptcy for an extended period. The Company was forced to shut down its cogeneration facilities and to terminate its SO contracts with PG&E in order to seek a creditworthy buyer for its electricity. Berry sold electricity from its Cogen 18 and Cogen 38 facilities to a creditworthy, non-utility buyer from June 2001 through December 2002. In June 2001, the CPUC approved an agreement under which Berry resumed operation of its Placerita cogeneration facilities, Edison agreed to amend the SRAC payment terms and resume payments to Berry under its original SO contracts, and Edison agreed to pay all past due amounts owed Berry since Novembe r 2000. The original SO contract for Placerita Unit 1 continues in effect through March 2009. The modified SRAC pricing terms reflect a fixed energy price of 5.37 cents/kilowatt per hour (KWh) until June 2006, at which time the energy price reverts to the SRAC pricing methodology then approved by the CPUC. Edison continued to purchase electricity under the SO contract for Placerita Unit 2 until its scheduled expiration in May 2002. From June 2002 through January 2003, the Company sold electricity from that facility to a creditworthy, non-utility buyer. On August 22, 2002, the CPUC ordered the California IOUs to offer SO contracts to certain cogeneration facilities with expired SO contracts (Qualifying Facilities or QFs) for a maximum term of one year. The Company met these requirements and entered into new SO contracts with Edison for its Placerita Unit 2 and with PG&E for its Cogen 38 and Cogen 18 facilities effective January 2003. These three new SO contracts resulted in improved electrical pricing, wh ich in turn contributed to lower operating costs for the Company's crude oil production operations during 2003. All three SO contracts terminated on December 31, 2003, as originally ordered by the CPUC.

On December 18, 2003, the CPUC ordered the California IOUs to continue to offer SO contracts to certain QFs with expired SO contracts, such as Berry, for a one year term beginning January 1, 2004. In the same decision, the CPUC also directed its staff to initiate a comprehensive review and revision of the SRAC pricing methodology. Edison has appealed the legality of the December 18, 2003 CPUC decision that ordered the additional one-year extension of SO contracts. They also contend the term of the agreement could be less than one year. The Company disputes Edison's claims and opposes Edison's appeal of the decision. The Company executed a one year extension of its SO contract with Edison for the Placerita Unit 2 facility, that is subject to early termination if Edison is successful in their appeal. The Company also executed one year extensions of its SO contracts with PG& amp;E.

On January 22, 2004, the CPUC issued a decision that establishes the rules under which the California IOUs will produce or procure energy for their customers for at least the next 5-10 years. Among other things, this decision ordered the California IOUs to offer SO contracts to certain QFs whose SO contracts will terminate prior to December 31, 2005, such as Berry, for a term of 5 years. The SRAC price paid under these SO contracts is subject to the same prospective adjustments that were required in the prior CPUC decision that ordered the one-year extension. The Company is carefully reviewing the options available in the recent CPUC order.

Facility and Contract Summary

Location and Facility	Type of Contract	Purchaser	Contract Expiration	Approximate Megawatts Available for Sale	Approximate Megawatts Consumed in Operations	Approximate Barrels of Steam Per Day
Placerita						
Placerita Unit 1	SO2	Edison	Mar-09	20	-	6,600
Placerita Unit 2	SO1	Edison	Dec-04	16	4	6,700
South Midway-Sunset						
Cogen 18	SO1	PG&E	Dec-04	12	4	6,600
Cogen 38	SO1	PG&E	Dec-04	37	-	18,000

Environmental and Other Regulations

Berry Petroleum Company is committed to responsible management of the environment, health and safety, as these areas relate to the Company's operations. The Company strives to achieve the long-term goal of sustainable development within the framework of sound environmental, health and safety practices and standards. Berry makes environmental, health and safety protection an integral part of all business activities, from the acquisition and management of its resources through the decommissioning and reclamation of its wells and facilities.

The oil and gas production business in which Berry participates is complex. All facets of the Company's operations are affected by a myriad of federal, state, regional and local laws, rules and regulations. Berry is further affected by changes in such laws and by constantly changing administrative regulations. Furthermore, government agencies may impose substantial liabilities if the Company fails to comply with such regulations or for any contamination resulting from the Company's operations.

Therefore, Berry has programs in place to identify and manage known risks, to train employees in the proper performance of their duties and to incorporate viable new technologies into its operations. The costs incurred to ensure compliance with environmental, health and safety laws and other regulations are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to these matters.

Currently, California environmental laws and regulations are being revised to lower emissions from stationary sources. Although these 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. Berry believes that compliance with environmental laws and regulations will not have a material adverse effect on the Company's operations or financial condition. There can be no assurances, however, that changes in, or additions to, laws and regulations regarding the protection of the environment will not have such an impact in the future.

Berry maintains insurance coverage that it believes is customary in the industry although it is not fully insured against all environmental or other risks. The Company is not aware of any environmental claims existing as of December 31, 2003 that would have a material impact upon the Company's financial position, results of operations, or liquidity.

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 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 Berry is in a position to compete effectively due to its low cost structure, transaction flexibility, strong financial position, experience and determination.

Employees

On December 31, 2003, the Company had 129 full-time employees, up from 113 full-time employees on December 31, 2002.

Oil and Gas Properties

Development

Unless otherwise noted, gross acreage, net wells, fourth quarter production, and year-end reserves are used in the property descriptions below.

California

Midway-Sunset - Berry owns and operates working interests in 38 properties consisting of 4,559 acres located in the Midway-Sunset field. The Company estimates these properties account for approximately 67% of the Company's proved oil and gas reserves and approximately 64% of its current daily production. Of these properties, 18 are owned in fee. The wells produce from an average depth of approximately 1,200 feet, and rely on thermal EOR methods, primarily cyclic steaming.

During 2003, the primary focus at Midway-Sunset was on the Formax properties. Of the 83 wells drilled in the Midway-Sunset field in 2003, 13 were horizontal wells, and 31 were on the Formax properties. The objectives of using horizontal drilling are to improve ultimate recovery of original oil-in-place, reduce the development and operating costs of the properties and to accelerate production. In 2004, the Company plans to drill an additional 42 wells in the Midway-Sunset field, including 2 horizontals.

Placerita – The Company’s assets in the Placerita field consist of six leases and three fee properties totaling approximately 1,030 acres. The average depth of these wells is 1,800 feet and the properties rely extensively on thermal recovery methods, primarily steam flooding. The property accounts for approximately 17% of proved reserves and 19% of current daily production.

During 2003, the Company drilled eleven development wells at Placerita in continuation of a major development campaign at the north end of the field. Included in the Company's 2004 development plan is the drilling of three new wells to begin the redevelopment of the Castruccio property the Company acquired several years ago.

Montalvo – Berry owns a 100% working interest in six leases totaling 8,563 acres in the Ventura Basin comprising the entire 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 5% of Berry’s proved oil and gas reserves and approximately 4% of Berry's current daily production. The wells produce from an average depth of approximately 11,500 feet. No new wells were drilled in 2003, however several wells were remediated and returned to production. There are no plans at this time to drill any new wells in 2004, however two idle wells are scheduled to be returned to production and one major workover will be completed.

McVan – In March 2003, the Company purchased a 100% working interest in the McVan property located in the Poso Creek field. The property consists of 560 acres with a total of 71 wells. Year-end 2003 proved reserves comprise 2% of Berry’s proved oil and gas reserves while production is minimal. Plans for 2004 include drilling one well, working over 10 wells and reinitiating steam injection on the property.

Rockies and Mid-Continent

Brundage Canyon, Utah - On August 28, 2003, Berry closed the acquisition of and assumed operations of the Brundage Canyon field, Duchesne County, Utah. The Brundage Canyon leasehold consists of federal, tribal and private leases totaling 45,380 gross acres. The Company estimates that the Brundage Canyon properties account for approximately 8% of proved oil and gas reserves and approximately 12% of current daily production. There are 110 wells in the Brundage Canyon field, producing oil and associated natural gas with an average well depth of 6,000 feet.

Berry initiated a twenty-six well, two rig drilling program in early September, 2003, immediately following the closing of the acquisition, and twenty-two of the new wells were producing by year-end. The field is currently being developed on eighty-acre spacing with substantial undeveloped acreage. The Company's objectives for 2004 include the drilling of 44 additional wells and the recompletion of twenty existing wells.

South Joe Creek, Wyoming - The Company holds a 15.83% non-operated working interest in the South Joe Creek coalbed methane gas field which represents interests in federal, state and private leases totaling 5,266 acres in the northeastern portion of the Powder River Basin in Wyoming. The property has 84 wells (13 net). At year-end, the net production rate was 1,200 Mcf per day, or approximately 1% of daily production and net reserves were less than 1%. We anticipate the drilling of 15 wells (2.4 net) in 2004.

Mickelson Creek, Wyoming – In June 2003, the Company purchased three federal leases located in the Mickelson Creek field in Sublette County, Wyoming. There are currently five wells on the 2,800 acre property. While production and reserves are minimal at this time, the Company plans to drill two wells and recomplete two wells in 2004.

Kansas and Illinois Coalbed Methane (CBM) Projects – In mid-2002, the Company began to build a significant acreage position in both Eastern Kansas (208,000 acres) and Central Illinois (54,000 acres) to develop natural gas production and reserves from known coalbeds. The Company drilled a five-spot production pilot in each state in late 2002. In 2003, the Company determined both these pilots were non-commercial. As such, the Company has no reserves in either state as of December 31, 2003. The Company sold its interest in 43,000 acres in Kansas in mid-2003 while retaining an overriding royalty interest. The Company's objectives in 2004 include the continued evaluation of CBM activities in Illinois and further delineation of our CBM acreage in Kansas.

The following is a summary of the Company's capital expenditures incurred during 2003 and 2002 and budgeted capital expenditures for 2004.

CAPITAL EXPENDITURES SUMMARY
(in thousands)

	2004 (Budgeted) (1)	2003	2002
CALIFORNIA			
Midway-Sunset Field			
New wells	$ 6,885	$ 10,710	$ 10,224
Remedials/workovers	2,045	1,718	1,981
Facilities - oil & gas	2,385	3,136	1,340
Facilities - cogeneration (2)	150	231	898
General	1,682	187	-
	13,147	15,982	14,443
Placerita			
New wells	322	6,509	5,278
Remedials/workovers	1,233	154	174
Facilities - oil & gas	1,590	916	2,480
Facilities - cogeneration (2)	150	370	4,382
	3,295	7,949	12,314
Montalvo			
Remedials/workovers	1,180	928	909
Facilities	425	94	179
	1,605	1,022	1,088
McVan			

New Wells	150	-	-
Remedials/workovers	650	2	-
Facilities	540	666	-
	1,340	668	-
Total California	19,387	25,621	27,845
ROCKIES AND MID-CONTINENT			
Brundage Canyon			
New Wells	26,203	14,298	-
Remedials/workovers	2,332	234	-
Facilities	1,930	146	-
	30,465	14,678	-
Mickelson Creek			
New Wells	1,500	-	-
Remedials/workovers	300	-	-
Facilities	175	-	-
	1,975	-	-
Kansas and Illinois (CBM) *(3)*			
New wells	300	392	1,185
Facilities	-	346	47
Remedials/workovers	-	3	-
	300	741	1,232
South Joe Creek *(3) (4)*			
New wells	332	8	355
Facilities	-	5	216
	332	13	571
Total Rocky Mountain and Mid-Continent	33,072	15,432	1,803
Other	450	502	984
Totals	$ 52,909	$ 41,555	$ 30,632

(1) *Budgeted capital expenditures may be adjusted for numerous reasons including, but not limited to, oil, natural gas and electricity price levels. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.*

(2) *Cogeneration facility costs are excluded in the Company's calculation of its finding and development costs.*

(3) *Represents coalbed methane (CBM) development activity.*

(4) *Represents Berry's net share, or 15.83%, of the total expenditures.*

Exploration

The Company considered its pilot wells in both Kansas and Illinois to be exploratory in nature as there was no proven production near those areas; however, these were relatively inexpensive shallow wells. In recent years, the Company has concentrated on growth through development of existing assets and strategic acquisitions. The Company is pursuing an acquisition strategy which may include some exploratory drilling in the future.

Enhanced Oil Recovery Tax Credits

The Revenue Reconciliation Act of 1990 included a tax credit for certain costs associated with extracting high-cost, capital-intensive marginal oil or gas and which utilizes at least one of nine designated "enhanced" or tertiary recovery methods. Cyclic steam and steam flood recovery methods for heavy oil, 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 only for qualified EOR projects by investing in one of three types of expenditures: 1) drilling development wells, 2) adding facilities that are integrally related to qualified EOR production, or 3) utilizing a tertiary injectant, such as steam, to produce oil. The credit may be utilized to reduce the Company's tax liability down to, but not below, its alternative minimum tax liability. 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 appraise the extent and value of its proved oil and gas reserves and the future net revenues to be derived from properties of the Company for the year ended December 31, 2003. 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 considered applicable to properly determine the reserves of the Company. 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, 2003. For the Company's operated properties, such reserve estimates are filed annually with the U.S. Department of Energy. See the Supplemental Information About Oil & Gas Producing Activitie s (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:

	2003	2002	2001
Net annual production: (1)			
Oil (Mbbls)	5,827	5,123	4,996
Gas (Mmcf)	1,277	769	288
Total equivalent barrels (2)	6,040	5,251	5,044
Average sales price:			
Oil (per Bbl) before hedging	$ 24.41	$ 20.27	$ 19.53
Oil (per Bbl) after hedging	22.37	19.54	19.70
Gas (per mcf) before hedging	4.40	2.22	5.09
Gas (per mcf) after hedging	4.43	2.22	5.09
Per BOE before hedging	24.48	20.11	19.63
Per BOE after hedging	22.52	19.39	19.79
Average operating cost – oil and gas production (per BOE) (3)	10.05	8.49	7.99

Mbbls – Thousands of Barrels
Mmcf – Million Cubic Feet
BOE – Barrels of Oil Equivalent

(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. A barrel of oil (Bbl) is equivalent to 42 U.S. gallons.*

(3) *Includes monthly expenses in excess of monthly revenues from cogeneration operations (per BOE) of $2.08, $1.72 and $1.31 for 2003, 2002 and 2001, respectively. See Note 2 to the financial statements.*

Acreage and Wells

As of December 31, 2003, the Company's properties accounted for the following developed and undeveloped acres:

	Developed Acres		Undeveloped Acres		Total	
	Gross	Net	Gross	Net	Gross	Net
California	7,786	7,786	7,404	7,404	15,190	15,190
Utah	9,520	9,360	35,860	34,140	45,380	43,500
Wyoming	3,800	750	4,266	2,250	8,066	3,000
Illinois	-	-	54,306	54,306	54,306	54,306
Kansas	-	-	163,993	163,993	163,993	163,993
Other	80	17	-	-	80	17
	21,186	17,913	265,829	262,093	287,015	280,006

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 2,757 gross oil wells (2,752 net) and 84 gross gas wells (13 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:

	2003		2002		2001	
	Gross	Net	Gross	Net	Gross	Net
Exploratory wells drilled:						
Productive	-	-	-	-	-	-
Dry [(1)]	-	-	11	11	-	-
Development wells drilled: [(2)]						
Productive	121	119	81	76	103	47
Dry [(1)]	1	1	-	-	1	-
Total wells drilled:						
Productive	121	119	81	76	103	47
Dry [(1)]	1	1	11	11	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. The 11 wells drilled in 2002 were determined to be dry holes in 2003.*

(2) *Wells drilled include 2 wells gross, .3 wells net for 2003, 6 wells gross, 1 well net for 2002 and 67 wells gross, 11 wells net for 2001 at South Joe Creek where the Company holds a 15.83% working interest.*

As of December 31, 2003, one well was being drilled on the Brundage Canyon property.

Title and Insurance

To the best of the Company's knowledge, there are no defects in the title to any of its principal properties including related facilities. 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 operating its oil and gas business.

Item 3. Legal Proceedings

While the Company is, from time to time, a party to certain lawsuits in the ordinary course of business, the Company does not believe any of such existing lawsuits will have a material adverse effect on the Company's operations, financial condition, or liquidity.

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

None.

Executive Officers

Listed below are the names, ages (as of December 31, 2003) 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 of the executive officers and members of the Board of Directors.

JERRY V. HOFFMAN, 54, 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 in March 1997. Mr. Hoffman held the Senior Vice President and Chief Financial Officer positions from January 1988 until March 1992 and was Chief Financial Officer from December 1985 until January 1988.

RALPH J. GOEHRING, 47, 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 an Assistant Secretary for the Company.

GEORGE T. CRAWFORD, 43, has been Vice President of Production since December 2000 and was Manager of Production, from January 1999 to December 2000. 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.

MICHAEL DUGINSKI, 37, has been Vice President of Corporate Development since February 2002. Mr. Duginski, a mechanical engineer, was previously with Texaco, Inc. from 1988 to 2002 where his positions included Director of New Business Development, Production Manager and Gas and Power Operations Manager. Mr. Duginski is also an Assistant Secretary for the Company.

LOGAN MAGRUDER, 47, has been Vice President of Rocky Mountain and Mid-Continent Region since August 2003 and was a consultant for the Company from February until August 2003. Mr. Magruder was previously Vice President of U.S. Operations for Calpine Natural Gas Company during 2001. Prior to Calpine, Mr. Magruder was employed by Barrett Resources as Vice President of Engineering and Operations from 1996 to 2001.

BRIAN L. REHKOPF, 56, has been Vice President of Engineering since March 2000 and was Manager of Engineering from September 1997 to March 2000. Mr. Rehkopf, a registered petroleum engineer, joined the Company's engineering department in June 1997 and was previously a Vice President and Asset Manager with ARCO Western Energy since 1992 and an Operations Engineering Supervisor with ARCO from 1988 to 1992. Mr. Rehkopf is also an Assistant Secretary for the Company.

DONALD A. DALE, 57, has been Controller since December 1985.

KENNETH A. OLSON, 48, has been Corporate Secretary since December 1985 and Treasurer since August 1988.

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 November 1999, 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 8, 1999. Each share of Capital Stock issued after December 8, 1999 includes one Right. The Rights expire on December 8, 2009. See Note 7 of Notes to the Financial Statements.

Berry's Class A Common Stock is listed on the New York Stock Exchange under the symbol (NYSE:BRY). The Class B Stock is not publicly traded. The market data and dividends for 2003 and 2002 are shown below:

	2003			2002		
	Price Range		Dividends	Price Range		Dividends
	High	Low	Per Share	High	Low	Per Share
First Quarter	$ 17.01	$ 14.65	$ 0.10	$ 16.90	$ 13.25	$ 0.10
Second Quarter	18.38	14.40	0.15	17.58	15.45	0.10
Third Quarter	19.17	16.96	0.11	18.25	14.52	0.10
Fourth Quarter	20.95	17.90	0.11	17.50	15.60	0.10

The closing price per share of Berry's Common Stock, as reported on the New York Stock Exchange Composite Transaction Reporting System for February 9, 2004, December 31, 2003 and December 31, 2002 was $19.07, $20.25 and $17.05, respectively.

The number of holders of record of the Company's Common Stock was 705 as of February 9, 2004. There was one Class B Shareholder of record as of February 9, 2004.

In August 2001, the Board of Directors authorized the Company to repurchase $20 million of Common Stock in the open market. As of December 31, 2001, the Company had repurchased 308,075 shares for approximately $5.1 million. All shares repurchased were retired. No additional shares were repurchased in 2002 or 2003.

The Company paid a special dividend of $.04 per share on May 2, 2003 and increased its regular quarterly dividend by 10%, from $.10 to $.11 per share beginning with the June 2003 dividend.

Since Berry Petroleum Company's formation in 1985 through December 31, 2003, the Company has paid dividends on its Common Stock for 57 consecutive quarters and previous to that for eight consecutive semi-annual periods. 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.

As of December 31, 2003, dividends declared on 4,000,894 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, 2003 were derived from the audited financial statements and the accompanying notes to those financial statements (in thousands, except per share, per BOE and % data):

	2003	2002	2001	2000	1999
Statement of Operations Data:					
Sales of oil and gas	$ 135,848	$ 102,026	$ 100,146	$ 118,801	$ 66,615
Sales of electricity	44,200	27,691	35,133	51,420	33,011
Operating costs – oil and gas production	60,705	44,604	40,281	44,837	27,829
Operating costs – electricity generation	44,200	27,360	34,722	49,221	27,210
General and administrative expenses (G&A)	9,586	7,928	7,174	7,754	6,269
Depreciation, depletion & amortization (DD&A)	20,514	16,452	16,520	14,030	12,294
Net income	34,332	30,024	21,938	37,183	18,006
Basic net income per share	1.58	1.38	1.00	1.69	0.82
Diluted net income per share	1.56	1.37	0.99	1.67	0.82
Weighted average number of shares outstanding (basic)	21,772	21,741	21,973	22,029	22,010
Weighted average number of shares outstanding (diluted)	22,020	21,939	22,110	22,240	22,049
Balance Sheet Data:					
Working capital	$ (5,366)	$ (3,689)	$ 5,837	$ (1,154)	$ 8,435
Total assets	338,192	258,073	237,973	238,359	207,649
Long-term debt	50,000	15,000	25,000	25,000	52,000
Shareholders' equity	195,718	172,058	153,153	145,224	116,213
Cash dividends per share	0.47	0.40	0.40	0.40	0.40
Operating Data:					
Cash flow from operations	64,825	57,895	35,433	65,934	24,809
Capital expenditures (excluding acquisitions)	41,545	30,632	14,895	25,253	9,122
Property/facility acquisitions	48,626	5,880	2,273	3,182	33,605
Oil and gas producing operations (per BOE):					
Average sales price before hedging	$ 24.48	$ 20.11	$ 19.63	$ 23.01	$ 14.15
Average sales price after hedging	22.52	19.39	19.79	21.72	13.07
Average operating costs [(1)]	10.05	8.49	7.99	8.20	5.47
G&A	1.59	1.51	1.42	1.42	1.23
DD&A	3.40	3.13	3.28	2.57	2.42
Production (BOE)	6,040	5,251	5,044	5,467	5,090
Production (MWh)	767	748	483	764	728
Proved Reserves Information:					
Total BOE	109,920	101,719	102,855	107,361	112,541
Standardized measure [(2)]	$ 528,220	$ 449,857	$ 278,453	$ 501,694	$ 494,952
Present value (PV10) of estimated future net cash flow before income taxes	683,124	599,826	358,653	719,882	712,856
Year-end average BOE price for PV10 purposes	25.89	24.91	14.13	21.13	19.37
Other:					
Return on average shareholders' equity	18.70%	18.50%	14.70%	28.50%	16.50%
Return on average total assets	11.90%	12.50%	8.70%	16.80%	9.00%
Total debt/total debt plus equity	20.3%	8.0%	14.0%	14.7%	30.9%
Year-end stock price	$ 20.25	$ 17.05	$ 15.70	$ 13.38	$ 15.13
Year-end market capitalization	$ 441,516	$ 370,865	$ 341,192	$ 294,699	$ 332,920

(1) *Including monthly expenses in excess of monthly revenues from cogeneration operations of $2.08, $1.72, $1.31, $.53, and $0 for the years 2003, 2002, 2001, 2000, and 1999, respectively.*

(2) *See Supplemental Information About Oil & Gas Producing Activities.*

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, 2003, 2002 and 2001 and the financial condition, liquidity and capital resources as of December 31, 2003 and 2002. 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, gas and electricity sold, the type and volume of oil and gas produced and electricity generated and the results of acquisition, development, exploitation and exploration activities. The average realized prices for natural gas and electricity will fluctuate from one period to another due to regional market conditions and other factors, while oil prices will be predominantly influenced by world supply and demand. 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. The cost of natural gas used in the Company's steaming operations and electrical generation, production rates, labor, maintenance expenses and production t axes 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

In 2003, the Company achieved a record year for revenues and its second highest net income. The Company earned $34 million, or $1.56 per share (diluted), in 2003 on revenues of $181 million, up 13% from $30 million, or $1.37 per share (diluted), on revenues of $131 million in 2002, and up from $22 million, or $.99 per share (diluted), on revenues of $138 million earned in 2001.

The following table presents certain operating data for the years ended December 31:

	2003	2002	2001
Oil and Gas			
Net production – BOE/D	16,549	14,387	13,820
Per BOE:			
Average sales price before hedging	$ 24.48	$ 20.11	$ 19.63
Average sales price after hedging	22.52	19.39	19.79
Operating costs *(1)*	9.41	7.94	7.50
Production taxes	0.64	0.55	0.49
Total operating costs	$ 10.05	$ 8.49	$ 7.99
DD&A	$ 3.40	$ 3.13	$ 3.28
G&A	1.59	1.51	1.42
Interest expense	0.23	0.20	0.74
Electricity			
Electric power produced - MWh/D	2,100	2,050	1,325
Electric power sold – MWh/D	1,925	1,848	1,245
Average sales price/MWh before hedging	$ 62.91	$ 40.06	$ 79.14
Average sales price/MWh after hedging	$ 61.95	$ 39.64	$ 79.14
Fuel gas cost/MMBtu	$ 4.88	$ 3.13	$ 5.76

(1) Including monthly expenses in excess of monthly revenues from cogeneration operations of $2.08, $1.72 and $1.31 in 2003, 2002 and 2001 respectively.

BOE/D = Barrels of oil equivalent per day
MWh/D = Megawatt hours per day
MMBtu = Million British Thermal Units

In August 2003, the Company completed the acquisition of the Brundage Canyon properties, for approximately $45 million. The Company believes that this property presents a significant opportunity for growth due to the considerable amount of underexploited acreage. At year-end, proved reserves for this property were approximately 9.2 million BOE, or 8% of total reserves. Subsequent to the acquisition, the Company pursued a drilling program which included the drilling of 26 wells, 22 of which were producing at year end. As a result, current production has increased to nearly 3,000 barrels per day for Brundage Canyon.

The Company’s oil and gas production reached record levels in 2003 due primarily to the success of the Company’s development activities on its California properties, the acquisition of leases in the Brundage Canyon field in Utah in August 2003 and the drilling activities on these Utah properties in the last four months of 2003. Oil and gas production (BOE/D) for 2003 was 16,549, up 15% and 20%, respectively, from 14,387 in 2002 and 13,820 in 2001.

The Company primarily is at risk to reductions in operating income as a result of declines in crude oil and electricity prices and increases in natural gas prices. To assist in mitigating these risks, the Company periodically enters into various types of commodity hedges. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk”.

The 2003 average sales price per BOE of the Company’s oil and gas, net of hedging, was $22.52, up 16% and 14.7% from $19.39 and $19.79 received in 2002 and 2001, respectively. Approximately 96% of the Company’s sales volumes in 2003 were crude oil, with 86% of the crude oil being heavy oil produced in California which is sold under a long-term contract based on the higher of WTI minus a fixed differential or the Company’s average posted price plus a premium. The Brundage Canyon crude oil is priced at WTI less a fixed differential. During 2003, WTI prices per barrel reached a high of $37.83, a low of $25.24 and averaged $30.99 for the year compared to an average of $26.15 and $25.95 in 2002 and 2001, respectively.

The Company produced 2,100 MWh/D of electricity in 2003, comparable to 2,050 MWh/D in 2002, but up 58% from 1,325 MWh/D produced in 2001. The Company’s cogeneration facilities were shut in for a number of months in 2001 due to non-payment by the utilities that were contractually obligated to purchase the Company’s electricity.

During 2003, the Company received an average sales price for its electricity per MWh of $62.91 compared to $40.06 in 2002 and $79.14 in 2001. During 2003, electricity prices were, relative to the cost of natural gas to generate electricity, improved from 2002. In January 2003, three Standard Offer contract terms were reinstated on certain generating capacity of which the output had been sold by the Company on the open market during all of 2002 and the majority of 2001. This volume represented approximately 76% of the Company’s electricity sales output. Under the terms of the Standard Offer contracts, the price received for the electricity is based on the cost of natural gas. The Company consumes approximately 37,000 MMBtu of natural gas per day for use in generating steam and of this total, approximately 72% is consumed in the Company’s cogeneration operations. By maintai ning a correlation between electricity and natural gas prices, the Company is able to better control its cost of producing steam.

Three of the Standard Offer 1 contracts expired on December 31, 2003. However, by order of the California Public Utilities Commission (CPUC), in December 2003 the respective utilities offered extensions of the Standard Offer 1 contracts for up to one year. The CPUC issued a decision in January 2004 that establishes rules under which the California utilities are required to offer Standard Offer 1 contracts to certain qualifying facilities (QF), such as Berry, for a term of five years. In January 2004, the Company accepted one-year extensions of these contracts and is evaluating its options beyond the revised termination dates.

Operating costs from oil and gas operations were $60.7 million in 2003, up 36% and 51% from $44.6 million and $40.3 million in 2002 and 2001, respectively. On a per barrel basis, operating costs cost were $10.05 in 2003 compared to $8.49 and $7.99 in 2002 and 2001, respectively. Steam costs were higher in 2003 as the cost for natural gas per MMBtu increased to $4.88 from $3.13 in 2002. Although natural gas prices in 2001 of $5.76 were higher than the 2003 prices, the Company had shut-in its cogeneration operations for a portion of 2001 due to the California electricity crisis resulting in reduced steam injection volumes and lower total operating costs in 2001. The Company also injected an average of 63,300 BSPD in 2003, up 5% from 60,060 BSPD in 2002 and 33,574 BSPD in 2001. This increase in injected steam volumes also contributed to higher operating costs in 2003. The Company anti cipates operating costs to average between $9.50 and $10.50 per BOE in 2004.

DD&A in 2003 was $20.5 million, or $3.40 per BOE, up from $16.5 million, or $3.13 per BOE, in 2002 and $16.5 million, or $3.28 per BOE, in 2001. DD&A in 2003 was higher due to the acquisition of the Brundage Canyon properties in Utah and the cumulative effect of development activities in recent years. The Company anticipates its total DD&A charges for 2004 will approximate $28 million or range from $3.75 to $4.00 per BOE.

G&A expenses in 2003 were $9.6 million, or $1.59 per BOE, up 22% from $7.9 million, or $1.51 per BOE in 2002 and up 33% from $7.2 million, or $1.42 per BOE in 2001. Contributing to the increase in 2003 was higher compensation expenses, the expansion into the Rocky Mountain region, and a higher level of acquisition activity. For 2004, the Company anticipates that its G&A expenses will approximate $10.5 million or range from $1.35 to $1.45 per BOE.

Interest expense in 2003 was $1.4 million, or $.23 per BOE, up from $1.0 million, or $.20 per BOE, in 2002 but down from $3.7 million, or $.74 per BOE, in 2001. The Company’s borrowings at year-end 2003 were $50 million, up from $15 million in 2002 due to the acquisition of its Brundage Canyon properties in August 2003.

In 2002, the Company recorded income of $3.6 million, which represented the recovery of a portion of the $6.6 million of the receivables from electricity sales that were written off in 2001 due to non-payment by utilities contractually obligated to purchase the Company’s electricity.

The Company experienced an effective tax rate of 15% in 2003, down from the 20% and 19% reported in 2002 and 2001, respectively. The low effective tax rate is primarily a result of significant EOR tax credits earned by the Company’s continued investment in the development of its thermal EOR projects, both through capital expenditures and continued steam injection. This is the sixth consecutive year that the Company has achieved an effective tax rate below 30% versus the combined federal and state statutory rate of 40%. The Company believes it will continue to earn significant EOR tax credits and have an effective tax rate in the 20% to 30% range in 2004, based on WTI prices averaging between $26.50 and $35.50.

