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, 1999
Commission file number 1-9735

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

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

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

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

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

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

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

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

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

As of February 16, 2000, the registrant had 21,113,383 shares of Class A Common Stock outstanding and the aggregate market value of the voting stock held by nonaffiliates was approximately $234,039,000. This calculation is based on the closing price of the shares on the New York Stock Exchange on February 16, 2000 of $16.1875. The registrant also had 898,892 shares of Class B Stock outstanding on February 16, 2000, 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

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 Kern, Los Angeles and Ventura Counties in California. Information contained in this report on Form 10-K reflects the business of the Company during the year ended December 31, 1999. The Company's corporate headquarters are located on its properties in the South Midway-Sunset field, near Taft, California and Management believes the current facilities are adequate.

The Company's mission is to increase shareholder wealth, primarily through maximizing the value and cash flow of the Company's assets. To achieve this, Berry's corporate strategy is to remain a low-cost producer and to grow the Company's asset base strategically. To increase production and proved reserves, the Company will compete to acquire oil and gas properties with primarily proved reserves with exploitation potential and will focus on the further development of its existing properties by application of enhanced oil recovery (EOR) methods, developmental drilling, well completions and remedial work. In conjunction with the goals of being a low-cost heavy oil producer and the exploitation and development of its large heavy crude oil base, the Company owns three cogeneration facilities which 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 critical part of its long-term success. Berry believes that its primary strengths are its ability to maintain a low-cost operation, its flexibility in acquiring attractive producing properties which have significant exploitation and enhancement potential and its experienced management team. While the Company continues to be an active acquirer in California, it is investigating several other basins which would establish another core area and provide for additional growth opportunities and diversification of the Company's predominantly heavy oil resource base. The Company has unused borrowing capacity to finance acquisitions and will consider, if appropriate, the issuance of capital stock to finance future purchases.

Proved Reserves

As of December 31, 1999, the Company's estimated proved reserves were 112.5 million barrels of oil equivalent, (BOE), of which 99.5% is heavy crude oil, i.e., oil with an API gravity of less than 20 degrees. A significant portion of these proved reserves is owned in fee. Substantially all of the Company's reserves as of December 31, 1999 were located in California with 76%, 18% and 5% of total proved reserves in Kern, Los Angeles and Ventura Counties, respectively. The Company's reserves have a long life, in excess of 20 years, which is primarily a result of the Company's strong position in heavy crude oil (the Company's properties in the Midway-Sunset and the Placerita fields average 13 degree API gravity and the Montalvo field averages 16 degree API gravity). Production in 1999 was 5.1 million BOE, up 16% from 1998 production of 4.4 million BOE. For the five years 1995 through 1999, the Company's average annual reserve replacement rate was 245% and the finding and development cost was $2.67 per BOE.

Acquisitions

In February 1999, the Company completed the acquisition of the Placerita oilfield, located in northern Los Angeles County for approximately $35 million. This acquisition was financed utilizing the Company's revolving credit facility. These properties currently produce approximately 3,200 net barrels of heavy oil per day. The proved reserves associated with the Placerita properties are approximately 20 million barrels. Included in the purchase price was a 42 megawatt dual-turbine cogeneration facility which provides steam for the thermally enhanced oil recovery methods used on the properties.

Operations

Berry operates all of its principal oil producing properties. 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 improves the mobility of the oil flowing to the well-bore for production. Berry utilizes cyclic steam recovery methods in the Midway-Sunset field, steam-drive in the Placerita field and primary recovery methods at its Montalvo field. Berry is able to produce its heavy oil at its Montalvo field without the necessity of steam since the producing reservoir is at a depth in excess of 12,000 feet and thus the reservoir temperature is high enough to produce the oil without the assistance of additional heat from steam. 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 (LACT) units and either transferred into crude oil pipelines owned by other companies or, in the case of the Placerita field, transported via trucks. The point-of-sale is usually the LACT unit or truck loading facility.

Revenues

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

	1999	1998	1997
Sales of oil and gas	99%	100%	97%
Interest and other income	1%	-% (1)	3%

(1) less than 1%

Oil Marketing

The world and California markets for crude oil remained extremely depressed throughout 1998 and into early 1999. In late February 1999, OPEC and certain non-OPEC countries agreed to significantly reduce oil production with the goal of eliminating the worldwide oil glut and thus increase oil prices. This cohesive pact was highly successful, laying the foundation for a significant improvement in oil prices. The price for West Texas Intermediate (WTI), the U.S. benchmark crude oil, rose from $11.37/bbl to $27.07/bbl during 1999. Supply was also curtailed as a result of a significant reduction in capital spending in the sector. The worldwide demand for oil increased throughout 1999 as many of the world economies strengthened. As we enter 2000, it appears that most economies are doing well and that growth will continue with some economists predicting demand to be over 78 million barrels of oil per day by the end of 2000 versus under 75 million barrels per day demand in late 1998.

The crude price differential between WTI and California's heavy crude oil continues to be volatile, but has averaged $5.97, $5.97 and $5.74 for 1999, 1998 and 1997, respectively. The Company believes the differential will continue near these levels in 2000.

The Pacific Pipeline was completed in 1999 and is able to deliver unblended San Joaquin Valley heavy crude oil into the Los Angeles refining market. This pipeline is insulated and provides another transportation outlet for San Joaquin Valley heavy crude oil without requiring lighter crude oil volumes as transportation blendstock. While the Company believes this development is positive, it is very difficult to determine if this additional outlet has favorably impacted the prices received for the Company's crude oil.

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

premiums, the level of which depends upon current market conditions. One of the Company's properties, with production of approximately 3,200 barrels per day (B/D), is burdened by a price-sensitive royalty. The royalty is 75% of the heavy oil posted price above a specified level, escalated and calculated annually. From time to time, the Company also enters into crude oil and natural gas hedge contracts depending on various factors, including Management's view of future crude oil and natural gas prices, and the Company's future financial commitments. The Company currently has two bracketed zero cost collar hedge contracts with two refiners as part of its price protection program. This price protection program is designed to moderate the effects of severe price downturns while allowing Berry to participate in 100% of the upside after a $3/bbl payment on 6,500 B/D. Of this 6,500 B/D, Berry participates on 5,000 B/D above $15.50/bbl and on 1,500 B/D above $17.50/bbl. These price triggers are based on heavy oil postings and both contracts expire at year-end 2000.

At the present time, Management believes it is adequately hedged in the event of another severe oil price decline. These price protection activities resulted in a net cost to the Company of $.51 per barrel in 1999 and contributed $.50 to the average price received for the Company's crude oil in 1998. Berry's 1999 average heavy crude oil sales price was $13.08 per barrel, up $4.06 per barrel, or 45% from $9.02 in 1998.

Steaming Operations

At December 31, 1999, approximately 95% of the Company's proved reserves, or 107 million barrels, consisted of heavy crude oil produced from depths averaging less than 2,000 feet. The Company, in achieving its goal of being a low cost heavy oil producer, has focused on reducing its steam cost by the purchase of its 38 megawatt cogeneration facility in 1995 and another 18 megawatt cogeneration facility in 1996 which was part of the purchase of additional oil properties in the South Midway-Sunset Field. In early 1999, the Company purchased the Placerita oilfield which is highly dependent on low-cost steam for economic production. This purchase also included a 42 megawatt cogeneration facility. Steam generation from these facilities is more efficient than conventional steam generators, as both steam and electricity are produced from the same natural gas fuel supply. In addition, the Company's ownership of these facilities allows for absolute control over the steam supply which is crucial for the maximization of oil production and ultimate reserve recovery.

The Company has adequate productive steam capacity for its requirements at all three core areas. Deregulation of the electricity generation market in California may have a positive or negative impact on the Company's future electricity revenues. The Company believes, at a minimum, continued steam generation from cogeneration facilities will be significantly more efficient and cost effective than conventional steam generators.

Midway-Sunset Field

For its South Midway-Sunset properties, the Company's current steam production is generated by its 38 and 18 megawatt cogeneration facilities (approximately 18,500 barrels of steam per day (BSPD)) and, as needed, from conventional steam generators. In addition, the Company uses the duct-firing capability of its 38 megawatt facility to produce up to an additional 4,500 BSPD available for delivery to its South Midway-Sunset properties. The Company also has a steam contract from an on-site, non-owned cogeneration facility for a minimum delivery of 2,000 BSPD for use in the Company's operations. Conventional steam generators are used by the Company as required to maintain current production levels, to economically produce additional crude oil and as emergency back-up steam generation to the cogeneration facilities. In early 1998, the Company temporarily shut down the duct-firing steam capacity at its 38 megawatt facility and reduced the utilization of conventional steam generators to reduce costs and improve cash flow. The Company began increasing the volume of steam injected in this field in late 1998 and early 1999 through duct-firing and conventional steam generation. On its North Midway-Sunset properties, the Company relies solely on conventional steam generators for its steam requirements.

The Company's two cogeneration facilities in the South Midway-Sunset field sell electricity to a large California-based utility under separate contracts. The 38 megawatt facility has a 15-year Standard Offer #1 (SO1) contract, which results in a long-term buyer for the electricity and expires in 2012. The 18 megawatt facility has a Standard Offer #2 (SO2) contract which expires in January, 2002.

Placerita

On its Placerita properties, the Company generates approximately 13,500 BSPD from its 42 megawatt cogeneration facility, buys another 5,000 BSPD from a third party cogeneration facility when available, and generates another 6,000 BSPD from conventional steam generators.

The 42 megawatt facility, which has two separate 21 megawatt gas fired turbines, has two SO2 contracts; one which expires in May 2002, and the other in March 2009. The electricity from this facility is sold to a different California-based utility than the Midway-Sunset contracts.

The Company has physical access to gas pipelines, such as the Kern River/ El Paso and Southern California Gas Company systems, to transport its gas purchases required for steam generation. The Company has no long-term gas delivery contracts and none of the Company's cogeneration facilities are subject to any long-term gas transportation agreements. The Company believes there is sufficient capacity to deliver natural gas to the Company's properties.

Electricity Generation

The Company's three cogeneration facilities, when combined, have electricity production capacity of 98 megawatts of electricity per hour. Each facility is located on a centrally-located oil property such that the steam generated by the facility is capable of being delivered to the oil properties that require the steam for production purposes. The Company is now in an enviable position because it has succeeded in acquiring a secure long-term source of low-cost steam, and in many cases, the steam volumes and low cost is the determining factor as to the economic viability of a thermally enhanced heavy oil project. The proceeds received from the sale of electricity offset a large portion of the cost of producing steam and are reported as a reduction of operating costs in the Company's financial statements. While these electricity revenues are substantial, the Company's investments in these facilities have been for the express purpose of lowering the steam cost in its heavy oil operations and securing operating control of the respective steam generation. The Company views the generation of electricity as a by-product and while it must compete in the electrical generation marketplace, it does not consider itself, nor does it intend to position itself, as a competitor in the electrical industry.

One of Berry's challenges in the next few years will be to maximize the cashflow from the operations of these facilities as the California electrical market continues on its path of full deregulation and as the Company's SO2 contracts, which represent a premium in current electrical revenue over current market prices, expire. In the current environment prior to deregulation, the electrical revenue is linked to the price of natural gas at the California border. Upon full deregulation, now believed to occur in 2001, electricity prices will have a reduced correlation to natural gas prices, and will be more heavily influenced by other sources of electrical generation, e.g., hydroelectric power, nuclear power, coal and other sources. In addition, the electrical demand is expected to cause greater volatility in the electrical prices received by the Company. Changes in the electrical prices for California power will directly impact the Company's steam costs and, therefore, its operating costs. Due to this massive change in California's electrical industry, the Company's primary goal is to maximize its existing electrical generation capacity, while minimizing the volatility in the Company's steam cost. Management believes that this will be possible in the long-term, but in the transition period it may be more difficult.

Environmental and Other Regulations

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

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

Berry has established policies and procedures for continuing compliance with environmental laws and regulations affecting its production. The costs incurred to comply with these laws and regulations are inextricably connected to normal operating expenses such that the Company is unable to separate the expenses related to environmental matters.

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

Berry maintains insurance coverage which it believes is customary in the industry although it is not fully insured against all environmental risks. The Company is not aware of any environmental claims existing as of December 31, 1999 which would have a material impact upon the Company's financial position or results of operations.

Competition

The oil and gas industry is highly competitive. As an independent producer, the Company does not own any refining or retail outlets and, therefore, it has little control over the price it receives for its crude oil. As such, higher costs, fees and taxes assessed at the producer level cannot necessarily be passed on to the Company's customers. In acquisition activities, significant competition exists as both integrated and independent companies and individual producers and operators are active bidders for desirable oil and gas properties. Although many of these competitors have greater financial and other resources than the Company, Management believes that 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, 1999, the Company had 108 full-time employees, up from 88 employees at year-end 1998. This increase in employees from 1998 is primarily due to the acquisition of the Placerita properties.

Oil and Gas Properties

Development

South Midway-Sunset - Berry owns and operates working interests in 22 properties consisting of 2,010 acres located in the South Midway-Sunset field. The Company estimates these properties account for approximately 69% of the Company's proved oil and gas reserves and approximately 69% of its current daily production. Of these properties, 14 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 1999, the primary focus in this field was directed at the continued development of the Formax properties, acquired in 1996 and the continued application of horizontal well technology in the Monarch sands. Of the 20 wells drilled in this area in 1999, 14 were drilled on the Formax properties, and 11 were horizontal wells. The Company's objectives related to using this developing technology were to improve ultimate recovery of original oil-in-place, reduce the development and operating costs of the properties and accelerate production. In 2000, the Company plans to drill an additional 46 development wells in this field, 12 of which will be horizontal and perform an extensive 3-D seismic survey on a portion of the properties purchased in the last few years.

North Midway-Sunset - Berry owns and operates approximately 1,975 acres in the North Midway-Sunset field which account for approximately 8% of the Company's proved oil and gas reserves and 5% of daily production. These properties also rely on thermal EOR methods, primarily cyclic steaming. Berry's interests consist of four fee properties comprising 1,009 acres and nine leases comprising 966 acres. These wells produce from an average depth of approximately 1,200 feet.

During 1999, the Company drilled one exploitation well to further evaluate the diatomite accumulation on top of the Fairfield anticline. In 2000, the Company plans to drill a horizontal diatomite test well, an exploitation well to test Plio-Pleistocene oil sands present in the southwest syncline area, and a horizontal well in the Potter formation.

Montalvo - Berry owns a 100% working interest in six leases, comprising 8,563 acres, in Ventura County, California comprising the Montalvo field. The State of California is the lessor for two of the six leases. The Company estimates current proved reserves from Montalvo account for approximately 5% of Berry's proved oil and gas reserves and approximately 5% of Berry's daily production. The wells produce from an average depth of approximately 12,500 feet. No new wells were drilled in 1999 or are budgeted in 2000, however, several remedials are planned in 2000.

Placerita - On February 12, 1999, Berry acquired the Placerita oilfield, which established a new core area, from a large California oil producer. The property consists of six leases (three are federal leases) and two fee properties totaling approximately 700 acres. The Company estimates current proved reserves from Placerita account for approximately 18% of Berry's proved oil and gas reserves and approximately 21% of Berry's daily production. The average depth of the wells is approximately 1,800 feet. These properties rely on thermal methods, primarily steam drive.

One water disposal well was drilled in 1999. In 2000, the Company plans to drill two core holes, six development wells, and two horizontal producers, as well as expand the steamflood.

The following is a summary of capital expenditures incurred during 1999 and 1998 and projected capital expenditures for 2000:

CAPITAL EXPENDITURES SUMMARY
(in thousands)

	2000(1) (Projected)	1999	1998
South Midway-Sunset Field			
New wells	$ 5,670	$ 3,120	$ 2,886
Remedials/workovers	750	607	767
Facilities	590	337	1,028
Cogeneration facilities	320	3,126	623
	7,330	7,190	5,304
Placerita			
New wells	2,400	310	-
Remedials/workovers	950	69	-
Facilities	1,570	784	-
Cogeneration facilities	780	-	-
	5,700	1,163	-
North Midway-Sunset Field			
New wells	893	150	826
Remedials/workovers	-	25	57
Facilities	-	18	45
	893	193	928
Montalvo			
Remedials/workovers	615	16	117
Facilities	650	37	108
	1,265	53	225
Other	628	523	524
Totals	$ 15,816	$ 9,122	$ 6,981

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

Exploration

The Company did not participate in the drilling of any exploratory wells in 1999 or 1998 and has none budgeted for 2000. 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 exploration 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 drive 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 for only 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 estimate the proved oil and gas reserves and the future net revenues to be derived from properties of the Company for the year ended December 31, 1999. 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, 1999. For the Company's operated properties, these reserve estimates are filed annually with the U.S. Department of Energy. Refer to the Supplemental Information About Oil & Gas Producing Activities (Unaudited) for the Company's oil and gas reserve disclosures.

Production

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

	1999	1998	1997
Net annual production:(1)			
Oil (Mbbls)	5,060	4,359	4,503
Gas (Mmcf)	180	245	282
Total equivalent barrels(2)	5,090	4,399	4,550
Average sales price:			
Oil (per bbl)	$ 13.08	$ 9.02	$ 14.70
Gas (per mcf)	1.90	2.64	2.68
Per BOE	13.07	9.05	14.71
Average production cost (per BOE)	4.33	4.05	4.92

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

(2) Equivalent oil and gas information is at a ratio of 6 thousand cubic feet (mcf) of natural gas to 1 barrel (bbl) of oil. A barrel of oil (bbl) is equivalent to 42 U.S. gallons.

Acreage and Wells

At December 31, 1999, the Company's properties accounted for the following developed and undeveloped acres:

	Developed Acres		Undeveloped Acres	
	Gross	Net	Gross	Net
California	7,166	7,165	7,244	7,244
Other	360	41	-	-
	7,526	7,206	7,244	7,244

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 2,390 gross oil wells (2,386 net) and 4 gross gas wells (3.1 net). Gross wells represent the total number of wells in which Berry has a working interest. Net wells represent the number of gross wells multiplied by the percentages of the working interests owned by Berry. One or more completions in the same bore hole are counted as one well. Any well in which one of the multiple completions is an oil completion is classified as an oil well.

Drilling Activity

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

	1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net
Exploratory wells drilled:						
Productive	-	-	-	-	-	-
Dry(1)	-	-	-	-	-	-
Development wells drilled:						
Productive	21	21	20	20	89	89
Dry(1)	-	-	1	1	1	1
Total wells drilled:						
Productive	21	21	20	20	89	89
Dry(1)	-	-	1	1	1	1

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

Title and Insurance

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 the oil and gas business.

Item 3. Legal Proceedings

The Company is a cross-defendant in litigation pending in the Los Angeles County Superior Court. The original lawsuit was filed in June 1996, and the Company was served as a Doe cross-defendant in June 1997. The complaint involves an oil and gas lease located in Los Angeles County and seeks to recover approximately $.6 million in clean up costs allegedly incurred by the plaintiff/lessor after the lease that dated back to the late 1940's was terminated by the then lessee. Substantially all of the lessees in the chain of title from the late 1940's to the date of termination were named as defendants. The cross-complaint by Placerita Oil Company, Inc. ("POCI"), the last of the lessees, seeks indemnification from the other lessees in the chain of title as to the plaintiff's claims. Although the Company was never a lessee in the chain of title, Berry acquired all of the stock of one of the lessees (TEORCO) that had been in the chain of title in prior years. TEORCO assigned the leases to POCI approximately two years prior to Berry's acquiring the stock of TEORCO. POCI's cross-complaint also seeks an unknown amount, but which could be as much as $49 million in damages from TOSCO Corporation and from TEORCO, the entity that in 1986 assigned to POCI the lease and two other leases, on the basis of alleged fraud by TOSCO, et al. in overstating the oil and gas reserves to POCI. TOSCO is the same entity that sold the stock of its subsidiary, TEORCO, to Berry in 1988. Berry has potential successor liability because of its acquisition of the stock of TEORCO. In the third and fourth quarter of 1999, the scope of the litigation broadened substantially and required increasing resources to defend. The Company is vigorously defending itself and has incurred significant legal expenses that impact general and administrative expenses. The case is currently being tried before a jury with a likely initial outcome in the first quarter of 2000. Although Management believes it has a strong defense in the lawsuit, the ultimate outcome cannot be determined at this time. Therefore, no receivable or liability has been recorded by the Company.

While the Company, is from time to time, a party to certain lawsuits in the ordinary course of business, the Company is not a party to any other lawsuits not mentioned herein as of February 16, 2000.

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

None.

Executive Officers

Listed below are the names, ages (as of December 31, 1999) and positions of the executive officers of Berry and their business experience during at least the past five years. All officers of the Company are appointed in May of each year at an organizational meeting of the Board of Directors. There are no family relationships between any executive officer and members of the Board of Directors.

JERRY V. HOFFMAN, 50, Chairman of the Board, President and Chief Executive Officer. Mr. Hoffman has been President and Chief Executive Officer since May 1994 and President and Chief Operating Officer from March 1992 until May 1994. Mr. Hoffman was added to the Board of Directors in March 1992 and named Chairman on March 21, 1997. Mr. Hoffman held the Senior Vice President and Chief Financial Officer positions from January 1988 until March 1992. Mr. Hoffman has held a variety of other positions with the Company and its predecessors since February 1985.

RALPH J. GOEHRING, 43, 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.

MICHAEL R. STARZER, 38, has been Vice President of Corporate Development since March 1996 and was Manager of Corporate Development from April 1995 to March 1996. Mr. Starzer, a registered petroleum engineer, was with Unocal from August 1983 to May 1991 and from August 1993 to April 1995. Mr. Starzer was an engineering consultant and worked with the California State Lands Commission from May 1991 to August 1993.

BRIAN L. REHKOPF, 52, has been Manager of Engineering since September 1997. 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, a subsidiary of Atlantic Richfield Corp. (ARCO) since 1992 and an Operations Engineering Supervisor with ARCO from 1988 to 1992. Mr. Rehkopf is also an Assistant Secretary for the Company.

GEORGE T. CRAWFORD, 39, has been Manager of Production, since January 1, 1999. Mr. Crawford, a petroleum engineer, was previously the Production Engineering Supervisor for ARCO Western Energy. Mr. Crawford was employed by ARCO from 1989 to 1998 in numerous engineering and operational assignments including Production Engineering Supervisor, Planning and Evaluation Consultant and Operations Superintendent.

DONALD A. DALE, 53, has been Controller since December 1985. Mr. Dale was the Controller for the Company's predecessor from September 1985 to December 1985.

KENNETH A. OLSON, 44, has been Corporate Secretary since December 1985 and Treasurer since August 1988. Mr. Olson has held a variety of other positions with the Company and its predecessors since July 1985.

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.

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

Berry's Class A Common Stock is listed on the New York Stock Exchange under the symbol "BRY". The Class B Stock is not publicly traded. The market data and dividends for 1999 and 1998 are shown below:

	1999			1998		
	Price Range		Dividends	Price Range		Dividends
	High	Low	per Share	High	Low	per Share
First Quarter	$ 14 1/8	$ 8 11/16	$ .10	$ 17 1/2	$ 13 3/4	$ .10
Second Quarter	14 5/8	11 1/8	.10	15 3/8	13	.10
Third Quarter	14 11/16	13 1/8	.10	13 13/16	10 1/2	.10
Fourth Quarter	15 7/16	12 1/4	.10	14 1/4	11 1/2	.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 16, 2000, December 31, 1999 and December 31, 1998 was $16 3/16, $15 1/8 and $14 3/16, respectively.

The number of holders of record of the Company's Common Stock was 809 (and approximately 3,600 street name shareholders) as of February 16, 2000. There was one Class B Stockholder of record as of February 16, 2000.

The Company paid cash dividends for many years prior to the roll-up of the various Berry companies into Berry Petroleum Company on December 16, 1985. Since Berry's formation, the Company has paid dividends on its Common Stock for eight consecutive semi-annual periods through September 1989 and for 41 consecutive quarters through December 31, 1999. The Company intends to continue the payment of dividends, although future dividend payments will depend upon the Company's level of earnings, operating cash flow, capital commitments, financial covenants and other relevant factors.

At December 31, 1999, dividends declared on 4,033,150 shares of certain Common Stock are restricted, whereby 37.5% of the dividends declared on these shares are paid by the Company to the surviving member of a group of individuals, the B group, for as long as this remaining member shall live.

Item 6. Selected Financial Data

The following table sets forth certain financial information with respect to the Company and is qualified in its entirety by reference to the historical financial statements and notes thereto of the Company included in Item 8, "Financial Statements and Supplementary Data." The statement of operations and balance sheet data included in this table for each of the five years in the period ended December 31, 1999 were derived from the audited financial statements and the accompanying notes to those financial statements (in thousands, except per share and per barrel data):

	1999	1998	1997	1996	1995
Statement of Operations Data:					
Sales of oil and gas	$ 66,615	$ 39,858	$ 67,172	$ 55,264	$ 45,773
Operating costs	22,028	17,828	22,407	17,587	18,264
General and administrative expenses (G&A)	6,269	3,975	5,907	4,820	4,578
Depreciation, depletion & amortization (DD&A)	12,294	10,080	10,138	7,323	6,847
Net income	18,006	3,879	19,260	17,546	12,203
Basic net income per share	.82	.18	.88	.80	.56
Weighted average number of shares outstanding	22,010	22,007	21,976	21,939	21,932
Balance Sheet Data:					
Working capital	$ 8,435	$ 9,081	$ 11,499	$ 7,850	$ 36,506
Total assets	207,649	173,804	177,724	176,403	117,722
Long-term debt	52,000	30,000	32,000	36,000	-
Shareholders' equity	116,213	106,924	111,871	101,009	92,060
Cash dividends per share	.40	.40	.40	.40	.40
Operating Data:					
Cash flow from operations	24,809	19,924	31,401	29,182	17,070
Capital expenditures (excluding acquisitions)	9,122	6,981	18,597	9,333	7,518
Property/facility acquisitions	33,605	2,991	-	75,613	7,554
Per BOE:					
Sales price	$ 13.07	$ 9.05	$ 14.71	$ 15.36	$ 13.48
Operating costs	4.33	4.05	4.92	4.92	5.41
G&A	1.23	.90	1.30	1.35	1.35
Cash flow	7.51	4.10	8.49	9.09	6.72
DD&A	2.42	2.29	2.23	2.05	2.03
Operating income	$ 5.09	$ 1.81	$ 6.26	$ 7.04	$ 4.69
Production (BOE)	5,090	4,399	4,550	3,573	3,379
Proved Reserves Information:					
Total BOE	112,541	92,609	101,043	102,116	78,068
Present value (PV10) of estimated future cash flow before income taxes	$ 714,555	$ 113,811	$ 376,459	$ 634,579	$ 308,370
Year-end BOE price for PV10 purposes	19.41	7.05	12.19	18.37	13.39
Other:					
Return on average shareholders' equity	16.5%	3.5%	18.1%	18.2%	13.6%
Return on average total assets	9.0%	2.2%	10.9%	13.3%	10.5%
Total debt/total debt plus equity	30.9%	21.9%	22.2%	29.8%	N/A
Year-end stock price	$ 15 1/8	$14 3/16	$17 7/16	$ 14 3/8	$ 10 1/8
Year-end market capitalization	$332,920	$312,247	$383,510	$315,471	$222,061

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, 1999 and the financial condition, liquidity and capital resources as of December 31, 1999. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

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

Results of Operations

Net income for 1999 was $18 million, up 362% from $3.9 million in 1998, but down 7% from $19.3 million in 1997. For the fourth quarter of 1999, net income was $8.1 million, up 836% from a loss of $(1.1) million in the fourth quarter of 1998 and up 72% from $4.7 million earned in the same 1997 period. The improvements from 1998 are directly related to improved sales prices and increased production levels, while maintaining good cost control.

The following table presents certain operating data for the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Net Production - BOE per day	13,946	12,053	12,465
Per BOE:			
Average sales price	$ 13.07	$ 9.05	$ 14.71
Operating costs(1)	3.81	3.46	4.24
Production taxes	.52	.59	.68
Total operating costs	4.33	4.05	4.92
DD&A	2.42	2.29	2.23
G&A	1.23	.90	1.30
Interest expense	.78	.44	.51

(1) Excluding production taxes.

Operating income from producing operations was $32.7 million in 1999, up 166% from $12.3 million in 1998, but down 7% from $35 million in 1997. This dramatic fluctuation was a direct result of the change in oil prices. World oil prices declined sharply in 1998, but gradually rebounded beginning in early 1999. The average sales price/BOE received in 1999 was $13.07, up 44% from $9.05 received in 1998, but down 11% from $14.71 received in 1997. Postings for the Company's 13 degree API gravity crude oil started 1999 at $6.50/bbl and improved during the year, ending 1999 at $19.75/bbl. As of February 16, 2000, postings have increased to $23.50/bbl.

The improvement in operating income in 1999 from 1998 was also due to an increase in oil and gas production during the year. Oil and gas production averaged 13,946 BOE/day in 1999, up 16% from 12,053 BOE/day in 1998 and up 12% from 12,465 BOE/day in 1997. These increases were due to the Company's purchase of the Placerita oilfield properties in February 1999 which currently produce approximately 3,200 net bbls/day.

The Company has integrated the Placerita properties into its operations while maintaining excellent control of its operating costs. Operating costs per BOE were $4.33 in 1999, up 7% from $4.05 in 1998, but down 12% from $4.92 in 1997. In 1998, in response to the drop in oil prices, the Company took a number of steps to reduce costs and protect the cash flow of the Company. Salary reductions were implemented, steam production from higher cost sources was curtailed, well servicing activities were reduced and a number of wells were shut-in, along with the implementation of other cost control measures. As oil prices began to improve in 1999, salaries were restored, steaming and well servicing activities were increased and a number of the shut-in wells were put back on production. Production gradually increased during the year from 13,573 BOE/D in February 1999 when the Placerita properties were added to 14,736 BOE/D in the fourth quarter of 1999.

DD&A/BOE increased to $2.42 in 1999, up from $2.29 and $2.23 in 1998 and 1997, respectively. The increase was primarily due to the acquisition of the producing leases and 42 megawatt cogeneration plant located in the Placerita field and increased capital spending.

General

G&A increased 58% and 7%, respectively, to $6.3 million in 1999 from $4.0 million in 1998 and $5.9 million in 1997. On a per BOE basis, G&A increased to $1.23 in 1999 from $.90 in 1998, but declined from $1.30 in 1997. The 1998 G&A costs were unusually low in light of the severe market conditions faced by the Company in early 1998 when several steps were initiated to reduce and control costs. An across-the-board 10% salary reduction, with certain members of Management taking even higher reductions, was implemented in March 1998. Simultaneously, reductions were made in the number of employees. These two factors accounted for approximately $1.0 million of the G&A savings as compared to 1997. The salaries were reinstated effective January 1, 1999. Legal costs were also higher in 1999 due to a lawsuit involving TEORCO, a company Berry purchased in 1988.

Interest expense in 1999 of $4.0 million was up significantly from $1.9 million in 1998 and $2.3 million in 1997. This increase was a direct result of the financing of the Placerita acquisition in February 1999.

On December 31, 1998, the Company recorded a $1.8 million pre-tax impairment charge related to non-producing properties in Kern County due to the low year-end oil prices on that date.

The Company's effective income tax rate in 1999 was 21.4%, up from 9% in 1998, but down from 32% in 1997. The higher rate in 1999 was due primarily to the increase in the price of oil compared to 1998, but lower than 1997 due to increased EOR credits.

Financial Condition, Liquidity and Capital Resources

Working capital as of December 31, 1999 was $8.4 million, down from $9.1 million at December 31, 1998 and $11.5 million at December 31, 1997. Working capital provided by operations was $30.4 million in 1999, compared to $18.2 million in 1998 and $32.9 million in 1997. Cash was used to fund the Company's $9.1 million development program, which included $3.6 million for the drilling of 21 new wells and a $3.1 million major turnaround on the Company's 38 megawatt cogeneration facility. Cash was also used to pay off $13 million of the Company's long-term debt and to pay dividends of $8.8 million.

In February 1999, the Company purchased properties in the Placerita field in Los Angeles County for $35 million which included six leases and two fee properties with proved reserves of approximately 20 million barrels. The acquisition also included a 42 megawatt cogeneration plant and two SO2 electricity sales contracts that expire in 2002 and 2009.

With the high oil prices that presently exist, the Company has put in place a 2000 capital budget of approximately $15.8 million for the year, with a focus on accelerating oil recovery on its core properties. A total of 57 new wells and 62 workovers are planned. The Company is also performing an extensive 3-D seismic survey on a portion of its South Midway-Sunset properties in the first quarter of 2000 at a cost of approximately $.8 million. The Company anticipates a significant increase in production during the year compared to 1999 levels. The Company expects to finance this

development through internally generated cash flow.

The total proved reserves at December 31, 1999 were 112.5 million BOE, up 21% from 92.6 million at December 31, 1998 and up 11% from 101 million BOE at December 31, 1997. The increase from year-end 1998 was due primarily to the purchase of the Placerita properties which added approximately 20 million barrels and, to a lessor extent, the addition of 2.6 million BOE that were previously deemed uneconomic at December 31, 1998.

The Company's present value of estimated future cash flows before income taxes, discounted at 10%, was $715 million at December 31, 1999, up 527% from $114 million at December 31, 1998 and up 90% from $376 million at December 31, 1997. The increase at December 31, 1999 compared to the prior two years was primarily due to the increase in oil prices. The values were based on year-end oil prices of $19.41, $7.05 and $12.19 for 1999, 1998 and 1997, respectively.

Year 2000

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

As part of the review, the Company determined that its accounting software would have to be modified or replaced. The Company identified new software that was represented to be Y2k compliant and implemented the packages in 1998 and 1999. The total cost of the software and hardware purchased to complete the installation was approximately $.6 million. The Company evaluated all of its other software, which is predominantly purchased from third party providers, and determined that they were substantially Y2k compliant as of the end of 1998.

The Company performed an evaluation of its computer hardware and determined that, with only a few minor exceptions, it was Y2k compliant. Minor upgrades were completed on some of the equipment to make them compliant at no material cost to the Company. The Company worked with the contract operator of the Company's three cogeneration facilities to ensure that all equipment was Y2k compliant. These facilities provide over two-thirds of the Company's steam, which is necessary to produce the Company's heavy oil reserves.

The Company's customers are predominantly major oil companies or large independent refiners. If any of these customers were not Y2k compliant by the end of 1999 and could not buy the Company's crude oil, it could have had a material impact on the Company's operations. The Company's operations could also be impacted if the pipeline companies that transport the crude oil or if any of the utility or critical service providers were not Y2k compliant and could not provide their products and services. The Company communicated with the financial institutions that are business partners of the Company.

When the year 2000 arrived, the Company experienced no problems and does not anticipate any future problems related to Y2k that would materially affect the Company's operations.

Future Developments

Deregulation of the electricity generation market in California may have a positive or negative impact on the Company's future steam costs as electricity prices de-couple from natural gas prices. As of December 31, 1999, the Company's sales price for electricity generated from the three cogeneration plants owned by the Company correlates directly with natural gas prices. Therefore, the Company's net steam costs are fairly consistent between quarters and years. Beginning upon full deregulation, now believed to occur in 2001, electricity prices will be determined by not only the cost of natural gas, but also the cost of coal, hydroelectric power, nuclear power and other sources of power. In addition, changes in power supply and demand may make electricity prices more volatile than in the past. The Company is reviewing its future fuel supply and power sales options to maximize the cash flow of these assets while reducing the potential volatility of the related steam costs.

Impact of Inflation

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

Forward Looking Statements

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

Item 8. Financial Statements and Supplementary Data

BERRY PETROLEUM COMPANY
Index to Financial Statements and
Supplementary Data

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

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Berry Petroleum Company

In our opinion, the accompanying balance sheets and the related statements of operations and shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Berry Petroleum Company (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

February 18, 2000
Los Angeles, California

BERRY PETROLEUM COMPANY
Balance Sheets
December 31, 1999 and 1998
(In Thousands, Except Share Information)

	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 980	$ 7,058
Short-term investments available for sale	596	710
Accounts receivable	15,303	5,495
Prepaid expenses and other	2,080	4,049
Total current assets	18,959	17,312
Oil and gas properties (successful efforts basis), buildings and equipment, net	186,519	155,571
Other assets	2,171	921
	$ 207,649	$ 173,804
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,203	$ 5,491
Accrued liabilities	1,999	2,108
Federal and state income taxes payable	1,322	632
Total current liabilities	10,524	8,231
Long-term debt	52,000	30,000
Deferred income taxes	28,912	28,649
Shareholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized; no shares outstanding	-	-
Capital stock, $.01 par value:		
Class A Common Stock, 50,000,000 shares authorized; 21,112,334 shares issued and outstanding (21,109,729 in 1998)	211	211
Class B Stock, 1,500,000 shares authorized 898,892 shares issued and outstanding (liquidation preference of $899)	9	9
Capital in excess of par value	53,487	53,400
Retained earnings	62,506	53,304
Total shareholders' equity	116,213	106,924
	$ 207,649	$ 173,804

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

BERRY PETROLEUM COMPANY
Statements of Operations
Years ended December 31, 1999, 1998 and 1997
(In Thousands, Except Per Share Data)

	1999	1998	1997
Revenues:			
Sales of oil and gas	$ 66,615	$ 39,858	$ 67,172
Interest and dividend income	674	805	643
Gain/(loss) on sale of assets	21	(716)	1,093
Other income (expense), net	165	(48)	87
	67,475	39,899	68,995
Expenses:			
Operating costs	22,028	17,828	22,407
Depreciation, depletion & amortization	12,294	10,080	10,138
Interest expense	3,973	1,939	2,302
Impairment of properties	-	1,827	-
General and administrative	6,269	3,975	5,907
	44,564	35,649	40,754
Income before income taxes	22,911	4,250	28,241
Provision for income taxes	4,905	371	8,981
Net income	$ 18,006	$ 3,879	$ 19,260
Basic net income per share	$ .82	$ .18	$ .88
Diluted net income per share	$ .82	$ .18	$ .87
Weighted average number of shares of capital stock outstanding (used to calculate basic net income per share)	22,010	22,007	21,976
Effect of dilutive securities:			
Stock options	32	25	173
Other	7	5	16
Weighted average number of shares of capital stock used to calculate diluted net income per share	22,049	22,037	22,165

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

BERRY PETROLEUM COMPANY
Statements of Shareholders' Equity
Years Ended December 31, 1999, 1998 and 1997
(In Thousands, Except Per Share Data)

	Capital Stock Class A	Capital Stock Class B	Capital in Excess of Par Value	Retained Earnings	Shareholders' Equity
Balances at January 1, 1997	$ 210	$ 9	$ 53,029	$ 47,761	$ 101,009
Stock options exercised	1	-	393	-	394
Cash dividends declared- $.40 per share	-	-	-	(8,792)	(8,792)
Net income	-	-	-	19,260	19,260
Balances at December 31, 1997	211	9	53,422	58,229	111,871
Stock options exercised	-	-	(58)	-	(58)
Deferred director fees - stock compensation	-	-	36	-	36
Cash dividends declared - $.40 per share	-	-	-	(8,804)	(8,804)
Net income	-	-	-	3,879	3,879
Balances at December 31, 1998	211	9	53,400	53,304	106,924
Stock options exercised	-	-	2	-	2
Deferred director fees - stock compensation	-	-	85	-	85
Cash dividends declared - $.40 per share	-	-	-	(8,804)	(8,804)
Net income	-	-	-	18,006	18,006
Balances at December 31, 1999	$ 211	$ 9	$ 53,487	$ 62,506	$ 116,213

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

BERRY PETROLEUM COMPANY
Statements of Cash Flows
Years Ended December 31, 1999, 1998 and 1997
(In Thousands)

	1999	1998	1997
Cash flows from operating activities:			
Net income	$ 18,006	$ 3,879	$ 19,260
Depreciation, depletion and amortization	12,294	10,080	10,138
Gain on sale of assets	(21)	(55)	(1,093)
Impairment of properties	-	1,827	-
Increase in deferred income tax liability	263	2,740	4,917
Other, net	(187)	(260)	(302)
Net working capital provided by operating activities	30,355	18,211	32,920
Decrease (increase) in current assets other than cash, cash equivalents and short-term investments	(7,839)	1,425	2,039
Increase (decrease) in current liabilities other than notes payable	2,293	288	(3,558)
Net cash provided by operating activities	24,809	19,924	31,401
Cash flows from investing activities:			
Capital expenditures, excluding property acquisitions	(9,122)	(6,981)	(18,597)
Property/facility acquisitions	(33,605)	(2,991)	-
Proceeds from sale of assets	21	350	1,892
Purchase of short-term investments	(611)	-	(14)
Maturities of short-term investments	725	8	-
Restricted cash deposit	-	-	2,570
Contract purchases	(1,028)	(240)	-
Other, net	-	-	(50)
Net cash used in investing activities	(43,620)	(9,854)	(14,199)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	35,000	-	3,000
Payment of long-term debt	(13,000)	(2,000)	(7,000)
Payment of short-term notes payable	-	-	(6,900)
Dividends paid	(8,804)	(8,804)	(8,792)
Other, net	(463)	36	276
Net cash provided by (used in) financing activities	12,733	(10,768)	(19,416)
Net decrease in cash and cash equivalents	(6,078)	(698)	(2,214)
Cash and cash equivalents at beginning of year	7,058	7,756	9,970
Cash and cash equivalents at end of year	$ 980	$ 7,058	$ 7,756
Supplemental disclosures of cash flow information:			
Interest paid	$ 4,546	$ 1,924	$ 2,319
Income taxes paid	$ 4,079	$ 270	$ 4,280

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. Substantially all of the Company's oil and gas reserves are located in California. Approximately 99% of the Company's production is crude oil, which is principally sold to other oil companies for processing in refineries located in California.