During 2002 and early 2003, the Company leased a total of approximately 208,000 acres in Kansas and 54,000 acres in Illinois to explore for economic concentrations of coalbed methane gas at a total lease cost of approximately $6 million. A five-well pilot was drilled in the Wabaunsee County portion of the Kansas acreage in the fourth quarter of 2002. Initial water production was less than expected with no resulting gas pressure buildup and the gas content of the coals was later determined to be significantly lower than anticipated. The Company concluded that this pilot will not produce commercial quantities of natural gas and, therefore, wrote off the cost to drill these wells and the associated acreage in 2003 for a pre-tax charge to operations of $2.6 million.

In August 2003, the Company completed the sale of approximately 43,000 leased acres in Jackson County, Kansas for approximately $1.7 million, while retaining an overriding royalty interest in the property. The Company recovered its cost in the property.

The Company also drilled a second five-well pilot in Jasper County, Illinois in the fourth quarter of 2002. The wells were subsequently re-fractured in the third quarter of 2003 in an attempt to more efficiently dewater the coal seam and reduce the reservoir pressure to increase eventual gas production. Although reservoir pressure decreased over time, it was determined near year-end 2003 that gas volumes are not likely to be sufficient to realize commercial production;

therefore, the costs to drill these wells and an impairment of the acreage was recorded in the fourth quarter of 2003, which resulted in a pre-tax charge of $1.7 million. The Company‘s objectives in 2004 include the continued evaluation of CBM activities in Illinois and further delineation of our CBM acreage in Kansas.

Financial Condition, Liquidity and Capital Resources

Working capital as of December 31, 2003 was negative ($5.4) million, greater than a negative ($3.7) million at December 31, 2002 and $5.8 million at December 31, 2001. Net cash provided by operating activities increased to $64.8 million, up 12% from $57.9 million in 2002 and up 83% from $35.4 million in 2001. The Company’s net increase in borrowings on its credit line was $35 million in 2003. Cash was used to fund $48.6 million in property acquisitions, for capital expenditures of $41.5 million and to pay dividends of $10.2 million.

Total capital expenditures in 2003, excluding acquisitions, were $41.5 million and included the drilling of 94 new wells and completing 30 workovers on its California properties and the drilling of 27 new wells and completion of one workover on its Brundage Canyon properties in Utah.

Excluding any future acquisitions in 2004, the Company plans to spend approximately $50 million on capital projects including $17 million to drill 44 new wells and perform 63 workovers in California and $33 million to drill 51 new wells and perform 22 workovers in the Rocky Mountain and Mid-Continent regions. With this increased development and a full year of production from Brundage Canyon, the Company anticipates that production will average between 20,000 and 21,000 BOE per day in 2004, up over 20% from an average 16,549 BOE per day in 2003.

The Company successfully completed a new $200 million unsecured three-year credit facility in July 2003. The facility replaced the previous $150 million unsecured facility which was due to mature in January 2004. The new facility recognizes the Company’s strong financial position and should provide significant low-cost capital for the Company to meet its growth objectives. In August 2003, the Company drew upon this facility to finance the $45 million purchase of the Brundage Canyon, Utah assets. As of December 31, 2003, the Company had $150 million available under the facility.

At year-end, the Company had no subsidiaries, no special purpose entities and no off-balance sheet debt. The Company did not enter into any significant related party transactions in 2003.

Contractual Obligations

The Company's contractual obligations as of December 31, 2003 are as follows (in thousands):

Contractual Obligations	2004	2005	2006	2007	2008	Thereafter	Total
Long-term debt	$ -	$ -	$ 50,000	$ -	$ -	$ -	$ 50,000
Operating lease obligations	528	562	487	107	107	90	1,881
Firm natural gas transportation contract	3,066	3,066	3,066	3,066	3,066	13,280	28,610
Total	$ 3,594	$ 3,628	$ 53,553	$ 3,173	$ 3,173	$ 13,370	$ 80,491

Critical Accounting Policies

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

A critical accounting policy is one that is important to the portrayal of the Company's financial condition and results, and requires Management to make difficult subjective and/or complex judgments. Critical accounting policies cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. The Company believes the following accounting policies are critical policies; accounting for oil and gas reserves, environmental liabilities, income taxes and asset retirement obligations.

Oil and gas reserves include proved reserves that 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. The oil and gas reserves are based on estimates prepared by independent engineering consultants and are used to calculate DD&A and determine if any potential impairment exists related to the recorded value of the Company's oil and gas properties.

The Company reviews, on a quarterly basis, its estimates of costs of the cleanup of various sites including sites in which governmental agencies have designated the Company as a potentially responsible party. When it is probable that obligations have been incurred and where a minimum cost or a reasonable estimate of the cost of remediation can be determined, the applicable amount is accrued. Actual costs can differ from estimates due to changes in laws and regulations, discovery and analysis of site conditions and changes in technology.

The Company makes certain estimates in determining its provision for income taxes. These estimates in determining taxable income, among other things, may include various tax planning strategies, the timing of deductions and the utilization of tax attributes.

Management is required to make judgments based on historical experience and future expectations on the future abandonment cost of its oil and gas properties and equipment. The Company reviews its estimate of the future obligation quarterly and accrues the estimated obligation monthly based on SFAS No. 143, “Accounting for Asset Retirement Obligations”.

Recent Accounting Developments

In the fourth quarter of 2002, the Company adopted the supplemental disclosure requirements of SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure”, which amended SFAS No. 123, “Accounting for Stock-Based Compensation.” The Company continues to record compensation related to employee stock options based on the intrinsic value method per APB Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS No. 148 encourages companies to voluntarily elect to record the compensation based on market value either prospectively, as defined in SFAS No. 123, or retroactively or in a modified prospective method. The Company uses the Black-Scholes model to calculate and disclose the market value of its options granted. The Company does not advocate nor does it believe that the Black-Scholes model can properly determine the val ue of a stock option, like Berry’s, that vest over a period of time and is not freely tradable upon grant. Therefore, the Company has delayed the potential transition to recording stock compensation based on fair market value until required by accounting standards in 2005.

In November 2002 the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45")." This Interpretation addresses the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. In addition, the Interpretation clarifies the requirements related to the recognition of a liability by a guarantor at the inception of a guarantee for the obligations that the guarantor has undertaken in issuing the guarantee. The Company adopted the disclosure requirements of FIN 45 for the fiscal year ended December 31, 2002, and the recognition provisions on January 1, 2003. Adoption of this Interpretation did not have a material impact on the Company's Financial Statements.

In June 2002 the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." The Company has adopted, effective January 1, 2003, the provisions of SFAS No. 146 for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amounts recognized. SFAS No. 146 did not have a material impact on the Company's financial statements.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FIN 45, and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively, with the exception of certain SFAS No. 133 implementation issues that were effective for all fiscal quarters prior to June 15, 2003. Any such implementation issues should continue to be applied in accordance with their respective effective dates. The adoption of SFAS No. 149 did not have a material impact on the Company's financial statements.

During January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”), which requires the consolidation of certain entities that are determined to be variable interest entities (“VIE’s”). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity’s activities or (iii) the entity’s equity neither absorbs losses or benefits from gains. The Company has reviewed its financial arrangements and has not identified any material VIE’s that should be consolidated by the Company in accordance with FIN 46.

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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company enters into various financial contracts to hedge its exposure to commodity price risk associated with its crude oil production, electricity production and net natural gas volumes purchased for its steaming operations. These contracts related to crude oil and natural gas have historically been in the form of zero-cost collars and swaps, however, the Company is considering a variety of hedge instruments going forward. The Company generally attempts to hedge between 25% and 50% of its anticipated crude oil production and up to 30% of its anticipated net natural gas purchased each year. All of these hedges have historically been deemed to be cash flow hedges with the mark-to-market valuations of the collars provided by external sources, based on prices that are actually quoted.

Based on NYMEX futures prices at December 31, 2003, (WTI $30.64; Henry Hub (HH) $5.21) the Company would expect to make pre-tax future cash payments over the remaining term of its crude oil and natural gas hedges in place as follows:

	12/31/03 NYMEX Futures	Impact of percent change in futures prices on earnings (in thousands)			
		-20%	-10%	+10%	+20%
Average WTI Price	$ 30.64	$ 24.51	$ 27.57	$ 33.70	$ 36.77
Crude Oil gain/(loss)	(8,400)	4,730	(1,710)	(12,420)	(16,160)
Average HH Price	5.21	4.17	4.69	5.73	6.25
Natural Gas gain/(loss)	410	(3,720)	(1,650)	2,470	4,530

The Company sells 100% of its electricity production, net of electricity used in its oil and gas operations, under SO contracts to major utilities. Three of the four SO contracts representing approximately 77% of the Company's electricity for sale originally expired on December 31, 2003. However, as ordered by CPUC, the utilities offered and the Company accepted one-year extensions on these contracts in January 2004 and is evaluating its options beyond the revised termination dates. Among other things, the CPUC issued a decision in January 2004 that establishes rules whereby the California utilities are required to offer Standard Offer contracts to certain qualified facilities, such as Berry, for a term of 5 years. However, the sales price under this contract may not be linked to natural gas prices. The Company sells the remaining 20 MWh to a utility at $53.70 per MWh plus cap acity through a long-term sales contract.

The Company attempts to minimize credit exposure to counter parties through monitoring procedures and diversification.

The Company's exposure to changes in interest rates results primarily from long-term debt. Total debt outstanding at December 31, 2003 and 2002 was $50 million and $15 million, respectively. Interest on amounts borrowed is charged at LIBOR plus 1.25% to 2.0%. Based on year-end 2003 borrowings, a 1% change in interest rates would not have a material impact on the Company's financial statements.

Forward Looking Statements

"Safe harbor 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, a limited marketplace for electricity sales within California, counterparty risk, competition, environmental and weather risks, litigation uncertainties, drilling, development and operating risks, uncertainties about the estimates of reserves, th e availability of drilling rigs and other support services, legislative and/or judicial decisions and other government regulations.

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 AUDITORS

To the Shareholders and Board of Directors
Berry Petroleum Company

In our opinion, the accompanying balance sheets and the related statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Berry Petroleum Company at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about wheth er 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 our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 20, 2004

BERRY PETROLEUM COMPANY
Balance Sheets
December 31, 2003 and 2002
(In Thousands, Except Share Information)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,658	$ 9,866
Short-term investments available for sale	663	660
Accounts receivable	23,506	15,582
Deferred income taxes	4,410	844
Prepaid expenses and other	2,049	1,753
Total current assets	41,286	28,705
Oil and gas properties (successful efforts basis), buildings and equipment, net	295,151	228,475
Other assets	1,755	893
	$ 338,192	$ 258,073
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 32,490	$ 19,189
Accrued liabilities	4,214	6,470
Income taxes payable	4,238	2,612
Fair value of derivatives	5,710	4,123
Total current liabilities	46,652	32,394

Long-term liabilities:		
Deferred income taxes	38,168	33,866
Long-term debt	50,000	15,000
Abandonment obligation	7,311	4,596
Fair value of derivatives	343	159
	95,822	53,621
Commitments and contingencies (Notes 10 and 11)		
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;		
20,904,372 shares issued and outstanding (20,852,695 in 2002)	209	209
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	49,798	49,052
Deferred stock option compensation	(120)	-
Accumulated other comprehensive loss	(3,632)	(2,569)
Retained earnings	149,454	125,357
Total shareholders' equity	195,718	172,058
	$ 338,192	$ 258,073

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

BERRY PETROLEUM COMPANY
Statements of Income
Years ended December 31, 2003, 2002 and 2001
(In Thousands, Except Per Share Data)

	2003	2002	2001
Revenues:			
Sales of oil and gas	$ 135,848	$ 102,026	$ 100,146
Sales of electricity	44,200	27,691	35,133
Interest and dividend income	236	536	2,150
Other income	580	1,116	328
	180,864	131,369	137,757
Expenses:			
Operating costs – oil and gas production	60,705	44,604	40,281
Operating costs – electricity generation	44,200	27,360	34,722
Depreciation, depletion & amortization	20,514	16,452	16,520
General and administrative	9,586	7,928	7,174
Interest	1,414	1,042	3,719
Dry hole, abandonment and impairment	4,195	-	-
(Recovery) write-off of electricity receivable	-	(3,631)	6,645
Loss on termination of derivative contracts	-	-	1,458
	140,614	93,755	110,519
Income before income taxes	40,250	37,614	27,238
Provision for income taxes	5,918	7,590	5,300
Net income	$ 34,332	$ 30,024	$ 21,938

Basic net income per share	$ 1.58	$ 1.38	$ 1.00
Diluted net income per share	$ 1.56	$ 1.37	$ 0.99
Weighted average number of shares of capital stock outstanding (used to calculate basic net income per share)	21,772	21,741	21,973
Effect of dilutive securities:			
Stock options	204	156	113
Other	44	42	24
Weighted average number of shares of capital stock used to calculate diluted net income per share	22,020	21,939	22,110

Statements of Comprehensive Income
Years Ended December 31, 2003, 2002 and 2001
(In Thousands)

Net income	$ 34,332	$ 30,024	$ 21,938
Unrealized gains (losses) on derivatives, net of income taxes	(3,632)	(2,569)	-
Reclassification of unrealized gains included in net income	2,569	-	(441)
Comprehensive income	$ 33,269	$ 27,455	$ 21,497

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

BERRY PETROLEUM COMPANY
Statements of Shareholders' Equity
Years Ended December 31, 2003, 2002 and 2001
(In Thousands, Except Per Share Data)

	Class A	Class B	Capital in Excess of Par Value	Deferred Stock Based Compen-sation	Retained Earnings	Accum-ulated Other Compre-hensive Income (Loss)	Share-holders' Equity
Balances at January 1, 2001	$ 211	$ 9	$ 53,686	$ -	$ 90,877	$ 441	$ 145,224
Stock options exercised	-	-	172	-	-	-	172
Deferred director fees – stock compensation	-	-	156	-	-	-	156
Common stock repurchases	(3)	-	(5,109)	-	-	-	(5,112)
Cash dividends declared - $.40 per share	-	-	-	-	(8,784)	-	(8,784)
Unrealized losses on derivatives	-	-	-	-	-	(441)	(441)
Net income	-	-	-	-	21,938	-	21,938
Balances at December 31, 2001	208	9	48,905	-	104,031	-	153,153
Stock options exercised	1	-	57	-	-	-	58
Deferred director fees – stock compensation	-	-	190	-	-	-	190
Retirement of warrants	-	-	(100)	-	-	-	(100)
Cash dividends declared - $.40 per share	-	-	-	-	(8,698)	-	(8,698)
Unrealized losses on derivatives	-	-	-	-	-	(2,569)	(2,569)
Net income	-	-	-	-	30,024	-	30,024

Balances at December 31, 2002	209	9	49,052	-	125,357	(2,569)	172,058
Stock options exercised	-	-	446	-	-	-	446
Deferred director fees – stock compensation	-	-	169	-	-	-	169
Deferred stock option compensation	-	-	131	(131)	-	-	-
Amortization of deferred stock option compensation	-	-	-	11	-	-	11
Cash dividends declared - $.47 per share	-	-	-	-	(10,235)	-	(10,235)
Unrealized losses on derivatives	-	-	-	-	-	(1,063)	(1,063)
Net income	-	-	-	-	34,332	-	34,332
Balances at December 31, 2003	$ 209	$ 9	$ 49,798	$ (120)	$ 149,454	$ (3,632)	$ 195,718

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

BERRY PETROLEUM COMPANY
Statements of Cash Flows
Years Ended December 31, 2003, 2002 and 2001
(In Thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 34,332	$ 30,024	$ 21,938
Depreciation, depletion and amortization	20,514	16,452	16,520
Dry hole, abandonment and impairment	3,756	-	-
Deferred income taxes	1,371	3,842	(50)
Other, net	400	(184)	(505)
Decrease (increase) in current assets other than cash, cash equivalents and short-term investments	(8,220)	1,854	11,241
Increase (decrease) in current liabilities other than notes payable	12,672	5,907	(13,711)
Net cash provided by operating activities	64,825	57,895	35,433
Cash flows from investing activities:			
Capital expenditures, excluding property acquisitions	(41,555)	(30,632)	(14,895)
Property acquisitions	(48,579)	(5,880)	(2,273)
Proceeds from sale of assets	1,890	-	-
Purchase of short-term investments	(3)	(660)	(1,183)
Maturities of short-term investments	-	594	1,171
Other, net	524	52	151
Net cash used in investing activities	(87,723)	(36,526)	(17,029)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	40,000	5,000	45,000
Payment of long-term debt	(5,000)	(15,000)	(45,000)
Dividends paid	(10,235)	(8,698)	(8,784)
Share repurchase program	-	-	(5,112)
Other, net	(1,075)	(43)	(1)
Net cash provided by (used in) financing activities	23,690	(18,741)	(13,897)
Net increase in cash and cash equivalents	792	2,628	4,507
Cash and cash equivalents at beginning of year	9,866	7,238	2,731

Cash and cash equivalents at end of year	$ 10,658	$ 9,866	$ 7,238
Supplemental disclosures of cash flow information:			
Interest paid	$ 2,125	$ 1,321	$ 3,532
Income taxes paid	$ 2,510	$ 5,420	$ 5,635
Supplemental non-cash activity:			
Decrease in fair value of derivatives:			
Current (net of income taxes of $635 and $1,649)	$ 952	$ 2,474	$ -
Non-current (net of income taxes of $74 and $63)	111	95	-
Net decrease to accumulated other comprehensive income	$ 1,063	$ 2,569	$ -

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 and exploration of crude oil and natural gas. The Company has 91% of its oil and gas reserves in California and 9% in the Rocky Mountain Region. Approximately 87% of the Company's production is in California, most of which is heavy crude oil, which is principally sold to a refiner. The Company has invested in cogeneration facilities which provide steam required for the extraction of heavy oil and which generates electricity for sale. Production of light crude oil and natural gas in the Rocky Mountain region accounts for approximately 13% of the Company’s production.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 and are carried at fair value. 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. In certain cases, such as coalbed methane gas exploration plays, the drilling costs may be capitalized until it is known whether proved economic reserves have been discovered. At that point, if unsuccessful, the costs will be expensed as exploratory dry hole costs.

The FASB is currently evaluating the application of certain provisions of SFAS No. 141, “Business Combinations,” and SFAS No. 142, “Goodwill and Other Intangible Assets,” to companies in the extractive industries, including oil and gas companies. The FASB is considering whether the provisions of SFAS No. 141 and SFAS No. 142 require registrants to classify costs associated with mineral rights, including both proved and unproved lease acquisition costs, as intangible assets in the balance sheet, apart from other oil and gas property costs, and provide specific footnote disclosures. At the present time, the Company continues to include these intangible assets in its oil and gas properties.

Depletion of oil and gas producing properties is computed using the units-of-production method. Depreciation of lease and well equipment, including cogeneration facilities and other steam generation equipment and facilities, is computed using the units-of-production method or on a straight-line basis over estimated useful lives ranging from 10 to 20 years. 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. Prior to 2002, the estimated costs of plugging and abandoning wells and related facilities were accrued using the units-of-production method and were considered in determining DD&A expense. However, in 2002 the Company adopted SFAS No. 143, “Accounting for Asset Retirement Obligations.” Unde r this standard, the Company records the fair value of the future abandonment as capitalized abandonment costs in Oil and Gas Properties with an offsetting abandonment liability. The capitalized abandonment costs are amortized with other property costs using the units-of-production method. The Company increases the liability monthly by recording accretion expense using the Company’s credit adjusted interest rate. Accretion expense is included in depreciation, depletion and amortization (DD&A) in the Company’s financial statements.

2. Summary of Significant Accounting Policies (cont'd)

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 are 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.

Environmental Expenditures

The Company reviews, on a quarterly basis, its estimates of costs of the cleanup of various sites, including sites in which governmental agencies have designated the Company as a potentially responsible party. When it is probable that obligations have been incurred and where a minimum cost or a reasonable estimate of the cost of compliance or remediation can be determined, the applicable amount is accrued. For other potential liabilities, the timing of accruals coincides with the related ongoing site assessments. Any liabilities arising hereunder are not discounted.

Hedging

SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended, requires that all derivative instruments subject to the requirements of the statement be measured at fair value and recognized as assets or liabilities in the balance sheet. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation is generally established at the inception of a derivative. For derivatives designated as cash flow hedges and meeting the effectiveness guidelines of SFAS No. 133, changes in fair value, to the extent effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time, or in the case of o ptions based on the change in intrinsic value. Any change in fair value of a derivative resulting from ineffectiveness or an excluded component of the gain/loss, such as time value for option contracts, is recognized immediately as operating costs in the statement of operations. See Note 3 - Fair Value of Financial Instruments.

Cogeneration Operations

The Company operates cogeneration facilities to help minimize the cost of producing steam, which is a necessity in its thermal oil and gas producing operations. Such cogeneration operations produce electricity as a by-product from the production of steam. In each monthly accounting period, the cost of operating the cogeneration facilities, up to the amount of the electricity sales, is considered operating costs from electricity generation. Costs in excess of electricity revenue during each period, if any, are considered cost of producing steam and are reported in operating costs – oil and gas production. Also, electricity revenue represents sales to customers only. It does not include the value of the electricity utilized as power to run the Company’s field operations.

Conventional Steam Costs

The costs of producing conventional steam are included in “Operating costs – oil and gas production.”

Revenue Recognition

Revenues associated with sales of crude oil, natural gas, and electricity are recognized when title passes to the customer, net of royalties, discounts and allowances, as applicable. Electricity and natural gas produced by the Company and used in the Company’s operations are not included in revenues. Revenues from crude oil and natural gas production from properties in which the Company has an interest with other producers are recognized on the basis of the Company's net working interest (entitlement method).

Shipping and Handling Costs

Shipping and handling costs, which consist primarily of natural gas transportation costs, are included in both "Operating costs - oil and gas production" or "Operating costs - electricity generation,” as applicable. Natural gas transportation costs included in these categories were $4.0 million, $1.4 million, and $1.2 million for 2003, 2002 and 2001, respectively.

2. Summary of Significant Accounting Policies (cont'd)

Stock-Based Compensation

As allowed in SFAS No. 123, “Accounting for Stock-Based Compensation,” 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 plan. Under SFAS 123, compensation is determined at the date of grant based on an estimated fair value using an economic model, such as the Black-Scholes method. Under APB 25, compensation expense is based upon the difference between the market price at date of grant and the grant price.

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:

	2003	2002	2001
Yield	2.87%	2.55%	2.72%
Expected option life – years	7.0	7.5	7.5
Volatility	27.87%	33.45%	38.71%
Risk-free interest rate	3.86%	4.09%	4.65%

Had compensation cost for the Company’s stock based compensation plan (see Note 12) been based upon the fair value at the grant dates for awards under the plan consistent with the method of SFAS No. 123, the Company’s compensation cost, net of related tax effects, net income and earnings per share would have been recorded as the pro forma amounts indicated below (in thousands, except per share data):

	2003	2002	2001
Compensation cost, net of income taxes:			
As reported	$ 366	$ 33	$ 92
Pro forma	975	726	678
Net income:			
As reported	34,332	30,024	21,938
Pro forma	33,723	29,331	21,352
Basic net income per share:			
As reported	1.58	1.38	1.00
Pro forma	1.55	1.35	0.97
Diluted net income per share:			
As reported	1.56	1.37	0.99
Pro forma	1.53	1.34	0.97

Income Taxes

Income taxes are provided based on the liability method of accounting. 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 bases 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.

2. Summary of Significant Accounting Policies (cont’d)

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 shares of capital stock outstanding (the denominator). The Company’s Class B stock is included in the denominator of basic and diluted net income. 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.

Recent Accounting Developments

In the fourth quarter of 2002, the Company adopted the supplemental disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which amended SFAS No. 123, "Accounting for Stock-Based Compensation." The Company continues to record compensation related to employee stock options based on the intrinsic value method per APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 148 encourages companies to voluntarily elect to record the compensation based on market value either prospectively, as defined in SFAS No. 123, or retroactively or in a modified prospective method. The Company uses the Black-Scholes model to calculate and disclose the market value of its options granted. The Company does not advocate nor does it believe that the Black-Scholes model can properly determine the val ue of a stock option, like Berry's, that vest over a period of time and is not freely tradable upon grant. Therefore, the Company has delayed the potential transition to recording stock compensation based on fair market value until required by accounting standards in 2005.

In November 2002 the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45")." This Interpretation addresses the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. In addition, the Interpretation clarifies the requirements related to the recognition of a liability by a guarantor at the inception of a guarantee for the obligations that the guarantor has undertaken in issuing the guarantee. The Company adopted the disclosure requirements of FIN 45 for the fiscal year ended December 31, 2002, and the recognition provisions on January 1, 2003. Adoption of this Interpretation did not have a material impact on the Company's Financial Statements.

In June 2002 the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." The Company has adopted, effective January 1, 2003, the provisions of SFAS No. 146 for restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of commitment to an exit plan. SFAS No. 146 also establishes that the liability should in itially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing future restructuring costs as well as the amounts recognized. SFAS No. 146 did not have a material impact on the Company's Financial Statements.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to language used in FIN 45, and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and should be applied prospectively, with the exception of certain SFAS No. 133 implementation issues that were effective for all fiscal quarters prior to June 15, 2003. Any such implementation issues should continue to be applied in accordance with their respective effective dates. The adoption of SFAS No. 149 did not have a material impact on the Company's financial statements.

2. Summary of Significant Accounting Policies (cont'd)

During January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which requires the consolidation of certain entities that are determined to be variable interest entities ("VIE's"). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity's activities or (iii) the entity's equity neither absorbs losses or benefits from gains. The Company has reviewed its financial arrangements and has not identified any material VIE's that should be consolidated by the Company in accordance with FIN 46.

Reclassifications

Certain reclassifications have been made to the 2002 and 2001 financial statements to conform with the 2003 presentation.

3. Fair Value of Financial Instruments

Cash equivalents consist principally of commercial paper investments. Cash equivalents of $10.6 million and $9.8 million at December 31, 2003 and 2002, respectively, are stated at cost, which approximates market.

The Company's short-term investments available for sale at December 31, 2003 and 2002 consist of United States treasury notes that mature in less than one year and are carried at fair value. For the three years ended December 31, 2003, realized and unrealized gains and losses were insignificant to the financial statements. A United States treasury note with a market value of $.6 million is pledged as collateral to the California State Lands Commission as a performance bond on the Company's Montalvo properties. The carrying value of the Company's long-term debt approximates its fair value since it is carried at current interest rates.

In 2001, the Company established an oil price hedge on 3,000 barrels per day for a one-year period beginning on June 1; and a natural gas price hedge on 5,000 MMBtu/D for a three-year period beginning on August 1. Both of these hedges were with Enron as the counterparty. On December 10, 2001, after Enron filed for bankruptcy, the Company elected to terminate all contracts with Enron and agreed with Enron as to the value of the contracts as of the termination date. Based on this agreed value, the Company recorded a pre-tax charge of $1.5 million in the fourth quarter of 2001 and recorded a liability of $1.3 million, which was remitted upon the approval of the termination agreement in the Enron bankruptcy proceedings. The Company had a signed International Swap Dealer's Association master agreement with Enron, which allowed for the netting of any receivables and liabilities aris ing thereunder.

To protect the Company's revenues from potential price declines, the Company periodically enters into hedge contracts covering up to 50% of production. As a result of hedging activities, the Company's revenue was reduced by $11.8 million, $3.8 million, and $0 in 2003, 2002 and 2001, respectively, which was reported in "Sales of oil and gas" in the Company's financial statements.

4. Concentration of Credit Risks

The Company sells oil, gas and natural gas liquids to pipelines, refineries and major oil companies and electricity to major utility companies. Credit is extended based on an evaluation of the customer's financial condition and historical payment record. Primarily due to the Company's ability to deliver significant volumes of crude oil over a multi-year period, the Company was able to secure a three-year sales agreement, beginning in April 2000, whereby the Company sold in excess of 80% of its production under a negotiated pricing mechanism. This contract was renegotiated during 2002 and extended through December 31, 2005. Over 90% of the Company's current California production is subject to this new contract. Pricing in the new agreement is based upon the higher of the average of the local field posted prices plus a premium, or WTI minus a fixed differential. Both m ethods are calculated using a monthly determination. In addition to providing a premium above field postings, the agreement effectively eliminates the Company's exposure to the risk of widening WTI-heavy crude price differentials.

4. Concentration of Credit Risks (Cont'd)

For the three years ended December 31, 2003, the Company has experienced no credit losses on the sale of oil, gas and natural gas liquids. However, the Company did experience a loss on its electricity sales in 2001. The Company assigned all of its rights, title and interest in its $12.1 million past due receivables from Pacific Gas and Electric Company to an unrelated party for $9.3 million, resulting in a pre-tax loss of $2.8 million. In addition, at December 31, 2001, the Company was owed $13.5 million from Southern California Edison (Edison) for past due electricity sales. The Company wrote off $3.6 million of this balance in March 2001. In March 2002, the Company was paid the total amount due from Edison plus interest resulting in pre-tax income of $4.2 million recorded in the first quarter of 2002.

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, 2003, the Company has not incurred losses related to these investments. With respect to the Company's hedging activities, the Company utilizes more than one counterparty on its hedges and monitors each counterparty's credit rating.

The following summarizes the accounts receivable balances at December 31, 2003 and 2002 and sales activity with significant customers for each of the years ended December 31, 2003, 2002 and 2001 (in thousands). The Company does not believe that the loss of any one customer would impact the marketability of its oil, gas, natural gas liquids or electricity sold. However, the Company can make no assurances regarding the pricing of any new sales agreement.

	Accounts Receivable		Sales For the Year Ended December 31,		
Customer	December 31, 2003	December 31, 2002	2003	2002	2001
Oil & Gas Sales:					
A	$ 12,887	$ 10,714	$ 142,422	$ 94,870	$ 83,336
B	-	621	680	5,463	4,858
C	-	-	-	10,188	14,962
D	2,256	-	5,566	-	-
E	625	-	6,524	-	-
	$ 15,768	$ 11,335	$ 155,192	$ 110,521	$ 103,156
Electricity Sales:					
F	$ 2,970	$ -	$ 24,616	$ -	$ 6,859
G	2,156	1,795	20,334	15,199	21,257
H	-	1,573	265	12,317	6,279
	$ 5,126	$ 3,368	$ 45,215	$ 27,516	$ 34,395

Sales amounts will not agree to the Statements of Income due primarily to the effects of hedging and a revenue sharing royalty paid on a portion of the Company's Midway-Sunset crude oil sales, which is netted in "Sales of oil and gas" on the Statements of Income.