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

2. Summary of Significant Accounting Policies

Cash and cash equivalents

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

Short-term investments

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

Oil and gas properties, buildings and equipment

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

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

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

Hedging

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

Steam Costs

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

Stock-Based Compensation

During 1996, the Company implemented the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." This statement sets forth alternative standards for recognition of the cost of stock-based compensation and requires that a Company's financial statements include certain disclosures about stock-based employee compensation arrangements regardless of the method used to account for them. As allowed in this statement, the Company continues to apply Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations in recording compensation related to its plans. The supplemental disclosure requirements and further information related to the Company's stock option plans are presented in Note 10 to the Company's financial statements.

Income Taxes

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

Earnings Per Share

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

Reclassifications

Certain reclassifications have been made to the 1998 financial statements to conform with the 1999 presentation.

3. Fair Value of Financial Instruments

Financial instruments consist of cash and short-term investments, whose carrying amounts are not materially different from their fair values because of the short maturity of those instruments. Cash equivalents consist principally of commercial paper investments. Cash equivalents of $151 thousand and $6.9 million at December 31, 1999 and 1998, respectively, are stated at cost, which approximates market.

The Company's short-term investments available for sale at December 31, 1999 and 1998 consist of one United States treasury note. All of the short-term investments at December 31, 1999 mature in less than one year. The carrying value of the Company's long-term debt is assumed to approximate its fair value since it is carried at current interest rates. For the three years ended December 31, 1999, 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.

To protect the Company's revenues from potential price declines, the Company entered into bracketed zero cost collar hedge contracts with California refiners covering 6,500 BPD of its crude oil production. The posted price of the Company's 13 degree API gravity crude oil was used as the basis for the hedge. The current contracts expire on December 31, 2000.

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. For the three years ended December 31, 1999, the Company has experienced no credit losses on the sale of oil, gas, natural gas liquids or electricity.

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, 1999, the Company has not incurred losses related to these investments.

The following summarizes the accounts receivable balances at December 31, 1999 and 1998 and sales activity with significant customers for each of the years ended December 31, 1999, 1998 and 1997 (in thousands):

	Accounts Receivable		Sales For the Year Ended December 31,		
Customer	December 31, 1999	December 31, 1998	1999	1998	1997
Oil & Gas Sales:					
A	$ 3,975	$ 794	$ 30,289	$ 12,409	$ 19,482
B	2,040	454	15,064	6,282	7,119
C	1,627	435	11,467	7,281	23,804
D	406	601	7,890	10,785	12,875
	$ 8,048	$ 2,284	$ 64,710	$ 36,757	$ 63,280
Electricity Sales:					
E	$ 2,034	$ -	$ 16,013	$ -	$ -
F	3,141	2,493	15,603	15,624	16,961
	$ 5,175	$ 2,493	$ 31,616	$ 15,624	$ 16,961

5. Oil and Gas Properties, Buildings and Equipment

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

	1999	1998
Oil and gas:		
Proved properties:		
Producing properties, including intangible drilling costs	$ 146,616	$ 133,372
Lease and well equipment	123,026	93,637
	269,642	227,009
Less accumulated depreciation, depletion and amortization	85,319	73,577
	184,323	153,432
Commercial and other:		
Land	170	170
Buildings and improvements	4,072	4,007
Machinery and equipment	4,211	3,775
	8,453	7,952
Less accumulated depreciation	6,257	5,813
	2,196	2,139
	$ 186,519	$ 155,571

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

	1999	1998	1997
Acquisition of properties/facilities(1)	$ 34,167	$ 2,991	$ -
Exploration	-	-	-
Development	9,195	6,896	18,172
	$ 43,362	$ 9,887	$ 18,172

(1) Includes cogeneration facility costs and certain closing and consultant costs related to the acquisitions, but excluding electricity contract costs.

The Company completed the Placerita acquisition in 1999 for a purchase price of approximately $35 million, including the purchase of a 42 megawatt cogeneration facility and related electricity contracts. These properties had proved reserves of approximately 20 million barrels upon acquisition. In 1998, the Company completed an acquisition with proved reserves of approximately 1 million barrels and a steam contract located adjacent to the Company's core South Midway-Sunset producing properties.

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

Results of operations from oil and gas producing and exploration activities

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

	1999	1998	1997
Sales to unaffiliated parties	$ 66,615	$ 39,858	$ 67,172
Production costs	(22,028)	(17,828)	(22,407)
Depreciation, depletion and amortization	(11,921)	(9,686)	(9,731)
	32,666	12,344	35,034
Income tax expenses	(8,584)	(3,223)	(10,870)
Results of operations from producing and exploration activities	$ 24,082	$ 9,121	$ 24,164

6. Debt Obligations

	1999	1998
Long-term debt for the years ended December 31 (in thousands):		
Revolving bank facility	$ 52,000	$ 30,000

On July 22, 1999, the Company executed an Amended and Restated Credit Agreement (the Agreement) with a banking group, which consists of four banks, for a $150 million five-year unsecured bullet loan. At December 31, 1999 and 1998, the Company had $52 and $30 million, respectively, outstanding under the Agreement. 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 redetermination each year. The revolving period is scheduled to terminate on January 21, 2004. Interest on amounts borrowed is charged at the lead bank's base rate or at London Interbank Offered Rates (LIBOR) plus 75 to 150 basis points, depending on the ratio of outstanding credit to the borrowing base. The weighted average interest rate on outstanding borrowings at December 31, 1999 was 6.83%. The Company pays a commitment fee of 25 to 35 basis points on the available unused portion of the commitment. The credit agreement contains other restrictive covenants as defined in the Agreement. Previously, on January 21, 1999, the Company amended its existing credit agreement with its lead bank primarily to increase the borrowing base to $110 million and add two additional banks to its syndication.

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 outstanding shares of Common Stock, either event occurring without the prior consent of the Company.

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 replaces the Shareholder Rights Agreement approved in December 1989 which expired on December 8, 1999.

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

The Company issued 2,745, 15,268, and 47,621 shares in 1999, 1998 and 1997, respectively, through its stock option plans.

At December 31, 1999, dividends declared on 4,033,150 shares of certain Common Stock are restricted, whereby 37.5% of the dividends declared on these shares are paid by the Company to the surviving member of a group of individuals, the B Group, as long as this remaining member shall live.

8. Income Taxes

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

	1999	1998	1997
Current:			
Federal	$ 2,661	$ (716)	$ 3,502
State	928	(881)	995
	3,589	(1,597)	4,497
Deferred:			
Federal	1,979	1,968	3,940
State	(663)	-	544
	1,316	1,968	4,484
Total	$ 4,905	$ 371	$ 8,981

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

	1999	1998
Deferred tax asset		
Federal benefit of state taxes	$ 1,012	$ 1,514
Credit/deduction carryforwards	2,944	2,481
Other, net	1,078	(479)
	5,034	3,516
Deferred tax liability		
Depreciation and depletion	(29,581)	(26,143)
State taxes	(4,142)	(4,545)
Other, net	(74)	(275)
	(33,797)	(30,963)
Net deferred tax liability	$ (28,763)	$ (27,447)

8. Income Taxes (cont'd)

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

	1999	1998	1997
Tax computed at statutory federal rate	35.0%	34.0%	35.0%
State income taxes, net of federal benefit	.3	2.0	3.5
Tax credits	(12.9)	(24.3)	(7.6)
Other	(1.0)	(3.0)	.9
Effective tax rate	21.4%	8.7%	31.8%

The Company has approximately $4.5 million of federal and $2.6 million of state enhanced oil recovery (EOR) tax credit carryforwards available to reduce future income taxes. The EOR credits will expire in the years 2013 and 2014, if not previously utilized. The Company also has $.2 million of loss carryforwards which may be utilized in future years to reduce the Company's federal income taxes. These loss carryforwards expire in the year 2001.

9. Contingencies

The Company is a cross-defendant in litigation pending in the Los Angeles County Superior Court. The original lawsuit was filed in June 1996, and the Company was served as a Doe cross-defendant in June 1997. The complaint involves an oil and gas lease located in Los Angeles County and seeks to recover approximately $.6 million in clean up costs allegedly incurred by the plaintiff/lessor after the lease that dated back to the late 1940's was terminated by the then lessee. Substantially all of the lessees in the chain of title from the late 1940's to the date of termination were named as defendants. The cross-complaint by Placerita Oil Company, Inc. ("POCI"), the last of the lessees, seeks indemnification from the other lessees in the chain of title as to the plaintiff's claims. Although the Company was never a lessee in the chain of title, Berry acquired all of the stock of one of the lessees (TEORCO) that had been in the chain of title in prior years. TEORCO assigned the leases to POCI approximately two years prior to Berry's acquiring the stock of TEORCO. POCI's cross-complaint also seeks an unknown amount, but which could be as much as $49 million in damages from TOSCO Corporation and from TEORCO, the entity that in 1986 assigned to POCI the lease and two other leases, on the basis of alleged fraud by TOSCO, et al. in overstating the oil and gas reserves to POCI. TOSCO is the same entity that sold the stock of its subsidiary, TEORCO, to Berry in 1988. Berry has potential successor liability because of its acquisition of the stock of TEORCO. In the third and fourth quarter of 1999, the scope of the litigation broadened substantially and required increasing resources to defend. The Company is vigorously defending itself and has incurred significant legal expenses that impact general and administrative expenses. The case is currently being tried before a jury with a likely initial outcome in the first quarter of 2000. Although Management believes it has a strong defense in the lawsuit, the ultimate outcome cannot be determined at this time. Therefore, no receivable or liability has been recorded by the Company.

10. Stock Option and Stock Appreciation Rights Plans

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

On December 4, 1998, December 5, 1997 and June 2, 1997, 434,000, 200,000 and 40,000 options, respectively, were issued to certain key employees at an exercise price of $12.50, $19.375 and $15.50 per share, respectively, which was the closing market price of the Company's Class A Common Stock on the New York Stock Exchange on those dates. The options vest 25% per year for four years. No employee options were issued in 1999. The 1994 Plan also allows for option grants to the Board of Directors under a formula plan whereby all non-employee Directors are eligible to receive 5,000 options annually on December 2 at the fair value on the date of grant. The options granted to the non-employee Directors vest immediately. Through the 1994 Plan, 40,000, 45,000 and 55,000 options, respectively, were issued on December 2, 1999, 1998 and 1997, (5,000 options to each of the non-employee Directors each year) at an exercise price of $14.0625, $12.625 and $18.9375 per share, respectively.

The Company applies APB No. 25 and related interpretations in accounting for its stock option plans. The options issued per the 1994 Plan were issued at market price. Compensation recognized related to the 1994 Plan was $0 in 1999, $.04 million in 1998 and $.5 million in 1997.

The Company had a 1987 Nonstatutory Stock Option Plan (the NSO Plan) and a 1987 Stock Appreciation Rights Plan (the SAR Plan). The NSO Plan provided for the granting of options to purchase up to an aggregate of 700,000 shares of Common Stock. The SAR Plan originally authorized a maximum of 700,000 shares of Common Stock subject to stock appreciation rights (SARs). In December 1994, the Board of Directors adopted a resolution to terminate the 1987 Stock Appreciation Rights Plan without utilizing the 307,860 SARs which were still available for issuance. All options and SARs outstanding under the 1987 plans were exercised in early 1998. Total compensation expense recognized for the SAR Plan for the prior three years was insignificant.

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:

	1999	1998	1997
Dividend - $/year	$ .40	$ .40	$ .40
Expected option life - years	4	4	4
Volatility	34.24%	28.13%	26.03%
Risk-free interest rate	6.33%	4.68%	5.48%

10. Stock Option and Stock Appreciation Rights Plans (cont'd)

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

	1999	1998	1997
Net income as reported	$ 18,006	$ 3,879	$ 19,260
Pro forma	17,343	3,244	19,185
Net income per share as reported	.82	.18	.88
Pro forma	.79	.15	.87

The following is a summary of stock-based compensation activity for the years 1999, 1998 and 1997.

	1999	1998		1997	
	Options	Options	SARs	Options	SARs
Balance outstanding, January 1	1,227,630	924,429	1,120	861,929	9,200
Granted	40,000	504,000	-	270,000	-
Exercised	(22,000)	(75,799)	(1,120)	(196,800)	(8,080)
Canceled/expired	(25,000)	(125,000)	-	(10,000)	-
Balance outstanding, December 31	1,220,630	1,227,630	-	924,429	1,120
Balance exercisable at December 31	697,630	449,880	-	256,929	1,120
Available for future grant	666,800	681,800	-	60,800	-
Exercise price-range	$ 14.125 to 14.25	$ 9.80 to 19.375	$ 9.80	$ 9.80 to 19.375	$ 9.80 to 10.00
Weighted average remaining contractual life (years)	8	9	-	9	1
Weighted average fair value per option granted during the year	$ 5.14	$ 2.82	N/A	$ 4.56	N/A

Weighted average option exercise price information for the years 1999, 1998 and 1997 as follows:

	1999	1998	1997
Outstanding at January 1	$ 14.18	$ 14.71	$ 12.61
Granted during the year	14.06	12.83	18.75
Exercised during the year	12.40	11.42	11.03
Expired during the year	16.69	14.34	14.00
Outstanding at December 31	14.15	14.18	14.71
Exercisable at December 31	14.21	14.17	13.09

11. Retirement Plan

The Company sponsors a defined contribution retirement or thrift plan (401(k) Plan) to assist all employees in providing for retirement or other future financial needs. Employee contributions (up to 6% of 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 $.3 million in 1999, $.2 million in 1998 and $.3 million in 1997.

12. Quarterly Financial Data (unaudited)

The following is a tabulation of unaudited quarterly operating results for 1999 and 1998 (in thousands, except per share data):

1999	Operating Revenues	Gross Profit	Net Income (loss)	Basic net Income (loss) Per Share	Diluted net Income (loss) Per Share
First Quarter	$ 9,213	$ 1,998	$ 544	$ .02	$ .02
Second Quarter	14,463	6,404	3,247	.15	.15
Third Quarter	19,132	10,222	6,099	.28	.28
Fourth Quarter	23,767	14,002	8,116	.37	.37
	$ 66,575	$ 32,626	$ 18,006	$ .82	$ .82
1998					
First Quarter	$ 11,473	$ 4,569	$ 2,071	$ .09	$ .09
Second Quarter	9,590	3,136	1,514	.07	.07
Third Quarter	10,105	2,926	1,378	.06	.06
Fourth Quarter	8,642	1,665	(1,084)	(.04)	(.04)
	$ 39,810	$ 12,296	$ 3,879	$ .18	$ .18

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, 1999, 1998 and 1997. 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, 1999, 1998 and 1997, and changes in such quantities during each of the years then ended were as follows (in thousands):

	1999		1998		1997	
	Oil Mbbls	Gas Mmcf	Oil Mbbls	Gas Mmcf	Oil Mbbls	Gas Mmcf
Proved developed and undeveloped reserves:						
Beginning of year	91,933	4,060	100,454	3,531	101,336	4,682
Revision of previous estimates	3,126	40	(4,894)	774	3,647	(869)
Production	(5,060)	(180)	(4,359)	(245)	(4,503)	(282)
Sale of reserves in place	-	-	-	-	(26)	-
Purchase of reserves in place	21,889	-	732	-	-	-
End of year	111,888	3,920	91,933	4,060	100,454	3,531
Proved developed reserves:						
Beginning of year	83,532	1,604	86,858	1,457	76,358	2,608
End of year	86,717	1,371	83,532	1,604	86,858	1,457

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

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

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

	1999	1998	1997
Future cash inflows	$ 2,208,964	$ 656,607	$ 1,232,749
Future production and development costs	(647,720)	(388,546)	(421,305)
Future income tax expenses	(502,951)	(33,577)	(246,668)
Future net cash flows	1,058,293	234,484	564,776
10% annual discount for estimated timing of cash flows	(561,811)	(127,967)	(297,182)
Standardized measure of discounted future net cash flows	$ 496,482	$ 106,517	$ 267,594
Pre-tax standardized measure of discounted future net cash flows	$ 714,555	$ 113,811	$ 376,459

Average sales prices at December 31:

Oil ($/bbl)	$ 19.41	$ 7.05	$ 12.19
Gas ($/mcf)	$ 2.11	$ 2.10	$ 2.33

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

	1999	1998	1997
Standardized measure - beginning of year	$ 106,517	$ 267,594	$ 420,559
Sales of oil and gas produced, net of production costs	(44,587)	(22,030)	(44,765)
Revisions to estimates of proved reserves:			
Net changes in sales prices and production costs	440,729	(216,265)	(259,026)
Revisions of previous quantity estimates	20,919	(8,400)	14,014
Change in estimated future development costs	(24,709)	(17,262)	(1,775)
Purchases of reserves in place	169,147	1,597	-
Sales of reserves in place	-	-	(244)
Development costs incurred during the period	9,122	6,728	18,597
Accretion of discount	11,381	37,539	63,458
Income taxes	(203,514)	46,293	109,780
Other	11,477	10,723	(53,004)
Net increase (decrease)	389,965	(161,077)	(152,965)
Standardized measure - end of year	$ 496,482	$ 106,517	$ 267,594

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

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

Item 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information called for by Item 12 is incorporated by reference from information under the captions "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.