5. Oil and Gas Properties, Buildings and Equipment

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

	2003	2002
Oil and gas:		
Proved properties:		
Producing properties, including intangible drilling costs	$ 238,303	$ 180,942
Lease and well equipment (1)	191,664	160,264
	429,967	341,206
Unproved properties		
Properties, including intangible drilling costs	2,925	6,725
Lease and well equipment	10	653
	2,935	7,378
	432,902	348,584
Less accumulated depreciation, depletion and amortization	139,514	121,695
	293,388	226,889
Commercial and other:		
Land	333	173
Buildings and improvements	3,703	3,838
Machinery and equipment	4,266	3,922
	8,302	7,933
Less accumulated depreciation	6,539	6,347
	1,763	1,586
	$ 295,151	$ 228,475

(1) *Includes cogeneration facility costs.*

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

	2003	2002	2001
Property acquisitions			
Proved properties	$ 50,822	$ 186	$ 2,273
Unproved properties	379	5,694	-
Development (1)	41,369	29,133	15,875
Exploration	788	1,684	-
	$ 93,358	$ 36,697	$ 18,148

(1) *Development costs include $.9 million, $.5 million and $1.0 million that were charged to expense during 2003, 2002 and 2001, respectively.*

In 2003, the Company purchased leases totaling 45,380 acres in the Brundage Canyon field in Utah for approximately $45 million and the McVan property totaling 560 acres in the Poso Creek field in Kern County, California for approximately $2.6 million. Approximately 14 million equivalent barrels of proved reserves were added by 2003 acquisitions and property development. The Company capitalized approximately $2.6 million in future abandonment obligations related to the 2003 acquisitions.

In 2002, the Company acquired approximately 262,000 acres for the potential development of CBM natural gas production in Kansas and Illinois for approximately $6 million. The Company has written off two pilot projects and impaired the acreage for a total pre-tax write off of $4.2 million in 2003 and recovered part of the cost through the sale of approximately 43,000 acres in Kansas in 2003 for $1.7 million at minimal gain to the Company. No reserves were recorded at year-end associated with the CBM related acreage. However, the Company added 4.2 MMBOE of proved reserves through its 2002 development expenditures, principally on its California properties.

5. Oil and Gas Properties, Buildings and Equipment (Cont'd)

In 2001, the Company acquired a 15.8% non-operated working interest in CBM natural gas properties in Wyoming for $2.2 million and a producing property adjacent to Berry's core Midway-Sunset properties for $.1 million. In 2001, approximately 1.1 million equivalent barrels of proved reserves were added by these acquisitions and property development.

Results of operations from oil and gas producing and exploration activities (in thousands):	2003	2002	2001
Sales to unaffiliated parties	$ 135,848	$ 102,026	$ 100,146
Production costs	(60,705)	(44,604)	(40,281)
Depreciation, depletion and amortization	(20,215)	(16,124)	(16,175)
Dry hole, abandonment and impairment	(4,195)	-	-
	50,733	41,298	43,690
Income tax expenses	(8,246)	(7,933)	(10,740)
Results of operations from producing and exploration activities	$ 42,487	$ 33,365	$ 32,950

6. Debt Obligations

Long-term debt for the years ended December 31 (in thousands):	2003	2002
Revolving bank facility	$ 50,000	$ 15,000

On July 10, 2003, the Company entered into a new Credit Agreement (the Agreement) with a banking syndicate, replacing an existing credit agreement which was due to expire in January 2004. The Agreement is a revolving credit facility for up to $200 million with ten banks. At December 31, 2003 and 2002, the Company had $50 and $15 million, respectively, outstanding under the Agreement and the predecessor agreement. In addition to the $50 million in borrowings under the Agreement, the Company has $.3 million of outstanding Letters of Credit and the remaining credit available under the Agreement is therefore, $149.7 million at December 31, 2003. 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 the Company and the banks have bilateral rights to one additional redeterminatio n each year. The agreement matures on July 10, 2006. Interest on amounts borrowed is charged at LIBOR plus a margin of 1.25% to 2.00%, or the higher of the lead bank's prime rate or the federal funds rate plus 50 basis points plus a margin of 0.0% to 0.75%, with margins on the various rate options based on the ratio of credit outstanding to the borrowing base. The Company pays a commitment fee of 30 to 50 basis points on the unused portion, which is also based on the ratio of credit outstanding to the borrowing base.

The weighted average interest rate on outstanding borrowings at December 31, 2003 was 2.58%. The Agreement contains restrictive covenants which, among other things, requires the Company to maintain a certain tangible net worth and minimum EBITDA, as defined. The Company was in compliance with all such covenants as of December 31, 2003.

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 November 1999, the Company adopted a Shareholder Rights Agreement and declared a dividend distribution of one Right for each outstanding share of Capital Stock on December 8, 1999. Each Right, when exercisable, entitles the holder to purchase one one-hundredth of a share of a Series B 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 ou tstanding shares of Common Stock, either event occurring without the prior consent of the Company.

7. Shareholders' Equity (Cont'd)

The Rights will expire on December 8, 2009 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 B Junior Participating Preferred Stock and reserved for issuance upon exercise of the Rights. This Shareholder Rights Agreement replaced the previous Shareholder Rights Agreement approved in December 1989 which expired on December 8, 1999.

In August 2001, the Board of Directors authorized the Company to repurchase $20 million of Common Stock in the open market. As of December 31, 2001, the Company had repurchased 308,075 shares for approximately $5.1 million. All shares repurchased were retired. No additional shares were repurchased in 2002 or 2003.

The Company issued 51,683, 19,717, and 6,529 shares in 2003, 2002, and 2001, respectively, through its stock option plan.

The Company paid a special dividend of $.04 per share on May 2, 2003 and increased its regular quarterly dividend by 10%, from $.10 to $.11 per share beginning with the June 2003 dividend.

As of December 31, 2003, dividends declared on 4,000,894 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.

8. Asset Retirement Obligations

In 2002, the Company implemented SFAS No. 143, "Accounting for Asset Retirement Obligations" for recording future site restoration costs related to its oil and gas properties. Prior to its implementation, the Company had recorded the future obligation per SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." Under SFAS No. 143, the following table summarizes the change in our abandonment obligation for the year ended December 31, 2003 (in thousands):

	2003
Beginning abandonment obligation December 31, 2002	$ 4,596
Liabilities incurred	2,623
Liabilities settled	(439)
Accretion expense	531
Ending abandonment obligation December 31, 2003	$ 7,311

9. Income Taxes

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

	2003	2002	2001
Current:			
Federal	$ 3,652	$ 2,700	$ 3,108
State	907	1,032	1,119
	4,559	3,732	4,227
Deferred:			
Federal	1,841	4,258	1,755
State	(482)	(400)	(682)
	1,359	3,858	1,073
Total	$ 5,918	$ 7,590	$ 5,300

9. Income Taxes (cont'd)

The current deferred tax assets and liabilities are offset and presented as a single amount in the financial statements. Similarly, the non-current 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):

	2003	2002	2001
Deferred tax asset:			
Federal benefit of state taxes	$ 318	$ 350	$ 392
Credit/deduction carryforwards	23,440	15,454	11,599
Derivatives	2,421	1,712	-
Other, net	1,488	(1,187)	579
	27,667	16,329	12,570
Deferred tax liability:			
Depreciation and depletion	(61,425)	(49,458)	(43,608)
Other, net	138	173	210
	(61,287)	(49,285)	(43,398)
Net deferred tax liability	$ (33,620)	$ (32,956)	$ (30,828)

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

	2003	2002	2001
Tax computed at statutory federal rate	35%	35%	35%
State income taxes, net of federal benefit	1	1	1
Tax credits	(21)	(15)	(16)
Other	-	(1)	(1)
Effective tax rate	15%	20%	19%

The Company has approximately $20 million of federal and $11 million of state (California) EOR tax credit carryforwards available to reduce future income taxes. The EOR credits will begin to expire in 2020 and 2014 for federal and California, respectively.

10. Commitments

Operating Leases – Office Space

The Company leases corporate and field offices in California and the Rocky Mountain region. The total minimum rental payments, on a combined basis, for these leases are as follows (in thousands):

Year ending December 31,	
2004	$ 528
2005	562
2006	487
2007	107
2008	107
2009	90
Total	$ 1,881

10. Commitments (Cont'd)

Firm Transportation-Natural Gas Purchases

The Company entered into a 12,000 MMBtu/D ten-year firm transportation agreement on the Kern River pipeline with gas deliveries commencing in May 2003. This firm transportation provides the Company additional flexibility in securing its natural gas supply and allows the Company to potentially benefit from discounted natural gas prices in the Rockies. As of December 31, 2003, this take-or-pay commitment was approximately $29 million over the remaining term of the contract.

11. Contingencies

The Company has accrued environmental liabilities for all sites, including sites in which governmental agencies have designated the Company as a potentially responsible party, where it is probable that a loss will be incurred and the minimum cost or amount of loss can be reasonably estimated. However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites, and sites identified in the future, if any, could be higher than the liability currently accrued. Amounts currently accrued are not significant to the consolidated financial position of the Company and Management believes, based upon current site assessments, that the ultimate resolution of these matters will not require substantial additional accruals. The Company is involved in various other lawsuits, claims and inquiries, most of which are routine to the nature of its business. In the opinion of Management, the resolution of these matters will not have a material effect on the Company's financial position, results of operations or liquidity.

12. Stock Option Plan

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 and December 2001 (the 1994 Plan) and approved by the shareholders in May 1998 and May 2002, respectively. The 1994 Plan provides for the granting of stock options to purchase up to an aggregate of 3,000,000 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.

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 receive 5,000 options annually on December 2 nd at the fair value on the date of grant. The options granted to the non-employee Directors vest immediately.

The following is a summary of stock-based compensation activity for the years 2003, 2002 and 2001.

	2003 Options	2002 Options	2001 Options
Balance outstanding, January 1	1,604,575	1,474,962	1,407,837
Granted	411,500	241,200	239,500
Exercised	(294,150)	(95,837)	(65,125)
Canceled/expired	(20,000)	(15,750)	(107,250)
Balance outstanding, December 31	1,701,925	1,604,575	1,474,962
Balance exercisable at December 31	1,037,275	1,153,000	1,010,712
Available for future grant	615,600	1,007,100	232,550
Exercise price-range	$ 15.10 to 20.30	$ 16.56 to 18.05	$ 14.40 to 16.96
Weighted average remaining contractual life (years)	7	7	7
Weighted average fair value per option granted during the year based on the Black-Scholes pricing model	$ 5.11	$ 5.25	$ 5.87

12. Stock Option Plan (Cont'd)

Weighted average option exercise price information for the years 2003, 2002 and 2001 as follows.

	2003	2002	2001
Outstanding at January 1	$ 15.17	$ 14.80	$ 14.58
Granted during the year	19.31	16.14	16.16
Exercised during the year	13.15	11.87	13.12
Cancelled/expired during the year	16.55	15.92	16.01
Outstanding at December 31	16.50	15.17	14.80
Exercisable at December 31	15.62	14.81	14.55

13. Retirement Plan

The Company sponsors a 401(k) defined contribution thrift plan to assist all eligible employees in providing for retirement or other future financial needs. Employee contributions (up to 6% of 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 targets are achieved. The Company's contributions to the 401(k) Plan were $.5 million in 2003, $.4 million in 2002, and $.4 million in 2001. On average, approximately 96% of eligible employees participate in the plan.

14. Quarterly Financial Data (unaudited)

The following is a tabulation of unaudited quarterly operating results for 2003 and 2002 (in thousands, except per share data):

2003	Operating Revenues	Gross Profit	Net Income	Basic Net Income Per Share	Diluted Net Income Per Share
First Quarter	$ 46,766	$ 16,790	$ 9,177	$ 0.42	$ 0.42
Second Quarter	39,372	9,187	6,510	0.30	0.30
Third Quarter	44,108	11,842	8,035	0.37	0.36
Fourth Quarter	49,802	17,110	10,610	0.49	0.48
	$ 180,048	$ 54,929	$ 34,332	$ 1.58	$ 1.56
2002					
First Quarter	$ 26,807	$ 8,014	$ 8,620	$ 0.40	$ 0.40
Second Quarter	31,765	10,482	6,827	0.31	0.31
Third Quarter	34,933	12,599	7,587	0.35	0.35
Fourth Quarter	36,212	10,534	6,990	0.32	0.32
	$ 129,717	$ 41,629	$ 30,024	$ 1.38	$ 1.37

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, 2003, 2002 and 2001. 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, 2003, 2002 and 2001, and changes in such quantities during each of the years then ended were as follows (in thousands):

	2003	2002	2001

	Oil Mbbls	Gas Mmcf	BOE	Oil Mbbls	Gas Mmcf	BOE	Oil Mbbls	Gas Mmcf	BOE
Proved developed and Undeveloped reserves:									
Beginning of year	100,744	5,850	101,719	101,701	6,926	102,855	106,664	4,184	107,361
Revision of previous estimates	(82)	293	(33)	(30)	(307)	(81)	33	153	58
Improved recovery	1,271	-	1,271	752	-	752	-	-	-
Extensions and discoveries	1,853	2,005	2,187	3,444	-	3,444	-	-	-
Production	(5,827)	(1,277)	(6,040)	(5,123)	(769)	(5,251)	(4,996)	(288)	(5,044)
Purchase of reserves in place	8,681	12,809	10,816	-	-	-	-	2,877	480
End of year	106,640	19,680	109,920	100,744	5,850	101,719	101,701	6,926	102,855
Proved developed reserves:									
Beginning of year	72,889	3,252	73,431	79,317	3,518	79,903	81,132	1,635	81,405
End of year	78,145	12,207	80,180	72,889	3,252	73,431	79,317	3,518	79,903

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. Cash outflows for future production and development costs include cash flows associated with the ultimate settlement of the asset retirement obligation.

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

	2003	2002	2001
Future cash inflows	$ 2,845,767	$ 2,533,410	$ 1,452,946
Future production and development costs	(1,444,619)	(1,313,866)	(730,311)
Future income tax expenses	(324,097)	(305,485)	(171,741)
Future net cash flows	1,077,051	914,059	550,894
10% annual discount for estimated timing of cash flows	(548,831)	(464,202)	(272,441)
Standardized measure of discounted future net cash flows	$ 528,220	$ 449,857	$ 278,453

Average sales prices at December 31 (net of the effect of hedges):

Oil ($/Bbl)	$ 25.77	$ 24.92	$ 14.16
Gas ($/Mcf)	$ 4.94	$ 3.94	$ 1.87
BOE Price	$ 25.89	$ 24.91	$ 14.13

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

	2003	2002	2001
Standardized measure - beginning of year	$ 449,857	$ 278,453	$ 501,694

Sales of oil and gas produced, net of production costs	(75,143)	(57,422)	(59,865)
Revisions to estimates of proved reserves:			
Net changes in sales prices and production costs	45,292	276,417	(422,515)
Revisions of previous quantity estimates	(229)	(550)	222
Improved recovery	9,400	5,063	-
Extensions and discoveries	16,171	23,189	-
Change in estimated future development costs	(75,841)	(74,566)	48,689
Purchases of reserves in place	47,700	-	2,606
Development costs incurred during the period	41,461	30,632	14,895
Accretion of discount	59,983	35,865	72,177
Income taxes	(8,896)	(62,531)	136,303
Other	18,465	(4,693)	(15,753)
Net increase (decrease)	78,363	171,404	(223,241)
Standardized measure - end of year	$ 528,220	$ 449,857	$ 278,453

BERRY PETROLEUM COMPANY

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

None.

Item 9A. Controls and Procedures

The Company’s Management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures as of the end of the period covered by this report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. No change in the Company’s internal control over financial reporting occurred during the Company& #146;s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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 captions “Corporate Governance and Board Matters” and “Compliance with Section 16(a) of the Securities Exchange Act of 1934” 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. Information regarding Executive Officers is contained in this report in Part I, Item 1 titled “Business and Properties”.

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 "Security Ownership of 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.

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.

Item 14. Principal Accounting Fees and Services

The information called for by Item 14 is incorporated by reference from the information under the caption “Fees to Independent Accountants for 2003 and 2002” 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.

BERRY PETROLEUM COMPANY

Item 15 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

During the three months ended December 31, 2003, the Company filed one Current Report on Form 8-K dated November 6, 2003. The Company's November 6, 2003 Form 8-K provided, under Items 7 and 12, including the Company's news release and attached schedules dated November 6, 2003 that announced the Company's financial and operating results for the three and nine month periods ended September 30, 2003.

C. Exhibits

Exhibit No.	Description of Exhibit
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 B Junior Participating Preferred Stock (filed as Exhibit A to the Registrant's Registration Statement on Form 8-A12B on December 7, 1999, File No. 778438-99-000016)
3.4*	Registrant's First Amendment to Restated Bylaws dated August 31, 1999 (filed as Exhibit 3.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 1-9735)
4.1*	Rights Agreement between Registrant and ChaseMellon Shareholder Services, L.L.C. dated as of December 8, 1999 (filed by the Registrant on Form 8-A12B on December 7, 1999, File No. 778438-99-000016)
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, 2001, 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 (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)
10.7	Credit Agreement, dated as of July 10, 2003, by and between the Registrant and Wells Fargo Bank, N.A. and other financial institutions.
10.8*	Amended and Restated 1994 Stock Option Plan (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 filed on August 20, 2002, File No. 333-98379)
10.9**	Crude oil purchase contract, dated as of August 1, 2002, by and between the Registrant and Equiva Trading Company (filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-9735).

Exhibits (cont'd)

Exhibit No.	Description of Exhibit
10.10*	Amended and Restated Non-Employee Director Deferred Stock and Compensation Plan (filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-9735).
10.11	Purchase and sale agreement between the Registrant and Willliams Production Company
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of DeGolyer and MacNaughton
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13(a)-14(a)
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13(a)-14(a)
32.1	Certification of Chief Executive Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
32.2	Certification of Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the U.S. Code
99.1	Undertaking for Form S-8 Registration Statements
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

** Pursuant to 17CFR240.24b-2, confidential information has been omitted and has been filed separately with the Securities and Exchange Commission, pursuant to a Confidential Treatment Request filed with the Commission.

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 5, 2004.

BERRY PETROLEUM COMPANY

JERRY V. HOFFMAN Chairman of the Board, Director, President and Chief Executive Officer	RALPH J. GOEHRING Senior Vice President and Chief Financial Officer (Principal Financial Officer)	DONALD A. DALE 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, Director, President and Chief Executive Officer	March 5, 2004
/s/ William F. Berry William F. Berry	Director	March 5, 2004
/s/ Ralph B. Busch, III Ralph B. Busch, III	Director	March 5, 2004
/s/ William E. Bush, Jr. William E. Bush, Jr.	Director	March 5, 2004
/s/ Stephen L. Cropper Stephen L. Cropper	Director	March 5, 2004
/s/ J. Herbert Gaul, Jr. J. Herbert Gaul, Jr.	Director	March 5, 2004
/s/ John A. Hagg John A. Hagg	Director	March 5, 2004
/s/ Robert F. Heinemann Robert F. Heinemann	Director	March 5, 2004
/s/ Thomas J. Jamieson Thomas J. Jamieson	Director	March 5, 2004
/s/ Martin H. Young, Jr. Martin H. Young, Jr.	Director	March 5, 2004

CREDIT AGREEMENT
BERRY PETROLEUM COMPANY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Administrative Agent, Co-Lead Arranger and Sole Book Runner

BANK OF AMERICA, N.A.
as Co-Lead Arranger and Co-Syndication Agent

UNION BANK OF CALIFORNIA, N.A.
as Co-Syndication Agent

FLEET NATIONAL BANK
as Co-Documentation Agent

BNP PARIBAS
as Co-Documentation Agent

and

CERTAIN FINANCIAL INSTITUTIONS
as Lenders

$200,000,000

July 10, 2003

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Schedules and Exhibits:

Exhibit E - Opinion of Counsel for Restricted Persons
Exhibit F - Assignment and Assumption Agreement

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of July 10, 2003, by and among BERRY PETROLEUM COMPANY, a Delaware corporation (herein called "Borrower"), WELLS FARGO BANK, NATIONAL ASSOCIATION, individually and as Administrative Agent (herein called "Administrative Agent") and the Lenders referred to below. In consideration of the mutual covenants and agreements contained herein the parties hereto agree as follows:

ARTICLE I - Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

"Adjusted Base Rate" means the Base Rate plus the Base Rate Margin, provided that the Adjusted Base Rate charged by any Person shall never exceed the Highest Lawful Rate.

"Adjusted EBITDA" means, for any period, EBITDA for such period adjusted (a) as permitted and in accordance with Article 11 of Regulation S-X promulgated by the Securities and Exchange Commission, and (b) to give effect to any acquisition or divestiture made by the Borrower or any of its Consolidated subsidiaries during such period as if such transactions had occurred on the first day of such period, regardless of whether the effect is positive or negative.

"Adjusted Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum equal to the sum of (a) the Eurodollar Margin plus (b) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period, provided that no Adjusted Eurodollar Rate charged by any Person shall ever exceed the Highest Lawful Rate. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Eurodollar Margin or the Reserve Requirement changes.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Administrative Agent" means Wells Fargo, as Administrative Agent hereunder, and its successors in such capacity.
"Aggregate Commitment" means the aggregate amount of the Commitments of the Lenders; provided that in no event shall the Aggregate Commitment exceed the Maximum Credit Amount.

"Agreement" means this Credit Agreement.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Availability" means on any day during the Commitment Period, the unused portion of the Aggregate Commitment, determined for such day by deducting from the amount of the Aggregate Commitment at the end of such day the Facility Usage.

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate. As used in this definition, "Prime Rate" means the per annum rate of interest most recently announced within Wells Fargo as its "Prime Rate", with the understanding that Wells Fargo's Prime Rate is one of its base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate. Each change in the Prime Rate will be effective on the day the change is announced within Wells Fargo.

"Base Rate Loan" means a Loan which does not bear interest at the Adjusted Eurodollar Rate.

"Base Rate Margin" means, on any day, the following percentages per annum based on the Utilization Percentage as set forth below:

	Utilization Percentage	Base Rate Margin
Level 1	< 50%	0.00%
Level 2	>= 50%	0.25%
Level 3	>= 75%	0.50%
Level 4	>= 90%	0.75%

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 2.2 or a Continuation or Conversion of existing Loans into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Base" means, at the particular time in question, either the amount provided for in Section 2.8 or the amount determined by Administrative Agent and Majority Lenders in accordance with the provisions of Section 2.9; provided, however, that in no event shall the Borrowing Base ever exceed the Maximum Credit Amount.

"Borrowing Base Deficiency" has the meaning given to such term in Section 2.7(a).

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Denver, Colorado. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the interbank eurocurrency market.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within twelve months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits, and time deposits (including certificates of deposit) maturing within twelve months from the date of deposit thereof, with any office of any Lender or with a domestic office of any national or state bank or trust company which is organized under the Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least 500,000,000, and whose long term certificates of deposit are rated at least A2 by Moody's or A by S & P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with any commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S& P; and

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above.

"Change of Control" means the occurrence of either of the following events: (a) any Person or two or more Persons acting as a group shall acquire beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934, as amended, and including holding proxies to vote for the election of directors other than proxies held by Borrower's management or their designees to be voted in favor of Persons nominated by Borrower's Board of Directors) of 30% or more of the outstanding voting securities of Borrower, measured by voting power (including both common stock and any preferred stock or other equity securities entitling the holders thereof to vote with the holders of common stock in elections for directors of Borrower) or (b)one-third or more of the directors of Borrower shall consist of Persons not nominated by Borrower's Board of Directors (not including as Board nominees any directors which the Board is obligated to nominate pursuant to shareholders agreements, voting trust arrangements or similar arrangements).

"Commitment" means for each Lender, the amount set forth as its Commitment in the Lenders Schedule.

"Commitment Fee Rate" means, on any day, the following percentages per annum based on the Utilization Percentage set forth below:

	Utilization Percentage	Commitment Fee
Level 1	< 50%	0.30%
Level 2	>= 50%	0.375%
Level 3	>= 75%	0.375%
Level 4	>= 90%	0.50%

"Commitment Period" means the period from and including the date hereof untilMaturity Date (or, if earlier, the day on which the obligations of Lenders to make Loans hereunder or the obligations of LC Issuer to issue Letters of Credit hereunder have been terminated or the Notes first become due and payable in full).

"Consolidated" refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Continuation" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"Conversion" shall refer to a conversion pursuant to Section 2.3 or ARTICLE III of one Type of Loan into another Type of Loan.

"Core Acquisitions and Investments" means (i) acquisitions of Mineral Interests and (ii) acquisitions of or Investments in Persons engaged primarily in the business of acquiring, developing and producing Mineral Interests; provided that with respect to any acquisition or Investment described in this clause (ii), either (A) immediately after making such acquisition or Investment, Borrower shall own at least fifty-one percent (51%) of the Equity Interests of such Person, measured by voting power, or (B) such Person shall not be a publicly traded entity and such acquisition or Investment shall be related to the business and operations of Borrower or one of its Subsidiaries.

"Current Assets" means the sum of the current assets of Borrower and its Consolidated Subsidiaries at such time, plus the Availability at such time in an amount not to exceed $10,000,000, but excluding, for purposes of this definition any non-cash gains for any Hedging Contract resulting from the requirements of SFAS 133 at such time.

"Current Liabilities" means the current liabilities of Borrower and its Consolidated Subsidiaries at such time, but excluding for purposes of this definition, (i) any non-cash losses or charges on any Hedging Contract resulting from the requirement of SFAS 133 at such time and (ii) current maturities of the Obligations.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means, at the time in question (a) with respect to any Base Rate Loan, the rate per annum equal to three percent (3%) above the Adjusted Base Rate then in effect and (b) with respect to any Eurodollar Loan, the rate per annum equal to three percent (3%) above the Adjusted Eurodollar Rate then in effect for such Loan, provided in each case that no Default Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"Determination Date" has the meaning given to such term in Section 2.9.
"Disclosure Report" means either a notice given by Borrower under Section 6.4 or a certificate given by Borrower's Chief Financial Officer under Section 6.2(a).

"Disclosure Letter" means the letter of even date with the Agreement from the Borrower to the Agent.

"Dividend" means any dividend or other distribution made by a Restricted Person on or in respect of any stock, partnership interest, or other equity interest in such Restricted Person or any other Restricted Person (including any option or warrant to buy such an equity interest), excluding Stock Repurchases.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" below its name on the

Lenders Schedule, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"EBITDA" means, for any period, the sum of (1) Net Income during such period, plus (2) all interest paid or accrued during such period on Indebtedness (including amortization of original issue discount and the interest component of any deferred payment obligations and capital lease obligations) which was deducted in determining such Net Income, plus (3) all income taxes which were deducted in determining such Net Income, plus (4) all depreciation, amortization (including mortization of good will and debt issue costs), depletion, accretion and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP) which were deducted in determining such Net Income, minus (5) all non-cash items of income which were included in determining such Net Income.

"Eligible Transferee" means a Person which either (a) is a Lender or an Affiliate of a Lender, or (b) is consented to as an Eligible Transferee by Administrative Agent and, so long as no Default is continuing, by Borrower, which consents in each case will not be unreasonably withheld (provided that no Person organized outside the United States may be an Eligible Transferee if Borrower would be required to pay withholding taxes on interest or principal owed to such Person).

"Engineering Report" means the Initial Engineering Report and each engineering report delivered pursuant to Section 6.2.

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Equity Interest" means (i) with respect to any corporation, the capital stock of such corporation, (ii) with respect to any limited liability company, the membership interests in such limited liability company, (iii) with respect to any partnership or joint venture, the partnership or joint venture interests therein, and (iv) with respect to any other legal entity, the ownership interests in such entity.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statutes or statute, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" below its name on the Lenders Schedule (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at the Adjusted Eurodollar Rate.

"Eurodollar Margin" means, on any day, the following percentages per annum based on the Utilization Percentage as set forth below:

	Utilization Percentage	Eurodollar Margin
Level 1	< 50%	1.25%
Level 2	>= 50%	1.50%
Level 3	>= 75%	1.75%
Level 4	>= 90%	2.00%

"Eurodollar Rate" means, for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, (a) the interest rate per annum (carried out to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate Screen that displays an average British Bankers Association

Interest Settlement Rate (such page currently being page number 3750) for deposits in U.S. dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or (b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried out to the fifth decimal place) equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in U.S. dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or (c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in U.S. dollars (for delivery on the first day of such Interest Period) in same day funds in the approximate amount of the applicable Eurodollar Loan and with a term equivalent to such Interest Period would be offered by Wells Fargo or one of its Affiliate banks to major banks in the offshore U.S. dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

"Event of Default" has the meaning given to such term in Section 8.1.

"Existing Credit Documents" means that certain Amended and Restated Credit Agreement dated as of July 22, 1999 among Borrower and NationsBank of Texas, N.A., now known as Bank of America, N.A., together with the promissory notes made by Borrower thereunder.

"Facility Usage" means, at the time in question, the aggregate amount of outstanding Loans and existing LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a)if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Four-Quarter Period" means any period of four consecutive Fiscal Quarters.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Borrower and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the audited Initial Financial Statements. If any change in any
accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Borrower or with respect to Borrower and its Consolidated Subsidiaries shall be prepared in accordance with such change, which change shall be disclosed to Administrative Agent on the next date on which financial statements are required to be delivered to Lenders pursuant to Section 6.2(a); provided that, unless the Majority Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants contained in Article VII are computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest

rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Indebtedness" of any Person means Liabilities in any of the following categories:

(a) Liabilities for borrowed money,

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services,

(c) Liabilities evidenced by a bond, debenture, note or similar instrument,

(d) Liabilities which (i) would under GAAP be shown on such Person's balance sheet as a liability, and (ii) are payable more than one year from the date of creation thereof (other than reserves for taxes and reserves for contingent obligations),

(e) Liabilities arising under Hedging Contracts,

(f) Liabilities constituting principal under leases capitalized in accordance with GAAP,

(g) Liabilities arising under conditional sales or other title retention agreements,

(h) Liabilities owing under direct or indirect guaranties of Liabilities of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Liabilities of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection,

(i) Liabilities (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements) consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arises out of or in connection with the sale or issuance of the same or similar securities or property,

(j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor,

(k) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under "take-or-pay" contracts to deliver gas in return for payments already received and the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment), or

(l) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor; provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business which are paid as required by Section 6.7.

"Initial Engineering Report" means the engineering report concerning oil and gas properties of Restricted Persons dated February 14, 2003, prepared by DeGolyer & MacNaughton as of December 31, 2002.

"Initial Financial Statements" means (a) the audited annual Consolidated financial statements of Borrower dated as of December 31, 2002, and (b) the unaudited quarterly Consolidated financial statements of Borrower dated as of March 31, 2003.

"Insurance Schedule" means Schedule 3 attached hereto.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last day of each Fiscal Quarter, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto and, if such Interest Period is six, nine or twelve months in length, each date specified by Administrative Agent which is approximately three, six or nine months after such Interest Period begins.

"Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended from time to time and any successor statute or statutes, together with all rules and regulations promulgated with respect thereto.

"Interest Period" means, with respect to each particular Eurodollar Loan in a

Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three, or six months and, if available, nine or twelve months thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which beginson the last Business Day in 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 end on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, any Interest Period which would otherwise end after the last day of the Commitment Period shall end on the last day of the Commitment Period (or, if the last day of the Commitment Period is not a Business Day, onthe next preceding Business Day).

"Investment" means any investment, made directly or indirectly, in any Person or any property, whether by purchase, acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof. Any reference to a Law includes any amendment or modification to such Law, and all regulations, rulings, and other Laws promulgated under such Law.

"LC Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.16(a).

"LC Issuer" means Wells Fargo in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of Borrower and the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to Wells Fargo.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"LC Sublimit" means $20,000,000.

"Lender Parties" means Administrative Agent, LC Issuer, and all Lenders.

"Lenders" means each signatory hereto (other than Borrower and any Restricted Person that is a party hereto), including Wells Fargo in its capacity as a Lender hereunder rather than as Administrative Agent or LC Issuer, and the successors of each such party as holder of a Note.

"Lenders Schedule" means Schedule 1 hereto.

"Letter of Credit" means any standby letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

"Lien" means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor which provides for the payment of such Liabilities out of such property or assets or which allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit,
production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset which arises without agreement in the ordinary course of business. "Lien" also means any filed financing statement, any registration of a pledge (such as
with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding

sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loan Documents" means this Agreement, the Notes, the Letters of Credit, the LC Applications, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Loans" has the meaning given to such term in Section 2.1.

"Majority Lenders" means two or more Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two-thirds percent (66.%).

"Material Adverse Change" means a material and adverse change, from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, to (a) Borrower's Consolidated financial condition, (b) Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Documents.

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maturity Date" means three years after the date hereof.

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit which are then outstanding.

"Maximum Credit Amount" means $200,000,000.

"Mineral Interests" means rights, estates, titles, and interests in and to oil, gas, sulphur, or other mineral leases and any mineral interests, royalty and overriding royalty interest, production payment, net profits interests, mineral fee interests, and other rights therein, including, without limitation, any reversionary or carried interests relating to the foregoing, together with rights, titles, and interests created by or arising under the terms of any unitization, communization, and pooling agreements or arrangements, and all properties, rights and interests covered thereby, whether arising by contract, by order, or by operation of Law, which now or hereafter include all or any part of the foregoing.

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Net Income" means, for any period, the net income (or loss) of the Borrower and its properly consolidated Subsidiaries for such period, calculated on a consolidated basis.

"Non-Core Acquisitions and Investments" means (i) acquisitions of assets used in the transportation, processing, refining or marketing of petroleum products which are not used in connection with Borrower's producing Mineral Interests, (ii) acquisitions of or Investments in Persons engaged primarily in the transportation, processing, refining or marketing of petroleum products which are not related to Borrower's producing Mineral Interests or (iii) Investments in Persons engaged primarily in the business of acquiring, developing and producing Mineral Interests that are not Core Acquisitions and Investments.

"Note" has the meaning given to such term in Section 2.1.

"Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Percentage Share" means, with respect to any Lender (a) when used in Section 2.1, Section 2.2 or Section 2.5(d) in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage set forth below such Lender's name on Lenders Schedule, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question plus the Matured LC Obligations which such Lender has funded pursuant to Section 2.13(c) plus the portion of the Maximum Drawing Amount which such Lender might be obligated to fund under Section 2.13(c), by (ii) the sum of the aggregate unpaid principal balance of all Loans at such time plus the aggregate amount of LC Obligations outstanding at such time.

"Permitted Investments" means (a) Cash Equivalents, (b) property used in the ordinary course of business of the Restricted Persons, (c) current assets

arising from the sale or lease of goods and services in the ordinary course of business by the Restricted Persons or from sales permitted under Section 7.5.

"Permitted Liens" means: (a) statutory Liens for taxes, assessments or other governmental charges or levies which are not yet delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (b) landlords', operators', carriers', warehousemen's, repairmen's, mechanics', materialmen's, or other like Liens which do not secure Indebtedness, in each case only to the extent arising in the ordinary course of business and only to the extent securing obligations which are not delinquent or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP;(c) minor defects and irregularities in title to any property, so long as such defects and irregularities neither secure Indebtedness nor materially impair the value of such property or the use of such property for the purposes for which such property is held; and (d) deposits of cash or securities to secure the performance of bids, acquisition agreements, trade contracts, leases, statutory obligations and other obligations of a like nature (excluding appeal bonds) incurred in the ordinary course of business.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (a) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (b) the Internal Revenue Code, or (c) any applicable rules or regulations thereunder, permit Borrower to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes. "Rating Agency" means either S & P or Moody's.

"Redetermination" means a Scheduled Redetermination or a Special Redetermination.

"Regulation D" means Regulation D of the Board of Governorsof the Federal Reserve System as from time to time in effect.

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Restricted Person" means any of Borrower and each Subsidiary of Borrower.

"S & P" means Standard & Poor's Ratings Services (a division of The McGraw Hill Companies), or its successor.

"Scheduled Redetermination" means any redetermination of the Borrowing Base pursuant to Section 2.9(a).

"Special Redetermination" means any redetermination of the Borrowing Base pursuant to Section 2.9(b) or Section 2.9(c).

"Stock Repurchase" means any payment made by a Restricted Person to purchase, redeem, acquire or retire any Equity Interest in such Restricted Person or any other Restricted Person (including any option or warrant to purchase such an Equity Interest).

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned fifty percent or more by such Person, provided that associations, joint ventures or other relationships (a) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only, (b) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state Law, and (c) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties and interests owned directly by

the parties in such associations, joint ventures or relationships, shall not be deemed to be "Subsidiaries" of such Person.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Section 4043(b)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(b) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Total Funded Debt" means all Liabilities of the Restricted Persons of the types described in clauses (a), (b), (c), (d), (f), (h), (j) of the definition of Indebtedness.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

"Utilization Percentage" means, for any day, the Facility Usage for such day, divided by the Borrowing Base in effect on such day expressed as a percentage.

"Wells Fargo" means Wells Fargo Bank, National Association.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein the terms defined in this Agreement which refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise. Exhibits and Schedules to any Loan Document shall be deemedincorporated by reference in such Loan Document. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Agreement", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar importrefer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation". Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to "days" shall mean calendar days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 1.5. Calculations and Determinations. All calculations under the Loan Documents shall be made on the basis of actual days elapsed

(including the first day but excluding the last) and a year of 360 days. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority
Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

Section 1.6. Joint Preparation; Construction of Indemnities and Releases. This Agreement and the other Loan Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow any Loan Document to be construed against any party because of its role in drafting such Loan Document. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or being released.

ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that (a) subject to Section 3.3, Section 3.4 and Section 3.6, all Lenders are requested to make Loans of the same Type in accordance with their respective Percentage Shares and as part of the same Borrowing, and (b) after giving effect to such Loans, the Facility Usage does not exceed the Aggregate Commitment or the Borrowing Base determined as of the date on which the requested Loans are to be made. The aggregate amount of all Loans in any Borrowing of Base Rate Loans must be greater than or equal to $500,000 or a higher integral multiple of $100,000 or must equal the remaining availability under the Borrowing Base, and the aggregate amount of all Loans in any Borrowing of Eurodollar Loans must be greater than or equal to $3,000,000 or any higher integral multiple of $1,000,000 or must equal the remaining availability under the Borrowing Base. Borrower may have no more than ten Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein and therein. Each Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Maturity Date. Subject to the terms and conditions hereof, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Requests for New Loans. Borrower must give to Administrative Agent written or electronic notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of new Loans to be advanced by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of new Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 11:00 a.m., Denver Colorado time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in Denver, Colorado the amount of such Lender's new Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Loans available to Borrower.

Unless Administrative Agent shall have received prompt notice from a Lender that such Lender will not make available to Administrative Agent such Lender's new Loan, Administrative Agent may in its discretion assume that such Lender has made such Loan available to Administrative Agent in accordance with this section and Administrative Agent may if it chooses, in reliance upon such assumption, make such Loan available to Borrower. If and to the extent such Lender shall not so make its new Loan available to Administrative Agent, such Lender and Borrower severally agree to pay or repay to Administrative Agent within three days after demand the amount of such Loan together withinterest thereon, for each day from the date such amount was made available to Borrower until the date such amount is paid or repaid to Administrative Agent, with interest at (i) the Federal Funds Rate, if such Lender is making such payment and (ii) the interest rate applicable at the time to the other new Loans made on such date, if Borrower is making such repayment. If neither such Lender nor Borrower pays or repays to Administrative Agent such amount within such three-day period, Administrative Agent shall in addition to such amount be entitled to recover from such Lender and from Borrower, on demand, interest thereon at the Default Rate applicable to Base Rate Loans, calculated from the date such amount was made available to Borrower (provided that if such amount has been paid to Administrative Agent by such Lender, Borrower shall not be obligated to pay the same amount to Administrative Agent). The failure of any Lender to make any new Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make its new Loan, but no Lender shall be responsible for the failure of any other Lender to make any new Loan to be made by such other Lender.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: to convert Base Rate Loans to Eurodollar Loans, to convert Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to continue Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separateBorrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than ten Borrowings of Eurodollar Loans outstanding at any time. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such Conversion or Continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be continued or converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be continued or converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to
such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 11:00 a.m., Denver, Colorado time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not ake any election to convert existing Loans into Eurodollar Loans or continue existing Loans as Eurodollar Loans. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any
Continuation/Conversion Notice with respect to a Borrowing of existing Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans shall automatically be converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use all Loans to refinance existing indebtedness of Borrower, to make acquisitions permitted by this Agreement, to finance capital expenditures, to refinance Matured LC Obligations, and provide working capital for its operations and for other general business purposes. Borrower shall use all Letters of Credit for its general corporate purposes. In no event shall the funds from any Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Interest Rates and Fees.

(a) Base Rate Loans. So long as no Event of Default has occurred and is continuing, all Base Rate Loans (exclusive of any past due principal or interest) from time to time outstanding shall bear interest on each day outstanding at the Adjusted Base Rate in effect on such day. If an Event of Default has occurred and is continuing, all Base Rate Loans (exclusive of any past due principal or interest) from time to time outstanding shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date Borrower shall pay to the holder hereof all unpaid interest which has accrued on the Base Rate Loans to but not including such Interest Payment Date.

(b) Eurodollar Loans. So long as no Event of Default has occurred and is continuing, each Eurodollar Loan (exclusive of any past due principal or interest) shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate in effect on such day. If an Event of Default has occurred and is continuing, all Eurodollar Loans (exclusive of any past due principal or interest) from time to time outstanding shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date relating to such Eurodollar Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such Eurodollar Loan to but not including such Interest Payment Date.

(c) Past Due Principal and Interest. All past due principal pf and past due interest on the Loans shall bear interest on each day outstanding at the Default Rate in effect on such day, and such interest shall be due and payable daily as it accrues.

(d) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Administrative Agent for the account of each Lender a commitment fee determined on a daily basis by applying the Commitment Fee Rate to such Lender's Percentage Share of the Availability each day during the Commitment Period. This commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period.

(e) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement dated April 30, 2003 between Administrative Agent and Borrower.

Section 2.6. Optional Prepayments. Borrower may from time to time and without premium or penalty prepay the Notes, in whole or in part, so ong as the aggregate amounts of all partial prepayments of principal on the Notes equals $1,000,000 or any higher integral multiple of $1,000,000, provided that if Borrower prepays any Eurodollar Loan, it shall give notice to Administrative Agent at least three Business Days' prior to the date such prepayment is made and pay to Lenders any amounts due under Section 3.5.

Section 2.7. Mandatory Prepayments

(a) If at any time the Facility Usage is in excess of the Borrowing Base (such excess being herein called a "Borrowing Base Deficiency"), Borrower shall prepay the principal of the Loans in an aggregate amount at least equal to such Borrowing Base Deficiency in two equal installments, one being due and payable on the 90th day after the date on which Administrative Agent gives notice of such Borrowing Base Deficiency to Borrower and the other being payable
on the 180th day after the date on which such notice is given to Borrower (or, if the Loans have been paid in full, pay to LC Issuer LC Collateral as required under Section 2.16(a).

(b) Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid and any amounts due under Section 3.5. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.8. Initial Borrowing Base. During the period from the date hereof to the first Determination Date the Borrowing Base shall be $200,000,000.

Section 2.9. Subsequent Determinations of Borrowing Base.

(a) Scheduled Determinations of Borrowing Base. By March 31 of each year Borrower shall furnish to each Lender all information, reports and data which Administrative Agent has then requested concerning Restricted Persons' businesses and properties (including their Mineral Interests and the reserves and production relating thereto), together with the Engineering Report described in Section 6.2(d). Within forty- five days after receiving such information, reports and data, or as promptly thereafter as practicable, Majority Lenders shall agree upon an amount for the Borrowing Base (provided that all Lenders must agree to any increase in the Borrowing Base) and Administrative Agent shall by notice to Borrower designatesuch amount as the new Borrowing Base available to Borrower hereunder, which designation shall take effect immediately on the date such notice is sent (herein called a "Determination Date") and shall remain in effect until but not including the next date as of which the Borrowing Base is redetermined. If Borrower does not furnish all such information, reports and data by the date specified in the first sentence of this section, Administrative Agent may nonetheless designate the Borrowing Base at any amount which Majority Lenders determine and may redesignate the Borrowing Base from time to time thereafter (provided that all Lenders must agree to any increase in the Borrowing Base) until each Lender receives all such information, reports and data, whereupon Majority Lenders shall designate a new Borrowing Base as described above. Majority Lenders shall determine the amount of the Borrowing Base based upon the loan collateral value which they in their discretion assign to the various Mineral Interests of Restricted Persons at the time in question and based upon such other credit factors (including without limitation the assets, liabilities, cash flow, hedged and unhedged exposure to price, foreign exchange rate, and interest rate changes, business, properties, prospects, management and ownership of Borrower and its Affiliates) as they in their discretion deem significant. It is expressly understood that Lenders and Administrative Agent have no obligation to agree upon or designate the Borrowing Base at any particular amount, whether in relation to the Maximum Credit Amount or otherwise, and that Lenders' commitments to advance funds hereunder is determined by reference to the Borrowing Base from time to time in effect.

(b) In addition to Scheduled Redeterminations, Majority Lenders shall be permitted to make a Special Redetermination of the Borrowing Base once in each calendar year. Any request by Majority Lenders pursuant to this Section 2.9(b) shall be submitted to Administrative Agent and Borrower. As soon as reasonably possible, Borrowershall deliver to Administrative Agent and Lenders an Engineering Report.

(c) In addition to Scheduled Redeterminations, Borrower shall be permitted to request a Special Redetermination of the Borrowing Base once in each calendar year. Suchrequest shall be submitted to Administrative Agent and Lenders and at the time of such request Borrower shall (i) deliver to Administrative Agent and each Lender an Engineering Report and to Administrative Agent for the account of Lenders, an engineering fee in the amount of $4,000 for each Lender, and (ii) notify Administrative Agent and each Lender of the Borrowing Base requested by Borrower in connection with such Special Redetermination.

(d) Any Special Redetermination shall be made by Lenders in accordance with the procedures and standards set forth in Section 2.9 (a).

Section 2.10. Changes in Amount of Aggregate Commitment.

(a) So long as no Default has occurred and is continuing Borrower shall have the right to increase the Aggregate Commitment by obtaining additional Commitments in a maximum aggregate amount not to exceed $25,000,000, but in increments of not less than $5,000,000 or any higher integral multiple of $1,000,000 (in this section, the amount of each such increase is herein called an "Aggregate Commitment Increase"); either from one or more of the Lenders or another lending institution provided that (i) the Aggregate Commitment as increased by the Aggregate Commitment Increase shall not exceed the Borrowing Base, (ii) Borrower shall have notified Administrative Agent of the amount of the Aggregate Commitment Increase, (iii) each Lender shall have had the option to increase its Commitment by its Percentage Share of the Aggregate Commitment Increase (and to further increase its Commitment by its

pro rata share of the amount available if other Lenders do not desire to increase their Commitments), (iv) the Administrative Agent shall have approved the identity of any such new Lender, such approval not to be unreasonably withheld, and (v) any such new Lender shall have assumed all of the rights and obligations of a "Lender" hereunder by its execution and delivery of a joinder agreement in form and substance satisfactory to Administrative Agent.

(b) If the Aggregate Commitment is increased in accordance with this Section, the Administrative Agent and Borrower shall determine the effective date (in this section called the "Increase Effective Date") and the final allocation of such Aggregate Commitment Increase. The Administrative Agent shall promptly notify Borrower and the Lenders of the final allocation of such Aggregate Commitment increase and the Increase Effective Date. As a condition precedent to such Aggregate Commitment Increase, Borrower shall deliver to the Administrative Agent a certificate of Borrower dated as of the Increase Effective Date (in sufficient copies for each Lender) (i) certifying that, before and after giving effect to such Aggregate CommitmentIncrease, (A) the representations and warranties contained in Article IV are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) no Default exists. Borrower shall prepay any Loans outstanding on the Increase Effective Date to the extent necessary to keep the outstanding Loans ratable with any revised Percentage Shares arising from any non-ratable increase in the Commitments under this Section and all accrued and unpaid interest thereon (and shall also pay any additional amounts required pursuant to Section 3.5). At the time of sending such notice, Borrower (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders). Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Commitment and, if so, whether by an amount equal to, greater than, or less than its Percentage Share of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment. The Administrative Agent shall notify Borrower and each Lender of the Lenders' responses to each request made hereunder.

(c) This Section shall supersede any provisions in Section 10.1(a) to the contrary

(d) Borrower may at any time reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in the amount of $5,000,000 or any higher integral multiple of $1,000,000, upon at least three Business Days' written notice to the Administrative Agent, which notice shall specify the amount of any such reduction, provided, however, that the amount of the Aggregate Commitment may not be reduced below the Facility Usage and may not be reinstated.

Section 2.11. Letters of Credit. Subject to the terms and conditions hereof, Borrower may during the Commitment Period request LC Issuer to issue one or more Letters of Credit, provided that, after taking such Letter of Credit into account:

(a) the Facility Usage does not exceed the Borrowing Base at such time; and

(b) the aggregate amount of LC Obligations at such time does not exceed the LC Sublimit; and

(c) the expiration date of such Letter of Credit is prior to the end of the Commitment Period.

and further provided that:

(d) such Letter of Credit is to be used for general corporate purposes of Borrower;

(e) such Letter of Credit is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Person except Indebtedness of Borrower;

(f) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;

(g) the form and terms of such Letter of Credit are acceptable to LC Issuer in its sole and absolute discretion; and

(h) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (h) (in the following Section 2.12 called the "LC Conditions") have been met as of the date of issuance of such Letter of Credit. LC Issuer may choose to honor any such request for any other Letter of Credit but has no obligation to do so and may refuse to issue any other requested Letter of Credit for any reason which LC Issuer in its sole discretion deems relevant.

Section 2.12. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least five Business Days before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.11 ill be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form customarily used by LC Issuer, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). Two Business Days after the LC Conditions for a Letter of Credit have been met as described in Section 2.11 (or if LC Issuer otherwise desires to issue such Letter of Credit), LC Issuer will issue such Letter of Credit at LC Issuer's office in Denver, Colorado. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control.

Section 2.13. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon at the Default Rate applicable to Base Rate Loans.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Lenders to make Loans to Borrower in the amount of such draft or demand, which Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1, the amount of such Loans shall be considered, but the amount of the Matured LC Obligation to be concurrently paid by such Loans shall not be considered.

(c) Participation by Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk, an undivided interest equal to such Lender's Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is not paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Default Rate applicable to Base Rate Loans.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured LC Obligation, if LC Issuer thereafter

receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand that such Lender make such payment of its Percentage Share), LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.14. Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (a) to Administrative Agent, for the account of all Lenders in accordance with their respective Percentage Shares, a letter of credit issuance fee at a rate equal to the Eurodollar Margin then in effect, and (b) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one- eighth of one percent (0.125%) per annum.
Each such fee will be calculated based on the face amount of all Letters of Credit outstanding on each day at the above applicable rate and will be payable at the end of each Fiscal Quarter in arrears. In addition, Borrower will pay to LC Issuer the LC Issuer's customary fees for administrative issuance, amendment and drawing of each Letter of Credit.

Section 2.15. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or Administrative Agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or Administrative Agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of ny Restricted Person, or if the amount of any Letter of Credit is increased at the request of any Restricted Person, this Agreement shall be binding upon all Restricted Persons with respect to
such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.16. LC Collateral.

(a) LC Obligations in Excess of Borrowing Base. If, after the making of all mandatory prepayments required under Section 2.7, the outstanding LC Obligations will exceed the Borrowing Base, then in addition to prepayment of the entire principal balance of the Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as security for the remaining LC Obligations (all such amounts held as security for LC Obligations being herein collectively called "LC Collateral") and the other Obligations, and such collateral may be applied from time to time to any Matured LC Obligations or other Obligations which are due and payable. Neither this subsection nor the following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless Majority Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by Majority Lenders at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Investments as LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or other Obligations which are due and payable. When all Obligations have beensatisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral. Borrower hereby assigns and grants to LC Issuer a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of California with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer may without notice to Borrower or any other Restricted Person provide such LC Collateral (whether by transfers from other accounts maintained with LC Issuer or otherwise) using any available funds of Borrower or any other Person also liable to make such payments. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall be considered past due Obligations owing hereunder.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than 11:00 a.m., Denver, Colorado time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the place provided therein and, if no specific place of payment is provided, shall be due and payable at the place of payment of Administrative Agent's Note. When Administrative Agent collects or receives money on account of the Obligations, Administrative Agent shall promptly distribute all money so collected or received in like funds, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or Section 10.4 and then to the partial payment of all other Obligations then due in proportion

to the amounts thereof, or as Lender Parties shall otherwise agree);

(b) then for the prepayment of amounts owing under the Loan Documents (other than principal on the Notes) if so specified by Borrower;

(c) then for the prepayment of principal on the Notes, together with accrued and unpaid interest on the principal so prepaid; and

(d) last, for the payment or prepayment of any other Obligations. All payments applied to principal or interest on any Note shall be applied first to any interest hen due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Section 2.6 and Section 2.7. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.13(c) or to Administrative Agent under Section 9.9, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer, or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Capital Reimbursement. If either (a) the introduction or implementation of or the compliance with or any change in or in the interpretation of any Law, or (b) the introduction or implementation of or the compliance with any request, directive or guideline from any central bank or other governmental authority (whether or not having the force of Law) affects or would affect the amount of capital required or expected to be maintained by any Lender Party or any corporation controlling any Lender Party, then, upon demand by such Lender Party, Borrower will pay to Administrative Agent for the benefit of such Lender Party, from time to time as specified by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party or any corporation controlling such Lender Party in light of such circumstances, to the extent that such Lender Party reasonably determines that the amount of any such capital would be increased or the rate of return on any such capital would be reduced by or in whole or in part based on the existence of the face amount of such Lender Party's Loans, Letters of Credit, participations in Letters of Credit or commitments under this Agreement.

Section 3.3. Increased Cost of Eurodollar Loans or Letters of Credit. If any applicable Law (whether now in effect or hereinafter enacted or promulgated, including Regulation D) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of Law):

(a) shall change the methodology of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than taxes imposed on the overall net income of such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located); or

(b) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan or any Letter of Credit (excluding those for which such Lender Party is fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(c) shall impose on any Lender Party or the interbank eurocurrency deposit market any other condition affecting any Eurodollar Loan or Letter of Credit, the result of which is to increase the cost to any Lender Party of funding or maintaining any Eurodollar Loan or of issuing any Letter of Credit or to reduce the amount of any sum receivable by any Lender Party in respect of any Eurodollar Loan or Letter of Credit by an amount deemed by such Lender Party
to be material,

then such Lender Party shall promptly notify Administrative Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such event (on an after-tax basis, taking into account any taxes on such compensation), whereupon (i) Borrower shall pay such amount to Administrative Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Administrative Agent and such Lender Party not less than three Business Days' notice, to convert any such Eurodollar Loans into Base Rate Loans.

Section 3.4. Availability. If (a) any change in applicable Laws, or in the interpretation or administration thereof of or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for any Lender Party to fund or maintain Eurodollar Loans or to issue or participate in Letters of Credit, or shall materially restrict the authority of any Lender Party to purchase or take offshore deposits of dollars (i.e., "eurodollars"), or (b) any Lender Party determines that matching deposits appropriate to fund or maintain any Eurodollar Loan are not available to it, or (c) any Lender Party determines that the formula for calculating the Eurodollar Rate does not fairly reflect the cost to such Lender Party of making or maintaining loans based on such rate, then, upon notice by such Lender Party to Borrower and Administrative Agent, Borrower's right to elect Eurodollar Loans from such Lender Party (or, if applicable, to obtain Letters of Credit) shall be suspended to the extent and for the duration of such illegality, impracticability or restriction and all Eurodollar Loans of such Lender Party which are then outstanding or are then the subject of any Borrowing Notice and which cannot lawfully or practicably be maintained or funded shall immediately become or remain, or shall be funded as,Base Rate Loans of such Lender Party. Borrower agrees to indemnify each Lender Party and hold it harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in Law, interpretation or administration. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.5. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether authorized or required hereunder or otherwise) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether required hereunder or otherwise, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Restricted Person, or (d) any Conversion (whether authorized or required hereunder or otherwise) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends. Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

Section 3.6. Reimbursable Taxes. Borrower covenants and agrees that:

(a) Borrower will indemnify each Lender Party against and reimburse each Lender Party for all present and future income, stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of this Agreement or any Eurodollar Loans or Letters of Credit (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, any taxes imposed on or measured by the overall net income of Administrative Agent or such Lender Party or any Applicable Lending Office of such Lender Party by any jurisdiction in which such Lender Party or any such Applicable Lending Office is located (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes" in this section). Such indemnification shall be on an after-tax basis, taking into account any taxes imposed on the amounts paid as indemnity.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Borrower to any Lender Party hereunder, shall be made in full without set-off or counterclaim and shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Borrower. In the event of Borrower's being compelled by Law to make any such deduction or withholding from any payment to anyLender Party, Borrower shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount which would have been receivable in the absence of such deduction or withholding. If Borrower should make any deduction or withholding as aforesaid, Borrower shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) If Borrower is ever required to pay any Reimbursable Tax with respect to any Eurodollar Loan, Borrower may elect, by giving to

Administrative Agent and such Lender Party not less than three Business Days' notice, to convert any such Eurodollar Loan into a Base Rate Loan, but such election shall not diminish Borrower's obligation to pay all Reimbursable Taxes.

(d) Notwithstanding the foregoing provisions of this section, Borrower shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) income or other similar taxes imposed by the United States of America from interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who is a U.S. person for Federal income tax purposes or (ii) who has the Prescribed Forms on file with Agent (with copies provided to Borrower) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Borrower shall so deduct or withhold any such taxes, it shall provide a statement to Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation which such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax.

Section 3.7. Change of Applicable Lending Office. Each Lender Party agrees that, upon the occurrence of any event giving rise to the operation of Section 3.2 through Section 3.6 with respect to such Lender Party, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender Party) to designate another Applicable Lending Office, provided that such designation is made on such terms that such Lender Party and its Applicable Lending Office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. Nothing in this section shall affect or postpone any of the obligations of Borrower or the rights of any Lender Party provided in Section 3.2 through Section 3.6.

Section 3.8. Replacement of Lenders. If any Lender Party seeks reimbursement for increased costs under Section 3.2 through Section 3.6, then within ninety days thereafter -- provided no Event of Default then exists -- Borrower shall have the right (unless such Lender Party withdraws its request for additional compensation) to replace such Lender Party by requiring such Lender Party to assign its Loans and Notes and its commitments hereunder to an Eligible Transferee reasonably acceptable to Administrative Agent and to Borrower, provided that: (a) all Obligations of Borrower owing to such Lender Party being replaced (including such increased costs, but excluding principal and accrued interest on the Notes being assigned) shall be paid in full to such Lender Party concurrently with such assignment, and (b) the replacement Eligible Transferee shall purchase the Note being assigned by paying to such Lender Party a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment Borrower, Administrative Agent, such Lender Party and the replacement Eligible Transferee shall otherwise comply with Section 10.5. Notwithstanding the foregoing rights of Borrower under this section, however, Borrower may not replace any Lender Party which seeks reimbursement for increased costs under Section 3.2 through Section 3.6 unless Borrower is at the same time replacing all Lender Parties which are then seeking such compensation. In connection with the replacement of a Lender Party, Borrower shall pay all costs that would have been due to such Lender Party pursuant to Section 3.5 if such Lender Party's Loans had been prepaid at the time of such replacement.

ARTICLE IV- Conditions Precedent to Lending

Section 4.1. Documents to be Delivered. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit, unless Administrative Agent shall have received all of the following, at Administrative Agent's office in Denver, Colorado, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement.

(b) Each Note.

(c) Certain certificates of Borrower including:

(i) An "Omnibus Certificate" of the Secretary and of the Chairman of the Board or President of Borrower, which shall contain the names and signatures of the officers of Borrower authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of Borrower and in full force and effect at the time this Agreement is entered into,

authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of Borrower and all amendments thereto, certified by theappropriate official of Borrower's state of organization, and (3) a copy of any bylaws of Borrower; and

(ii) A "Compliance Certificate" of the Chairman of the Board or President and of the Chief Financial Officer of Borrower, of even date with such Loan or such Letter of Credit, in which such officers certify to the satisfaction of the conditions set out in subsections (a), (b), (c) and (d) of Section 4.2.

(d) Certificate (or certificates) of the due formation, valid existence and good standing of Borrower in its state of organization, issued by the appropriate authorities of such jurisdiction.

(e) A favorable opinion of Jackson DeMarco & Peckenpaugh, counsel for Restricted Persons, substantially in the form set forth in Exhibit E.

(f) The Initial Financial Statements.

(g) Certificates or binders evidencing Restricted Persons' insurance in effect on the date hereof.

(h) Initial Engineering Report.

(i) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(j) Documents (i) confirming the payment in full of all Indebtedness under the Existing Credit Documents (other than letters of credit outstanding under the Existing Credit Documents as of the date hereof), (ii) releasing and terminating any Liens on any Restricted Person's property securing such Indebtedness, and (iii) terminating the credit facility under the Existing Credit Documents, except with respect to such letters of credit.

Section 4.2. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following conditions precedent have been satisfied:

(a) All representations and warranties made by any Restricted Person in any Loan Document shall be true on and as of the date of such Loan or the date of issuance of such Letter of Credit (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder) as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred since the date of the most recent financial statements of Borrower delivered pursuant to Section 6.2(a).

(d) Each Restricted Person shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan or the date of issuance of
such Letter of Credit.

(e) The making of such Loan or the issuance of such Letterc of Credit shall not be prohibited by any Law and shall not subject any Lender or any LC Issuer to any penalty or other onerous condition under or pursuant to any such Law.

(f) Administrative Agent shall have received all documents and instruments which Administrative Agent has then requested, in addition to those described in Section 4.1 (including opinions of legal counsel for Restricted Persons and Administrative Agent; corporate documents and records; documents evidencing governmental authorizations, consents, approvals, licenses and exemptions; and certificates of public officials and of officers and representatives of Borrower and other Persons), as to (i) the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in this Agreement and the other Loan Documents, (ii) the satisfaction of all conditions contained herein or therein, and (iii) all other matters pertaining hereto and thereto. All such additional documents and instruments shall be satisfactory to Administrative

Agent in form, substance and date.

ARTICLE V- Representations and Warranties

To confirm each Lender's understanding concerning Restricted Persons and Restricted Persons' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Borrower represents and warrants to each Lender that:

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Restricted Person is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Restricted Person is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary. Each Restricted Person has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures desirable.

Section 5.3. Authorization. Each Restricted Person has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Restricted Persons of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (a) conflict with any provision of (i) any Law, (ii) the organizational documents of any Restricted Person, or (iii) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, (b) result in the acceleration of any Indebtedness owed by any Restricted Person, or (c) result in or require the creation of any Lien upon any assets or properties of any Restricted Person except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Loan Document or to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered will be, legal, valid and binding obligations of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

Section 5.6. Initial Financial Statements. Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present Borrower's Consolidated financial position at the respective dates thereof and the Consolidated results of Borrower's operations and Borrower's Consolidated cash flows for the respective periods thereof. Since the date of the annual Initial Financial Statements no Material Adverse Change has occurred, except as reflected in the quarterly Initial Financial Statements or in Section 5.6 of the Disclosure Letter. All Initial Financial Statements were prepared in accordance with GAAP.