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

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

Item 13. Certain Relationships and Related Transactions

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

PART IV

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

A. Financial Statements and Schedules

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

B. Reports on Form 8-K

None

C. Exhibits

Exhibit No.	Description of Exhibit	Page
3.1*	Registrant's Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed on June 7, 1989, File No. 33-29165)	
3.2*	Registrant's Restated Bylaws (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 on June 7, 1989, File No. 33-29165)	
3.3*	Registrant's Certificate of Designation, Preferences and Rights of Series 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	43
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, 1997, File No. 1-9735)	
10.2*	Salary Continuation Agreement dated as of December 5, 1997, by and between Registrant and Jerry V. Hoffman (filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, File No.1-9735)	
10.3*	Form of Salary Continuation Agreement dated as of December 5, 1997, by and between Registrant and Ralph J. Goehring and Michael R. Starzer (filed as Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-9735)	
10.4*	Form of Salary Continuation Agreements dated as of March 20, 1987, as amended August 28, 1987, by and between Registrant and selected employees of the Company (filed as Exhibit 10.12 to the Registration Statement on Form S-1 filed on June 7, 1989, File No. 33-29165)	
10.5*	Instrument for Settlement of Claims and Mutual Release by and among Registrant, Victory Oil Company, the Crail Fund and Victory Holding Company effective October 31, 1986 (filed as Exhibit 10.13 to Amendment No. 1 to the Registrant's Registration Statement on Form S-4 filed on May 22, 1987, File No. 33-13240)	
10.6*	Warrant Certificate dated November 14, 1996, by and between Registrant and Tannehill Oil Company (filed as Exhibit 10.16 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735)	
10.7	Amended and Restated Credit Agreement, dated as of July 22, 1999, by and between the Registrant and Bank of America, N.A., the First National Bank of Chicago and other financial institutions.	45
10.8*	Standard Offer #2 Power Purchase Agreement dated May 1984 by and between Registrant's predecessor and Pacific Gas and Electric Company (filed as Exhibit 10.14 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735)	
10.9*	Standard Offer #1 Power Purchase Agreement dated January 16, 1997, by and between Registrant and Pacific Gas and Electric Company (filed as Exhibit 10.15 in Registrant's Form 10-K filed on March 21, 1997, File No. 1-9735)	
10.10*	Purchase and Sale Agreement, dated as of January 26, 1999, by and between the Registrant and Aera Energy LLC (filed as Exhibit 10.1 to the Registrant's Form 8-K filed on February 26, 1999, File No. 1-9735)	
10.11*	Standard Offer #2 Power Purchase Agreement (Newhall Phase I), as amended, dated December 1985, between Tenneco Oil Company and Southern California Edison (filed as Exhibit 10.2 to the Registrant's Form 8-K filed on February 26, 1999, File No. 1-9735)	
10.12*	Standard Offer #2 Power Purchase Agreement (Newhall Phase II), as amended, dated December 1985, between Tenneco Oil Company and Southern California Edison (filed as Exhibit 10.3 to the Registrant's Form 8-K filed on February 26, 1999, (File No. 1-9735)	

Exhibits (cont'd)

Exhibit No.	Description of Exhibit	Page
10.13*	Amended and Restated 1994 Stock Option Plan (filed as Exhibit 10.13 in Registrant's Form 10-K filed on March 16, 1999, File No. 1-9735)	
23.1	Consent of PricewaterhouseCoopers LLP	112
23.2	Consent of DeGolyer and MacNaughton	113
27.**	Financial Data Schedule	
99.1	Undertaking for Form S-8 Registration Statements	115
99.2*	Form of Indemnity Agreement of Registrant (filed as Exhibit 28.2 in Registrant's Registration Statement on Form S-4 filed on April 7, 1987, File No. 33-13240)	
99.3*	Form of "B" Group Trust (filed as Exhibit 28.3 to Amendment No. 1 to Registrant's Registration Statement on Form S-4 filed on May 22, 1987, File No. 33-13240)	

* Incorporated by reference

** Included in the Company's electronic filing on EDGAR

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized on February 28, 2000.

BERRY PETROLEUM COMPANY

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

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

Name	Office	Date
/s/ Jerry V. Hoffman Jerry V. Hoffman	Chairman of the Board, Director, President & Chief Executive Officer	February 25, 2000
/s/ William F. Berry William F. Berry	Director	February 25, 2000
/s/ Ralph B. Busch, III Ralph B. Busch, III	Director	February 25, 2000
/s/ William E. Bush, Jr. William E. Bush, Jr.	Director	February 25, 2000
/s/ J. Herbert Gaul, Jr. J. Herbert Gaul, Jr.	Director	February 25, 2000
/s/ John A. Hagg John A. Hagg	Director	February 25, 2000
/s/ Thomas J. Jamieson Thomas J. Jamieson	Director	February 25, 2000
/s/ Roger G. Martin Roger G. Martin	Director	February 25, 2000
/s/ Martin H. Young, Jr. Martin H. Young, Jr.	Director	February 25, 2000

EXHIBIT 3.4

FIRST AMENDMENT TO
RESTATED BYLAWS OF
BERRY PETROLEUM COMPANY

The text of Article 1, Section 1 of the Restated Bylaws of Berry Petroleum Company, a Delaware corporation, is deleted in its entirety and replaced by the following:

An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen months subsequent to the later of the date of incorporation or the last annual meeting of stockholders. At an annual meeting of the stockholders, only business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who complies with the notice procedures set forth in this Section 1. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 210th day prior to the first anniversary of the release of the previous year's proxy materials; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 90 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder and (d) any material interest of the Stockholder in such business. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1. The Chairman of an annual meeting shall, if the facts warrant,

determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of the Bylaws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 1, a stockholder seeking to have a proposal included in the Corporation's proxy statement shall comply with the requirements of Regulation 14A under the Securities Exchange Act of 1934, as amended (including, but not limited to, Rule 14a-8 or its successor provision).

Nominations of persons for election as directors at a meeting of the stockholders at which directors are to be elected may be made only (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation entitled to vote in the election of directors who shall have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 120th day nor earlier than the close of business on the 210th day prior to the first anniversary of the release of the previous year's proxy materials; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 90 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on

which public announcement of the date of such meeting is first made. A stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named in the proxy statement as a nominee and to serving as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of the stockholder, and (ii) the class and number of shares of the Corporation which are beneficially owned by the stockholder. No person shall be eligible for election as a director, unless nominated in accordance with the provisions of this Section 1. The officer of the Corporation or other person presiding over the meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made in accordance with such provisions, and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

45 COVER EX 10.7

AMENDED AND RESTATED CREDIT AGREEMENT
among
BERRY PETROLEUM COMPANY
as Borrower
BANK OF AMERICA, N.A.
as Administrative Agent and as a Bank
and as Letter of Credit Issuer

THE FIRST NATIONAL BANK OF CHICAGO
as Documentation Agent and as a Bank
and
The Financial Institutions Listed on Schedule 1 Hereto
as Banks

$150,000,000
dated as of July 22, 1999

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SCHEDULES

EXHIBITS

THIS AGREEMENT (herein so called) is entered into effective as of the 22nd day of July, 1999, among BERRY PETROLEUM COMPANY, a Delaware corporation ("Borrower"), BANK OF AMERICA, N.A., as Administrative Agent ("Administrative Agent") and as Letter of Credit Issuer, The First National Bank of Chicago, as Documentation Agent ("Documentation Agent") and the financial institutions listed on Schedule 1 hereto as Banks (individually a "Bank" and collectively "Banks").

W I T N E S S E T H:

WHEREAS, Borrower, Bank of America, N.A., formerly known as NationsBank, N.A., as Agent and as a Bank and other banks entered into that certain Credit Agreement dated as of December 1, 1996, as amended by that certain First Amendment to Credit Agreement dated as of May 29, 1998 and as further amended by that certain Second Amendment to Credit Agreement dated as of January 21, 1999 (the "Prior Agreement"); and

WHEREAS, Borrower has requested that the Prior Agreement be amended and restated, and the Banks and the Administrative Agent are willing to do so on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises, the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree that the Prior Agreement shall be amended and restated to read in its entirety, as follows:

ARTICLE I

TERMS DEFINED

SECTION 1.1. Definitions. The following terms, as used herein, have the following meanings:

"Adjusted Eurodollar Rate" applicable to any Interest Period, means a rate per annum equal to the quotient obtained (rounded upwards, if necessary to the next higher 1/100 of 1%) by dividing (i) the applicable Eurodollar Rate by (ii) 1.00 minus the Eurodollar Reserve Percentage.

"Administrative Agent" means Bank of America, N.A. in its capacity as administrative agent for Banks hereunder or any successor thereto.

"Advance Payment Contract" means any contract whereby Borrower or any of its Subsidiaries either (a) receives or becomes entitled to receive (either directly or indirectly) any payment (an "Advance Payment") to be applied toward payment of the purchase price of hydrocarbons produced or to be produced from Mineral Interests owned by Borrower or any of its Subsidiaries and which Advance Payment is paid or to be paid in advance of actual delivery of such production to or for the account of the purchaser regardless of such production, or (b) grants an option or right of refusal to the purchaser to take delivery of such production in lieu of payment, and, in either of the foregoing instances, the Advance Payment is, or is to be, applied as payment in full for such production when sold and delivered or is, or is to be, applied as payment for a portion only of the purchase price

thereof or of a percentage or share of such production; provided that inclusion of the standard "take or pay" provision in any gas sales or purchase contract or any other similar contract shall not, in and of itself, constitute such contract as an Advance Payment Contract for the purposes hereof

"Affiliate" means, as to any Person, any Subsidiary of such Person, or any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person and, with respect to Borrower, means, any director or executive officer of Borrower and any Person who holds ten percent (10%) or more of the voting stock of Borrower. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or partnership interests, or by contract or otherwise.

"Agreement" shall mean this Agreement as the same may hereafter be modified, amended or supplemented pursuant to Section 13.5.

"Applicable Environmental Law" means any Law affecting any real or personal property owned, operated or leased by Borrower or any Subsidiary of Borrower or any other operation of Borrower or any Subsidiary of Borrower in any way pertaining to health or the environment, including, without limitation, health and environmental Laws, and further including without limitation, (a) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended from time to time, herein referred to as "CERCLA"), (b) the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Recovery Act of 1976, the Solid Waste Disposal Act of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended from time to time herein referred to as "RCRA"), (c) the Safe Drinking Water Act, as amended from time to time, (d) the Toxic Substances Control Act, as amended from time to time, (e) the Clean Air Act, as amended from time to time, (f) the Occupational Safety and Health Act of 1970, as amended from time to time, and (g) any Laws which may now or hereafter require removal of asbestos or other hazardous wastes or impose any liability related to asbestos or other hazardous wastes. The terms "hazardous substance", "petroleum", "release" and "threatened release" have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA; provided, that in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment with respect to all provisions of this Agreement; and provided further, that to the extent the Laws of any nation, province, state or political subdivision of any of the foregoing in which any real or personal property owned, operated or leased by Borrower or any Subsidiary of Borrower is located establish a meaning for "hazardous substance", "petroleum", "release", "solid waste" or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply.

"Applicable Margin" means, on any date, with respect to each Type of Loan, the amount determined in accordance with the table below by reference to the ratio of (a) Outstanding Credit on such date, to (b) the Borrowing Base in effect on such date; provided, that, so long as the Borrowing Base is equal to or less than $50,000,000 and no

Borrowing Base Deficiency exists, the Applicable Margin for Base Rate Loans shall be 0% and the Applicable Margin for Committed Eurodollar Loans shall be .75%:

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

"Approved Petroleum Engineer" means DeGolyer and MacNaughton or any other reputable firm of independent petroleum engineers as shall be selected by Borrower and approved by the Required Banks, such approval not to be unreasonably withheld.

"Authorized Officer" means, as to any Person, its Chief Executive Officer, its President, its Chief Financial Officer, any of its Vice Presidents, its Treasurer or its Corporate Secretary.

"Availability" means, as of any date, the remainder of (a) the Borrowing Base in effect on such date, minus (b) the Outstanding Credit on such date.

"Bank" means any financial institution reflected on Schedule 1 hereto as having a Commitment and its successors and permitted Assignees, and "Banks" shall mean all of Banks. References to the "Banks" shall include each of Bank of America and any other Bank designated as an Issuer pursuant to Section 2.1(b), in its capacity as Issuer; for purposes of clarification only, to the extent that Bank of America (or such other Bank that has been designated as an Issuer) may have any rights or obligations in addition to those of the Banks due to its status as Issuer, its status as such will be specifically referenced.

"Bank of America" means Bank of America, N.A.

"Base Rate" means the floating rate of interest per annum which is the higher of (a) the Federal Funds Rate plus one-half of one percent (1/2%) per annum and (b) the Reference Rate. Any change in the Base Rate due to a change in the Reference Rate or the Federal Funds Rate shall be effective from and including the effective date of such change in the Reference Rate or the Federal Funds Rate, respectively. The Base Rate shall in no event exceed the Maximum Lawful Rate.

"Base Rate Loan" means a Loan bearing interest with reference to the Base Rate.

"Borrower" means Berry Petroleum Company, a Delaware corporation.

"Borrowing" means a Competitive Bid Borrowing or a Committed Borrowing.

"Borrowing Base" has the meaning set forth in Section 3.2 hereof.

"Borrowing Base Deficiency" means, as of any date, the amount, if any, by which the Outstanding Credit on such date exceeds the Borrowing Base in effect on such date;

provided, that, for purposes of determining the existence and amount of any Borrowing Base Deficiency, Letter of Credit Exposure will not be deemed to be outstanding to the extent it is secured by cash or U.S. Treasury securities in the manner contemplated by Section 2.1(b).

"Borrowing Base Properties" means (a) the Mineral Interests owned by Borrower on the Closing Date located in the South Midway Sunset, North Midway Sunset and Montalvo Fields, in Kern and Ventura Counties, California, and in the Placerita Field in Los Angeles County, California, and (b) any other Proved Mineral Interest acquired by Borrower after the Closing Date in a single transaction for a cash purchase price in excess of $1,000,000.

"Closing Date" means July 22, 1999.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committed Borrowing" means a borrowing consisting of simultaneous Committed Loans of a single Type and having the same Interest Period from each of Banks distributed ratably among Banks in the manner described in Section 2.1(a).

"Committed Loan" means a Loan from a Bank to Borrower pursuant to Section 2.2.2, which shall be a Base Rate Loan or a Eurodollar Loan.

"Committed Note" means a promissory note of Borrower payable to the order of a Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of Borrower to such Bank resulting from Committed Loans made by such Bank to Borrower, together with all modifications, extensions, renewals and rearrangements thereof; and "Committed Notes" means all Committed Notes.

"Commitment" means, with respect to each Bank, the amount indicated opposite the name of such Bank on Schedule 1 hereto, as such amount is reduced from time to time in accordance with the provisions hereof.

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

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

"Commitment Percentage" means, with respect to each Bank, the percentage determined by dividing its Commitment by the Total Commitment.

"Competitive Bid" means an offer by a Bank to make a Competitive Bid Loan pursuant to Section 2.2.1.

"Competitive Bid Borrowing" means a borrowing hereunder consisting of a single Competitive Bid Loan from a Bank or simultaneous Competitive Bid Loans from each Bank whose Competitive Bid, as all or as part of such Competitive Bid Borrowing, has been accepted by Borrower under the bidding procedure described in Section 2.2.1.

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

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

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

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

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

"Competitive Bid Note" means a promissory note of Borrower payable to the order of a Bank, in substantially the form of Exhibit B hereto, evidencing the aggregate indebtedness of Borrower to such Bank resulting from the Competitive Bid Loans made by such Bank to Borrower, together with all modifications, extensions, renewals and rearrangements thereof; and "Competitive Bid Notes" means all Competitive Bid Notes.

"Competitive Bid Request" means a request for Competitive Bids to be made pursuant to Section 2.2.1 which Competitive Bid Request shall be in the form of Exhibit C.

"Consolidated Net Income" means, for any Person for any period, consolidated net earnings (after income taxes) of such Person and its Consolidated Subsidiaries for such period, determined in accordance with GAAP.

"Consolidated Subsidiary" or "Consolidated Subsidiaries" means, for any Person, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements.

"Consolidated Tangible Net Worth" means, for any Person at any time, the consolidated shareholder's equity of such Person at such time, less the consolidated

Intangible Assets of such Person at such time. For purposes of this definition "Intangible Assets" means the amount (to the extent reflected in determining such consolidated shareholder's equity) of all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and organization expenses.

"Debt" means, for any Person at any time, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all other indebtedness (including capitalized lease obligations, other than usual and customary oil and gas leases) of such Person on which interest charges are customarily paid or accrued, (d) all Guarantees by such Person, (e) the unfunded or unreimbursed portion of all letters of credit issued for the account of such Person, (f) any amount owed by such Person representing the deferred purchase price of property or services other than accounts payable incurred in the ordinary course of business and in accordance with customary trade terms, and (g) all liability of such Person as a general partner of a partnership for obligations of such partnership of the nature described in (a) through (f) preceding.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Distribution" by any Person, means (a) with respect to any stock issued by such Person or any partnership interest of such Person, the retirement, redemption, purchase, or other acquisition for value of any such stock or partnership interest, (b) the declaration or payment of any dividend or other distribution on or with respect to any stock or any partnership interest of any Person, and (c) any other payment by such Person with respect to such stock or partnership interest.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which national banks in Dallas, Texas, are authorized by Law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address identified on Schedule 13.1 hereto as its Domestic Lending Office or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to Borrower and Administrative Agent.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any corporation or trade or business under common control with Borrower as determined under section 414(b), (c), (m) or (o) of the Code.

"Eurodollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Eurodollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address identified on Schedule 13.1 hereto as its Eurodollar Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Eurodollar Lending Office by notice to Borrower and Administrative Agent.

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

"Eurodollar Rate" applicable to any Interest Period means the rate per annum determined by Administrative Agent (rounded upward, if necessary, to the next higher 1/100th of 1%) at which deposits in dollars are offered to Administrative Agent by first class banks in the London interbank market at approximately 10:00 a.m. (Dallas, Texas time) two (2) Eurodollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Eurodollar Loan to which such Interest Period is to apply and for a period of time comparable to such Interest Period. Administrative Agent shall determine the Eurodollar Rate and shall notify Borrower and Banks as soon as practicable.

"Eurodollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in Dallas, Texas in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"Events of Default" has the meaning set forth in Section 11.1.

"Exhibit" refers to an exhibit attached to this Agreement and incorporated herein by reference, unless specifically provided otherwise.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) 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 Domestic Business Day next succeeding such day; provided that (a) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (b) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate charged to Bank of America on such day on such transactions as determined by Administrative Agent.

"Financial Officer" of any Person means its Chief Financial Officer; provided, that if no Person serves in such capacity, "Financial Officer" shall mean the highest ranking executive officer of such Person with responsibility for accounting, financial reporting, cash management and similar functions.

"Fiscal Quarters" means the three month periods ending on March 31, June 30, September 30 and December 31.

"Fiscal Year" means the period from and including January 1 of each year to and including December 31 of such year.

"Fully Funded" means, with respect to any Bank at the time in question, that such Bank is prohibited from making any further Loans pursuant to the Single Bank Credit Limit.

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof and which are consistently applied for all periods after the date hereof so as to properly reflect the financial condition, and the results of operations and changes in financial position, of Borrower and its Consolidated Subsidiaries, except that any accounting principle or practice required to be changed by the said Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee of the said Boards) in order to continue as a generally accepted accounting principle or practice may be so changed.

"Gas Balancing Agreement" means any agreement or arrangement whereby Borrower or any of its Subsidiaries or any other party having an interest in any hydrocarbons to be produced from Mineral Interests in which Borrower or any of its Subsidiaries have a right to take more than its proportionate share of production therefrom.