Section 5.7. Other Obligations and Restrictions. No Restricted Person has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to Borrower or material with respect to Borrower's Consolidated financial condition and not shown in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Letter or a Disclosure Report. Except as shown in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Letter or a Disclosure Report, no Restricted Person is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which could cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Restricted Person to any

Lender in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains any untrue statement of a material fact or omits to state any material fact known to any Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) necessary to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to any Restricted Person (other than industry-wide risks normally associated with the types of businesses conducted by Restricted Persons) that has not been disclosed to each Lender in writing which
could cause a Material Adverse Change. There are no statements or conclusions in any Engineering Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that each Engineering Report is necessarily based upon professional opinions, estimates and projections and that Borrower does not warrant that such opinions, estimates and projections will ultimately prove to have been accurate. Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial engineering Report.

Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in Section 5.9 of the Disclosure Letter: (a) there are no actions, suits or legal, equitable, arbitrative or administrative proceedings pending, or to the knowledge of any Restricted Person threatened, against any Restricted Person before any Tribunal which could cause a Material Adverse Change, and (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any
such Tribunal against any Restricted Person or any Restricted Person's stockholders, partners, directors or officers which could cause a Material Adverse Change.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in Section 5.10 of the Disclosure Letter or a Disclosure Report, neither the business nor the properties of any Restricted Person has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in Section 5.11 of the Disclosure Letter or a Disclosure Report. Except as disclosed in the Initial Financial Statements or in Section 5.11 of the Disclosure Letter or a Disclosure Report, no Termination Event has occurred with respect to any ERISA Plan and all ERISA Affiliates are in compliance with ERISA in all material respects. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any "multiemployer plan" as defined in Section 4001 of ERISA. Except as set forth in Section 5.11 of the Disclosure Letter or a Disclosure Report: (a) no "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code) exists with respect to any ERISA
Plan, whether or not waived by the Secretary of the Treasury or his delegate, and (b) the current value of each ERISA Plan's benefits does not exceed the current value of such ERISA Plan's assets available for the payment of such benefits by more than $500,000.

Section 5.12. Environmental and Other Laws. Except as disclosed in Section 5.12 of the Disclosure Letter or a Disclosure Report: (a) Restricted Persons are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all material licenses and permits required under any such Laws; (b) none of the operations or properties of any Restricted Person is the subject of federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials; (c) no Restricted Person (and to the best knowledge of Borrower, no other Person) has filed any notice under any Law indicating that any Restricted Person is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property of any Restricted Person; (d) no Restricted Person has transported or arranged for the transportation of any Hazardous Material to any location which is (i) listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, listed for possible inclusion on such National Priorities List by the Environmental Protection Agency in its Comprehensive Environmental Response, Compensation and Liability Information System List, or listed on any similar state list or (ii) the subject of federal, state or local enforcement actions or other investigations which may lead to claims against any Restricted Person for clean-up costs, remedial work, damages to natural resources or for personal injury claims (whether

under Environmental Laws or otherwise); and (e) no Restricted Person otherwise has any known material contingent liability under any Environmental Laws or in connection with the release into the environment, or the storage or disposal, of any Hazardous Materials. Each Restricted Person undertook, at the time of its acquisition of each of its material properties, all appropriate inquiry into the previous ownership and uses of the Property and any potential environmental liabilities associated therewith.

Section 5.13. Names and Places of Business. No Restricted Person has, during the preceding five years, had, been known by, or used any other trade or fictitious name, except as disclosed in Section 5.13 of the Disclosure Letter. Except as otherwise indicated in Section 5.13 of the Disclosure Letter or a Disclosure Report, the chief executive office and principal place of business of each Restricted Person are (and for the preceding five years have been) located at the address of Borrower set out on the signature pages hereto. Except as indicated in Section 5.13 of the Disclosure Letter or a Disclosure Report, no Restricted Person has any other office or place of business.

Section 5.14. Borrower's Subsidiaries. Borrower does not presently have any Subsidiary or own any stock in any other corporation or association except those listed in Section 5.14 of the Disclosure Letter or a Disclosure Report. Neither Borrower nor any Restricted Person is a member of any general or limited partnership, joint venture or association of any type whatsoever except those listed in Section 5.14 of the Disclosure Letter or a Disclosure Report and associations, joint ventures or other relationships (a) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only, (b) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state Law, and (c) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties and interests owned directly by the parties in such associations, joint ventures or relationships. Except as otherwise revealed in a Disclosure Report, Borrower owns, directly or indirectly, the equity interest in each of its Subsidiaries which is indicated in Section 5.14 of the Disclosure Letter.

Section 5.15. Government Regulation. Neither Borrower nor any other Restricted Person owing Obligations is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940 (as any of the preceding acts have been amended) or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.16. Insider. No Restricted Person, nor any Person having "control" (as that term is defined in 12 U.S.C. 375b(9) or in regulations promulgated pursuant thereto) of any Restricted Person, is a "director" or an "executive officer"
or "principal shareholder" (as those terms are defined in 12 U.S.C. 375b(8) or (9) or in egulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a Subsidiary or of any Subsidiary of a bank holding company of which any Lender is a Subsidiary.

Section 5.17. Solvency. Upon giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and the consummation of the transactions contemplated hereby, Borrower will be solvent (as such term is used in applicable bankruptcy, liquidation, receivership, insolvency or similar Laws).

Section 5.18. Title to Properties; Licenses. Each Restricted Person has good and defensible title to all of its material properties and assets, free and clear of all Liens, encumbrances, or adverse claims other than Permitted Liens and free and clear of all impediments to the use of such properties and assets in such Restricted Person's business. Each Restricted Person possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Restricted Person is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.19. Tax Shelter Regulations. Borrower does not intend to treat the Loans and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event Borrower determines to take any action inconsistent with such intention, it will promptly notify Agent thereof. If Borrower so notifies Agent, Borrower acknowledges that one or more of the Lenders may treat its Loans and/or Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or

Lenders, as applicable, willmaintain the lists and other records required by such Treasury Regulation.

ARTICLE VI- Affirmative Covenants of Borrower

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and extend credit hereunder, Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders have previously agreed otherwise:

Section 6.1. Payment and Performance. Borrower will pay all amounts due under the Loan Documents in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition expressed or implied in the Loan Documents. Borrower will cause each other Restricted Person to observe, perform and comply with every such term, covenant and condition in any Loan Document.

Section 6.2. Books, Financial Statements and Reports. Each Restricted Person will at all times maintain full and accurate books of account and records. Borrower will maintain and will cause its Subsidiaries to maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to each Lender Party at Borrower's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of ach Fiscal Year, complete Consolidated and consolidating financial statements of Borrower together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by independent certified public accountants selected by Borrower and acceptable to Majority Lenders, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings, of cash flows, and of changes in owners' equity for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year.

(b) As soon as available, and in any event within forty-five (45) days after the end of the first three Fiscal Quarters in each Fiscal Year, Borrower's Consolidated and consolidating balance sheet as of the end of such Fiscal Quarter and Consolidated and consolidating statements of Borrower's earnings and cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments. In addition Borrower will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section, furnish a certificate in the form of Exhibit D signed by the Chief Financial Officer of Borrower stating that such financial statements are accurate and complete (subject to normal year- end adjustments), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or noncompliance) at the end of such Fiscal Quarter with the requirements of Section 7.11 and Section 7.12 and stating that no Default exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Restricted Person to its stockholders and all registration statements, periodic reports and other statements and schedules filed by any Restricted Person with any securities exchange, the Securities and Exchange Commission or any similar governmental authority. Documents required to be delivered pursuant to Section 6.2(a), (b) or (c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto, on the Borrower's website on the Internet at the website address listed in the Disclosure Letter; or (ii) on which such documents are posted on the Borrower's behalf on IntraLinks/IntraAgency or another relevant website, if any, including, but not limited to any filings made on EDGAR to which each Lender and the Administrative Agent have access(whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (x) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (y) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Lender of the posting of any such documents and provide to the

Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.2(b) to the Administrative Agent and each of the Lenders. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

(d) By March 31 of each year, an Engineering Report prepared by DeGolyer & MacNaughton, or other independent petroleum engineers chosen by Borrower and acceptable to Majority Lenders, concerning all oil and gas properties and interests owned by any Restricted Person which are located in or offshore of the United States and which have attributable to them proved oil or gas reserves. This report shall be satisfactory to Administrative Agent, shall contain sufficient information to enable Borrower to meet the reporting requirements concerning oil and gas reserves contained in Regulations S-K and S-X promulgated by the Securities and Exchange Commission and shall contain information and analysis comparable in scope to that contained in the Initial Engineering Report.

(e) As soon as available, and in any event within sixty (60) days after the end of each month, a report describing by field the gross volume of production and sales prices attributable to production during such month from the properties described in subsection (a) above.

(f) When required under Section 2.9(b) or Section 2.9(c), the Engineering Reports described therein.

(g) When Borrower or a Consolidated subsidiary of Borrower acquires assets during a Four-Quarter Period and such assets are included in the calculation of Adjusted EBITDA for such Four-Quarter Period, Borrower shall deliver to Administrative Agent and Lenders, together with the financial statements described in Section 6.2(b), pro forma financial statements of Borrower for such period prepared on a Consolidated basis as if such assets had been acquired by
Borrower or such subsidiary on the first day of such Four-Quarter Period.

(h) Concurrently with the reports referred to in Section 6.2(d), a report describing material gas imbalances and curtailments of production for the Collateral.

(i) Promptly after Borrower has notified Agent of any intention by Borrower to treat the Loans and/or Letters of Credit and related transaction as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011- 4), Borrower shall deliver to Agent a duly completed copy of IRS Form 8886 or any successor form.

Section 6.3. Other Information and Inspections. Each Restricted Person will furnish to each Lender any information which Administrative Agent may from time to time request concerning any provision of the Loan Documents or any matter in connection with Restricted Persons' businesses, properties, prospects, financial condition and operations. Each Restricted Person will permit representatives appointed by Administrative Agent (including independent accountants, auditors, Administrative Agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Restricted Person's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and each Restricted Person shall permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. Borrower will promptly notify each Lender in writing, stating that such notice is being given pursuant to this Agreement, of:

(a) occurrence of any Material Adverse Change,

(b) the occurrence of any Default,

(c) the acceleration of the maturity of any Indebtedness owed by any Restricted Person or of any default by any Restricted Person under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound,

if such acceleration or default could cause a Material Adverse Change,

(d) the occurrence of any Termination Event,

(e) any claim of $10,000,000 or more, any notice of potential liability under any Environmental Laws which might exceed such amount, or any other material adverse claim asserted against any Restricted Person or with respect to any Restricted Person's properties, and

(f) the filing of any suit or proceeding against any Restricted Person in which an adverse decision could cause a Material Adverse Change.

Upon the occurrence of any of the foregoing Restricted Persons will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Borrower will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Restricted Person changes its name or the location of its chief executive office or principal place of business or the place where it keeps its books and records, furnishing with such notice any necessary financing statement amendments or requesting Administrative Agent and its counsel to prepare the same.

Section 6.5. Maintenance of Properties. Each Restricted Person will maintain, preserve, protect, and keep all property used or useful in the conduct of its business in good condition and in compliance with all applicable Laws, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Restricted Person will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify will not cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Restricted Person will (a) timely file all required tax returns; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property; (c) pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business within a period of time after the invoice date that is customary in the oil and gas industry; (d) pay and discharge when due all other Liabilities now or hereafter owed by it; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Restricted Person may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings and has set aside on its books adequate reserves therefor.

Section 6.8. Insurance. Each Restricted Person shall at all times maintain (at its own expense) insurance for its property and its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers.

Section 6.9. Performance on Borrower's Behalf. If any Restricted Person fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. Borrower hereby promises to each Lender Party to pay interest at the Default Rate applicable to Base Rate Loans on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) which Borrower has in this Agreement promised to pay to such Lender Party and which are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Restricted Person will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, franchise, agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Restricted Person will conduct its business and affairs in compliance with all Laws applicable thereto and will maintain in good standing all licenses that may be necessary or appropriate to carry on its business.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Restricted Person will comply in all material respects with all Environmental Laws now or hereafter applicable to such Restricted Person, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations and will maintain such authorizations in full force and effect. No Restricted Person will do anything or permit anything to be done which will subject any of its properties to any remedial obligations under, or result in noncompliance with applicable permits and licenses issued under, any applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances. Upon Administrative Agent's reasonable request, at any time and from time to time, Borrower will provide at its own expense an environmental inspection of any of the Restricted Persons' material real properties and audit of their environmental compliance procedures and practices, in each case from an engineering or consulting firm approved by Administrative Agent. Administrative Agent and Lenders will use their best efforts to protect any attorney client privilege that exists with respect to reports or audits prepared by such engineers or consultants.

(b) Borrower will promptly furnish to Administrative Agent all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Restricted Person, or of which Borrower otherwise has notice, pending or threatened against any Restricted Person by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location, in each case which involves a claim or liability in excess of $5,000,000.

Section 6.13. Evidence of Compliance. Each Restricted Person will furnish to each Lender at such Restricted Person's or Borrower's expense all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Restricted Person in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.14. Bank Accounts; Offset. To secure the repayment of the Obligations Borrower hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of Borrower now or hereafter held or received by or in transit to any Lender from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Borrower with any Lender, and (c) any other credits and claims of Borrower at any time existing against any Lender, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to Borrower), any and all items hereinabove referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

ARTICLE VII- Negative Covenants of Borrower

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Borrower, and to induce each Lender to enter into this Agreement and make the Loans, Borrower warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders have previously agreed otherwise:

Section 7.1. Indebtedness. No Restricted Person will in any manner owe or be liable for Indebtedness except:

(a) the Obligations.

(b) Liabilities for taxes and governmental assessments in the ordinary course of business that are not yet due.

(c) Indebtedness arising under Hedging Contracts permitted under Section 7.3.

(d) Liability for that certain royalty associated with production from Borrower's Formax properties.

(e) miscellaneous items of Indebtedness not described in subsections (a) through (c) which do not in the aggregate (taking into account all such Indebtedness of all Restricted Persons) exceed $10,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. Except for Permitted Liens, no Restricted Person will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires.

Section 7.3. Hedging Contracts. No Restricted Person will be a party to or in any manner be liable on any Hedging Contract except:

(a) contracts entered into with the purpose and effect of fixing prices on oil or gasexpected to be produced, purchased, sold or transported by Restricted Persons, provided that at all times: (i) no such contract fixes a price for a term of more than thirty-six (36) months except contracts that are directly hedged to offset a longer term fixed rate contract; (ii) the aggregate monthly production covered by all such contracts (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Administrative Agent) for any single month does not in the aggregate exceed seventy-five percent (75%) of Restricted Persons' aggregate Projected Oil and Gas Production anticipated to be sold in the ordinary course of Restricted Persons' businesses for such month, (iii) no such contract requires any Restricted Person to put up money, assets, letters of credit or other security against the event of its nonperformance prior to actual default by such Restricted Person in performing its obligations thereunder, and (iv) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term obligations rated A1 by Moody's or A+ by S & P, or better, respectively, by either Rating Agency. As used in this subsection, the term "Projected Oil and Gas Production" means the projected production of oil or gas (measured by volume unit or BTU equivalent, not sales price) for the term of the contracts or a particular month, as applicable, from properties and interests owned by any Restricted Person which are located in or offshore of the United States and which have attributable to them proved oil or gas reserves, as such production is projected in the most recent report delivered pursuant to Section 6.2(d), after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests that had not been reflected in such report but that are reflected in a separate or supplemental reports meeting the requirements of such Section 6.2(d) above and otherwise are satisfactory to Administrative Agent;

(b) contracts entered into by a Restricted Person with the purpose and effect of fixing interest rates on a principal amount of indebtedness of such Restricted Person that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such contracts never exceeds seventy-five percent (75%) of the anticipated outstanding principal balance of the indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term obligations rated A1 by Moody's or A+ by S & P, or better; and

(c) contracts entered into with the purpose and effect offixing prices on electricity expected to be produced or sold by Restricted Persons, provided that at all times: (i) no such contract fixes a price for a term of more than sixty (60) months, (ii) the aggregate monthly production covered by all such contracts (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Administrative Agent) for any single month does not in the aggregate exceed ninety percent (90%) of Restricted Persons' aggregateProjected Electricity Production anticipated to be sold in the ordinary course of Restricted Persons' businesses for such month, (iii) no such contract requires any Restricted Person to put up money, assets, letters of credit or other security against the event of its nonperformance prior to actual default by such Restricted Person in performing its obligations thereunder, and (iv) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term obligations rated

A1 by Moody's or A+ by S&P, or better, respectively, by either Rating Agency. As used in this subsection, the term "Projected Electricity Production" means the projected production of electricity (measured by volume unit or megawatt per hour equivalent, not sales price) for the term of the contracts or a particular month, as applicable, from generating facilities owned by any Restricted Person which are located in the United States and projected by Restricted Persons.

Section 7.4. Limitation on Mergers, Issuances of Securities. No Restricted Person will merge or consolidate with or into any other Person; provided that so long as no Default has occurred and is continuing or will occur as a result thereof (a) Borrower may merge or consolidate with another Person so long as Borrower is the surviving business entity, (b) any wholly-owned Subsidiary of Borrower may be merged into or consolidated with another Person so long as Borrower or a wholly-owned Subsidiary of Borrower is the surviving business entity, and (c) any Subsidiary of Borrower may merge or consolidate with another Person so long as Borrower or a Subsidiary of Borrower is the surviving business entity. Borrower will not issue any securities other than shares of its common stock and any options or warrants giving the holders thereof only the right to acquire such shares. No Subsidiary of Borrower will issue any additional shares of its capital stock or other securities or any options, warrants or other rights to acquire such additional shares or other securities except to Borrower and only to the extent not otherwise forbidden under the terms hereof. No Subsidiary of Borrower which is a partnership will allow any diminution of Borrower's interest (direct or indirect) therein.

Section 7.5. Limitation on Sales of Property. No Restricted Person will sell, transfer, lease, exchange, alienate or dispose of any of its material assets or properties or any material interest therein, or discount, sell, pledge or assign any notes payable to it, accounts receivable or future income, except:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

(b) inventory (including oil and gas sold as produced and seismic data) which is sold in the ordinary course of business on ordinary trade terms;

(c) capital stock of any of Borrower's Subsidiaries which is transferred to Borrower or a wholly owned Subsidiary of Borrower;

(d) interests in oil and gas properties, or portions thereof, to which no proved reserves of oil, gas or other liquid or gaseous hydrocarbons are properly attributed; and

(e) other property which is sold for fair consideration not in the aggregate in excess of $10,000,000 in any period of twelve (12) consecutive calendar months.

Section 7.6. Limitation on dividends and Stock Repurchases. No Restricted Person (a)will declare or make any Dividends other than (i) Dividends payable to Borrower, and (ii) so long as no Default has occurred and is continuing or will occur as a result thereof, Dividends payable to Borrower's shareholders, to the extent that the aggregate value of all such Distributions made during any Four-Quarter Period does not exceed the greater of $13,000,000 or seventy-five percent (75%) of Net Income for such Four-Quarter Period; or (b) make Stock Repurchases except to the extent that the aggregate value of all such Stock Repurchases made during any Four-Quarter Period does not exceed $15,000,000.

Section 7.7. Limitation on Acquisitions, Investments; and New Businesses. Except as expressly permitted by this section, no Restricted Person will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction, or (b) make any acquisitions of or capital contributions to or other Investments in any Person or property; provided that the Restricted Persons (i) may make Permitted Investments and Core Acquisitions and Investments without limitation, and (ii) may make Non-Core Acquisitions and Investments so long as the aggregate amount expended on Non-Core Acquisitions and Investments during the period from the date hereof until the Maturity Date never exceeds $15,000,000. No Restricted Person will engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, no Restricted Person will extend credit, make advances or make loans other than (a) normal and prudent extensions of credit to customers buying goods and services in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates. Neither Borrower nor any of its Subsidiaries will engage in any material transaction with any of its Affiliates on terms which are less favorable to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates, provided that such restriction shall not apply to transactions among Borrower and its wholly owned Subsidiaries.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on (a) the ability of any Subsidiary of Borrower to (i) pay dividends or make other distributions to Borrower, (ii) to redeem equity interests held in it by Borrower, (iii) to repay loans and other indebtedness owing by it to Borrower, or (iv) to transfer any of its assets to Borrower or (b) the ability of any Restricted Person to grant to Agent and Lenders Liens on its assets. No ERISA Affiliate will incur any obligation to contribute to any "multiemployer plan" as defined in Section 4001 of ERISA.

Section 7.11. Current Ratio. The ratio of Borrower's Current Assets to Borrower's Current Liabilities will never be less than 1.0 to 1.0.

Section 7.12. EBITDA to Total Funded Debt Ratio. At the end of any Fiscal Quarter, beginning with the Fiscal Quarter ending June 30, 2003, the ratio of (a) Total Funded Debt to (b) Adjusted EBITDA for the Four-Quarter period then ended, will not be greater than 3.0 to 1.0.

ARTICLE VIII- Events of Default and Remedies

Section 8.1. Events of Default. Each of the following events constitutes an Event of Default under this Agreement:

(a) Any Restricted Person fails to pay any principal component of any Obligation (including but not limited to any Borrowing Base Deficiency) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) Any Restricted Person fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) Any "default" or "event of default" occurs under any Loan Document which defines either such term, and the same is not remedied within the applicable period of grace (if any) provided in such Loan Document;

(d) Any Restricted Person fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 or Article VII;

(e) Any Restricted Person fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative
Agent to Borrower;

(f) Any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Restricted Person in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be valid, binding and enforceable as warranted in Section 5.5 for any reason other than its release or subordination by Administrative Agent;

(g) Any Restricted Person fails to duly observe, perform or comply with any agreement with any Person or any term or condition of any instrument, if such agreement or instrument is materially significant to Borrower or to Borrower and its Subsidiaries on a Consolidated basis, and such failure is not remedied within the applicable period of grace (if any) provided in such agreement or instrument;

(h) Any Restricted Person (i) fails to pay any portion, when such portion is due, of any of its Indebtedness in excess of $5,000,000, or (ii) breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness is issued, evidenced, governed, or ecured, and any such failure, breach or default continues beyond any applicable period of grace provided therefore;

(i) Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code) in excess of $5,000,000 exists

with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than $5,000,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such excess exceeds such amount);

(j) Any Restricted Person:

(i) suffers the entry against it of a judgment, decree or order for relief by a Tribunal of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of thirty days; or

(ii) commences a voluntary case under any applicable bankruptcy, insolvency or similar Law now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or fails generally to pay (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate or other action to authorize any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of $5,000,000 (not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Tribunal against all or any substantial part of its assets and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(k) Any Change of Control occurs; and

(l) Any Material Adverse Change occurs.

Upon the occurrence of an Event of Default described in subsection (j)(i), (j)(ii) or (j)(iii) of this section with respect to Borrower, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleratio, or any other notice or declaration of any kind, all of which are hereby expressly waived by
Borrower and each Restricted Person who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender and any obligation of LC Issuer to issue Letters of Credit hereunder to make any further Loans shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Restricted Person, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder, and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Restricted Person who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Default shall occur and be continuing, each Lender Party may protect and enforce its rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document, and

each Lender Party may enforce the payment of any Obligations due it or enforce any other legal or equitable right which it may have. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

ARTICLE IX- Administrative Agent

Section 9.1. Appointment and Authority. Each Lender Party hereby irrevocably authorizes Administrative Agent, and Administrative Agent hereby undertakes, to receive payments of principal, interest and other amounts due hereunder as specified herein and to take all other actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. The relationship of Administrative Agent to the other Lender Parties is only that of one commercial lender acting as Administrative Agent for others, and nothing in the Loan Documents shall be construed to constitute Administrative Agent a trustee or other fiduciary for any Lender Party or any holder of any participation in a Note nor to impose on Administrative Agent duties and obligations other than those expressly provided for in the Loan Documents. With respect to any matters not expressly provided for in the Loan Documents and any matters which the Loan Documents place within the discretion of Administrative Agent, Administrative Agent shall not be required to exercise any discretion or take any action, and it may request instructions from Lenders with respect to any such matter, in which case it shall be required to act or to refrain from acting (and shall be fully protected and free from liability to all Lender Parties in so acting or refraining from acting) upon the instructions of Majority Lenders (including itself), provided, however, that Administrative Agent shall not be required to take any action which exposes it to a risk of personal liability that it considers unreasonable or which is contrary to the Loan Documents or to applicable Law. Upon receipt by Administrative Agent from Borrower of any communication calling for action on the part of Lenders or upon notice from any other Lender to Administrative Agent of a Default, Administrative Agent shall promptly notify each other Lender thereof.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, Administrative Agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, including their negligence of any kind, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Restricted Person or to inspect the property (including the books and records) of any Restricted Person; (e) shall not be deemed to have knowledge of the occurrence of a Default unless it shall have received notice thereof specifying that it is a "Notice of Default," (f) shall not be responsible to any other Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (g) may rely upon the representations and warranties of each Restricted Person or Lender Party in exercising its powers hereunder; and (h) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of Borrower and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. Each Lender agrees to indemnify Administrative Agent (to the extent not reimbursed by Borrower within ten

(10) days after demand) from and against such Lender's Percentage Share of any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against Administrative Agent growing out of, resulting from or in any other way associated with the Loan Documents and the transactions and events (including the enforcement thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort and otherwise and including any violation or noncompliance with any Environmental Laws by any Person or any liabilities or duties of any Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs which is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Borrower under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Borrower as provided in such section. As used in this section the term "Administrative Agent" shall refer not only to the Person designated as such in Section 1.1 but also to each director, officer, Administrative Agent, attorney, employee, representative and Affiliate of such Person.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Restricted Person or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it which, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Tribunal order to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is

otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article (other than the following Section 9.9) are intended solely for the benefit of Lender Parties, and no Restricted Person shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender. Lender Parties may waive or amend such provisions as they desire without any notice to or consent of Borrower or any Restricted Person.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Borrower. Each such notice shall set forth the date of such resignation. Upon any such resignation Majority Lenders shall have the right to appoint a successor Administrative Agent. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed to conduct a banking or trust business under the Laws of the United States of America or of any state thereof. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this ARTICLE IX shall continueto inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether bycourse of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Restricted Person shall in any case of itself entitle any Restricted Person to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of Lenders with the written consent of Majority Lenders (which consent has already been given as to the termination of the Loan Documents as provided in Section 10.9). Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would: (1) waive any of the conditions specified in Section 4.1 (provided that Administrative Agent may in itsdiscretion withdraw any request it has made under Section 4.2(f), (2) increase the maximum amount which such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note, (4) postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Majority Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Borrower from its obligation to pay such Lender's Note or (7) amend this Section 10.1(a).

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Restricted Persons, on one hand, and each Lender, on the other hand, is and shall be solely that of debtor and creditor, respectively, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Restricted person and any Lender, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should a Default occur or exist, each Lender will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender, or any representative thereof, and no such representation or covenant has been made, that any Lender will, at the time of a Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted
under the Loan Documents with respect to any such Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(c) Joint Acknowledgment. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Restricted Person to any Lender Party under any Loan Document shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile or other electronic transmission, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Borrower and Restricted Persons at the address of Borrower specified on the signature pages hereto and to each Lender Party at its address specified on the Lenders Schedule (unless changed by similar notice in writing given by the particular Person whose address is to be
changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided

herein, (b) in the case of facsimile, upon receipt, (c) in the case of other electronic transmission, upon acknowledgment of receipt by the recipient within twenty-four (24) hours of first attempted delivery, or (d) in the case of registered or certified United States mail, within three days after deposit in the mail; provided, however, that no Borrowing Notice shall become effective until actually received by Administrative Agent.

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Borrower will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document or transaction referred to
herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent (including without limitation attorneys' fees and engineering fees, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all consents, waivers or other documents or instruments relating thereto, (2) the borrowings hereunder and other action reasonably required
in the course of administration hereof, (3) monitoring or confirming (or preparation or negotiation of any document related to) any Restricted Person's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all reasonable costs and expenses incurred by or on behalf of any Lender Party (including without limitation attorneys' fees, consultants' fees and accounting fees) in connection with the preservation of any
rights under the Loan Documents or the defense or enforcement of any of the Loan Documents (including this section), any attempt to cure any breach thereunder by any Restricted Person, or the defense of any Lender Party's exercise of its rights thereunder. In addition to the foregoing, until all Obligations have been paid in full, Borrower will also pay or reimburse Administrative Agent for all reasonable out-of-pocket costs and expenses of Administrative Agent or its Administrative Agents or employees in connection with the continuing administration of the Loans and the related due diligence of Administrative Agent, including travel and miscellaneous expenses and fees and expenses of Administrative Agent's outside counsel, reserve engineers and consultants engaged in connection with the Loan Documents.

(b) Indemnity. Borrower agrees to indemnify each Lender Party , upon demand, from and against any and all liabilities, obligations, broker's fees, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") which to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Lender Party growing out of, resulting from or in any other way associated with the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise). Among other things, the foregoing indemnification covers all liabilities and costs incurred by any Lender Party related to any breach of a Loan Document by a Restricted Person, any bodily injury to any Person or damage to any Person's property, or any violation or noncompliance with any Environmental Laws by any Lender Party or any other Person or any liabilities or duties of any Lender Party or any other Person with respect to Hazardous Materials found in or released into the environment.

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED,
IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY,

provided only that no Lender Party shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment. If any Person (including Borrower or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Lender Party, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct. As used in this section the term "Lender Party" shall refer not only to each Person designated as such in Section 1.1 but also to each director, officer, Administrative Agent, trustee, attorney, employee, representative and Affiliate of or for such Person.

Section 10.5. Parties in Interest; Assignments.

(a) All grants, covenants and agreements contained in the Loan Documents shall bind and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, that no Restricted Person may assign or transfer any of its rights or delegate any of its duties or obligations under any Loan Document without the prior consent of all of the Lenders. Neither Borrower nor any Affiliates of Borrower shall directly or indirectly purchase or otherwise retire any Obligations owed to any Lender nor will any Lender accept any offer to do so, unless each Lender shall have received substantially the same offer with respect to the same Percentage Share of the Obligations owed to it. If Borrower or any Affiliate of Borrower at any time purchases some but less than all of the Obligations owed to all Lender Parties, such purchaser shall not be entitled to any rights of any Lender under the Loan Documents unless and until Borrower or its Affiliates have purchased all of the Obligations.

(b) No Lender shall sell any participation interest in its commitment hereunder or any of its rights under its Loans or under the Loan Documents to any Person unless the agreement between such Lender and such participant at all times provides: (i) that such participation exists only as a result of the agreement between such participant and such Lender and that such transfer does not give such participant any right to vote as a Lender or any other direct claims or rights
against any Person other than such Lender, (ii) that such participant is not entitled to payment from any Restricted Person under Section 3.2 through Section 3.6 of amounts in excess of those payable to such Lender under such sections (determined without regard to the sale of such participation), and (iii) unless such participant is an Affiliate of such Lender, that such participant shall not be entitled to require such Lender to take any action under any Loan Document or to obtain the consent of such participant prior to taking any action under any Loan Document, except for actions which would require the consent of all Lenders under subsection (a) of Section 10.1. No Lender selling such a participation shall, as between the other parties hereto and such Lender, be relieved of any of its obligations hereunder as a result of the sale of such participation. Each Lender which sells any such participation to any Person (other than an Affiliate of such Lender) shall give prompt notice thereof to Administrative Agent and Borrower.

(c) Except for sales of participations under the immediately preceding subsection, no Lender shall make any assignment or transfer of any kind of its commitments or any of its rights under its Loans or under the Loan Documents, except for assignments to an Eligible Transferee, and then only if such assignment is made in accordance with
the following requirements:

(i) Each such assignment shall apply to all Obligations owing to the assignor Lender hereunder and to the unused portion of the assignor Lender's commitments, so that after such assignment is made the assignor Lender shall have a fixed (and not a varying) Percentage Share in its Loans and Note and be committed to make that Percentage Share of all future Loans, the assignee shall have a fixed Percentage Share in such Loans and Note and be committed to make that Percentage Share of all future Loans, and the Percentage Share of the Maximum Credit Amount of both the assignor and assignee shall equal or exceed $5,000,000.

(ii) The parties to each such assignment shall execute and deliver to Administrative Agent, for its acceptance and recording in the "Register" (as defined below in this section), an Assignment and Acceptance in the form of Exhibit F, appropriately completed, together with the Note subject to such assignment and a processing fee payable to Administrative Agent of $3,500. Upon such execution,delivery, and payment and upon the satisfaction of the conditions set out in such Assignment and Acceptance, then (1) Borrower shall issue new
Notes to such assignor and assignee upon return of the old Notes to Borrower, and (2) as of the "Settlement Date" specified in such Assignment and Acceptance the assignee thereunder shall be a party hereto and a Lender hereunder and Administrative Agent shall thereupon deliver to Borrower and each Lender a schedule showing the revised
Percentage Shares of such assignor Lender and such assignee Lender and the Percentage Shares of all other Lenders.

(iii) Each assignee Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Internal Revenue Code) for Federal income tax purposes, shall (to the extent it has not already done so) provide Administrative Agent and Borrower with the Prescribed Forms.

(d) Nothing contained in this section shall prevent or prohibit any Lender from assigning or pledging all or any portion of its Loans and Note to any Federal Reserve Bank as collateral security pursuant to Regulation A of

the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank; provided that no such assignment or pledge shall relieve such Lender from its obligations hereunder.

(e) By executing and delivering an Assignment and Acceptance, each assignee Lender thereunder will be confirming to and agreeing with Borrower, Administrative Agent and each other Lender Party that such assignee understands and agrees to the terms hereof, including Article IX hereof.

(f) Administrative Agent shall maintain a copy of each Assignment and Acceptance and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (in this section called the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower and each Lender Party may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes. The Register shall be available for inspection by Borrower or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

Section 10.6. Confidentiality. Administrative Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by any Restricted Person pursuant to this Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, Administrative Agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the credit facility provided herein, (c) as required by any Law, (d) upon the order of any court or administrative agency, (e) upon the request or demand of any Tribunal, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h)to the extent necessary in connection with the exercise of any right or remedy under this Agreement or any other Loan Document, and (i) subject to provisions substantially similar to those contained in this section, to any actual or proposed participant or assignee. Notwithstanding anything set forth herein to the contrary, Administrative Agent and Lenders are hereby expressly authorized to disclose the "tax reatment" and "tax structure" (as those terms are defined in Treas. Reg. 1.6011-4(c)(8) and (9), respectively) of the transactions contemplated hereby; provided, however, that the foregoing authorization shall apply only in the event that the transactions contemplated hereby are a "confidential transaction" within the meaning of Treas. Reg. 1.6011-4(b)(3).

Section 10.7. Governing Law; Submission to Process. Except to the extent that the law of another jurisdiction is expressly elected in a Loan Document, the Loan Documents shall be deemed contracts and instruments made under the laws of the State of California and shall be construed and enforced in accordance with and governed by the laws of the State of California and the laws of the United States of America, without regard to principles of conflicts of law. Borrower hereby irrevocably submits itself to the non-exclusive jurisdiction of the state andfederal courts sitting in the Northern District of California for the United States District Court and agrees and consents that service of process may be made upon it in any legal proceeding relating to the Loan Documents or the Obligations by any means allowed under California or federal law.

Section 10.8. Limitation on Interest. Lender Parties, Restricted Persons and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be contracted for, charged, or
received by applicable Law from time to time in effect. Neither any Restricted Person nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that
may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the LoanDocuments which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations are owing elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such a notice, if no Obligations are

then owing this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Restricted Person in any Loan Document, any Obligations under Section 3.2 through Section 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby authorized to execute all such instruments on behalf of all Lenders, without the joinder of or further action by any Lender.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the Loan Documents may be validly executed and delivered by facsimile or other electronic transmission.

SECTION 10.12. WAIVER OF JURY TRIAL, PUNITIVE DAMAGES, ETC. BORROWER AND EACH LENDER PARTY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY (A) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY; (B) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES", AS DEFINED BELOW, (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR ADMINISTRATIVE AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

BERRY PETROLEUM COMPANY,
Borrower

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

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

Address:
5201 Truxtun Avenue, Suite 300
Bakersfield, California 93309-0640
Attention: Kenneth A. Olson

Telephone: 661.616.3829
Fax: 661.616.3881
Email: kao@bry.com

WELLS FARGO BANK, NATIONAL
ASSOCIATION, Administrative Agent,
LC Issuer and Lender

By:
/s/ Todd Stornetta
Todd Stornetta
Vice President

BANK OF AMERICA, N.A., Lender

By:
/s/ Steven A. Mackenzie
Steven A. Mackenzie
Vice President

BANK OF SCOTLAND, Lender

By:
/s/ Joseph Fratus
Joseph Fratus
First Vice President

BNP PARIBAS, Lender

By:
/s/ Brian M. Malone
Brian M. Malone
Managing Director

/s/ Polly Schott
Polly Schott
Vice President

CITIBANK (WEST), FSB, Lender

/s/ Gai Sherman
Gai Sherman
Vice President

COMERICA BANK, Lender

/s/ Peter Sefzik
Peter Sefzik
Assistant Vice President - Texas Divison

FLEET NATIONAL BANK, Lender

/s/ Jeffrey H. Rathkamp
Jeffrey H. Rathkamp
Director

MIDFIRST BANK, Lender

/s/ Shawn D. Brewer
Shawn D. Brewer
Assistant Vice President

SOCIETE GENERALE, Lender

/s/ Spencer N. Smith
Spencer N. Smith
Vice President

UNION BANK OF CALIFORNIA, N.A., Lender

/s/ James G. Chepyha
James G. Chepyha
Vice President

SCHEDULE 1

LENDERS SCHEDULE

	Percentage Share	Amount
WELLS FARGO BANK, NATIONAL ASSOCIATION	15.000%	

$30,000,000

Domestic Lending Office:

1740 Broadway, 4th Floor
Denver, Colorado 80274
Attention: Todd Stornetta
Tel: 303.863.5653
Fax: 303.863.5196
Email: stornet@wellsfargo.com

Eurodollar Lending Office:
Same

Percentage Share

Amount

BANK OF AMERICA, N.A. 12.750%

$25,500,000

Domestic Lending Office:

901 Main Street
67th Floor
Dallas, Texas 75146
Attention: Steven A. MacKenzie
Tel: 214.209.3680
Fax: 214.209.3140
Email: steven.mackenzie@bankofamerica.com

Eurodollar Lending Office:
Same

Percentage Share

Amount

BANK OF SCOTLAND 8.750%

$17,500,000

Domestic Lending Office:

565 Fifth Avenue
New York, New York 10017
Attention: Joseph Fratus
Tel: 212.450.0837
Fax: 212.557.9460
Email: joseph_fratus@bankofscotland.com

Eurodollar Lending Office:
Same

Percentage Share

Amoun

BNP PARIBAS 12.000%

$24,000,000

Domestic Lending Office:

1200 Smith Street
Suite 3100
Houston, Texas 77002
Attention: Polly Schott
Tel: 713.982.1150
Fax: 713.659.6915
Email: polly.schott@americas.bnpparibas.com

Eurodollar Lending Office:
Same

Percentage Share

Amount

CITIBANK (WEST), FSB 6.250%
$12,500,000

Domestic Lending Office:

5554 California Avenue
Bakersfield, California 93309
Attention: Gai Sherman
Tel: 661.863.0366
Fax: 661.324.0996
Email: gsherman@calfed.com

Eurodollar Lending Office:
Same

Percentage Share

Amount
COMERICA BANK 8.750%
$17,500,000

Domestic Lending Office:

1601 Elm Street
2nd Floor
Dallas, Texas 75201
Attention: Peter Sefzik
Tel: 214.969.6538
Fax: 214.969.6561
Email: peter_l_sefzik@comerica.com

Eurodollar Lending Office:
Same

Percentage Share

Amount
FLEET NATIONAL BANK 12.000%
$24,000,000

Domestic Lending Office:

100 Federal Street
MA DE 10009H
Boston, Massachusetts 02110
Attention: Jeff Rathkamp
Tel: 617.434.7010
Fax: 617.434.3652
Email: jeffrey_h_rathkamp@fleet.com

Eurodollar Lending Office:
Same

Percentage Share

Amount
MIDFIRST BANK 6.250%
$12,500,000

Domestic Lending Office:

501 NW Grand Blvd.
Oklahoma City, Oklahoma 73118
Attention: Shawn D. Brewer
Tel: 405.767.7524
Fax: 405.767.7120
Email: shawn.brewer@midfirst.com

Eurodollar Lending Office:
Same

Percentage Share

Amount

SOCIETE GENERALE 6.250%
$12,500,000

Domestic Lending Office:

1111 Bagby, Suite 2020
Houston, Texas 77002
Attention: Spencer Smith
Tel: 713.759.6301
Fax: 713.650.0824
Email: spencer.smith@us.socgen.com

Eurodollar Lending Office:
Same

	Percentage Share
Amount	
UNION BANK OF CALIFORNIA, N.A.	12.000%
$24,000,000	

Domestic Lending Office:

500 N. Akard, Suite 4200
Dallas, Texas 75201
Attention: Ali Ahmed
Tel: 214.922.4207
Fax: 214.922.4209
ali.ahmed@uboc.com

Eurodollar Lending Office:
Same

SCHEDULE 2
INSURANCE SCHEDULE

EXHIBIT A

PROMISSORY NOTE

July 10, 2003

FOR VALUE RECEIVED, the undersigned, Berry Petroleum Company, a Delaware corporation (herein called "Borrower"), hereby promises to pay to the order of *_____ (herein called "Lender"), the principal sum equal to the amount of such Lender's Commitment, or, if greater or less, the aggregate unpaid principal amount of the Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of Administrative Agent under the Credit Agreement,*_____or at such other place as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain Credit Agreement of even date herewith among Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Note" as defined therein, and (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events. Payments of principal and interest on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the Maturity Date.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy,

receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

This Note and the rights and duties of the parties hereto shall be governed by the Laws of the State of California (without regard to principles of conflicts of law), except to the extent the same are governed by applicable federal Law.

BERRY PETROLEUM COMPANY

By:
Name:
Title:

EXHIBIT B

BORROWING NOTICE

Reference is made to that certain Credit Agreement dated as of July 10, 2003 (as from time to time amended, the "Agreement"), by and among Berry Petroleum Company ("Borrower"), Wells Fargo Bank, National Association, as Administrative Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement. Pursuant to the terms of the Agreement Borrower hereby requests a Borrowing of new Loans to be advanced pursuant to Section 2.2(a) of the Agreement as follows:

Aggregate amount of Borrowing: $

Type of Loans in Borrowing:

Date on which Loans are to be advanced:

Length of Interest Period for
Eurodollar Loans (1, 2, 3, 6, 9 or 12 months): months

If combined with existing Loans see attached Continuation/Conversion Notice.

To induce Lenders to make such Loans, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

(a) The officer of Borrower signing this instrument is the duly elected, qualified and acting officer of Borrower as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request herein contained.

(b) The representations and warranties of Borrower set forth in the Agreement and the other Loan Documents are true and correct on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon Borrower's receipt and application of the Advances requested hereby. Borrower will use the Advances hereby requested in compliance with Section 2.4 of the Agreement.

(d) Except to the extent waived in writing as provided in Section 10.1(a) of the Agreement, Borrower has performed and complied with all

agreements and conditions in the Agreement required to be performed or complied with by Borrower on or prior to the date hereof, and each of the conditions precedent to Advances contained in the Agreement remains satisfied.

(e) The Facility Usage, after the making of the Advances requested hereby, will not be in excess of the Borrowing Base on the date requested for the making of such Advances.

(f) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 20__.

BERRY PETROLEUM COMPANY
By:
Name:
Title:

EXHIBIT C

CONTINUATION/CONVERSION NOTICE

Reference is made to that certain Credit Agreement dated as of July 10, 2003 (as from time to time amended, the "Agreement"), by and among Berry Petroleum Company ("Borrower"), Wells Fargo Bank, National Association, as Administrative Agent, and the lenders referred to therein ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Borrower hereby requests a Conversion or Continuation of existing Loans into a new Borrowing pursuant to Section 2.3 of the Agreement as follows:

Existing Borrowing(s) to be continued or converted:

$_____ of Eurodollar Loans with Interest Period ending _____

$_____ of Base Rate Loans

If being combined with new Loans, $_____ of new Loans to be advanced on _____

Aggregate amount of Borrowing: $

Type of Loans in new Borrowing:

Date of Continuation or Conversion:

Length of Interest Period for Eurodollar Loans (1, 2, 3, 6, 9 or 12 months):
months

To meet the conditions set out in the Agreement for such conversion/continuation, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

(a) The officer of Borrower signing this instrument is the duly elected, qualified and acting officer of Borrower as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request herein contained.

(b) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement.

(c) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations,warranties, acknowledgments, and agreements of Borrower are true, correct and complete.

IN WITNESS WHEREOF this instrument is executed as of _____.

BERRY PETROLEUM COMPANY
By:
Name:
Title:

EXHIBIT D

CERTIFICATE ACCOMPANYING FINANCIAL STATEMENTS

Reference is made to that certain Credit Agreement dated as of July 10, 2003 (as from time to time amended, the "Agreement"), by and among Berry Petroleum Company ("Borrower"), Wells Fargo Bank, National Association, as Administrative Agent, and certain financial institutions ("Lenders"), which Agreement is in full force and effect on the date hereof. Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Section 6.1(b) of the Agreement. Together herewith Borrower is furnishing to Administrative Agent and each Lender Borrower's *[audited/unaudited] financial statements (the "Financial Statements") as at _____ (the "Reporting Date"). Borrower hereby represents, warrants, and acknowledges to Administrative Agent and each Lender that:

(a) the officer of Borrower signing this instrument is the duly elected, qualified and acting _____ of Borrower and as such is Borrower's Chief Financial Officer;

(b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;

(c) attached hereto is a schedule of calculations showing Borrower's compliance as of the Reporting Date with the requirements of Sections 7.11 and 7.12 of the Agreement *[and Borrower's non-compliance as of such date with the
requirements of Section(s) _____ of the Agreement];

(d) on the Reporting Date Borrower was, and on the date hereof Borrower is, in full compliance with the disclosure requirements of Section 6.4 of the Agreement, and no Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except for Default(s) under Section(s) _____ of the Agreement, which *[is/are] more fully described on a schedule attached hereto].

(e) *[Unless otherwise disclosed on a schedule attached hereto,] The representations and warranties of Borrower set forth in the Agreement and the other Loan Documents are true and correct on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement), with the same effect as though such representations and warranties had been made on and as of the date hereof.

The officer of Borrower signing this instrument hereby certifies that he has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 20__.

BERRY PETROLEUM COMPANY

By:
Name:
Title:

EXHIBIT E

OPINION OF COUNSEL FOR RESTRICTED PERSONS

EXHIBIT F

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of July 10, 2003 (the "Credit Agreement") among Berry Petroleum Company, a Delaware corporation (the "Borrower"), the Lenders (as defined in the Credit Agreement) and Wells Fargo Bank, National Association, as Administrative Agent for the Lenders (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation or warranty except as expressly set forth herein, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement and the other Loan Documents as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement and the other Loan Documents. After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Loans owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Restricted Person or the performance or observance by any Restricted Person of any of its obligations under the Loan Documents or any other instrument or document furnished pursuant thereto; and (iv) attaches the Note held by the Assignor and requests that Administrative Agent exchange such Note for new Notes payable to the order of the Assignee in an amount equal to the Commitment assumed by the Assignee pursuant hereto and to the Assignor in an amount equal to the Commitment retained by the Assignor, if any, as specified on Schedule 1.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 6.2 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service or other forms required under Section 10.5(c).

4. Following the execution of this Assignment and Acceptance, it will be delivered to Administrative Agent for acceptance and recording by Administrative Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by Administrative Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by Administrative Agent, from and after the Effective Date, Administrative Agent shall make all payments under the

Credit Agreement and the Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the Laws of the State of California.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1
to
ASSIGNMENT AND ACCEPTANCE

Percentage interest assigned: %

Assignee's Commitment: $

Aggregate outstanding principal amount
of Loans assigned: $

Principal amount of Note payable to Assignee: $

Principal amount of Note payable to Assignor: $

Effective Date (if other than date
of acceptance by Administrative Agent): *_____, 20___

[NAME OF ASSIGNOR], as Assignor

By:
Title:
Dated: , 20 _

[NAME OF ASSIGNEE], as Assignee

By:
Title:
Domestic Lending Office:
Eurodollar Lending Office:

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to Administrative Agent.

Accepted [and Approved] **
this ___ day of _____, 20 _

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:
Title:

[Approved this ____ day
of _____, 20__

BERRY PETROLEUM COMPANY

By:
Title:

** Required if the Assignee is an Eligible Assignee solely by reason of

subsection (iii) of the definition of "Eligible Assignee".

PURCHASE AND SALE AGREEMENT

between

WILLIAMS PRODUCTION RMT COMPANY,

as Seller,

and

BERRY PETROLEUM COMPANY

as Buyer

Duchesne County, Utah

Dated April 23, 2003

Effective April 1, 2003

Exhibit	Description	Section Where Defined
A-1	Leases and Lands	1.2.a
A-2	Wells	1.2.b
A-3	Rights-of-Way and Surface Leases	1.2.d
A-4	Equipment and Facilities	1.2.e
B	Material Agreements	1.2.d
C	Well Imbalances	2.3.c
D	Allocated Values	2.4
E	Form of Assignment and Bill of Sale	11.2.a
F	Form of Assumption Agreement	11.2.a
G	Seller's Officer's Certificate	11.2.g
H	Buyer's Officer's Certificate	11.2.h
I	Non-Foreign Affidavit	11.2i
J	Suspense Accounts	12.2
K	Seller's Employee Severance Policy	12.5
L	Retained Litigation	14.2

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT ("Agreement"), dated April 23, 2003, is by and between Williams Production RMT Company, a Delaware corporation, whose address is 1515 Arapahoe Street, Tower Three, Suite 1000, Denver, Colorado 80202 ("Seller") and Berry Petroleum Company, a Delaware corporation, whose address is 5201 Truxtun Avenue, Suite 300, Bakersfield, California 93309-0640 ("Buyer").

RECITALS

A. Seller owns and desires to sell certain real and personal property interests located in Duchesne County, Utah, as more fully described in Section 1.2 below (the "Assets").

B. Buyer desires to purchase the Assets upon the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

ARTICLE 1
PURCHASE AND SALE

1.1 Purchase and Sale. Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase and receive from Seller, all of Seller's right, title and interest in the Assets, pursuant to the terms and conditions of this Agreement.

1.2 Assets. The "Assets" are all of Seller's right, title, and interest in and to the following real and personal property interests located in Duchesne County, Utah:

a. The oil and gas leases and exploration and development agreements described on Exhibit A-1 (the "Leases"), insofar and only insofar as the Leases cover the lands described on Exhibit A-1 (the "Lands"); the oil, gas and all other hydrocarbons

("Hydrocarbons"), in, on or under or that may be produced from the Lands.

b. The oil and gas wells located on the Leases and Lands, or lands pooled or unitized therewith, including without limitation the oil and gas wells described on Exhibit A-2 (the "Wells"), all injection and disposal wells on the Leases and Lands, and all personal property and equipment associated with the Wells as of the Closing Date.

c. The rights, to the extent transferable, in and to all existing and effective unitization, pooling and communitization agreements, declarations and orders, to the extent that they relate to or affect any of the interests described in Sections 1.2.a. and 1.2.b. or the post-Effective Time production of Hydrocarbons from the Leases and Lands.

d. The rights, to the extent transferable, in and to Hydrocarbon sales, purchase, gathering and processing contracts, operating agreements, balancing agreements, joint venture agreements, partnership agreements, farmout agreements and other contracts, agreements and instruments relating to the interests described in Sections 1.2.a., 1.2.b. and 1.2.c, including without limitation the agreements described on Exhibit B (the "Material Agreements").

e. All of the personal property, fixtures, improvements, permits, licenses, approvals, servitudes, rights-of-way, easements, surface leases (including without limitation the rights-of-way easements and surface leases described on Exhibit A-3) and other surface rights, tanks, boilers, buildings, improvements, office equipment, injection facilities, saltwater disposal facilities, the NJNR-Ute Tribe Joint Venture Pipeline and Brundage Canyon Field compression facilities and gathering systems, other appurtenances and facilities (including without limitation the equipment, facilities and Roosevelt Office and Yard Lease described on Exhibit A-4) located on and used in connection with or otherwise related to the exploration for or production, gathering, treatment, processing, storing, sale or disposal of Hydrocarbons or water produced from the Assets described in Sections 1.2.a. through 1.2.d.

f. Seller's files, records, data and information relating to the Assets described in Sections 1.2.a. through 1.2.e., provided, however, the foregoing shall not include any files, records, data or information which is attorney work product or subject to attorney client privilege or any files, data or information which by agreement Seller is required to keep confidential except and to the extent a waiver in writing is obtained of any such confidential requirements (the "Records").

1.3 Effective Time. The purchase and sale of the Assets shall be effective as of April 1, 2003 at 7:00 a.m., local time where the Assets are located (the "Effective Time").

ARTICLE 2
PURCHASE PRICE

2.1 Purchase Price. The purchase price for the Assets shall be Forty-eight Million Six Hundred Thousand Dollars ($48,600,000.00) (the "Purchase Price"). At Closing, Buyer shall pay Seller the Purchase Price as adjusted pursuant to Sections 2.2 and 2.3 below by wire transfer of immediately available funds to Bank One, Chicago, Illinois, ABA # 071000013, Williams Production RMT Company, Account 1098250, referencing "Brundage Canyon Sale."

2.2 Deposit. Buyer will deliver by wire transfer of immediately available funds, on or before three (3) business days following execution of this Agreement by Seller and Buyer, ten percent (10%) of the Purchase Price with Seller as a deposit (the "Deposit"), to be held by Seller and, subject to the terms of Article 10 of this Agreement, either (i) applied against the Purchase Price (without interest) in the event the Closing is consummated, (ii) returned to Buyer with interest at the rate of the average of the daily commercial paper overnight repurchase rate as published in The Wall Street Journal for the period from the time the Deposit is paid to Seller until it is returned to Buyer ("Interest") if Seller refuses to close after all conditions specified in Section 9.1 have been satisfied (or waived by Seller) and Buyer certifies to Seller in writing that it is ready, willing and able to perform under Article 11 or

if the conditions specified in Section 9.2 have not been satisfied (or waived by Buyer), or (iii) retained by Seller if all conditions specified in Section 9.2 have been satisfied and Seller certifies to Buyer in writing that Seller is ready, willing and able to perform under Article 11.

2.3 Adjustments to Purchase Price. The Purchase Price shall be adjusted according to this Section without duplication. For all adjustments known as of Closing, the Purchase Price shall be adjusted at Closing pursuant to a "Preliminary Settlement Statement" approved by Seller and Buyer on or before Closing. A draft of the Preliminary Settlement Statement will be prepared by Seller and provided to Buyer two (2) business days prior to Closing. The Preliminary Settlement Statement shall set forth the Purchase Price as adjusted as provided in this Section using the best information available at the Closing Date which amount shall be paid at Closing and is referred to as the "Closing Amount." The Closing Amount shall be paid at Closing by wire transfer of immediately available funds in accordance with the wiring instructions set forth in Section 2.1. After Closing, final adjustments to the Purchase Price shall be made pursuant to the Final Settlement Statement to be delivered pursuant to Section 12.1. For the purposes of this Agreement, the term "Property Expenses" shall mean all capital expenses, joint interest billings, lease operating expenses, lease rental and maintenance costs, royalties, overriding royalties, Taxes (as defined and apportioned as of the Effective Time pursuant to Article 13), drilling expenses, workover expenses, geological, geophysical and any other exploration or development expenditures chargeable under applicable operating agreements or other agreements consistent with the standards established by the Council of Petroleum Accountant Societies of North America that are attributable to the maintenance and operation of the Assets during the period in question. Seller and Buyer agree that the Purchase Price reflects the gas imbalance volumes attributable to the Wells that are set forth on Exhibit C. If the actual imbalance volumes as of the Effective Time are different than those set forth on Exhibit C, the Purchase Price will be adjusted in accordance with Sections 2.3.a.(vi) and 2.3.b.(v), as applicable and will be subject to adjustment and confirmation in connection with preparation of the Final Settlement Statement.

a. Upward Adjustments. The Purchase Price shall be adjusted upward by the following:

(i) An amount equal to all Property Expenses, including prepaid expenses, attributable to the Assets after the Effective Time that were paid by Seller (all to be apportioned as of the Effective Time except as otherwise provided), including without limitation, prepaid utility charges, prepaid rentals and royalties, including lease rentals, and prepaid drilling and completion costs (to be apportioned as of the Effective Time based on drilling days).

(ii) The proceeds of production attributable to the Assets occurring before the Effective Time and received by Buyer, net of royalties and taxes measured by production.

(iii) An amount equal to production from the Assets that occurred before the Effective Time but, because such production is in pipelines or in processing, had not been sold as of the Effective Time times the price for which production from the Assets was sold immediately prior to the Effective Time;

(iv) To the extent that there are any pipelines imbalances, if the net of such imbalances is an overdelivery imbalance (that is, at the Effective Time, Seller has delivered more gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted upward by the product of the price received by Seller times the net overdelivery imbalance in MMbtus.

(v) An amount equal to the value actually received by Buyer for Seller's share of any oil or condensate in tanks or storage facilities produced from or credited to the Leases and Lands prior to the Effective Time based upon the quantities in oil or condensate tanks or storage facilities as measured by and reflected in Seller's records; and (vi) To the extent that the gas imbalance volumes attributable to the Wells set forth on Exhibit C, in the aggregate, reflect less than the actual volume of gas in MMbtus which Seller is entitled to take in excess of its fractional interest

in the Wells asa result of underproduction by Seller from the Wells as of the EffectiveTime (such additional volume of underproduced gas being the "AdditionalUnderproduced Gas"), the Purchase Price shall be adjusted upward by an amount equal to the product of Two Dollars ($2.00) times the Additional Underproduced Gas.

(vii) Any other amount provided in this Agreement or agreed upon by Seller and Buyer.

b. Downward Adjustments. The Purchase Price shall be adjusted downward by the following:

(i) An amount equal to the sum of all Title Purchase Price Adjustments as defined in Section 4.7;

(ii) An amount equal to Environmental Purchase Price Adjustment, as defined in Section 5.6;

(iii)The proceeds of production attributable to the Assets occurring on or after the Effective Time and received by Seller, net of royalties and taxes measured by production;

(iv) To the extent that there are any pipelines imbalances, if the net of such imbalances is an underdelivery imbalance (that is, at the Effective Time, Seller has delivered less gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted downward by the product of the price received by Seller times the net underdelivery balance in MMbtus.

(v) To the extent that the gas imbalance volumes attributable to the Wells set forth on Exhibit C, in the aggregate, reflect less than the actual volume of gas in MMbtus which Seller is obligated to deliver in excess of its fractional interest in the wells as a result of overproduction by Seller from the Wells as of the Effective Time (such additional volume of overproduced gas being the "Additional Overproduced Gas"), the Purchase Price shall be adjusted downward by an amount equal to the product of Two Dollars ($2.00) times the Additional Overproduced Gas;

(vi) An amount equal to the Seller Property Tax, as defined in Section 13.1;

(vii) An amount equal to the Suspense Accounts, as defined in Section 12.2; and

(viii) Any other amount provided in this Agreement or agreed upon by Seller and Buyer.

2.4 Allocated Values. Seller and Buyer agree to allocate the Purchase Price among the Assets as set forth in Exhibit D.

ARTICLE 3
DUE DILIGENCE INSPECTION

3.1 Access to Records. Subject to the provisions of the Confidentiality Agreement dated February 11, 2003 between Seller and Buyer, Seller will disclose and make available to Buyer and its representatives at Seller's or Seller's agent's office and during Seller's normal business hours, all Records in Seller's possession or control relating to the Assets for the purpose of permitting Buyer to perform its due diligence review including, but not limited to, all well, leasehold, unit and title files and title opinions. Seller agrees to cooperate with Buyer in Buyer's efforts to obtain, at Buyer's sole expense, such additional information relating to the Assets as Buyer may reasonably desire. Buyer may inspect the Records only to the extent it may so do without violating any obligation, confidence or contractual commitment of Seller to a third party. Seller shall use reasonable efforts to obtain the necessary consents to allow Buyer's examination of any confidential information that is material to this transaction.

3.2 No Representation or Warranty. Seller makes no representation or warranty as to the accuracy or completeness of the Records maintained by Seller and made available to Buyer. Buyer agrees that any conclusions drawn from such Records shall be the result of its own independent review and judgment.

3.3 Access to the Assets and Indemnity. Prior to Closing,

Seller shall permit Buyer, and the officers, employees, agents and advisors of Buyer, to have reasonable access to the Assets pursuant to the terms of a Temporary Access Agreement dated March 17, 2003 between Seller and Buyer (the "Temporary Access Agreement").

ARTICLE 4
TITLE MATTERS

4.1 Defensible Title. The term "Defensible Title" means such title of Seller in and to the Assets that, subject to and except for the Permitted Encumbrances: (i) entitles Seller to receive not less than the net revenue interest described on Exhibit A-2 ("NRI"); (ii) obligates Seller to bear costs and expenses relating to the Assets in an amount not greater than the working interest described on Exhibit A-2 ("WI"); and (iii) is free and clear of material liens, taxes, encumbrances, mortgages, claims and production payments and any defects that would create a material impairment of use and enjoyment of or loss of interest in the affected Asset.