"Governmental Authority" means any court or governmental department, commission, board, bureau, agency, or instrumentality of the United States or of any state, commonwealth, nation, territory, possession, county, parish, or municipality, whether now or hereafter constituted or existing.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions, by "comfort letter" or other similar undertaking of support or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hedge Transaction" means a transaction pursuant to which Borrower or its Subsidiaries hedge the price to be received by them for future production of hydrocarbons, including price swap agreements under which Borrower or its Subsidiaries agree to pay a price for a specified amount of hydrocarbons determined by reference to a recognized market on a specified future date and the contracting party agrees to pay Borrower or its Subsidiaries a fixed price for the same or similar amount of hydrocarbons.

"Interest Period" means: (a) with respect to each Borrowing comprised of Eurodollar Loans, the period commencing on the date of such Borrowing and ending one (1), two (2), three (3) or six (6), and, if available to Banks, nine (9) or twelve (12) months thereafter, as Borrower may elect in the applicable Request for Committed Loans or Competitive Bid Request; provided that:

(i) any Interest Period which would otherwise end on a day which is not a Eurodollar Business Day shall be extended to the next succeeding Eurodollar Business Day unless such Eurodollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Eurodollar Business Day;

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

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

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

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

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

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

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

"Investment" means, with respect to any Person, any loan, advance, extension of credit, capital contribution to, investment in or purchase of the stock or other securities of,

or interests in, any other Person; provided, that "Investment" shall not include current customer and trade accounts which are payable in accordance with customary trade terms.

"Investment Guidelines" means the guidelines in effect on the date hereof for investment of Borrower's cash and cash equivalents which have been adopted by Borrower's Board of Directors, a true and correct copy of which is attached hereto as Schedule 2.

"Issuer" has the meaning set forth in Section 2.1(b).

"Laws" means all applicable statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of any state, commonwealth, nation, territory, possession, county, township, parish, municipality or Governmental Authority.

"Lending Office" means as to any Bank its Domestic Lending Office or its Eurodollar Lending Office, as the context may require.

"Letters of Credit" means letters of credit issued for the account of Borrower pursuant to Section 2.1(b).

"Letter of Credit Exposure" of any Bank means such Bank's aggregate participation in the unfunded portion and the funded but unreimbursed portion of Letters of Credit outstanding at any time.

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

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

"Letter of Credit Fronting Fee" means the Letter of Credit Fronting Fee payable pursuant to Section 2.1(b) which shall accrue each day at a per annum rate of .125%.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, Borrower and its Subsidiaries shall be deemed to own subject to a Lien any asset which is acquired or held subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Committed Loan, a Competitive Bid Loan, a Base Rate Loan or a Eurodollar Loan and "Loans" means Committed Loans, Competitive Bid Loans, Base Rate Loans, Eurodollar Loans, or any combination thereof.

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

"Margin Regulations" means Regulations G, T, U and X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Margin Stock" means "margin stock" as defined in Regulation U.

"Material Agreement" means any material written or oral agreement, contract, commitment, or understanding to which a Person is a party, by which such Person is directly or indirectly bound, or to which any assets of such Person may be subject, which is not cancelable by such Person upon notice of thirty (30) days or less without liability for further payment other than nominal penalty.

"Maximum Lawful Rate" means, with respect to each Bank, the maximum nonusurious rate of interest that such Bank is permitted under applicable law to contract for, take, charge, or receive with respect to its Loans. All determinations herein of the Maximum Lawful Rate, or of any interest rate determined by reference to the Maximum Lawful Rate, shall be made separately for each Bank as appropriate to assure that the Loan Papers are not construed to obligate any Person to pay interest to any Bank at a rate in excess of the Maximum Lawful Rate applicable to such Bank.

"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 Laws, which now or hereafter include all or any part of the foregoing.

"Minimum Consolidated Tangible Net Worth" means the sum of (a) $90,000,000 plus (b) seventy-five percent (75%) of any increase in the shareholders equity of Borrower resulting from the issuance of equity securities by Borrower after January 21, 1999.

"Moody's" means Moody's Investor Services, or any successor thereto.

"Note" means a Competitive Bid Note or a Committed Note and "Notes" means all Competitive Bid Notes and all Committed Notes.

"Obligations" means all present and future indebtedness, obligations and liabilities, and all renewals and extensions thereof, or any part thereof, of Borrower or any of its Subsidiaries to any Bank arising pursuant to the Loan Papers, and all interest accrued thereon and costs, expenses, and attorneys' fees incurred in the enforcement or collection thereof, regardless of whether such indebtedness, obligations and liabilities are direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several or joint and several.

"Outstanding Credit" means, on any date, the sum of (a) the aggregate outstanding Letter of Credit Exposure on such date including the aggregate Letter of Credit Exposure related to Letters of Credit to be issued on such date, plus (b) the aggregate outstanding principal balance of all Loans on such date, including the outstanding principal balance of all Loans to be made on such date.

"Participant" has the meaning given such term in Section 13.9 hereof.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Encumbrances" means with respect to any asset:

(a) Liens (if any) securing the Notes in favor of Banks;

(b) Minor defects in title which do not secure the payment of money and otherwise have no material adverse effect on the value or operation of the subject property, and for the purposes of this Agreement, a minor defect in title shall include easements, rights-of-way, servitudes, permits, surface leases and other similar rights in respect of surface operations, and easements for pipelines, streets, alleys, highways, telephone lines, power lines, railways and other easements and rights-of-way, on, over or in respect of any of the properties of Borrower or its Subsidiaries that are customarily granted in the oil and gas industry;

(c) Inchoate statutory or operators' liens securing obligations for labor, services, materials and supplies furnished to Mineral Interests which are not delinquent (except to the extent permitted by Section 8.5);

(d) Mechanic's, materialmen's, warehouseman's, journeyman's and carrier's liens and other similar liens arising by operation of Law in the ordinary course of business which are not delinquent (except to the extent permitted by Section 8.5);

(e) 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 by appropriate action, as permitted by Section 8.5;

(f) Lease burdens payable to third parties which are deducted in the calculation of discounted present value in the Reserve Report including, without limitation, any royalty, overriding royalty, net profits interest, production payment, carried interest or reversionary working interest and which have been disclosed to Administrative Agent in writing;

(g) Liens securing Debt incurred to finance the acquisition of the assets which are the subject of such Liens; provided, that the aggregate outstanding balance of all Debt secured by such Liens shall not exceed $2,000,000 at any time; and

(h) Liens in effect on the Closing Date encumbering cash and cash equivalents in any aggregate amount not to exceed $2,000,000 securing certain obligations of Borrower to Governmental Authorities.

"Permitted Investments" means (a) readily marketable direct obligations of the United States of America, (b) fully insured time deposits and certificates of deposit with maturities of one year or less of any commercial bank operating in the United States having capital and surplus in excess of $50,000,000, (c) commercial paper of a domestic issuer if at the time of purchase such paper is rated in one of the two highest ratings categories of S&P or Moody's, or of a comparable or higher quality of any other rating agency acceptable to Banks, (d) to the extent not permitted under clause (a) through (c) preceding, Investments which are permitted pursuant to the Investment Guidelines as in effect on the date hereof, or as amended hereafter, provided that no Investments in equity securities will constitute Permitted Investments under this clause (d), and no Investments in debt securities will constitute Permitted Investments under this clause (d) unless such securities are rated "A-1" or higher by Moody's or "A+" or higher by S&P, or of a comparable or higher quality of any other rating agency acceptable to Banks and (e) other Investments in Persons engaged primarily in the business of the acquisition, development and production of Mineral Interests or the production, refining, processing, transportation or marketing of hydrocarbons and businesses reasonably related thereto; provided, that, the sum of (i) the aggregate amount of outstanding Investments made pursuant to this clause (e), plus (ii) the aggregate amount of capital expenditures made by Borrower and its Subsidiaries to purchase assets used in the transportation, processing, refining or marketing of petroleum products (in each case measured on a cost basis), shall not exceed $15,000,000 at any time.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a Government Authority.

"Plan" means an employee benefit plan within the meaning of section 3(3) of ERISA, and any other similar plan, policy or arrangement, whether formal or informal and whether legally binding or not, under which Borrower or an ERISA Affiliate has any current or future obligation or liability or under which any present or former employee of Borrower or an ERISA Affiliate, or such present or former employee's dependents or beneficiaries, has any current or future right to benefits resulting from the present or former employee's employment relationship with Borrower or an ERISA Affiliate.

"Proved Mineral Interests" means Proved Producing Mineral Interests, Proved Nonproducing Mineral Interests, and Proved Undeveloped Mineral Interests.

"Proved Nonproducing Mineral Interests" means all Mineral Interests which constitute proved developed nonproducing reserves.

"Proved Producing Mineral Interests" means all Mineral Interests (including all acreage subject to such Mineral Interests that may be perpetuated beyond the primary term therefor) which constitute proved developed producing reserves.

"Proved Undeveloped Mineral Interests" means all Mineral Interests which constitute proved undeveloped reserves.

"Quarterly Date" means the last day of each March, June, September and December.

"Redetermination" means any redetermination of the Borrowing Base pursuant to Section 3.2 or 3.3 hereof.

"Reference Rate" means the rate of interest publicly announced from time to time by Bank of America in San Francisco as its reference rate, as in effect on such date of determination. The reference rate is set by Bank of America based on various factors including Bank of America's costs and desired return, general economic conditions, and other factors, and is used as a reference point for pricing some loans. Bank of America may make loans at, above or below the rate announced by it as its reference rate. Any change in the reference rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Refunding Borrowing" means a Borrowing made solely for the purpose of refinancing Loans which are then outstanding, including any Borrowing made to refinance Eurodollar Loans or Competitive Bid Loans on the expiration of the Interest Period applicable thereto. Refunding Borrowings may be Base Rate Borrowings or Eurodollar Borrowings.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 221, as in effect from time to time.

"Request for Committed Loan(s)" has the meaning set forth in Section 2.2.2(a).

"Request for Letter of Credit" has the meaning set forth in Section 2.3(a).

"Required Banks" means (a) so long as no Default has occurred which is continuing, Banks holding at least sixty-six and two-thirds percent (66 2/3%) of the Total Commitment, and (b) during the continuance of any Default, Banks holding at least sixty-six and two-thirds percent (66 2/3%) of the Outstanding Credit.

"Reserve Engineer's Letter" means, with respect to each Reserve Report, a letter addressed to Borrower from the Approved Petroleum Engineer which prepared such Reserve Report setting forth the scope of such Reserve Report, the methodology employed in the preparation of such report and a summary of the reserve data set forth in such report.

"Reserve Report" means an unsuperseded engineering analysis of the Mineral Interests owned by Borrower, in form and substance acceptable to the Required Banks, prepared by an Approved Petroleum Engineer in accordance with customary and prudent practices in the petroleum engineering industry and Financial Accounting Standards Board Statement 69; provided, however, that in connection with any Special Redetermination requested by Borrower, the Reserve Report shall be in form and scope mutually acceptable to Borrower and Required Banks.

"Reserve Report Summary" means, with respect to any Reserve Report, a summary in form, substance and scope reasonably acceptable to Required Banks of the reserve data included in such Reserve Report.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Schedule" means a "schedule" attached to this Agreement and incorporated herein by reference, unless specifically indicated otherwise.

"Scheduled Redetermination" means any Redetermination of the Borrowing Base pursuant to Section 3.2.

"Section" refers to a "section" or "subsection" of this Agreement unless specifically indicated otherwise.

"Sharing Percentage" means, with respect to any Bank at any time, the percentage determined by dividing (a) the sum of (i) such Bank's aggregate Letter of Credit Exposure at such time, plus (ii) the outstanding principal balance of all Loans held by such Bank at such time, by (b) the Outstanding Credit at such time.

"Special Redetermination" means any Redetermination of the Borrowing Base pursuant to Section 3.3.

"Subsidiary" means, for any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the Board of Directors or other persons performing similar functions (including that of a general partner) are at the time directly or indirectly owned, collectively, by such Person and any Subsidiaries of such Person. The term Subsidiary shall include Subsidiaries of Subsidiaries (and so on).

"Taxes" means all taxes, assessments, filing or other fees, levies, imposts, duties, deductions, withholdings, stamp taxes, capital transaction taxes, foreign exchange taxes or other charges, or other charges of any nature whatsoever, from time to time or at any time imposed by Law or any Governmental Authority. "Tax" means any one of the foregoing.

"Termination Date" means January 21, 2004.

"Total Commitment" means the aggregate of all Banks' Commitments.

"Type" means with reference to a Loan, the characterization of such Loan as a Base Rate Loan or a Eurodollar Loan based on the method by which the accrual of interest on such Loan is calculated.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent with the most recent audited consolidated financial statements of Borrower and its Consolidated Subsidiaries delivered to Banks except for changes concurred in by Borrower's independent certified public accountants and which are disclosed to Administrative Agent on the next date on which financial statements are required to be delivered to Banks pursuant to Sections 8.1(a) or (b); provided that, unless the Required Banks shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants contained in Article X are computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods.

SECTION 1.3. Petroleum Terms. As used herein, the terms "proved reserves," "proved developed reserves," "proved developed producing reserves," "proved developed nonproducing reserves," and "proved undeveloped reserves" have the meaning given such terms from time to time and at the time in question by the Society of Petroleum Engineers of the American Institute of Mining Engineers.

ARTICLE II

THE CREDIT

SECTION 2.1. Commitments. (a) Each Bank severally agrees, subject to the terms and conditions set forth in this Agreement, to make Committed Loans to Borrower from time to time in amounts not to exceed in the aggregate amount at any one time outstanding, the lesser of (i) such Bank's Commitment Percentage of the Borrowing Base in effect at such time reduced by the amount of such Bank's Letter of Credit Exposure, or (ii) the amount of such Bank's Commitment at such time reduced by the amount of such Bank's Letter of Credit Exposure. In addition to the foregoing, each Bank may, in its sole and absolute discretion, and in accordance with the procedures set forth in Section 2.2.1 make Competitive Bid Loans to Borrower without limit with respect to the amount of such Bank's Commitment or such Bank's Commitment Percentage of the Borrowing Base, but subject in all respects to Section 2.1(c) and the other terms and provisions of this Agreement. Each Committed Borrowing shall be in an aggregate principal amount of $1,000,000 or any larger integral multiple of $100,000 (except that any Base Rate Committed Borrowing may be in an amount equal to the Availability). Borrower's right to request Competitive Bid Loans and the right of each Bank to make Competitive Bid Loans hereunder shall be subject to the restriction that no Bank shall be permitted to make Competitive Bid Loans with an Interest Period expiring on or after the thirtieth (30th) day prior to the Termination Date. Subject to the foregoing limitations and the other provisions of this Agreement, Borrower may obtain Borrowings under this Section 2.1(a), and repay Loans and request new Borrowings under this Section 2.1(a).

(b) (i) Administrative Agent, or such Bank designated by Administrative Agent which (without obligation to do so) consents to the same ("Issuer") will, from time to time until the ninetieth (90th) day prior to the Termination Date, upon request by Borrower, issue Letters of Credit for the account of Borrower so long as (I) the sum of (A) the total Letter of Credit Exposure then existing and (B) the amount of the requested Letter of Credit does not exceed twenty five percent (25%) of the Borrowing Base then in effect, and (II) Borrower would be entitled to a Committed Borrowing under Section 2.1(a) in an amount greater than or equal to the requested Letter of Credit. Not less than three (3) Domestic Business Days prior to the requested date of issuance of any such Letter of Credit, Borrower shall execute and deliver to Issuer, Issuer's customary letter of credit application. Each Letter of Credit shall be in the minimum amount of $5,000 and shall be in form and substance acceptable to Issuer. No Letter of Credit shall have an expiration date later than the earlier of (i) thirty (30) days prior to the Termination Date, or (ii) one (1) year from the date of issuance. Upon the date of issuance of a Letter of Credit, Issuer shall be deemed to have sold to each other Bank, and each other Bank shall be deemed to have purchased from Issuer, a participation in the related Letter of Credit and Letter of Credit Exposure equal to such Bank's Commitment Percentage thereof. Issuer shall notify each Bank by telephone, teletransmission or telex of each Letter of Credit issued pursuant to the terms hereof. If any Letter of Credit is presented for payment by the beneficiary thereof, Administrative Agent shall cause a Committed

Borrowing comprised of Base Rate Loans to be made to reimburse Issuer for the payment under the Letter of Credit, whether or not Borrower would then be entitled to a Committed Borrowing pursuant to the terms hereof, and each Bank which participated in such Letter and Letter of Credit Exposure shall be obligated to make a Base Rate Loan equal to the amount of its participation interest. On the Termination Date, and on each Quarterly Date prior to the Termination Date, and in the event the Commitments are terminated in their entirety prior to the Termination Date, on the date of such termination, Borrower shall pay to (a) the Administrative Agent for the ratable benefit of each Bank, the Letter of Credit Fee which accrued during the Fiscal Quarter (or portion thereof) ending on such date, and (b) Administrative Agent solely for the Issuer's own account, the Letter of Credit Fronting Fee which accrued during the Fiscal Quarter (or portion thereof) ending at such date. The Letter of Credit Fees and Letter of Credit Fronting Fees payable hereunder shall accrue on a daily basis at the per annum rates specified in the definitions of such terms and on the aggregate outstanding Letter of Credit Exposure each day computed on the basis of the actual number of days elapsed and assuming a calendar year of 360 days.

(ii) Each Bank's obligation in accordance with Section 2.1(b)(ii) of this Agreement to make Committed Loans as a result of a drawing under a Letter of Credit, shall be absolute and unconditional and without recourse to the Issuer and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Issuer, the Borrower or any other Person for any reason; (B) the occurrence or continuance of a Default or an Event of Default; or (C) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(iii) If the Administrative Agent or the Issuer is required at any time to return to Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any insolvency proceeding, any portion of the payments made by Borrower to the Administrative Agent for the account of the Issuer in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent or the Issuer the amount of its pro rata share of any amounts so returned by the Administrative Agent or the Issuer plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Administrative Agent or the Issuer, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

(iv) Upon the occurrence of any Event of Default, and at the times required by Section 3.4 hereof, Borrower shall deposit with Administrative Agent cash or readily marketable United States Treasury securities with a maturity of one year or less in such amounts as Administrative Agent may request, up to a maximum amount equal to the aggregate existing Letter of Credit Exposure of all Banks. Any cash or securities so deposited shall be held by Administrative Agent for the ratable benefit of all Banks with Letter of Credit Exposure as security for such Letter of Credit Exposure and as security for the Base Rate Loans to be made pursuant to this Section 2.1(b) upon any payment of any related Letter of Credit (the "L/C Obligations"). Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent, the Issuer and the Banks, a lien on and security interest in all such cash and securities, and all income thereon and proceeds thereof, as security for the L/C Obligations. Borrower will, in connection therewith, execute and deliver such security agreements in form and substance satisfactory to Administrative Agent which it may, in its discretion, require. As drafts or demands for payment are presented under any Letter of Credit, Administrative Agent shall

apply such cash (and liquidate such treasury securities and apply the cash proceeds thereof) to satisfy such drafts or demands. When either (i) all Letters of Credit have expired, the Obligations have been repaid in full and the Commitments of all Banks have been terminated, or (ii) all Events of Default have been cured to the satisfaction of the Required Banks, Administrative Agent shall release to Borrower any remaining cash and securities deposited under this Section 2.1(b).