4.2 Permitted Encumbrances. The term "Permitted Encumbrances" shall mean:

a. Lessors' royalties, overriding royalties net profits interests, production payments, reversionary interests and similar burdens if the net cumulative effect of such burdens does not operate to reduce the NRIs below those set forth on Exhibit A-2;

b. Any required governmental or third-party consents to assignment of the Assets and preferential purchase rights which are handled exclusively under Sections 4.10, 4.11 and 9.2d below;

c. Liens for taxes or assessments not yet due or not yet delinquent or, if delinquent, that are being contested in good faith in the normal course of business, provided, however, that Seller shall be responsible for the prompt payment of all taxes attributable to the Assets for all pre-Effective Time periods. This Section 4.2c does not change the apportionment of taxes under Article 13 of this Agreement;

d. Rights of reassignment, to the extent any exist as of the date of this Agreement, upon the surrender or expiration of any lease;

e. Easements, rights-of-way, servitudes, permits, surface leases and other rights with respect to surface operations, on, over or in respect of any of the properties or any restriction on access thereto and that do not materially interfere with the operation of the affected property;

f. Materialmen's, mechanics', repairmen's, employees', contractors', operators' or other similar liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the Assets (i) if they have not been filed pursuant to law and the time for filing them has expired, (ii) if filed, they have not yet become due and payable or payment is being withheld as provided by law, or (iii) if their validity is being contested in good faith by appropriate action. Provided, however, that it shall be Seller's responsibility to promptly discharge and remove all such liens or charges at Seller's sole expense;

g. Rights reserved to or vested in any municipality or governmental, statutory, public or tribal authority to control or regulate any of the Assets in any manner; and all applicable laws, rules, regulations and orders of general applicability in the area;

h. Liens for post-Effective Time operations arising under operating agreements, unitization and pooling agreements and production sales contracts securing amounts not yet accrued or due or;

i. The terms of the Material Agreements and any and all other agreements that are ordinary and customary in the oil, gas, sulfur and other mineral exploration, development or extraction business, or in the business of processing of gas and gas condensate for the extraction of products therefrom; and Mortgage, Deed of Trust, Security Agreement, Assignment of Production and Financing Statement from Williams Production RMT Company to Lehman Commercial Paper, Inc., as

Administrative Agent, dated July 30, 2002, as supplemented and amended, which will, as to the Assets, be released as a condition to Closing under Section 9.2c.

4.3 Title Defect. The term "Title Defect" means any encumbrance, encroachment, irregularity, defect in or objection to real property title, excluding Permitted Encumbrances, that alone or in combination with other defects:

a. Renders title to an Asset less than Defensible Title;

b. Reduces, impairs or prevents Buyer from receiving payment from the purchasers of production from an Asset; and/or

c. Restricts or extinguishes Buyer's right to use an Asset as owner, lessee, licensee or permittee, as applicable.

4.4 Notice of Title Defects. Buyer shall deliver to Seller a written "Notice of Title Defects" on or before May 21, 2003, 5:00 p.m., Mountain Time. The Notice of Title Defects shall (i) describe the Title Defect, (ii) describe the basis of the Title Defect and (iii) describe Buyer's good faith estimate of the reduction in the Asset's Allocated Value caused by the Title Defect ("Title Defect Value") and all calculations and documentation substantiating the existence of the Title Defect. Buyer will be deemed to have conclusively waived any Title Defect about which it fails to so notify Seller in writing prior to May 21, 2003 at 5:00 p.m. Mountain Time. Seller may contest the Title Defect or the Title Defect Value by so notifying Buyer. The agreement of Seller and Buyer as to the Title Defect Value shall result in the "Actual Title Defect Value".

4.5 Seller's Right to Cure. Seller shall have the option, but not the obligation, to attempt to cure any Title Defects. Seller shall notify Buyer prior to Closing of its election to cure any Title Defect, and shall thereafter provide to Buyer as soon as practicable prior to Closing evidence that any such Title Defect is cured.

4.6 Remedies for Title Defects. In the event that any Title Defect is not cured on or before Closing, Seller shall, at its sole election, elect one of the following by so notifying Buyer not later than two (2) business days prior to Closing:

a. Subject to the specific limitations set forth in Section 4.7, indemnify Buyer against all liability, loss, cost and expense resulting from such Title Defect, but in an amount not to exceed the Allocated Value of the Asset that is subject to such Title Defect, in which event the parties shall proceed to Closing and the Asset that is subject to such Title Defect shall be conveyed by Seller to Buyer subject to such Title Defect, with no payment or settlement at Closing as a result of such Title Defect and no reduction or adjustment to the Purchase Price;

b. Subject to the specific limitations set forth in Section 4.7, credit Buyer with the amount of the Actual Title Defect Value for an Asset (the "Title Defect Adjustment"), in which event the parties shall proceed to Closing and the Asset that is subject to such Title Defect shall be conveyed by Seller to Buyer subject to such Title Defect and Buyer shall pay to Seller the Purchase Price as so adjusted;

c. Retain the Asset subject to such Title Defect and reduce the Purchase Price by an amount equal to the Allocated Value of such Asset, in which event the parties shall proceed to Closing and the Asset that is subject to such Title Defect shall be retained by Seller and Buyer shall pay to Seller the Purchase Price as so adjusted.

4.7 Title Thresholds. Seller shall have no obligation under Section 4.6 and there shall be no indemnification by Seller of Buyer under Section 4.6.a or reduction to the Purchase Price under Sections 4.6.b or 4.6.c unless Seller's share of a proposed indemnity amount or reduction to the Purchase Price as to any single incident exceeds One Hundred Thousand Dollars ($100,000) (the "Single Title Incident Threshold Amount"). For the purposes of application of the foregoing threshold, "single incident" shall be applicable as follows: (i) on a lease-by-lease basis for all oil and gas leasehold interests, provided that Waterflood Unit, Bureau of Indian Affairs Contract No. 14-20-H62-4919, shall

be treated as a single lease, (ii) on an exploration and development agreement-by-exploration and development agreement basis for Lands for which an oil and gas lease has not been earned (as identified on Exhibit D), and (iii) on a field-wide system basis for the NJNR-Ute Tribe Joint Venture Pipeline, Brundage Canyon Field compression and gas gathering. In addition, if Seller's share of the proposed indemnity amount under Section 4.6.a or reduction to the Purchase Price under Sections 4.6.b or 4.6.c as to any single incident exceeds One Hundred Thousand Dollars ($100,000), there shall be no indemnification by Seller of Buyer under Sections 4.6.a, or reduction to the Purchase Price under Sections 4.6.b and 4.6.c until such time as the total of these excess amounts (over $100,000) exceeds five percent (5%) of the Purchase Price (the "Title Threshold Amount"). If the Title Threshold Amount is exceeded, the Purchase Price reduction shall include the Single Title Incident Threshold Amount for those title Defects that exceed such threshold and are conveyed to Buyer under Section 4.6.b and shall include the Allocated Value of those Assets with an Allocated Value in excess of $100,000 that are retained by Seller under Section 4.6.c. The total of the Purchase Price reductions under Sections 4.6.b and 4.6.c is the "Title Purchase Price Adjustment."

4.8 Title Dispute Resolution. Seller and Buyer agree to resolve disputes concerning the following matters pursuant to this Section: (i) the existence and scope of a Title Defect, (ii) the Defect Value of that portion of the Asset affected by a Title Defect, (iii) , the adequacy of Seller's Title Defect curative materials (the "Disputed Title Matters"). The parties agree to attempt to initially resolve all Disputed Title Matters through good faith negotiations. If the parties cannot resolve such disputes within fourteen (14) days prior to Closing, the Disputed Title Matters shall be finally determined by a mutually agreeable accounting, petroleum engineering, or law firm or consultant (the "Title Arbiter"), taking into account the factors set forth in this Agreement. On or before ten (10) days prior to Closing, Buyer and Seller shall present their respective positions in writing to the Title Arbiter, together with such evidence as each party deems appropriate. The Arbiter shall be instructed to resolve the dispute through a final decision within five (5) days after submission of the parties' respective positions to the Title Arbiter. The costs incurred in employing the Arbiter shall be borne equally by Seller and Buyer. The Title Arbiter's final decision may be filed with a court of competent jurisdiction and entered as a judgment which shall be binding on the parties.

4.9 Depletion and Depreciation of Personal Property. Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the Effective Time until Closing for production of oil, gas and/or other hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property due to ordinary wear and tear.

4.10 Consents. Seller shall use reasonable efforts to obtain all required consents to assignment of leases and contracts. If Buyer discovers properties for which consents to assign are applicable during the course of Buyer's due diligence activities, Buyer shall notify Seller immediately and Seller shall use reasonable efforts to obtain such consents prior to Closing. Except for consents and approvals which are customarily obtained post-Closing (including without limitation federal, state, or other non-tribal governmental approvals) and those consents which would not invalidate the conveyance of the Assets, if a necessary consent (with the exception of consents required from the Ute Tribe of the Uintah and Ouray Reservation and the Ute Distribution Corporation (together, the "Tribe") which are handled as a condition to Closing under Section 9.2.d) to assign any Asset has not been obtained as of the Closing, then (i) the portion of the Assets for which such consent has not been obtained shall be included with the Assets at the Closing, and the Purchase Price for that Asset shall be included in the Preliminary Settlement Statement, (ii) Seller shall employ reasonable efforts to obtain such consent as promptly as possible following Closing, and (iii) if such consent has not been obtained as of the Final Settlement Date (unless Seller and Buyer otherwise mutually agree in writing), the Allocated Value of the Asset shall be a downward adjustment to the Purchase Price on the Final Settlement Statement and Buyer shall reassign such Asset to

Seller, effective as of the Effective Time. Buyer shall reasonably cooperate with Seller in obtaining any required consent including providing assurances of reasonable financial conditions, plans of development or any other information reasonably requested by the party whose consent is required.

4.11 Preferential Purchase Rights. Seller shall send notice of this Agreement to all persons holding preferential purchase rights in any portion of the Assets (i) offering to sell to each such person that portion of the Assets for which such a preferential right is held for an amount equal to the Allocated Values of such Assets and subject to all other applicable terms and conditions of this Agreement. If, prior to Closing, any person asserting a preferential purchase right notifies Seller that it intends to consummate the purchase of that portion of the Assets to which it holds a preferential purchase right pursuant to the terms and conditions of such notice and this Agreement, then such Assets shall be excluded from the Assets identified in this Agreement and the Purchase Price shall be reduced by the Allocated Values of such Assets; provided, however, that, at Seller's option, if the holder of such preferential right fails to purchase such Assets prior to the Closing Date, then Seller shall promptly so notify Buyer, and Seller shall sell to Buyer, and Buyer shall purchase from Seller, the Assets to which the preferential purchase right was asserted for the Allocated Values of such Assets. All Assets for which a preferential purchase right has not been asserted prior to Closing shall also be sold to Buyer at Closing pursuant to the provisions of this Agreement. If one or more of the holders of any preferential purchase right notifies Seller subsequent to Closing that it intends to assert its preferential purchase right, Seller shall give notice thereof to Buyer, whereupon Buyer shall perform all valid preferential purchase right obligations of Seller to such holders and Buyer shall be entitled to receive (and Seller hereby assigns to Buyer all of Seller's rights to) all proceeds received from such holders in connection with such preferential purchase rights. Buyer assumes all risk, liability and obligations, and shall defend, indemnify, and hold harmless Buyer from and against all Losses (as defined in Section 14.4), which arise from or in connection with any preferential purchase right obligations transferred to Buyer at Closing pursuant to this Section.

4.12 Casualty Loss. Prior to Closing, if any of the Assets is destroyed by fire or other casualty or any of the Assets is taken or threatened to be taken in condemnation or under the right of eminent domain ("Casualty Loss"), Seller shall promptly provide notice of the Casualty Loss to Buyer. Buyer shall not be obligated to purchase an Asset that is the subject of a Casualty Loss if Buyer provides written notice to Seller prior to Closing of Buyer's election not to purchase such Asset. If Buyer so elects not to purchase such Asset, the Purchase Price shall be adjusted as agreed to by Buyer and Seller. If Buyer elects to purchase such Asset, the Purchase Price shall be reduced by the estimated cost to repair such Asset (with equipment of similar utility) as agreed to by Buyer and Seller (the reduction being the "Net Casualty Loss"). The Net Casualty Loss shall not, however, exceed the Allocated Value of such Asset. Seller, at its sole option, may elect to cure such Casualty Loss. If Seller elects to cure such Casualty Loss, Seller may replace any personal property that is the subject of a Casualty Loss with equipment of similar grade and utility, or replace any real property with real property of similar nature and kind if such property is acceptable to Buyer. If Seller elects to cure the Casualty Loss to the satisfaction of Buyer, the Asset subject to such Casualty Loss shall be purchased by Buyer and there shall be no adjustment to the Purchase Price.

ARTICLE 5
ENVIRONMENTAL MATTERS

5.1 Definitions. For the purposes of the Agreement, the following terms shall have the following meanings:

"Environmental Defect" means a condition in, on or under the Assets (including, without limitation, air, land, soil, surface and subsurface strata, surface water, ground water, or sediments) that causes an Asset to be in material violation of an Environmental Law or a condition that can reasonably be expected to give rise to costs or liability under applicable Environmental Laws. NORM (defined in Section 5.2) contaminated pipe, meters, tubing and wellheads shall not be an Environmental Defect.

"Environmental Defect Value" means the cost to Remediate an Environmental Defect. The Environmental Defect Value shall be limited to the net present value before federal income taxes, calculated using a ten percent discount rate (PV10), of the most cost effective means to achieve the Remediation required by applicable federal, state or local law or other governmental or judicial directive and not for any other cost.

"Environmental Law" means any statute, rule, regulation, code or order, issued by any federal, state, or local governmental entity in effect on or before the Effective Time (collectively, "Laws") relating to the protection of the environment or the release or disposal of waste materials.

"Remediation" or "Remediate" means actions taken to correct an Environmental Defect and "Remediation Costs" means the actual, or good faith estimates of the costs to conduct such Remediation.

5.2 Spills and NORM. Buyer acknowledges that in the past there may have been spills of wastes, crude oil, condensate, produced water, or other materials (including, without limitation, any toxic, hazardous or extremely hazardous substances) onto the Lands. In addition, some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material ("NORM"). In this regard Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale or in other forms, that said wells, materials and equipment located on the Lands or included in the Assets described herein may contain NORM and that NORM-containing material may have been buried or otherwise disposed of on the Lands. Buyer also expressly understands that special procedures may be required for the Remediation, removal, transportation and disposal of asbestos or NORM from the Assets and Lands where such material may be found and that Buyer assumes all liability for or in connection with the assessment, containment, removal, Remediation, transportation and disposal of any such materials, in accordance with all past, present or future applicable laws, rules, regulations and other requirements of any governmental or judicial entities having jurisdiction and also with the terms and conditions of all applicable leases and other contracts.

5.3 Environmental Assessment. Prior to Closing, Buyer may conduct an on-site inspection, environmental assessment and compliance audit of the Assets (an "Environmental Assessment") at Buyer's cost and expense. Such Environmental Assessment shall be conducted in accordance with the Temporary Access Agreement. Seller shall provide Buyer with access to the Assets and to all information in Seller's possession or control pertaining to the environmental condition of the Assets, including, but not limited to, status or any environmental reports, permits, records and assessments in Seller's possession or control, and shall make available to Buyer all present personnel who would reasonably be expected to have knowledge or information regarding the environmental status or condition of the Assets. Seller makes no representation or warranty as to the accuracy or completeness of the records maintained by Seller and made available to Buyer. Buyer shall provide Seller five (5) days prior written notice of any environmental inspections and tests, including the scope of same, and Buyer shall give Seller the opportunity to participate in all such inspections and tests. Buyer shall promptly provide Seller, at no cost to Seller, all reports of environmental inspections and tests, provided that all such reports shall be deemed to be confidential between the parties and subject to the Confidentiality Agreement dated February 11, 2003 between Seller and Buyer and the Temporary Access Agreement. Buyer agrees to release, indemnify, defend, and hold harmless Seller against all Losses (as defined in Section 14.4) arising from or related to the activities of Buyer, its employees, agents, contractors and other representatives in connection with Buyer's Environmental Assessment regardless of the negligence or strict liability of Seller.

5.4 Notice of Environmental Defects. Buyer shall deliver to Seller a written "Notice of Environmental Defects" on or before May 21, 2003, 5:00 p.m., Mountain Time. The Notice of Environmental Defects shall (i) describe the Environmental Defect, (ii) provide evidence of the Environmental Defect and the documentation in Buyer's possession pertaining to such Environmental Defect, and, (iii) describe Buyer's good faith estimate of the Remediation Costs associated with the

Environmental Defect. Buyer will be deemed to have conclusively waived any Environmental Defect for which it fails to provide Seller a Notice of Environmental Defect prior to May 21, 2003 at 5:00 p.m., Mountain Time. Seller may contest the existence and scope of the Environmental Defect or Environmental Defect Value by so notifying Buyer. The agreement of Seller and Buyer as to the Environmental Defect Value shall result in the "Actual Environmental Defect Value".

5.5 Remedies for Environmental Defects. Upon the receipt by Seller of notice from Buyer pursuant to Section 5.4 of any Environmental Defect, Seller shall have the option, but not the obligation, to attempt to Remediate any Environmental Defect. In the event that any such Environmental Defect has not been Remediated by Seller such that the applicable Asset(s) will not be brought into compliance with the applicable Environmental Laws on or before Closing, Seller shall, at its sole election, elect one of the following by so notifying Buyer not later than two (2) business days prior to Closing.

a. Subject to the specific limitations set forth in Section 5.6, indemnify Buyer against all liability, loss, cost and expense resulting from such Environmental Defect in which event the parties shall proceed to Closing and the Asset that is subject to such Environmental Defect shall be conveyed by Seller to Buyer subject to such Environmental Defect, with no payment by Seller or other settlement at Closing as a result of such Environmental Defect and no reduction or adjustment to the Purchase Price;

b. Subject to the specific limitations set forth in Section 5.6, credit Buyer with the amount of the Actual Environmental Defect Value (the "Environmental Defect Adjustment"), in which event the parties shall proceed to Closing and the Asset that is subject to such Environmental Defect shall be conveyed by Seller to Buyer subject to such Environmental Defect and Buyer shall pay to Seller the Purchase Price as so adjusted; or

c. Retain the Asset subject to such Environmental Defect and reduce
the Purchase Price by an amount equal to the Allocated Value of such Asset, in which event the parties shall proceed to Closing and the Asset that is subject to such Environmental Defect shall be retained by Seller and Buyer shall pay to Seller the Purchase Price as so adjusted.

5.6 Environmental Thresholds. Seller shall have no obligation under Section 5.5 and there shall be no indemnification by Seller of Buyer under Section 5.5.a or reduction to the Purchase Price under Sections 5.5.b or 5.5.c unless Seller's share of a proposed indemnity amount or reduction to the Purchase Price as to any single incident exceeds Twenty Thousand Dollars ($20,000) (the "Single Environmental Incident Threshold Amount"). For the purposes of application of the foregoing threshold, "single incident" shall be applicable on a well by well or property by property basis. In addition, if Seller's share of the proposed indemnity amount under Section 5.5.a or reduction to the Purchase Price under Sections 5.5.b or 5.5.c as to any single incident exceeds Twenty Thousand Dollars ($20,000), there shall be no indemnification by Seller of Buyer under Section 5.5.a or reduction to the Purchase Price under Sections 5.5.b or 5.5.c until such time as the total of these excess amounts (over $20,000) exceeds five percent (5%) of the Purchase Price (the "Environmental Threshold Amount"). If the Environmental Threshold Amount is exceeded, the Purchase Price reduction shall include the Single Environmental Incident Threshold Amount for those Environmental Defects that exceed such threshold and are conveyed to Buyer under Section 5.5.b and shall include the Allocated Value of those Assets with an Allocated Value in excess of Twenty Thousand Dollars ($20,000) that are retained by Seller under Section 5.5.c. The total of the Purchase Price reductions under Sections 5.5.b and 5.5.c is the "Environmental Purchase Price Adjustment").

5.7 Environmental Dispute Resolution. The parties agree to resolve disputes concerning the following matters pursuant to this Section: (i) the existence and scope of an Environmental Defect, (ii) Buyer's estimate of Remediation Costs of an Environmental Defect and (iii) the effectiveness of Seller's Remediation (the "Disputed Environmental Matters"). The parties agree to attempt to initially resolve all Disputed Environmental

Matters through good faith negotiations. If the parties cannot resolve such disputes within fourteen (14) days prior to Closing, the Disputed Environmental Matters shall be finally determined by a mutually agreeable environmental consulting firm (the "Environmental Arbiter"), taking into account the factors set forth in this Agreement. On or before ten (10) days prior to Closing, Buyer and Seller shall present their respective positions in writing to the Environmental Arbiter, together with such evidence as each party deems appropriate. The Environmental Arbiter, shall be instructed to resolve the dispute through a final decision within five (5) days after submission of the parties' respective positions to the Environmental Arbiter. The costs incurred in employing the Environmental Arbiter shall be borne equally by Seller and Buyer. The Environmental Arbiter's final decision may be filed with a court of competent jurisdiction and entered as a judgment which shall be binding upon the parties.

5.8 "As Is, Where Is" Purchase. Buyer shall acquire the Assets (including Assets for which a notice was given under Section 5.4 above) in an "AS IS, WHERE IS" condition and shall assume all risks that the Assets may contain waste materials (whether toxic, hazardous, extremely hazardous or otherwise) or other adverse physical conditions, including, but not limited to, the presence of unknown abandoned oil and gas wells, water wells, sumps, pits, pipelines or other waste or spill sites which may not have been revealed by Buyer's investigation. With the exception of matters for which Seller indemnifies Buyer under Section 5.5.a, on and after the Effective Time, all responsibility and liability related to all such conditions, whether known or unknown, fixed or contingent, will be transferred from Seller to Buyer.

5.9 Disposal of Materials, Substances and Wastes. Buyer shall properly handle, remove, transport and dispose of any material, substance or waste (whether toxic, hazardous, extremely hazardous or otherwise) from the Assets or Lands (including, but not limited to, produced water, drilling fluids and other associated wastes), whether present before or after the Effective Time, in accordance with applicable local, state and federal laws and regulations. Buyer shall keep records of the types, amounts and location of materials, substances and wastes which are transported, handled, discharged, released or disposed onsite and offsite. When and if any Lease is terminated, Buyer shall take whatever additional testing, assessment, closure, reporting or remedial action with respect to the Assets or Lands as is necessary to meet any local, state, federal or tribal requirements directed at protecting human health or the environment in effect at that time.

5.10 Buyer's Indemnity.

a. With the exception of matters for which Seller indemnifies Buyer under Section 5.5.a, Buyer shall indemnify, hold harmless, release and defend Seller from and against all damages, losses, claims, demands, causes of action, judgments and other costs (including but not limited to any civil fines, penalties, costs of assessment, clean-up, removal and Remediation of pollution or contamination, and expenses for the modification, repair or replacement of facilities on the Lands) brought by any and all persons and any agency or other body of federal, state, local, or tribal government, on account of any personal injury, illness or death, any damage to, destruction or loss of property, and any contamination or pollution of natural resources (including soil, air, surface water or groundwater) to the extent any of the foregoing directly or indirectly is caused by or otherwise involves any environmental condition of the Assets or Lands, whether created or existing before, on or after the Closing, including, but not limited to, the presence, disposal or release of any material (whether hazardous, extremely hazardous, toxic or otherwise) of any kind in, on or under the Assets or the Lands.

b. With the exception of matters for which Seller indemnifies Buyer under Section 5.5.a, Buyer's indemnification obligations shall extend to and include, but not be limited to (i) the negligence or other fault of Seller, Buyer and third parties, whether such negligence is active or passive, gross, joint, sole or concurrent, (ii) Seller's or Buyer's strict liability, and (iii) Seller's or Buyer's liabilities or obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. 9601 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901 et

seq.), the Clean Water Act (33 U.S.C. 466 et seq.), the Safe Drinking Water Act (14 U.S.C. 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. 1801 et seq.), the Toxic Substances Control Act (15 U.S.C. 2601-2629), the Clean Air Act (42 U.S.C. 7401 et seq.) as amended, the Clean Air Act Amendments of 1990 and all state and local laws and any replacement or successor legislation or regulation thereto. This indemnification shall be in addition to any other indemnity provisions contained in this Agreement, and it is expressly understood and agreed that any terms of this Section shall control over any conflicting or contradicting terms or provisions contained in this Agreement.

ARTICLE 6
SELLER'S REPRESENTATIONS AND WARRANTIES

Seller makes the following representations and warranties as of the date of this Agreement:

6.1 Existence. Seller is a corporation duly organized and validly existing under the laws of the State of Delaware.

6.2 Power. Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and each of the documents contemplated to be executed by Seller at Closing, and to perform its obligations under this Agreement and under such documents. To Seller's knowledge, (except for any consents which are the subject of Section 4.10 or which are customarily obtained after Closing) the consummation of the transaction contemplated by this Agreement and each of the documents contemplated to be executed by Seller at Closing will not violate, nor be in conflict with, (i) any provision of Seller's organizational or governing documents, (ii) any agreement or instrument to which Seller is a party or is bound, or (iii) any judgment, decree, order, statute, rule or regulation applicable to Seller.

6.3 Authorization. The execution, delivery and performance of this Agreement and each of the documents contemplated to be executed by Seller at Closing and the contemplated transaction has been duly and validly authorized by all requisite corporate and shareholder action on the part of Seller.

6.4 Execution and Delivery. This Agreement has been duly executed and delivered on behalf of Seller, and at the Closing all documents and instruments required hereunder to be executed and delivered by Seller will be duly executed and delivered. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Seller enforceable in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

6.5 Liabilities for Brokers' Fees. Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transaction contemplated by this Agreement for which Buyer shall have any responsibility whatsoever.

6.6 Liens. To Seller's knowledge, except for the liens created by or arising under joint operating agreements covering the Assets or applicable state statutes, the Assets are free and clear of all liens.

6.7 Taxes. To Seller's knowledge, all taxes and assessments pertaining to the Assets based on or measured by the ownership of property for all taxable periods prior to the taxable period in which this Agreement is executed have been properly paid. All income taxes and obligations relating thereto that could result in a lien or other claim against any of the Assets have been properly paid, unless contested in good-faith by appropriate proceeding.

6.8 Litigation. To Seller's knowledge, there is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body with the exception of the Tribe, pending or, to Seller's knowledge, threatened, against Seller before any governmental authority that impedes or is likely to impede Seller's ability to consummate the transaction

contemplated by this Agreement and to assume the abilities to be assumed by Seller under this Agreement."

ARTICLE 7
BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer makes the following representations and warranties as of the date of this Agreement:

7.1 Existence. Buyer is a corporation, duly organized, validly existing and formed under the laws of the State of Delaware, and Buyer by Closing will be duly qualified and in good standing in the State of Utah.

7.2 Power and Authority. Buyer has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and each of the documents contemplated to be executed by Buyer at Closing, and to perform its obligations under this Agreement and under such documents. The consummation of the transaction contemplated by this Agreement and each of the documents contemplated to be executed by Buyer at Closing will not violate, nor be in conflict with, (i) any provision of Buyer's organizational or governing documents, (ii) any agreement or instrument to which Buyer is a party or is bound, or (iii) any judgment, decree, order, statute, rule or regulation applicable to Buyer.

7.3 Authorization. The execution, delivery and performance of this Agreement and each of the documents contemplated to be executed by Buyer at Closing and the contemplated transaction has been duly and validly authorized by all requisite action on the part of Buyer.

7.4 Execution and Delivery. This Agreement has been duly executed and delivered on behalf of Buyer, and at the Closing all documents and instruments required hereunder to be executed and delivered by Buyer will be duly executed and delivered. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Buyer enforceable in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

7.5 Liabilities for Brokers' Fees. Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transaction contemplated by this Agreement for which Seller shall have any responsibility whatsoever.

7.6 Litigation. There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending or, to Buyer's knowledge, threatened in writing, against Buyer before any governmental authority that impedes or is likely to impede Buyer's ability to consummate the transactions contemplated by this Agreement and to assume the liabilities to be assumed by Buyer under this Agreement.

7.7 Independent Evaluation. Buyer is an experienced and knowledgeable investor in the oil and gas business. Buyer has been advised by and has relied solely upon its own expertise in legal, tax, reservoir engineering and other professional counsel concerning this transaction, the Assets and the value thereof.

7.8 Qualification. Buyer is now or at closing will be and thereafter will continue to be qualified to own and operate any federal, state or Indian oil and gas lease that constitutes part of the Assets, including meeting all bonding requirements. Completing the transactions set out in this Agreement will not cause Buyer to be disqualified or to exceed any acreage limitation imposed by law, statute or regulation.

7.9 Funds. Buyer has arranged to have available by the Closing Date sufficient funds to enable Buyer to pay in full the Purchase Price and otherwise perform its obligations under this Agreement.

ARTICLE 8
COVENANTS AND AGREEMENTS

8.1 Covenants and Agreements. As to the period of time from the execution hereof until Closing, Seller and Buyer as follows:

a. Operation Prior to Closing. Except as otherwise consented to in writing by Buyer or provided in this Agreement, from the date of execution hereof to the Closing, Seller shall use Seller's commercially reasonable efforts to ensure that the Assets are maintained and operated in a good and workmanlike manner. Subject to the provisions of Section 2.3, Seller shall pay or cause to be paid its proportionate share of all costs and expenses incurred in connection with such operations. To the extent Seller receives written AFEs or actual notice of such, Seller shall notify Buyer of ongoing activities and major capital expenditures in excess of Twenty-five Thousand Dollars ($25,000.00) per activity net to Seller's interest conducted on the Assets and shall consult with Buyer regarding all such matters and operations.

b. Restriction on Operations. Subject to Section 8.1.a., unless Seller obtains the prior written consent of Buyer to act otherwise, Seller will use good-faith efforts within the constraints of the applicable operating agreements and other applicable agreements not to (i) abandon any part of the Assets (except in the ordinary course of business or the abandonment of leases upon the expiration of their respective primary terms or if not capable of production in paying quantities), (ii) except for capital projects which are deemed to be approved, approve any operations on the Assets anticipated in any instance to cost the owner of the Assets more than Twenty-five Thousand Dollars ($25,000.00) per activity net to Seller's interest (excepting emergency operations, operations required under presently existing contractual obligations, ongoing commitments under existing AFEs and operations undertaken to avoid a monetary penalty or forfeiture provision of any applicable agreement or order), (iii) convey or dispose of any material part of the Assets (other than replacement of equipment or sale of oil, gas, and other liquid products produced from the Assets in the regular course of business) or enter into any farmout, farmin or other similar contract affecting the Assets (iv) let lapse any insurance now in force with respect to the Assets, or (v) materially modify or terminate any contract material to the operation of the Assets.

c. Marketing. Unless Seller obtains the prior written consent of Buyer to act otherwise, Seller will not alter any existing marketing contracts related to the Assets currently in existence, or enter into any new marketing contracts or agreements related to the Assets providing for the sale of Hydrocarbons for a term in excess of one (1) month.

d. Legal Status. Seller and Buyer shall use all reasonable efforts to maintain their respective legal statuses from the date hereof until the Final Settlement Date and to assure that as of the Closing Date they will not be under any material corporate, legal or contractual restriction that would prohibit or delay the timely consummation of the transaction contemplated hereby.

e. Notices of Claims. Seller shall promptly notify Buyer and Buyer shall promptly notify Seller, if, between the date hereof and the Closing Date, Seller or Buyer, as the case may be, receives notice of any claim, suit, action or other proceeding of the type referred to in Sections 6.8 and 7.6.

f. Compliance with Laws. During the period from the date of this Agreement to the Closing Date, Seller shall attempt in good faith to comply in all material respects with all applicable statutes, ordinances, rules, regulations and orders relating to the ownership and operation of the Assets.

g. Government Reviews and Filings. Before and after the Closing, Buyer and Seller shall cooperate to provide requested information, make required filings with, prepare applications to and conduct negotiations with each governmental agency as required to consummate the transaction contemplated hereby. Each party shall make any governmental filings occasioned by its ownership or structure. Buyer shall make all filings after the Closing at its expense with governmental agencies necessary to transfer title to the Assets or to comply with laws and shall indemnify and hold harmless Seller from and against all claims,

costs, expenses, liabilities and actions arising out of Buyer's holding of such title after the Closing and prior to the securing of any necessary governmental approvals of the transfer.

h. Confidentiality. Confidentiality is governed by the terms of the Confidentiality Agreement dated February 11, 2003 between Seller and Buyer and Section 15.6 of this Agreement. The terms of the Confidentiality Agreement dated February 11, 2003 between Seller and Buyer shall survive termination of this Agreement for the term set forth in the Confidentiality Agreement.