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

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

(d) Each Bank and Borrower agree that, in paying any drawing under a Letter of Credit, the Issuer shall not have any responsibility to obtain any document (other than any sight draft and certificates expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(e) Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. Neither the Issuer, nor any of its correspondents, participants or assignees, shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 2.1(f); provided, however, anything in such clauses to the contrary notwithstanding, that Borrower may have a claim against the Issuer, and the Issuer may be liable to Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by Borrower which Borrower proves were caused by the Issuer's willful misconduct or gross negligence or the Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) the Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) the Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(f) The obligations of Borrower under this Agreement to reimburse the Issuer for a drawing under a Letter of Credit, and to repay any drawing under a Letter of Credit converted into Committed Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and under all circumstances, including the following: (i) any lack of validity or enforceability of this Agreement or any Loan Paper related to a Letter of Credit; (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the Loan Paper related to a Letter of Credit; (iii) the existence of any claim, set-off, defense or other right that Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or any unrelated transaction; (iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit; (v) any payment by the Issuer under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by the Issuer under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any insolvency proceeding; (vi) any exchange, release or non-perfection of any collateral for all or any of the obligations of Borrower in respect of any Letter of Credit; or (vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, Borrower.

SECTION 2.2. Method of Borrowing.

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

Administrative Agent shall invite by telex or telecopier (in the form set forth in Exhibit D hereto) Banks to bid, on the terms and conditions of this Agreement, to make Competitive Bid Loans pursuant to such Competitive Bid Request.

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

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

(d) Borrower may in its sole and absolute discretion, subject only to the provisions of this Section 2.2.1(d), accept or reject any Competitive Bid referred to in paragraph (c) above; provided, however, that the aggregate amount of the Competitive Bids so accepted by Borrower may not exceed the principal amount of the Competitive Bid Borrowing requested by Borrower. Borrower shall notify Administrative Agent by telex or telecopier whether and to what extent it has decided to accept or reject any or all of the bids referred to in paragraph (c) above, not later than 10:00 a.m. (Dallas, Texas time), one (1) Domestic Business Day (in the case of any request for Competitive Bid Fixed Rate Loans) or three (3) Eurodollar Business Days (in the case of any request for Competitive Bid Eurodollar Loans) before the date specified for a proposed Competitive Bid Borrowing; provided, however, that (w) the failure by Borrower to give such notice

shall be deemed to be a rejection of all the bids referred to in paragraph (c) above, (x) Borrower shall not accept a bid made at a particular Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin if Borrower has decided to reject a bid made at a lower Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin, (y) if Borrower shall accept bids made at a particular Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin but shall be restricted by other conditions hereof from borrowing the principal amount of all Competitive Bid Loans in respect of which bids at such Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin have been made, then Borrower shall accept a pro rata portion of each bid made at such Competitive Bid Fixed Rate or Competitive Bid Eurodollar Margin based as nearly as possible on the respective principal amounts of Competitive Bid Loans for which such bids were made, and (z) no bid shall be accepted for a Competitive Bid Loan unless such Competitive Bid Loan is in a minimum principal amount of $1,000,000 and an integral multiple of $100,000. Notwithstanding the foregoing, if it is necessary for Borrower to accept a pro rata allocation of the bids made in response to a Competitive Bid Request (whether pursuant to the events specified in clause (y) above or otherwise) and the available principal amount of Competitive Bid Loans to be allocated among Banks is not sufficient to enable Competitive Bid Loans to be allocated to each Bank in a minimum principal amount of $1,000,000 and in integral multiples of $100,000, then Borrower shall select Banks to be allocated such Competitive Bid Loans and shall round allocations up or down to the next higher or lower multiple of $100,000 as it shall deem appropriate. A notice given by Borrower pursuant to this paragraph (d) shall be irrevocable.

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

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

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

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

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

proposed Eurodollar Borrowing. Each Request for Committed Loans shall be substantially in the form of Exhibit F hereto, and shall specify:

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

(ii) the aggregate amount of such Committed Borrowing;

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

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

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

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

(d) If any Bank makes a new Committed Loan hereunder on a day on which Borrower is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Committed Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to Administrative Agent or remitted by Borrower to Administrative Agent, as the case may be.

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

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

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

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

SECTION 2.5. Interest Rates. (a) Each Base Rate Loan shall bear interest on the outstanding principal balance thereof at a rate per annum equal to the sum of the Applicable Margin plus the Base Rate in effect from day to day, each change in the Base Rate to be effective without notice to Borrower on the effective date of each such change, provided that in no event shall the rate charged hereunder or under the Notes exceed the Maximum Lawful Rate. Interest on each Base Rate Loan shall be payable as it accrues on each Quarterly Date.

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

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

(d) Each Competitive Bid Eurodollar Loan shall bear interest at a rate per annum equal to the sum of (i) the Competitive Bid Eurodollar Margin offered by the Bank making such Competitive Bid Eurodollar Loan in such Bank's Competitive Bid and accepted by Borrower pursuant to Section 2.2.1, plus (ii) the applicable Adjusted Eurodollar Rate; provided, that in no event shall the rate charged hereunder or under the

Notes exceed the Maximum Lawful Rate. Interest on each Competitive Bid Eurodollar Loan shall be payable on the last day of the Interest Period applicable thereto.

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

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

SECTION 2.6. [Intentionally Deleted].

SECTION 2.7. Voluntary Prepayments. Borrower may, subject to Section 5.1 and the other provisions of this Agreement, upon three (3) Business Days advance notice to Administrative Agent, prepay the principal of Committed Loans then outstanding in whole or in part. Any partial prepayment shall be in a minimum amount of $500,000 and shall be in an integral multiple of $100,000. Voluntary prepayments of Competitive Bid Loans are not permitted.

SECTION 2.8. [Intentionally Deleted].

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

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

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

SECTION 2.12. Commitment Fee. On the Termination Date, on each Quarterly Date prior to the Termination Date, and, in the event the Commitments are terminated in their entirety prior to the Termination Date, on the date of such termination, Borrower shall pay to Administrative Agent, for the ratable benefit of each Bank based on each Bank's Commitment Percentage, a commitment fee equal to the Commitment Fee Percentage (applied on a per annum basis and computed on the basis of actual days elapsed and as if each calendar year consisted of 365 days) of the remainder of the following for each day during the Fiscal Quarter (or portion thereof) ending on such date (a) the Borrowing Base in effect on such day, minus (b) the sum of (i) the aggregate outstanding principal balance of all Committed Loans on such day, plus (ii) the aggregate outstanding Letter of Credit Exposure on such day.

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

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

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

ARTICLE III

BORROWING BASE

SECTION 3.1. Reserve Report; Borrowing Base as of the Closing Date; Proposed Borrowing Base. The Borrowing Base as of the Closing Date shall be $150,000,000.00. As soon as available and in any event by March 1 of each year, Borrower shall (a) make or

cause to be made available to Administrative Agent and each Bank for its review and inspection at Borrower's offices in Taft, California and at the offices of the Approved Petroleum Engineer (or at such other locations as Administrative Agent, the Borrower and the Banks may mutually agree) a Reserve Report prepared as of the immediately preceding December 31, and (b) deliver to Administrative Agent and each Bank a Reserve Summary and a Reserve Engineer's Letter prepared with respect to such Reserve Report. On or before April 1 of each year (or if such day is not a Domestic Business Day, on or before the Domestic Business Day immediately preceding April 1 (or on such other Domestic Business Day on or around April 1 as Administrative Agent, Borrower and Banks shall mutually agree), Borrower shall make available in Dallas, Texas (or at such other locations as Administrative Agent, the Borrower and the Banks may mutually agree) the appropriate representatives of the Approved Petroleum Engineer and Borrower's in house engineering staff for a meeting with the engineering staff of each Bank to review the data contained in the Reserve Report and such other geologic, geophysical and other information regarding Borrower's Mineral Interests as each Bank shall request. Simultaneously with the delivery to Administrative Agent and each Bank of each Reserve Summary and Reserve Engineer's Letter commencing with the Reserve Summary and Reserve Engineer's Letter to be delivered on or before March 1, 2000, Borrower shall notify each Bank of the amount of the Borrowing Base which Borrower requests becomes effective on the next April 1 (or such date promptly following April 1 as Required Banks shall elect).

SECTION 3.2. Scheduled Redeterminations of the Borrowing Base; Procedures and Standards. Based in part on the Reserve Report made available to Banks pursuant to Section 3.1, Banks shall redetermine the Borrowing Base on or prior to May 1 of each calendar year (or such date promptly thereafter as Required Banks shall elect). Any Borrowing Base which becomes effective as a result of any Redetermination of the Borrowing Base shall be subject to the following restrictions: (a) such Borrowing Base shall not exceed the Borrowing Base requested by Borrower pursuant to Sections 3.1 or 3.3 (as applicable), (b) such Borrowing Base shall not exceed the Total Commitment then in effect, (c) to the extent such Borrowing Base represents an increase from the Borrowing Base in effect prior to such Redetermination, such Borrowing Base shall be approved by all Banks, and (d) any Borrowing Base which represents a decrease in the Borrowing Base in effect prior to such Redetermination shall be approved by Required Banks. Subject to Banks' consistent application of their respective standards for similar credits (which may vary from Bank to Bank) each Redetermination shall be made by Banks in their sole discretion. Without limiting such discretion, Borrower acknowledges and agrees that Banks (i) may make such assumptions regarding appropriate existing and projected pricing for hydrocarbons as they deem appropriate in their sole discretion, (ii) may make such assumptions regarding projected rates and quantities of future production of hydrocarbons from the Borrowing Base Properties as they deem appropriate in their sole discretion, (iii) may consider the projected cash requirements of Borrower, (iv) are not required to consider any asset other than Borrowing Base Properties, and (v) may make such other assumptions, considerations and exclusions as Banks deem appropriate in the exercise of their sole discretion. Promptly following any Redetermination of the Borrowing Base, Administrative Agent shall notify Borrower of the amount of the Borrowing Base as redetermined, which Borrowing Base shall be effective as of the date of such notice, and shall remain in effect for all purposes of this Agreement until the next Scheduled or Special Redetermination.

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

(b) In addition to Scheduled Redeterminations, Borrower shall be permitted to request a Special Redetermination of the Borrowing Base once in each Fiscal Year. Such request shall be submitted to Administrative Agent and Required Banks and at the time of such request Borrower shall (i) make, or cause to be made, a Reserve Report available to Administrative Agent and the Banks for their review and inspection at Borrower's offices in Taft, California, and at the offices of the Approved Petroleum Engineer, and (ii) deliver to Administrative Agent and each Bank a Reserve Summary and Reserve Engineer's Letter prepared with respect to such Reserve Report. Together with such request, Borrower shall also notify each Bank of the Borrowing Base requested by Borrower in connection with such Special Redetermination;

(c) Any Special Redetermination shall be made by Banks in accordance with the procedures and standards set forth in Section 3.2; provided, that, no Reserve Report, Reserve Summary or Reserve Engineer's Letter will be required to be made available or delivered to Banks in connection with any Special Determination requested by Required Banks pursuant to clause (a) above.

SECTION 3.4. Borrowing Base Deficiency. If a Borrowing Base Deficiency exists after giving effect to any Redetermination, Borrower shall be obligated to eliminate such Borrowing Base Deficiency over a period not to exceed six (6) months from the effective date of such Redetermination by making six (6) mandatory, equal, consecutive, monthly payments of principal on the Loans, each of which shall be in the amount of one sixth (1/6th) of such Borrowing Base Deficiency. The first of such six (6) payments shall be due on the thirtieth (30th) day following the effective date of each such Redetermination and each subsequent payment shall be due on the same day of each month thereafter (or if there is no corresponding day of any subsequent month, then on the last day of such month). If a Borrowing Base Deficiency cannot be eliminated pursuant to this Section 3.4, by prepayment of all outstanding Loans in full (as a result of outstanding Letter of Credit Exposure), simultaneously with each principal payment required pursuant to this Section 3.4, Borrower shall deposit cash or U.S. Treasury securities with a maturity of one year or less with Administrative Agent, to be held by Administrative Agent to secure outstanding Letter of Credit Exposure in the manner contemplated by Section 2.1(b), in an amount at least equal to one sixth (1/6th) of the aggregate amount of cash or Treasury securities which must be deposited with Administrative Agent to fully eliminate such Borrowing Base Deficiency.

ARTICLE IV

GENERAL PROVISIONS

SECTION 4.1. Delivery and Endorsement of Notes. Simultaneously with the execution of this Agreement, Administrative Agent shall deliver to each Bank the Notes payable to such Bank referenced in Section 6.1(a). Each Bank may endorse (and prior to any transfer of its Note shall endorse) on the schedules forming a part thereof appropriate notations to evidence the date and amount of each Loan made by it, the Interest Period

applicable thereto, and the date and amount of each payment of principal made by Borrower with respect thereto, provided that the failure by any Bank to so endorse its Note shall not affect the liability of Borrower for the repayment of all amounts outstanding under such Note together with interest thereon. Each Bank is hereby irrevocably authorized by Borrower to endorse its Note and to attach to and make a part of any Note a continuation of any such schedule as required.

SECTION 4.2. General Provisions as to Payments. (a) Borrower shall make each payment of principal of, and interest on, the Loans and all fees payable hereunder shall be paid not later than 12:00 noon (Dallas, Texas time) on the date when due, in Federal or other funds immediately available in Dallas, Texas, to Administrative Agent at its address referred to in Section 13.1. Administrative Agent will promptly (and if such payment is received by Administrative Agent by 10:00 a.m., and otherwise if reasonably possible, on the same Domestic Business Day) distribute to each Bank its share (as determined in accordance with the other provisions of this Agreement) of each such payment received by Administrative Agent for the account of Banks. Whenever any payment of principal of, or interest on, Base Rate Loans or Competitive Bid Fixed Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day (subject to the definition of Interest Period). Whenever any payment of principal of, or interest on, the Eurodollar Loans shall be due on a day which is not a Eurodollar Business Day, the date for payment thereof shall be extended to the next succeeding Eurodollar Business Day (subject to the definition of Interest Period). If the date for any payment of principal is extended by operation of Law or otherwise, interest thereon shall be payable for such extended time. Borrower hereby authorizes Administrative Agent to charge from time to time against Borrower's accounts with Administrative Agent any amount then due.

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

(c) After the occurrence of an Event of Default, all amounts collected or received by Administrative Agent or any Bank in respect of the Obligations shall be applied first to the payment of all proper costs incurred by Administrative Agent in connection with the collection thereof (including reasonable expenses and disbursements of Administrative Agent), second to the payment of all proper costs incurred by Banks in connection with the collection thereof (including reasonable expenses and disbursements of Banks), third to the reimbursement of any advances made by Banks to effect performance of any unperformed covenants of Borrower under any of the Loan Papers, fourth to the payment of any unpaid agency fees required pursuant to Section 2.13, fifth to the payment of any unpaid fees required pursuant to Sections 2.1(b), and 2.12 and sixth, to payment of the Loans to each Bank in accordance with each Bank's Sharing Percentage.

SECTION 4.3. Computation of Interest. Interest payable on the Loans hereunder shall be computed based on the number of actual days elapsed assuming that each calendar year consisted of 360 days.

SECTION 4.4. Overdue Principal and Interest. Any overdue principal of and, to the extent permitted by Law, overdue interest on any Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the lesser of (a) the sum of three percent (3%) plus the Base Rate, or (b) the Maximum Lawful Rate.

SECTION 4.5. Capital Adequacy. Notwithstanding any provision contained herein to the contrary, if, with respect to all or any portion of any Commitment, any Law is hereafter promulgated or adopted regarding capital adequacy, or any change is hereafter made or adopted with respect to any existing Law regarding capital adequacy, or any ruling or interpretation regarding capital adequacy is hereafter made by any Governmental Authority or central bank or other comparable authority, or any Bank complies with any request or directive hereafter made by any Governmental Authority or central bank or other comparable authority regarding capital adequacy (whether or not having the force of Law), and the effect of any of the foregoing is to cause a reduction in the rate of return on such Bank's capital as a consequence of such Bank's obligations hereunder to a level below that which such Bank otherwise could have achieved (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material (and such Bank may, in determining such amount, utilize such assumptions and allocations of costs and expenses as such Bank shall deem reasonable and may use any reasonable averaging or attribution method), then, such Bank shall notify Borrower and Administrative Agent and deliver to Borrower and Administrative Agent a certificate setting forth in reasonable detail (a) the Law (or change therein or change in interpretation thereof) giving rise to such request for compensation, and (b) the calculation of the amount necessary to compensate such Bank therefor, which certificate shall constitute prima facie evidence of the contents thereof. Borrower shall promptly pay such amount to such Bank; provided, however, that no Bank shall make any request for compensation under this Section 4.5, and Borrower shall not be obligated to compensate any Bank under this Section 4.5 for any reduction on the rate of return on such Bank's capital for any period prior to the 180th day prior to the date of any notice requesting compensation delivered pursuant to this Section 4.5.

SECTION 4.6. Taxes. All amounts payable by Borrower under the Loan Papers (whether principal, interest, fees, expenses, or otherwise) to or for the account of each Bank shall be paid in full, free of any deductions or withholdings for or on account of any Taxes. If Borrower is prohibited by Law from paying any such amount free of any such deductions and withholdings, then (at the same time and in the same manner that such original amount is otherwise due under the Loan Papers) Borrower shall pay to or for the account of such Bank such additional amount as may be necessary in order that the actual amount received by such Bank after deduction and/or withholding (and after payment of any additional Taxes due as a consequence of the payment of such additional amount, and so on) will equal the amount such Bank would have received if such deduction or withholding were not made.

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

SECTION 4.8. Foreign Lenders, Participants, and Assignees. Each Bank, Participant (by accepting a participation interest under this Agreement), and Assignee (by executing an Assignment and Assumption Agreement) that is not organized under the laws of the United States of America or one of its states (a) represents to each Administrative Agent and Borrower that (i) no Taxes are required to be withheld by Administrative Agent or Borrower with respect to any payments to be made to it in respect of the Obligations and (ii) it has furnished to Administrative Agent and Borrower two duly completed copies of either U.S. Internal Revenue Service Form 4224, Form 1001, Form W-8, or other form acceptable to Administrative Agent that entitles it to exemption from U.S. federal withholding Tax on all interest payments under the Loan Papers, and (b) covenants to (i) provide Administrative Agent and Borrower a new Form 4224, Form 1001, Form W-8, or other form acceptable to Administrative Agent upon the expiration or obsolescence of any previously delivered form according to applicable laws and regulations, duly executed and completed by it, and (ii) comply from time to time with all applicable laws and regulations with regard to the withholding Tax exemption. If any of the foregoing is not true or the applicable forms are not provided, then Borrower and Administrative Agent (without duplication) may deduct and withhold from interest payments under the Loan Papers any United States federal-income Tax at the maximum rate under the Code, and Borrower shall not have to pay such withheld funds to the applicable Bank, Participant or Assignee to satisfy Section 4.6 hereof.

SECTION 4.9. Replacement of a Bank. If any Bank has requested compensation or reimbursement in accordance with the terms of Sections 4.5, 4.6 or 5.4 hereof or any Bank has notified Administrative Agent and Borrower that its obligations to make Eurodollar Loans has been suspended pursuant to Section 5.3 hereof, and (a) such request or notification is not the result of any uniform changes in the statutes or regulations for capital adequacy or eurodollar deposits generally, (b) there exists no Default or Event of Default hereunder, and (c) the Borrower and such Bank are unable to reach a written agreement regarding such request or suspension within 30 days following written notice by such Bank to the Borrower and Administrative Agent of such request or suspension, then after the expiration of 30 days following the delivery of the notice under Sections 4.5, 4.6, 5.3 or 5.4, Borrower may replace such Bank in whole with an Assignee reasonably acceptable to Administrative Agent pursuant to an Assignment and Assumption Agreement in accordance with Section 13.9 hereof. Until such time as any Bank is replaced by Borrower, the Borrower shall reimburse or compensate such Bank in accordance with the terms of Sections 4.5, 4.6, or 5.4, and on date that it is so replaced such Bank shall be paid (such payment to be made by either Borrower and/or the Assignee) in full all principal, interest, fees and other amounts owing to such Bank through the effective date of replacement plus an amount equal to the amount, if any, that would have been due to such Bank under Section 5.1 had all of such Bank's Loans been paid in full by Borrower on such date of replacement.

ARTICLE V

SPECIAL PROVISIONS REGARDING EURODOLLAR LOANS AND LETTERS OF CREDIT

SECTION 5.1. Funding Losses. If Borrower makes any payment of principal with respect to any Committed Eurodollar Loan or Competitive Bid Loan (whether pursuant to Sections 2.7, 2.9, 2.10, 3.4, 11.1, the remaining provisions of this Article V or as a voluntary or mandatory prepayment or otherwise) on any day other than the last day of an

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

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

SECTION 5.3. Illegality of Eurodollar Loans. (a) If, after the date of this Agreement, the adoption of any Law or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Eurodollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Eurodollar Lending Office) to make, maintain or fund its Eurodollar Loans and such Bank shall so notify Administrative Agent, Administrative Agent shall forthwith give notice thereof to the other Banks and Borrower. Until such Bank notifies Borrower and Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Eurodollar Loans shall be suspended. Before giving any notice to Administrative Agent pursuant to this Section 5.3, such Bank shall designate a different Eurodollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Eurodollar Loans to maturity and shall so specify in such notice, Borrower shall immediately convert the principal amount of each such Eurodollar Loan to a Base Rate Loan of an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the unaffected Eurodollar Loans made by the other Banks).

(b) No Bank shall be required to make any Loan hereunder if the making of such Loan would be in violation of any Law applicable to such Bank.

SECTION 5.4. Increased Costs and Reduction of Return. If, after the date hereof, the adoption of any applicable Law or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive (whether or not having the force of Law) of any such authority, central bank or comparable agency:

(a) shall subject any Bank (or its Lending Office) to any Tax with respect to its Eurodollar Loans, or its Notes or its obligation to make Eurodollar Loans or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Eurodollar Loans or any other amounts due under this Agreement in respect of its Eurodollar Loans or its obligation to make Eurodollar Loans (except for changes in the rate of Tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Lending Office is located); or

(b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Loan any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of or credit extended by, any Bank's Lending Office or shall impose on any Bank (or its Lending Office) or the London interbank market any other condition affecting its Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans or its issuance of or participation in Letters of Credit;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) making or maintaining any Eurodollar Loan or issuing or participating in Letters of Credit, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within five (5) days after demand by such Bank (with a copy to Administrative Agent), Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. Each Bank will promptly notify Borrower and Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section 5.4 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 5.4 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 5.5. Alternative Loans Substituted for Affected Eurodollar Loans. If (a) the obligation of any Bank to make Eurodollar Loans has been suspended pursuant to Section 5.3 or (b) any Bank has demanded compensation under Section 5.4 and Borrower shall, by at least five (5) Eurodollar Business Days prior notice to such Bank through

Administrative Agent, have elected that the provisions of this Section 5.5 shall apply to such Bank, then, unless and until such Bank notifies Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as Eurodollar Loans shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the unaffected Eurodollar Loans of the other Banks), and

(b) after each of its Eurodollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Eurodollar Loans shall be applied to repay its Base Rate Loans.

SECTION 5.6. Discretion of Banks as to Manner of Funding. Notwithstanding any provisions of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Bank had actually funded and maintained each Eurodollar Loan during the Interest Period for such Eurodollar Loan through the purchase of deposits having a maturity corresponding to the last day of such Interest Period and bearing an interest rate equal to the Eurodollar Rate for such Interest Period.

ARTICLE VI

CONDITIONS

SECTION 6.1. Conditions to Initial Borrowing and Participation in Letter of Credit Exposure. The obligation of each Bank to make a Loan on the initial Borrowing and to participate in Letter of Credit Exposure hereunder is subject to the condition precedent that, on or before the date of such Borrowing or issuance of such Letter of Credit, Administrative Agent shall have received the following, in form and substance satisfactory to the Required Banks:

(a) a Committed Note and a Competitive Bid Note payable to the order of each Bank, each in the amount of such Bank's Commitment, duly executed by Borrower, dated the date hereof;

(b) a copy of the Certificate of Incorporation, and all amendments thereto, of Borrower accompanied by a certificate of the Secretary of Borrower that such copy is true, correct and complete on the date hereof;

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

(d) certain certificates and other documents issued by the appropriate Governmental Authorities of Borrower's state of incorporation and of each jurisdiction in which Borrower is qualified to do business, relating to the existence of Borrower and to the effect that Borrower is in good standing with respect to the payment of franchise and similar Taxes and is duly qualified to transact business in such jurisdictions;

(e) a certificate of incumbency of all officers of Borrower who will be authorized to execute or attest to any Loan Paper, dated the date hereof, executed by the Secretary of Borrower;

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

(g) payment of the fees and other amounts due as of the Closing Date;

(h) an opinion of Nordman, Cormany, Hair & Compton, counsel for Borrower dated the date hereof, favorably opining as to the enforceability of each of the Loan Papers and otherwise in form and substance satisfactory to Administrative Agent and Banks;

(i) a certificate signed by an Authorized Officer stating that (i) the representations and warranties contained in this Agreement are true and correct in all respects, and (ii) no Default or Event of Default has occurred and none is in existence;

(j) a Certificate of Ownership Interests signed by an Authorized Officer of Borrower in the form of Exhibit H attached hereto; and

(k) such other documents, instruments, agreements and actions as may reasonably be required by Administrative Agent and each Bank.

SECTION 6.2. Conditions to Each Borrowing and Participation in Letter of Credit Exposure. The obligation of each Bank to make Loans on each Borrowing and to participate in Letter of Credit Exposure and the obligation of the Issuer to issue any Letter of Credit hereunder is subject to the satisfaction of each of the following conditions:

(a) timely receipt by Administrative Agent of a Competitive Bid Request, a Request for Committed Loans or a Request for a Letter of Credit (as applicable);

(b) immediately before and after giving effect to such Borrowing or issuance of such Letter of Credit, no Default or Event of Default shall have occurred and be continuing and the making of any Loan in connection with such Borrowing or the issuance of the requested Letter of Credit (as applicable) shall not cause a Default or Event of Default;

(c) the representations and warranties of Borrower contained in this Agreement shall be true and correct on and as of the date of such Borrowing or issuance of such Letter of Credit (as applicable);

(d) the amount of the requested Borrowing or the amount of the requested Letter of Credit shall not exceed the Availability;

(e) no material adverse change in the business, financial condition, operations or prospects of Borrower or any of its Subsidiaries shall have occurred; and

(f) the making of such Loans or the issuance of such Letter of Credit shall be permitted by applicable Law.

Each Borrowing hereunder shall be deemed to be a representation and warranty by Borrower on the date of such Borrowing as to the facts specified in Sections 6.2(b) through (e).

SECTION 6.3. Materiality of Conditions. Each condition precedent herein is material to the transactions contemplated herein, and time is of the essence in respect of each thereof.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Administrative Agent and each Bank as follows:

SECTION 7.1. Corporate Existence and Power (Borrower). Borrower (a) is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, (b) has all corporate power and all material governmental licenses, authorizations, consents and approvals required to carry on its businesses as now conducted and as proposed to be conducted, and (c) is duly qualified to transact business as a foreign corporation in each jurisdiction where a failure to be so qualified could have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole.

SECTION 7.2. Existence and Power (Subsidiaries). Each Subsidiary of Borrower (a) is a corporation, limited liability company or partnership duly incorporated or organized (as applicable) validly existing and in good standing under the laws of its state of incorporation or organization (as applicable), (b) has all corporate, limited liability company or partnership power (as applicable) and all material governmental licenses, authorizations, consents and approvals required to carry on its businesses as now conducted and as proposed to be conducted, and (c) is duly qualified to transact business as a foreign corporation, foreign limited liability company or foreign partnership (as applicable) in each jurisdiction where a failure to be so qualified could have a material adverse effect on their respective financial condition or operations.

SECTION 7.3. Corporate and Governmental Authorization: Contravention. The execution, delivery and performance of this Agreement, the Notes and the other Loan Papers by Borrower are within Borrower's corporate powers, when executed will be duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any Governmental Authority and do not contravene, or constitute a default under, any provision of applicable Law (including, without limitation, the Margin Regulations) or of the Certificate of Incorporation or bylaws of Borrower or of any agreement,

judgment, injunction, order, decree or other instrument binding upon Borrower or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of Borrower or any of its Subsidiaries.

SECTION 7.4. Binding Effect. This Agreement constitutes a valid and binding agreement of Borrower; the Notes and the other Loan Papers when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of Borrower; and each Loan Paper is enforceable against Borrower in accordance with its terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors rights generally, and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

SECTION 7.5. Financial Information. (a) The most recent annual audited consolidated balance sheet of Borrower and the related consolidated statements of operations and cash flows for the fiscal year then ended, copies of which have been delivered to each of Banks, fairly present, in conformity with GAAP, the consolidated financial position of Borrower as of the end of such fiscal year and its consolidated results of operations and cash flows for such fiscal year.

(b) The most recent quarterly unaudited consolidated balance sheet of Borrower delivered to Banks, and the related unaudited consolidated statements of operations and cash flows for the portion of Borrower's fiscal year then ended, fairly present, in conformity with GAAP applied on a basis consistent with the financial statements referred to in Section 7.5(a), the consolidated financial position of Borrower as of such date and its consolidated results of operations and cash flows for such portion of Borrower's fiscal year.

(c) Except as disclosed in writing to Banks prior to the execution and delivery of this Agreement, since the date of the most recent quarterly consolidated balance sheet and consolidated statements of operations and cash flow delivered to Banks, there has been no material adverse change in the business, financial position, results of operations or prospects of Borrower or any of its Subsidiaries.

SECTION 7.6. Litigation. Except for matters disclosed on Schedule 7.6 attached hereto, there is no action, suit or proceeding pending against, or to the knowledge of Borrower, threatened against or affecting Borrower or any of its Subsidiaries before any Governmental Authority in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole, or which could in any manner draw into question the validity of the Loan Papers.

SECTION 7.7. ERISA. Neither Borrower nor any ERISA Affiliate maintains or contributes to any Plan other than those disclosed to Administrative Agent in writing. Neither Borrower nor any ERISA Affiliate maintains or has ever maintained or been obligated to contribute to any Plan covered by Title IV of ERISA or subject to the funding requirements of Section 412 of the Code or Section 302 of ERISA, or a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA. Each Plan maintained by Borrower or any ERISA Affiliate is in compliance in all material respects with the applicable provisions of ERISA, the Code and any other applicable Federal or state law, rule or regulation. All returns, reports and notices required to be filed with any regulatory agency with respect to any Plan have been filed timely. Neither Borrower nor any ERISA

Affiliate has failed to make any contribution or pay any amount due or owing as required by the terms of any Plan. There are no pending or, to the best of Borrower's knowledge, threatened claims, lawsuits, investigations or actions (other than routine claims for benefits in the ordinary course) asserted or instituted against, and neither Borrower nor any ERISA Affiliate has knowledge of any threatened litigation or claims against, the assets of any Plan or its related trust or against any fiduciary of a Plan with respect to the operation of such Plan that are likely to result in liability of Borrower having a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole. Each Plan that is intended to be "qualified" within the meaning of section 401 (a) of the Code is, and has been during the period from its adoption to date, so qualified, both as to form and operation and all necessary governmental approvals, including a favorable determination as to the qualification under the Code of such Plan and each amendment thereto, have been or will be timely obtained. Neither Borrower nor any ERISA Affiliate has engaged in any prohibited transactions, within the meaning of section 406 of ERISA or section 4975 of the Code, in connection with any Plan which would result in liability of Borrower having a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole. Neither Borrower nor any ERISA Affiliate maintains or contributes to any Plan that provides a post-employment health benefit, other than a benefit required under Section 601 of ERISA, or maintains or contributes to a Plan that provides health benefits that is not fully funded. Neither Borrower nor any ERISA Affiliate maintains, has established or has ever participated in a multiple employer welfare benefit arrangement within the meaning of section 3(40)(A) of ERISA.

SECTION 7.8. Taxes and Filing of Tax Returns. Borrower and each of its Subsidiaries have filed all material tax returns required to have been filed and have paid all Taxes shown to be due and payable on such returns, including interest and penalties, and all other Taxes which are payable by such party, to the extent the same have become due and payable, other than Taxes with respect to which a failure to pay would not have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole. Borrower does not know of any proposed material Tax assessment against it or any of its Subsidiaries, and all Tax liabilities of each of Borrower and its Subsidiaries are adequately provided for. Except as hereinafter disclosed in writing to Banks, no income tax liability of Borrower or any of its Subsidiaries has been asserted by the Internal Revenue Service for Taxes in excess of those already paid which assertion is reasonably expected to be ultimately resolved in a manner adverse to Borrower and which, if so resolved, will have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole.

SECTION 7.9. Ownership of Properties Generally. Borrower and each of its Subsidiaries have good and valid fee simple or leasehold title to all material properties and assets purported to be owned by them, including, without limitation, all assets reflected in the balance sheets referred to in Section 7.5(a) and (b) and all assets which are used by Borrower and its Subsidiaries in the operation of their respective businesses, and none of such properties or assets is subject to any Lien other than Permitted Encumbrances.

SECTION 7.10. Mineral Properties. Borrower has good, indefeasible, record title to all Mineral Interests described in the Reserve Report, free and clear of all Liens except Permitted Encumbrances. All such Mineral Interests are valid, subsisting, and in full

force and effect, and all rentals, royalties, and other amounts due and payable in respect thereof have been duly paid. Without regard to any consent or non-consent provisions of any joint operating agreement covering any of Borrower's Proved Mineral Interests, Borrower's share of (a) the costs for each Proved Mineral Interest described in the Reserve Report is not greater than the decimal fraction set forth in the Reserve Report, before and after payout, as the case may be, and described therein by the respective designations "working interests", "WI", "gross working interest", "GWI", or similar terms, and (b) production from, allocated to, or attributed to each such Proved Mineral Interest is not less than the decimal fraction set forth in the Reserve Report, before and after payout, as the case may be, and described therein by the designations net revenue interest, NRI, or similar terms. Each well drilled in respect of each Proved Producing Mineral Interest described in the Reserve Report (y) is capable of, and is presently, producing hydrocarbons in commercially profitable quantities, and Borrower is currently receiving payments for its share of production, with no funds in respect of any thereof being presently held in suspense, other than any such funds being held in suspense pending delivery of appropriate division orders, and (z) has been drilled, bottomed, completed, and operated in compliance with all applicable Laws and no such well which is currently producing hydrocarbons is subject to any penalty in production by reason of such well having produced in excess of its allowable production.

SECTION 7.11. [intentionally deleted]

SECTION 7.12. Licenses, Permits, Etc. Borrower and each of its Subsidiaries possess such valid franchises, certificates of convenience and necessity, operating rights, licenses, permits, consents, authorizations, exemptions and orders of Governmental Authorities, as are necessary to carry on their respective businesses as now conducted, except to the extent a failure to obtain any such item would not have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole.

SECTION 7.13. Compliance with Law. The business and operations of Borrower and its Subsidiaries have been and are being conducted in accordance with all applicable Laws other than violations of Laws which do not (either individually or collectively) have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole.

SECTION 7.14. Full Disclosure. All information heretofore furnished by Borrower (or any other party in its behalf) to Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by Borrower or in its behalf to Administrative Agent or any Bank will be, true, complete and accurate in every material respect or (to the extent disclosed) based on reasonable estimates on the date as of which such information is stated or certified. Borrower has disclosed to Banks in writing any and all facts (other than facts of general public knowledge) which might reasonably be expected to materially and adversely affect the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole or the ability of Borrower and its Subsidiaries to perform their obligations under this Agreement and the other Loan Papers.

SECTION 7.15. Corporate Structure. Borrower does not have any Subsidiaries on the Closing Date.

SECTION 7.16. Environmental Matters. Except for matters disclosed on Schedule 7.16 hereto, no real or personal property owned or leased by Borrower or any Subsidiary of Borrower (including, without limitation, Borrower's and its Subsidiaries Mineral Interests) and no operations conducted thereon, and to Borrower's knowledge, no operations of any prior owner, lessee or operator of any such properties, is or has been in violation of any Applicable Environmental Law other than violations which neither individually or in the aggregate will have a material adverse effect on Borrower and its Subsidiaries taken as a whole. Except for matters disclosed on Schedule 7.16 hereto, neither Borrower, any Subsidiary of Borrower, nor any such property or operation is the subject of any existing, pending or, to Borrower's knowledge, threatened action, suit, investigation, inquiry or preceding with respect to Applicable Environmental Laws which could, individually or in the aggregate, have a material adverse effect on Borrower and its Subsidiaries taken as a whole. All notices, permits, licenses, and similar authorizations, required to be obtained or filed in connection with the ownership or operation of each tract of real property and each item of personal property owned, leased or operated by Borrower or any of its Subsidiaries, including, without limitation, notices, licenses, permits and authorizations required in connection with any past or present treatment, storage, disposal, or release of hazardous substances, petroleum, or solid waste into the environment, have been duly obtained or filed except to the extent the failure to obtain or file such notices, licenses, permits and authorizations would not have a material adverse effect on Borrower or any of its Subsidiaries taken as a whole. To Borrower's knowledge, all hazardous substances, generated at each tract of real property and by each item of personal property owned, leased or operated by Borrower or any of its Subsidiaries have been transported, treated, and disposed of only by carriers maintaining valid permits under RCRA and all other Applicable Environmental Laws. Except for matters disclosed on Schedule 7.16 hereto, there has been no release or threatened release of any quantity of any hazardous substances or petroleum on, to or from any real or personal property owned, leased, or operated by Borrower or any Subsidiary which was not in compliance with Applicable Environmental Laws other than releases which would not, individually or in the aggregate, have a material adverse effect on Borrower and its Subsidiaries considered as a whole. Except for matters disclosed on Schedule 7.16 hereto, neither Borrower nor any Subsidiary has any contingent liability in connection with any release or threatened release of any hazardous substance, petroleum, or solid waste into the environment which could reasonably be expected to have a material adverse effect on Borrower and its Subsidiaries considered as a whole.

SECTION 7.17. Burdensome Obligations. Neither Borrower, any Subsidiary of Borrower, nor any of their respective properties, is subject to any Law or any pending or threatened change of Law or subject to any restriction under its certificate (or articles) of incorporation or bylaws or under any agreement or instrument to which Borrower or any Subsidiary of Borrower is a party or by which Borrower or any Subsidiary of Borrower or any of their respective properties may be subject or bound, which is so unusual or burdensome as to be likely in the foreseeable future to have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole. Without limiting the foregoing, neither Borrower nor any of its Subsidiaries is a party to or bound by any agreement or subject to any order of any Governmental Authority which prohibits or restricts in any way the right of a Subsidiary of Borrower to make Distributions.

SECTION 7.18. Fiscal Year. Borrower's Fiscal Year is January 1 through December 31.

SECTION 7.19. No Default. Neither a Default nor an Event of Default has occurred or will exist after giving effect to the transactions contemplated by this Agreement.

SECTION 7.20. Government Regulation. Neither Borrower nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act (as any of the preceding acts have been amended), the Investment Company Act of 1940 or any other law which regulates the incurring by Borrower of Debt, including, but not limited to laws relating to common contract carriers or the sale of electricity, gas, stream, water or other public utility services.

SECTION 7.21. Insider. Neither Borrower nor any of its Subsidiaries is, nor any officer of Borrower or its Subsidiaries, and no Person having "control" (as that term is defined in 12 U.S.C. Section 375(b) or regulations promulgated thereunder) of Borrower or any Subsidiary is an "executive officer", "director" or "shareholder" having "control" (as that term is defined in 12 U.S.C. Section 375(b) or regulations promulgated thereunder) of any Bank or any bank holding company of which any Bank is a Subsidiary or of any Subsidiary of such bank holding company.