ARTICLE 9
CONDITIONS TO CLOSING

9.1 Seller's Conditions. The obligations of Seller at the Closing are subject, at the option of Seller, to the satisfaction at or prior to Closing of the following conditions precedent:

a. Representations, Warranties and Covenants. All representations and warranties of Buyer contained in Article 7 of this Agreement shall be true and correct in all material respects on and as of the Closing, and Buyer shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing in all material respects;

b. Closing Documents. Buyer shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Article 11 of this Agreement prior to or on the Closing Date;

c. No Action. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing or seeks to recover damages from Seller resulting therefrom.

9.2 Buyer's Conditions. The obligations of Buyer at the Closing are subject, at the option of Buyer, to the satisfaction on or prior to the Closing of the following conditions precedent:

a. Representations, Warranties and Covenants. The representations and warranties of Seller contained in Article 6 of this Agreement shall be true and correct in all material respects on and as of the Closing Date, and Seller shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing in all material respects;

b. Closing Documents. Seller shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Article 11 of this Agreement prior to or on the Closing Date;

c. Release of Mortgage. Lehman Commercial Paper, Inc., as Administrative Agent, shall have executed, as to the Assets, a recordable release of Mortgage, Deed of Trust, Security Agreement, Assignment of Production and Financing Statement from Williams Production RMT Company to Lehman Commercial Paper, Inc., as Administrative Agent, dated July 30, 2002, as supplemented and amended.

d. Tribal Consents. The Tribe shall have given all consents necessary to transfer the Assets to Buyer.

e. Assignment of Transportation Contracts. Seller shall deliver to Buyer assignments by Williams Energy marketing & Trading Company of (i) Gas Transportation Agreement dated April 1, 1996 between Barrett Resources Corporation, as shipper, and Questar Pipeline Company, as transporter, and, (ii) Gas Transportation Agreement dated February 1, 1997 between Barrett Resources Corporation, as shipper, and Questar Pipeline Company as transporter.

f. No Action. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing or seeks to recover damages from Buyer resulting therefrom.

ARTICLE 10
RIGHT OF TERMINATION AND ABANDONMENT

10.1 Termination. This Agreement may be terminated in accordance with the following provisions:

a. by Seller if the conditions set forth in Section 9.1 are not satisfied, through no fault of Seller, or waived by Seller in writing, as of the Closing Date; or

b. by Buyer if the conditions set forth in Section 9.2 are not satisfied, through no fault of Buyer, or waived by Buyer in writing, as of the Closing Date.

c. by Seller or Buyer if the aggregate of Title Defect Adjustments and Environmental Defect Adjustments exceeds ten 10% of the Purchase Price.

d. by Buyer if Closing does not occur on or before August 1, 2003.

e. by Seller or Buyer if Closing does not occur on or before October 23, 2003.

10.2 Liabilities Upon Termination.

a. Buyer's Default. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 11.1 by reason of Buyer's wrongful failure to tender performance at Closing, and if Seller is not in material default under the terms of this Agreement and is ready, willing and able to Close, and Seller terminates this Agreement, Seller shall be entitled, at Seller's election, to (i) specific performance or (ii) retention of the Deposit, and any accrued interest, as liquidated damages. If Seller does not elect specific performance of this Agreement, Seller and Buyer agree that Seller's damages in the event Buyer fails to close are difficult to measure and both Seller and Buyer agree that the amount of the Deposit bears a reasonable relationship to and is a reasonable estimation of such damages.

b. Seller's Default. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 11.1 by reason of Seller's wrongful failure to tender performance at Closing and if Buyer is not in material default under this Agreement and is ready, willing and able to Close, and Buyer terminates this Agreement, Buyer shall be entitled to a prompt refund of the Deposit with Interest as Buyer's sole and exclusive remedy.

c. Other Termination. If Seller and Buyer agree to terminate this Agreement, or if either party terminates the Agreement under Sections 10.1.c pr 10.1e, or if Buyer terminates under Section 10.1.d, then each party shall release the other party from any and all liability for termination of this Agreement, and Seller shall promptly refund the Deposit with Interest.

ARTICLE 11
CLOSING

11.1 Date of Closing. Subject to Seller's and Buyer's rights to terminate in Article 10, the closing of the transaction contemplated by this Agreement ("Closing" or "Closing Date") shall be held on or before the later of June 12, 2003 or five (5) business days after Buyer's condition to Closing set forth in Section 9.2.d is satisfied or waived by Buyer, at Seller's office in Denver, Colorado, at 8:30 a.m. or at such other time and place as the parties may agree in writing.

11.2 Closing Obligations. At Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

a. Assignment of Assets. Seller and Buyer shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale of the Assets effective as of the Effective Time (in sufficient counterparts to facilitate filing and recording) (i) substantially in the form of Exhibit E with a special warranty of title by, through and under Seller but not otherwise; with no warranties, express or implied, as to the personal

property, fixtures or condition of the Assets which are conveyed "as is, where is;" (ii) such other assignments, bills of sale, or deeds necessary to transfer the Assets to Buyer, including without limitation any conveyances on official forms and related documentation necessary to transfer the Assets to Buyer in accordance with requirements of state and federal governmental regulations; and (iii) an Assignment and Assumption Agreement in the form of Exhibit F under which Seller assigns various contractual interests included in the Assets and under which Buyer assumes the obligations thereunder in accordance with the terms of this Agreement.

b. Assignment of Transportation Contracts. Seller shall deliver to Buyer assignments of Williams Energy Marketing & Trading Company of (i) Gas Transportation Agreement dated April 1, 1996 between Barrett Resources Corporation, as shipper, and Questar Pipeline Company, as transporter, and, (ii) Gas Transportation Agreement dated February 1, 1997 between Barrett Resources Corporation, as shipper, and Questar Pipeline Company, as transporter.

c. Release of Lehman Mortgage. Seller shall deliver to Buyer a recordable release, as to the Assets, by Lehman Commercial Paper, Inc., as Administrative Agent, of Mortgage, Deed of Trust, Security Agreement, Assignment of Production and Financing Statement from Williams Production RMT Company to Lehman Commercial Paper, Inc., as Administrative
Agent, dated July 30, 2002, as supplemented and amended.

d. Preliminary Settlement Statement. Seller shall deliver to Buyer and Seller and Buyer shall execute and deliver the Preliminary Settlement Statement.

e. Purchase Price. Buyer shall deliver to Seller the Closing Amount by wire transfer of immediately available funds.

f. Letters in Lieu. Seller and Buyer shall execute and deliver all necessary letters in lieu of transfer orders directing all purchasers of production to pay Buyer the proceeds attributable to production from the Assets from and after the Effective Time.

g. Seller's Officer's Certificate. Seller shall execute and deliver to Buyer an officer's certificate in form and substance similar to Exhibit G, stating that all conditions precedent to Closing have been satisfied.

h. Buyer's Officer's Certificate. Buyer shall execute and deliver to Seller an officer's certificate in form and substance similar to Exhibit H, stating that all conditions precedent to Closing have been satisfied.

i. Non-Foreign Affidavit. In compliance with Section 1445 of the United States Internal Revenue Code, Seller shall execute and deliver to Buyer a Non-Foreign Affidavit in the form of Exhibit I.

ARTICLE 12
POST-CLOSING OBLIGATIONS

12.1 Post-Closing Adjustments. As soon as practicable after the Closing, but on or before one hundred twenty (120) days after Closing, Seller, with the assistance of Buyer's staff and with access to such records as necessary, shall prepare and deliver to Buyer a final settlement statement (the "Final Settlement Statement") setting forth each adjustment or payment that was not finally determined as of the Closing and showing the calculation of such adjustment and the resulting final purchase price (the "Final Purchase Price"). As soon as practicable after receipt of Seller's proposed Final Settlement Statement, but on or before fifteen (15) days after receipt of Seller's proposed Final Settlement Statement, Buyer shall deliver to Seller a written report containing any changes that Buyer proposes to make to the Final Settlement Statement. Buyer's failure to deliver to Seller a written report detailing changes to the proposed Final Settlement Statement by that date shall be deemed an acceptance by Buyer of the Final Settlement Statement as submitted by Seller. The parties shall endeavor to agree with respect to the changes proposed by Buyer, if any, no later than fifteen (15) days after receipt by Seller of Buyer's comments to the proposed Final Settlement Statement. The date upon which such agreement is reached or upon which the Final Purchase Price is established

for the transaction shall be called the "Final Settlement Date." If the Final Purchase Price is more than the Closing Amount, Buyer shall pay Seller the amount of such difference. If the Final Purchase Price is less than the Closing Amount, Seller shall pay to Buyer the amount of such difference. Any payment by Buyer or Seller shall be by wire transfer in immediately available funds. Any such payment shall be within five (5) days of the Final Settlement Date.

12.2 Suspense Accounts. Seller currently maintains suspense accounts pertaining to oil and gas heretofore produced comprising monies payable to royalty owners, mineral owners and other persons with an interest in production that Seller has been unable to pay because of title defects (the "Suspense Accounts"). A preliminary listing of the Suspense Accounts is set forth in Exhibit J. At Closing, a downward adjustment to the Purchase Price will be made to convey the Suspense Accounts to Buyer and the Suspense Accounts will be included in the Preliminary Settlement Statement, with an adjustment made in the Final Settlement Statement, if necessary. Buyer will assume full and complete responsibility and liability for proper payment of the funds comprising the Suspense Accounts as set forth on the "Final Suspense Account Statement," which shall be provided by Seller to Buyer with the Final Settlement Statement required in Section 12.1 (including any liability under any unclaimed property law or escheat statute). Buyer agrees to indemnify, defend and hold Seller, its parent, subsidiary and affiliated entities, together with their respective officers, directors, employees, agents and their respective successors and assigns, harmless from and against any and all liability, claims, demands, penalties and expenses (including attorneys' fees) arising out of or pertaining to the proper payment and administration of the Suspense Accounts, limited, however to the total amount of the Suspense Accounts.

12.3 Dispute Resolution. If the parties are unable to resolve disputes concerning the Final Settlement Statement or Final Purchase Price on or before thirty (30) days after the Final Settlement Statement is received by Buyer, such disputes shall be resolved in accordance with Section 14.5.d.

12.4 Records. Seller shall make the Records available for pick up by Buyer at a mutually agreeable time. Seller may retain copies of the Records. Buyer shall make the Records available to Seller for review and copying during normal business hours. Buyer agrees not to destroy or otherwise dispose of the Records for a period of six years after the Closing without giving Seller reasonable notice and an opportunity to copy the Records.

12.5 Seller's Employees. For all of Seller's employees hired by Buyer in connection with Buyer's acquisition, ownership and operation of the Assets, if Buyer terminates any such employee(s) within two (2) years of Closing under circumstances that would have entitled such employee(s) to a severance benefit under Seller's employee severance policy in effect for such employee(s) on the Effective Date, a copy of which is attached as Exhibit K to this Agreement ("Seller's Employee Severance Policy"), Buyer shall pay such employee(s) severance based on such Seller's employee severance policy based upon years of employment by Seller (and its affiliates) and Buyer. Nothing in this Section 12.5 is intended to nor does bind Buyer to offer employment to any of Seller's employees which shall be a decision solely within Buyer's discretion. With the exception of Buyer's assumption of Seller's obligations under Seller's Employee Severance Policy in the event Buyer hires Seller's employees, Buyer does not hereby assume any liability of Seller as to Seller's employees.

12.6 Further Assurances. From time to time after Closing, Seller and Buyer shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order more effectively to assure to the other the full beneficial use and enjoyment of the Assets in accordance with the provisions of this Agreement and otherwise to accomplish the purposes of the transaction contemplated by this Agreement.

12.7 Disclaimers of Representations and Warranties. The express representations and warranties of Seller contained in this Agreement are exclusive and are in lieu of all other representations and warranties, express, implied or statutory. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY

EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (A) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE ASSETS, (B) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, (C) THE ENVIRONMENTAL CONDITION OF THE ASSETS, THEIR COMPLIANCE WITH ENVIRONMENTAL LAWS, AND THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES OR NATURALLY OCCURRING RADIOACTIVE MATERIALS, (D) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (E) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (F) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (G) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, (H) ANY CLAIMS BY BUYER FOR DAMAGES BECAUSE OF DEFECTS, WHETHER KNOWN OR UNKNOWN AS OF THE EFFECTIVE TIME OR THE CLOSING DATE, AND (I) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW, IT BEING THE EXPRESS INTENTION OF BOTH BUYER AND SELLER THAT THE ASSETS WILL BE CONVEYED TO BUYER IN THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. THE PARTIES AGREE THAT THIS SECTION 12.5 CONSTITUTES A CONSPICUOUS LEGEND.

ARTICLE 13
TAXES

13.1 Apportionment of Ad Valorem and Property Taxes. All ad valorem taxes, real property taxes, personal property taxes and similar obligations (the "Property Taxes") attributable to the Assets with respect to the tax period in which the Effective Time occurs shall be apportioned as of the Effective Time between Seller and Buyer. Prior to Closing, Seller shall determine an estimate of the portion of the Property Taxes (based on the latest information then available), for the period in which the Effective Time occurs attributable to the period prior to the Effective Time (the "Seller Property Tax"). Seller shall credit to Buyer, through a downward adjustment to the Purchase Price, the amount of the Seller Property Tax. Buyer shall file or cause to be filed all required reports and returns incident to the Property Taxes and shall pay or cause to be paid to the taxing authorities all Property Taxes relating to the tax period in which the Effective Time occurs. If the Property Taxes used in determining the Seller Property Tax are not the actual Property Taxes for the tax period in which the Effective Time occurs, then upon the determination of the actual Property Taxes for such period, the Seller Property Tax shall be recalculated based upon such actual Property Taxes (the "Revised Seller Property Tax") and (i) if the Revised Seller Property Tax is greater than the Seller Property Tax, Seller shall promptly pay the difference between such amounts or (ii) if the Revised Seller Property Tax is less than the Seller Property Tax, Buyer shall promptly pay Seller the difference between such amounts.

13.2 Transfer Taxes and Recording Fees. The Purchase Price excludes, and Buyer shall be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale or transfer of the Assets pursuant to this Agreement. "Transfer Taxes" mean any sales, use, stock, stamp, documentary, transfer, filing, licensing, processing, recording authorization and similar taxes, fees and charges.

13.3 Other Taxes. All severance, production, excise, conservation and similar taxes attributable to the Assets that are based upon or measured by the production of Hydrocarbons (excluding Property Taxes which are addressed in Section 13.1) shall be apportioned between the Seller and Buyer as of the Effective Time. All such taxes that have accrued with respect to the period prior to the Effective Time have been or will be properly paid or withheld by Seller, and all statements, returns, and documents pertinent thereto have been or will be properly filed. Buyer shall be responsible for paying or withholding or causing to be paid or withheld all such taxes that have accrued after the Effective Time and for filing all statements, returns, and documents incident thereto.

13.4 Tax Reports and Returns. For tax periods in which the Effective Time occurs, Seller agrees to immediately forward to

Buyer copies of any tax reports and returns received by Seller after Closing and provide Buyer with any information Seller has that is necessary for Buyer to file any required tax reports and returns related to the Assets. Buyer agrees to file all tax returns and reports applicable to the Assets that Buyer is required to file after the Closing.

ARTICLE 14
ASSUMPTION AND RETENTION OF OBLIGATIONS; INDEMNIFICATION

14.1 Buyer's Assumption of Liabilities and Obligations. Upon Closing, Buyer shall assume and pay, perform, fulfill and discharge all claims, costs, expenses, liabilities and obligations ("Obligations") accruing or relating to (i) the owning, developing, exploring, operating or maintaining of the Assets or the producing, transporting and marketing of Hydrocarbons from the Assets from and after the Effective Time, including, without limitation, the payment of Property Expenses, the obligation to plug and abandon all wells located on the Lands and reclaim all well sites located on the Lands regardless of when the plugging, abandonment and reclamation obligations arose, the make-up and balancing obligations for overproduction of gas from the Wells, all liability for royalty and overriding royalty payments made and Taxes paid with respect to the Assets, (ii) the environmental condition of the Assets except for any condition for which Buyer is indemnified by Seller under Section 5.5.a, and (iii) all Obligations accruing or relating to the ownership or operation of the Assets before the Effective Time for which Seller is not liable pursuant to the provisions of Section 14.2 (collectively, the "Assumed Liabilities").

14.2 Seller's Retention of Liabilities and Obligations. Upon Closing, Seller shall retain and pay (i) all Property Expenses of Seller relating to the ownership and operation of the Assets and the producing, transporting and marketing of Hydrocarbons from the Assets prior to the Effective Time, but only as to Claims asserted before one year after the Closing Date, (ii) all liability for royalty and overriding royalty payments made and Taxes paid prior to the Effective Time with respect to the Assets, and (iii) the Retained Litigation described in Exhibit L (collectively, the "Retained Liabilities").

14.3 Buyer's Plugging and Abandonment Obligations. In addition to the Assumed Liabilities, upon Closing Buyer assumes full responsibility and liability for the following plugging and abandonment obligations related to the Assets ("Buyer's Plugging and Abandonment Obligations"), regardless of whether they are attributable to the ownership or operation of the Assets before or after the Effective Time. All operations by Buyer under this Section shall be conducted in a good and workmanlike manner and in compliance with all applicable laws and regulations.

a. The necessary and proper plugging, replugging and abandonment of all wells on the Assets;

b. The necessary and proper removal, abandonment and disposal of all structures, pipelines, equipment, abandoned property, trash, refuse and junk located on or comprising part of the Assets;

c. The necessary and proper capping and burying of all associated flow lines located on or comprising part of the Assets;

d. The necessary and proper restoration of the surface used for operation of the Assets and subsurface to the condition required by applicable laws, regulations or contract;

e. All obligations relating to the items described in Section 14.3.a. through Section 14.3.d. arising from contractual requirements and demands made by courts, authorized regulatory bodies or parties claiming a vested interest in the Assets; and

f. Obtaining and maintaining all bonds, or supplemental or additional bonds, that may be required contractually or by governmental authorities.

14.4 Indemnification. "Losses" shall mean any actual losses, costs, expenses (including court costs, reasonable fees and expenses of attorneys, technical experts and expert witnesses and

the costs of investigation), liabilities, damages, demands, suits, claims, and sanctions of every kind and character (including civil fines) arising from, related to or reasonably incident to matters indemnified against; excluding however any special, consequential, punitive or exemplary damages, diminution of value of an Asset, loss of profits incurred by a party hereto or Loss incurred as a result of the indemnified party indemnifying a third party.

After the Closing, Buyer and Seller shall indemnify each other as follows:

a. Seller's Indemnification of Buyer. Seller assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Buyer, its officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Retained Liabilities, (ii) any material breach of any representation or warranty made by Seller, (iii) any matter for which Seller has agreed to indemnify Buyer under this Agreement, and (iv) any material breach by Seller of this Agreement.

b. Buyer's Indemnification of Seller. Buyer assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Seller, Seller's officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Assumed Liabilities, (ii) any material breach of any representation or warranty made by Buyer, (iii) any matter for which Buyer has agreed to indemnify Seller under this Agreement, and (iv) any material breach by Buyer of this Agreement.

14.5 Procedure. The indemnifications contained in Section 14.4 shall be implemented as follows:

a. Coverage. Such indemnity shall extend to all Losses suffered or incurred by the Indemnified Party, as defined below.

b. Claim Notice. The party seeking indemnification under the terms of this Agreement ("Indemnified Party") shall submit a written "Claim Notice" to the other party ("Indemnifying Party") which, to be effective, must state: (i) the amount of each payment claimed by an Indemnified Party to be owing, (ii) the basis for such claim, with supporting documentation, and (iii) a list identifying to the extent reasonably possible each separate item of Loss for which payment is so claimed. The amount claimed shall be paid by the Indemnifying Party to the extent required herein within ten (10) days after receipt of the Claim Notice, or after the amount of such payment has been finally established, whichever last occurs.

c. Information. Within twenty (20) days after the Indemnified Party receives notice of a claim or legal action that may result in a Loss for which indemnification may be sought under this Article 14 ("Claim"), the Indemnified Party shall give a Claim Notice to the Indemnifying Party. If the Indemnifying Party or its counsel so requests, the Indemnified Party shall furnish the Indemnifying Party with copies of all pleadings and other information with respect to such Claim. At the election of the Indemnifying Party made within sixty (60) days after receipt of the Claim Notice, the Indemnified Party shall permit the Indemnifying Party to assume control of such Claim (to the extent only that such Claim, legal action or other matter relates to a Loss for which the Indemnifying Party is liable), including the determination of all appropriate actions, the negotiation of settlements on behalf of the Indemnified Party, and the conduct of litigation through attorneys of the Indemnifying Party's choice; provided, however, that no such settlement can result in any liability or cost to the Indemnified Party for which it is entitled to be indemnified hereunder without its consent. If the Indemnifying Party elects to assume control, (i) any expense incurred by the Indemnified Party thereafter for investigation or defense of the matter shall be borne by the Indemnified Party, and (ii) the Indemnified Party shall give all reasonable information and assistance, other than pecuniary, that the Indemnifying Party shall deem necessary to the proper defense of such Claim, legal action, or other matter. In the absence of such an election, the Indemnified Party will use its best efforts to defend, at the Indemnifying Party's expense, any claim, legal action or other matter to which such other party's indemnification under this Article 14 applies until the

Indemnifying Party assumes such defense, and, if the Indemnifying Party fails to assume such defense within the time period provided above, settle the same in the Indemnified Party's reasonable discretion at the Indemnifying Party's expense. If such a Claim requires immediate action, both the Indemnified Party and the Indemnifying Party will cooperate in good faith to take appropriate action so as not to jeopardize defense of such Claim or either party's position with respect to such Claim.

d. Dispute Resolution. If the existence of a valid Claim or amount to be paid by an Indemnifying Party is in dispute, the parties agree to submit determination of the existence of a valid Claim or the amount to be paid pursuant to the Claim Notice to binding arbitration. The arbitration shall be before a three person panel of neutral arbitrators, consisting of one person each to be selected by Seller and Buyer, and the third to be selected by the arbitrators selected by Seller and Buyer. The arbitrators shall conduct a hearing no later than sixty (60) days after submission of the matter to arbitration, and a written decision shall be rendered by the arbitrators within thirty (30) days of the hearing. Any payment due pursuant to the arbitration shall be made within fifteen (15) days of the arbitrators' decision. This Section excludes those matters addressed in Sections 4.8 and 5.7 of this Agreement.

14.6 No Insurance; Subrogation. The indemnifications provided in this Article 14 shall not be construed as a form of insurance. Seller and Buyer waive for themselves, their successors or assigns, including without limitation, any insurers, any rights to subrogation for Losses for which each of them is respectively liable or against which each respectively indemnifies the other, and, if required by applicable policies, Seller and Buyer shall obtain waiver of such subrogation from their respective insurers.

14.7 Reservation as to Non-Parties. Nothing in this Agreement is intended to limit or otherwise waive any recourse Seller or Buyer may have against any non-party for any obligations or liabilities that may be incurred with respect to the Assets.

ARTICLE 15
MISCELLANEOUS

15.1 Exhibits. The Exhibits referred to in this Agreement are hereby incorporated in this Agreement by reference and constitute a part of this Agreement.

15.2 Expenses. Except as otherwise specifically provided, all fees, costs and expenses incurred by Seller or Buyer in negotiating this Agreement or in consummating the transaction contemplated by this Agreement shall be paid by the party incurring same, including, without limitation, legal and accounting fees, costs and expenses.

15.3 Notices. All notices and communications required or permitted under this Agreement shall be in writing and addressed as follows:

If to Seller: Williams Production RMT Company
One Williams Center, 26th Floor
Tulsa, Oklahoma 74172
Attention: Ron Greenwell
Telephone: (918) 573-2104
Facsimile: (918) 573-0582

and

Williams Production RMT Company
One Williams Center, MD41-3
Tulsa, Oklahoma 74172
Attention: Exploration and Production
Legal Counsel
Telephone: (918) 573-4850
Facsimile: (918) 573-4190

If to Buyer: Berry Petroleum Company
5201 Truxtun Avenue, Suite 300
Bakersfield, California 93309
Attention: Manager Land Department
Telephone: (661) 616-3900
Facsimile: (661) 616-3886

and

Laura K. McAvoy, Esq.
Jackson, DeMarco & Peckenpaugh
2815 Townsgate Road, Suite 300
Westlake Village, California 91361
Telephone: (805) 495-7489
Facsimile: (805) 230-0087

Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) if personally delivered, when received, (ii) if faxed, when received if receipt is confirmed by telephone by the sender, (iii) if mailed, certified mail, return receipt requested, on the date set forth on the return receipt or (iv) if sent by overnight courier, one day after sending. Any party may, by written notice so delivered to the other party, change the address or individual to which delivery shall thereafter be made.

15.4 Amendments. Except for waivers specifically provided for in this Agreement, this Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the party to be charged with such amendment or waiver and delivered by such party to the party claiming the benefit of such amendment or waiver.

15.5 Assignment. Prior to Closing, neither party shall assign all or any portion of its respective rights or delegate all or any portion of its respective duties hereunder without the prior written consent of the other party.

15.6 Confidentiality. Seller and Buyer agree the provisions of this Agreement shall be kept confidential except as disclosure may be required by applicable law, rules and regulations of governmental agencies or stock exchanges. Buyer shall inform Seller of all such disclosures by Buyer.

15.7 Press Releases. Seller and Buyer agree that prior to making any press releases or other public announcements concerning this Agreement and the transactions contemplated hereby, the party desiring to make such public announcement shall obtain the consent of the other party with such consent not to be unreasonably withheld. Seller retains the right to edit and/or reject any press release submitted by Buyer. Nothing herein shall preclude Buyer from making such disclosures deemed necessary by Buyer's counsel under any federal securities laws or New York Stock Exchange rule.

15.8 Headings. The headings of the articles and sections of this Agreement are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Agreement.

15.9 Counterparts. This Agreement may be executed by Seller and Buyer in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument. Execution can be evidenced by fax signatures with original signature pages to follow in due course.

15.10 References. References made in this Agreement, including use of a pronoun, shall be deemed to include, where applicable, masculine, feminine, singular or plural, individuals, partnerships or corporations. As used in this Agreement, "person" shall mean any natural person, corporation, partnership, court, agency, government, board, commission, trust, estate or other entity or authority.

15.11 Governing Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado without regard to principles of conflicts of law. The validity of the various conveyances affecting the title to real property Assets shall be governed by and construed in accordance with the laws of the State of Utah.

15.12 Removal of Signs. Buyer shall remove all of Seller's well and lease signs within thirty (30) days of the Closing Date.

15.13 Binding Effect. This Agreement shall be binding upon,

and shall inure to the benefit of, the parties hereto, and their respective successors and assigns.

15.14 Survival. The following shall survive Closing: (i) all post-closing obligations and indemnities of Seller and Buyer subject to the limitations set forth herein, (ii) Seller's representations and warranties in Article 6 and, (iii) Buyer's representations and warranties in Article 7.

15.15 No Third-Party Beneficiaries. This Agreement is intended only to benefit the parties hereto and their respective permitted successors and assigns.

15.16 Limitation on Damages. Consistent with Article 14, the parties hereto expressly waive any and all rights to consequential, special, incidental, punitive or exemplary damages, or loss of profits resulting from breach of this Agreement.

15.17 Severability. It is the intent of the parties that the provisions contained in this Agreement shall be severable. Should any provisions, in whole or in part, be held invalid as a matter of law, such holding shall not affect the other portions of this Agreement, and such portions that are not invalid shall be given effect without the invalid portion.

15.18 Knowledge. As used throughout this Agreement, the term "knowledge" or "best knowledge" or "best of Seller's knowledge," whether or not such term is written in lower or upper case, means the actual knowledge by the officers, employees, or agents of Seller involved at a supervisory or higher level of any fact, circumstance, or condition.

Executed on the dates set forth in the acknowledgments below.

Seller:

WILLIAMS PRODUCTION RMT COMPANY

/s/Ralph A. Hill
Ralph A. Hill
Senior Vice President

Buyer:

BERRY PETROLEUM COMPANY, a Delaware corporation

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

STATE OF OKLAHOMA)
CITY AND) ss.
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 23rd day of April, 2003 by Ralph A. Hill, as Senior Vice President for Williams Production RMT Company, a Delaware corporation.

Witness my hand and official seal.

My commission expires:

Notary Public

STATE OF COLORADO)
CITY AND)
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 23rd day of April, 2003 by Jerry V. Hoffman, as Chairman, President and Chief Executive Officer of Berry Petroleum Company, a Delaware corporation.

Witness my hand and official seal.

My commission expires:

Notary Public

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-62871, 333-62799 and 333-98379) of Berry Petroleum Company of our report dated February 20, 2004 relating to the financial statements, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
March 9, 2004

DeGolyer and MacNaughton
4925 Greenville Avenue, Suite 400
One Energy Square
Dallas, Texas 75206
March 3, 2004

Berry Petroleum Company
5201 Truxtun Avenue, Suite 300
Bakersfield, California 93309-0640

Gentlemen:

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2003, (the Annual Report) of Berry Petroleum Company (the Company), we hereby consent to (i) the use of and reference to our report dated January 27, 2004, entitled "Appraisal Report as of December 31, 2003 on Certain Properties owned by Berry Petroleum Company," our report dated February 14, 2003, entitled "Appraisal Report as of December 31, 2002 on Certain Property Interests owned by Berry Petroleum Company," and our report dated February 25, 2002, entitled "Appraisal Report as of December 31, 2001 on Certain Property Interests owned by Berry Petroleum Company," (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 & 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,

/s/DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jerry V. Hoffman, Chairman, President, and Chief Executive Officer of Berry Petroleum Company certify that:

1. I have reviewed this annual report on Form 10-K of Berry Petroleum Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material factnecessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 9, 2004 /s/ Jerry V. Hoffman
Jerry V. Hoffman
Chairman, President and
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Ralph J. Goehring, Senior Vice President and Chief Financial Officer of Berry Petroleum Company, certify that:

1. I have reviewed this annual report on Form 10-K of Berry Petroleum Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 9, 2004 /s/ Ralph J. Goehring
Ralph J. Goehring
Senior Vice President and
Chief Financial Officer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Berry Petroleum Company for the year ended December 31, 2003 (the 'Report') for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the 'Exchange Act') and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Jerry V. Hoffman, as Chairman, President and Chief Executive Officer of Berry Petroleum Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of the Company for the period ended December 31, 2003 (the "Report") which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jerry V. Hoffman
Jerry V. Hoffman
Chairman, President and Chief Executive Officer
March 9, 2004

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K of Berry Petroleum Company for the year ended December 31, 2003 (the 'Report') for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the 'Exchange Act') and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Ralph J. Goehring, Senior Vice President and Chief Financial Officer of Berry Petroleum Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report on Form 10-K of the Company for the period ended December 31, 2003 (the "Report") which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ralph J. Goehring
Ralph J. Goehring
Senior Vice President and Chief Financial Officer
March 9, 2004