SECTION 7.22. Gas Balancing Agreements and Advance Payment Contracts. On the date of this Agreement, (a) the net gas imbalances to Borrower and its Subsidiaries (considered in the aggregate) under all Gas Balancing Agreements to which Borrower or any of its Subsidiaries is a party or by which any Mineral Interest owned by Borrower or any of its Subsidiaries is bound, is not in excess of $500,000, and (b) the aggregate amount of all Advance Payments received by Borrower or any of its Subsidiaries under Advance Payment Contracts which have not been satisfied by delivery of production does not exceed $500,000.

SECTION 7.23. Year 2000 Compliance. Borrower has (a) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by Borrower or any of its Subsidiaries (or suppliers, vendors and customers) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31,1999), (b) developed a plan and time line for addressing the Year 2000 Problem on a timely basis, and (c) to date, implemented that plan in accordance with that timetable. Based on the foregoing, Borrower believes that all computer applications (including those of its suppliers, vendors and customers) that are material to its or any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so could not reasonably be expected to materially adversely effect the business, financial condition, operators or prospects of Borrower and its Subsidiaries considered as a whole.

ARTICLE VIII

AFFIRMATIVE COVENANTS

Borrower agrees that, so long as any Bank has any commitment to lend or participate in Letter of Credit Exposure hereunder or any amount payable under any Note remains unpaid or any Letter of Credit remains outstanding:

SECTION 8.1. Information. Borrower will deliver, or cause to be delivered, to each of Banks:

(a) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year, consolidated and consolidating balance sheets of Borrower as of the end of such Fiscal Year and the related consolidated and consolidating statements of income and changes in financial position for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported by Borrower in accordance with GAAP and audited by a firm of independent public accountants of nationally recognized standing and acceptable to Administrative Agent;

(b) (i) as soon as available and in any event within forty-five (45) days after the end of each of the first three (3) Fiscal Quarters of each Fiscal Year, consolidated and consolidating balance sheets of Borrower as of the end of such Fiscal Quarter and the related consolidated and consolidating statements of income and changes in financial position for such quarter and for the portion of Borrower's fiscal year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of Borrower's previous Fiscal Year. All financial statements delivered pursuant to this Section 8.1(b) shall be certified as to fairness of presentation, GAAP and consistency by a Financial Officer of Borrower;

(c) simultaneously with the delivery of each set of financial statements referred to in Sections 8.1(a) and (b), a certificate of a Financial Officer in the form of Exhibit I attached hereto, (i) setting forth in reasonable detail the calculations required to establish whether Borrower was in compliance with the requirements of Article X on the date of such financial statements, (ii) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which Borrower is taking or proposes to take with respect thereto, (iii) stating whether or not such financial statements fairly reflect the business and financial condition of Borrower as of the date of the delivery of such financial statements, (iv) setting forth the aggregate amount of all Investments made by Borrower which are outstanding on the date of such certificates which are of the type described in clause (d) of the definition of "Permitted Investments", herein contained, (v) setting forth (A) the amount of net gas imbalances under Gas Balancing Agreements to which Borrower or any of its Subsidiaries are parties or by which any Mineral Interests owned by Borrower or any of its Subsidiaries are bound, and (B) the aggregate amount of all Advance Payments received under Advance Payment Contracts to which Borrower or any of its Subsidiaries are parties or by which any Mineral Interests owned by Borrower or any of its Subsidiaries are bound which have not been satisfied by delivery of production, if any, and (vi) setting forth a list and description of Hedge Transactions to which Borrower or any of its Subsidiaries is then a party, including a calculation of Borrower's and its Subsidiaries' termination liability assuming each of such Hedge Transactions was terminated as of such date (whether or not

such Hedge Transactions are then terminable but without giving effect to penalties for early termination, if any);

(d) promptly upon the mailing thereof to the stockholders of Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(e) promptly upon the filing thereof, copies of all final registration statements, post-effective amendments thereto and annual, quarterly or special reports which Borrower shall have filed with the Securities and Exchange Commission; provided, that Borrower must deliver, or cause to be delivered, any annual reports which Borrower shall have filed with the Securities and Exchange Commission, within ninety (90) days after the end of each Fiscal Year of Borrower, and any quarterly reports which Borrower shall have filed with the Securities and Exchange Commission, within forty-five (45) days after the end of each of the first three (3) Fiscal Quarters of each Fiscal Year of Borrower;

(f) promptly upon request therefore by any Bank, such title opinions and other information in its possession, control or direction regarding title to the oil and gas properties owned by Borrower or its Subsidiaries as are appropriate to determine the status thereof;

(g) promptly upon receipt of same, any notice or other information received by Borrower or any Subsidiary of Borrower indicating any potential, actual or alleged (i) noncompliance with or violation of the requirements of any Applicable Environmental Law which could result in liability to Borrower or any Subsidiary for fines, clean up or any other remediation obligations or any other liability in excess of $2,000,000 in the aggregate; (ii) release or threatened release of any toxic or hazardous waste, substance, or constituent, or other substance into the environment which release would impose on Borrower or any Subsidiary a duty to report to a governmental authority or to pay cleanup costs or to take remedial action under any Applicable Environmental Law which could result in liability to Borrower or any Subsidiary for fines, clean up and other remediation obligations or any other liability in excess of $2,000,000 in the aggregate; or (iii) the existence of any Lien arising under any Applicable Environmental Law securing any obligation to pay fines, clean up or other remediation costs or any other liability in excess of $2,000,000 in the aggregate. Without limiting the foregoing, Borrower shall provide to Banks promptly upon receipt of same copies of all environmental consultants or engineers reports received by Borrower or any Subsidiary of Borrower which would render the representation and warranty contained in Section 7.16 untrue or inaccurate in any respect; provided, however, that no report shall be required to be delivered if such report is subject to an attorney-client privilege or contains information or discloses facts which could result in liability to Borrower or any Subsidiary of Borrower for fines, cleanup and any other remediation obligations or any other liability of less than $2,000,000 in the aggregate;

(h) in the event any notification is provided by Borrower to any Bank or Administrative Agent pursuant to Section 8.1(g) hereof or Administrative Agent or any Bank otherwise learns of any event or condition under which any such notice would be required, then, upon request of Required Banks, Borrower shall deliver to Administrative Agent and each Bank such information regarding such event, condition or circumstance as Administrative Agent or Required Banks shall reasonably require;

(i) immediately upon any Authorized Officer becoming aware of the occurrence of any Default or Event of Default, a certificate of an Authorized Officer setting forth the details thereof and the action which Borrower is taking or proposes to take with respect thereto;

(j) on or before thirty (30) days following the expiration of each month, reports of net production volume and prices received for each Borrowing Base property by field during the preceding calendar month;

(k) notify Administrative Agent within thirty (30) days of any change in Borrower's Investment Guidelines;

(l) promptly notify Banks of any material adverse change in the business, financial condition, operations or prospects of Borrower or any of its Subsidiaries; and

(m) from time to time such additional information regarding the financial position or business of Borrower and its Subsidiaries as Administrative Agent, at the request of any Bank, may reasonably request.

SECTION 8.2. Maintenance of Existence. Borrower, shall, and shall cause each Subsidiary to, at all times (a) maintain its corporate, partnership or limited liability company existence in its state of incorporation or organization except to the extent any Subsidiary ceases to be in existence as a result of a merger or consolidation expressly permitted pursuant to Section 9.4, and (b) maintain its good standing and qualification to transact business in all jurisdictions where the failure to maintain good standing or qualification to transact business could have a material adverse effect on the business, financial condition, operations or prospects of Borrower or any of its Subsidiaries.

SECTION 8.3. Right of Inspection. Borrower will permit and will cause each of its Subsidiaries to permit any officer, employee or agent of Administrative Agent or any of Banks to visit and inspect any of the assets of Borrower and its Subsidiaries, examine Borrower's and its Subsidiaries' books of record and accounts, take copies and extracts therefrom, and discuss the affairs, finances and accounts of Borrower and its Subsidiaries with Borrower's and its Subsidiaries' officers, accountants and auditors, all at such reasonable times and as often as Administrative Agent or any of Banks may desire, all at the expense of Borrower; provided, that, prior to the occurrence of an Event of Default neither Administrative Agent nor any Bank will require Borrower or any of its Subsidiaries to incur any unreasonable expense as a result of the exercise by Administrative Agent or any Bank of its rights pursuant to this Section 8.3.

SECTION 8.4. Maintenance of Insurance. Borrower will, and will cause each of its Subsidiaries to (and will use its best efforts to cause all operators of Mineral Interests owned by Borrower and its Subsidiaries) at all times maintain or cause to be maintained insurance covering such risks as are customarily carried by businesses similarly situated.

SECTION 8.5. Payment of Taxes and Claims. Borrower will, and will cause each of its Subsidiaries to, pay (a) all Taxes imposed upon it or any of its assets or with respect to any of its franchises, business, income or profits before any material penalty or interest accrues thereon and (b) all material claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which

by law have or might become a Lien (other than a Permitted Encumbrance) on any of its assets; provided, however, no payment of Taxes or claims shall be required if (i) the amount, applicability or validity thereof is currently being contested in good faith by appropriate action promptly initiated and diligently conducted in accordance with good business practices and no material part of the property or assets of Borrower or any of its Subsidiaries are subject to levy or execution, (ii) Borrower as and to the extent required in accordance with GAAP, shall have set aside on its books reserves (segregated to the extent required by GAAP) deemed by it to be adequate with respect thereto, and (iii) Borrower has notified Administrative Agent of such circumstances, in detail satisfactory to Administrative Agent.

SECTION 8.6. Compliance with Laws and Documents. Borrower will and will cause each of its Subsidiaries to comply with all Laws, their respective certificates (or articles) of incorporation, bylaws and similar organizational documents and all Material Agreements to which Borrower or any of its Subsidiaries are a party, if a violation, alone or when combined with all other such violations, could have a material adverse effect on the business, financial condition, operations or prospects of Borrower or any of its Subsidiaries.

SECTION 8.7. Operation of Properties and Equipment. (a) Borrower will, and will cause each of its Subsidiaries to, maintain, develop and operate their respective Mineral Interests in a good and workmanlike manner, and observe and comply with all of the terms and provisions, express or implied, of all oil and gas leases relating to such Mineral Interests so long as such Mineral Interests are capable of producing hydrocarbons and accompanying elements in paying quantities.

(b) Borrower will, and will cause each of its Subsidiaries to, comply in all respects with all contracts and agreements applicable to or relating to their respective Mineral Interests or the production and sale of hydrocarbons and accompanying elements therefrom, except to the extent a failure to so comply could not have a material adverse effect on the business, financial condition, operations or prospects of Borrower or any of its Subsidiaries.

(c) Borrower will, and will cause each of its Subsidiaries, at all times, to maintain, preserve and keep all operating equipment used with respect to the Mineral Interests of Borrower and its Subsidiaries in proper repair, working order and condition, and make all necessary or appropriate repairs, renewals, replacements, additions and improvements thereto so that the efficiency of such operating equipment shall at all times be properly preserved and maintained; provided that no item of operating equipment need be so repaired, renewed, replaced, added to or improved, if Borrower shall in good faith determine that such action is not necessary or desirable for the continued efficient and profitable operation of the business of Borrower and its Subsidiaries.

SECTION 8.8. Environmental Law Compliance. Except to the extent a failure to comply would not have a material adverse effect on the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole, Borrower will, and will cause each of its Subsidiaries to, comply with all Applicable Environmental Laws, including, without limitation, (a) all licensing, permitting, notification and similar requirements of Applicable Environmental Laws, and (b) all provisions of all Applicable Environmental Laws regarding storage, discharge, release, transportation, treatment and disposal of hazardous substances, petroleum, solid waste or other contaminants. Borrower

will, and will cause each of its Subsidiaries to, promptly pay and discharge when due all legal debts, claims, liabilities and obligations with respect to any clean-up or remediation measures necessary to comply with Applicable Environmental Laws.

SECTION 8.9. ERISA Reporting Requirements. Borrower shall furnish or cause to be furnished to Administrative Agent:

(a) Promptly and in any event (i) within thirty (30) days after Borrower or any ERISA Affiliate receives notice from any regulatory agency of the commencement of an audit, investigation or similar proceeding with respect to a Plan, and (ii) within ten (10) days after Borrower or any ERISA Affiliate contacts the Internal Revenue Service for the purpose of participation in a closing agreement or any voluntary resolution program with respect to a Plan or knows or has reason to know that any event with respect to any Plan of Borrower or any ERISA Affiliate has occurred that could have a material adverse effect on Borrower or any ERISA Affiliate;

(b) Promptly and in any event within thirty (30) days after the receipt by Borrower of a request therefor by a Bank, copies of any annual and other report (including Schedule B thereto) with respect to a Plan filed by Borrower or any ERISA Affiliate with the United States Department of Labor, the Internal Revenue Service or the PBGC;

(c) Notification within thirty (30) days of the effective date thereof of any material increases in the benefits of any existing Plan which is not a multiemployer plan (as defined in section 4001(a)(3) of ERISA), or the establishment of any new Plans, or the commencement of contributions to any Plan to which Borrower or any ERISA Affiliate was not previously contributing;

(d) Promptly after receipt of written notice of commencement thereof, notice of all (i) claims made by participants or beneficiaries with respect to any Plan and (ii) actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting Borrower or any ERISA Affiliate with respect to any Plan, except those which, in the aggregate, if adversely determined could not have a material adverse effect on Borrower or any ERISA Affiliate.

SECTION 8.10. Additional Documents. Borrower shall cure promptly any defects in the creation and issuance of each Note, and the execution and delivery of this Agreement and the other Loan Papers and, at Borrower's expense, Borrower shall promptly and duly execute and deliver to each Bank, upon reasonable request, all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Borrower in this Agreement and the other Loan Papers as may be reasonably necessary or appropriate in connection therewith.

SECTION 8.11. Environmental Matters. Promptly upon Borrower or any Subsidiary of Borrower receiving any notice or other information indicating any potential, actual or alleged (i) non-compliance with or violation of the requirements of any Applicable Environmental Law which could result in liability to Borrower or any Subsidiary for fines, clean up or any other remediation obligations or any other liability in excess of $15,000,000 (without any reductions for insurance or offsets) in the aggregate; (ii) release or threatened release of any toxic or hazardous waste, substance, or constituent, or other substance into the environment which release would impose on

Borrower or any Subsidiary a duty to report to a governmental authority or to pay cleanup costs or to take remedial action under any Applicable Environmental Law which could result in liability to Borrower or any Subsidiary for fines, clean up and other remediation obligations or any other liability in excess of $15,000,000 (without any reductions for insurance or offsets) in the aggregate; or (iii) the existence of any Lien arising under any Applicable Environmental Law securing any obligation to pay fines, clean up or other remediation costs or any other liability in excess of $15,000,000 (without any reductions for insurance or offsets) in the aggregate; then Banks shall have the right to have environmental consultants and engineers chosen by Banks prepare reports relating to the condition described above which creates this right. Borrower shall reimburse Banks for the fees and expenses of such consultants and engineers up to $350,000 in the aggregate for each event described in the immediately preceding sentence. Such consultants and engineers, in conducting any testing, reviews and evaluations, shall operate at the direction of Borrower. Banks will make their best efforts to protect any attorney-client privilege which exists with respect to the reports prepared by such engineers and consultants pursuant to this Section 8.11.

SECTION 8.12. Year 2000 Compliance. Borrower will promptly notify Banks in the event Borrower discovers or determines that any computer application (including those of its suppliers, vendors and customers) that is material to its or any of its Subsidiaries' business and operations will not be Year 2000 compliant, except to the extent that such failure could not reasonably be expected to materially adversely effect the business, financial condition, operations or prospects of Borrower and its Subsidiaries considered as a whole.

ARTICLE IX

NEGATIVE COVENANTS

Borrower agrees that, so long as any Bank has any commitment to lend or participate in Letter of Credit Exposure hereunder or any amount payable under any Note remains unpaid or any Letter of Credit remains outstanding:

SECTION 9.1. Incurrence of Debt. Borrower shall not, and shall not permit any of its Subsidiaries to, incur any Debt other than (a) the Obligations, and (b) other Debt in an aggregate amount outstanding at any time not to exceed $10,000,000.

SECTION 9.2. Restrictions on Distributions. Borrower shall not, directly or indirectly, declare or pay, or incur any liability to declare or pay, Distributions in any Fiscal Year; provided, that (a) so long as no Default or Event of Default exists on the date any such Distribution is declared or paid and no Default or Event of Default would result therefrom, Borrower shall be permitted to declare and pay Distributions in any period of four (4) consecutive Fiscal Quarters in an amount not to exceed the greater of (i) $12,000,000, or (ii) seventy five percent (75%) of Borrower's Consolidated Net Income for such period of four (4) consecutive Fiscal Quarters (as reflected in the financial statements for Borrower for such Fiscal Quarters delivered pursuant to Section 8.1(a) and (b), hereof), and (b) any Subsidiary of Borrower may make Distributions to Borrower and to any wholly owned Subsidiary of Borrower. Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any agreement or become subject to any order of any Governmental Authority which prohibits or restricts in any way the right of any of Borrower's Subsidiaries to pay Distributions.

SECTION 9.3. Negative Pledge. Borrower shall not, and shall not permit any Subsidiary to create, assume or suffer to exist any Lien on any asset of Borrower or any of its Subsidiaries other than Permitted Encumbrances. Borrower shall not, and shall not permit any of its Subsidiaries to, enter into or become bound by any agreement (other than this Agreement) that prohibits or otherwise restricts the right of Borrower or any of its Subsidiaries to create, assume or suffer to exist any Lien on any of Borrower's or any of its Subsidiaries' assets in favor of Administrative Agent.

SECTION 9.4. Consolidations and Mergers. Borrower shall not, and shall not permit any Subsidiary to, consolidate or merge with or into any other Person; provided, that so long as no Default or Event of Default exists or will result (a) Borrower may merge or consolidate with another Person so long as Borrower is the surviving corporation, (b) any wholly owned Subsidiary of Borrower may merge or consolidate with any other Person so long as a wholly owned Subsidiary of Borrower is the surviving corporation, and (c) any Subsidiary of Borrower may merge with any other Person so long as such Subsidiary is the surviving corporation.

SECTION 9.5. Asset Dispositions. Borrower shall not and shall not permit any Subsidiary to sell, lease, transfer, abandon or otherwise dispose of any asset other than (a) the sale in the ordinary course of business of hydrocarbons produced from Borrower's and its Subsidiaries' Mineral Interests, and (b) the sale, lease, transfer, abandonment or other disposition of other assets, provided that the aggregate value of all assets, sold, leased, transferred or disposed of pursuant to this clause (b) in any period of twelve (12) consecutive months shall not exceed Five Million Dollars ($5,000,000).

SECTION 9.6. Amendments to Organizational Documents. Borrower shall not and shall not permit any of its Subsidiaries to enter into or permit any modification or amendment of, or waive any material right or obligation of any Person under its certificate or articles of incorporation, bylaws, partnership agreement, regulations or other organizational documents other than amendments, modifications and waivers which are not, individually or in the aggregate, material.

SECTION 9.7. Use of Proceeds. The proceeds of Borrowings will not be used for any purpose other than (a) to refinance Debt outstanding under the Prior Agreement, (b) working capital, (c) to finance the acquisition, exploration and development of Mineral Interests, and (d) for general corporate purposes. None of such proceeds (including, without limitation, proceeds of Letters of Credit issued hereunder) will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, and none of such proceeds will be used in violation of applicable Law (including, without limitation, the Margin Regulations). Letters of Credit will be issued hereunder only for the purpose of securing bids, tenders, bonds, contracts and other obligations entered into in the ordinary course of Borrower's business. Without limiting the foregoing, no Letters of Credit will be issued hereunder for the purpose of or providing credit enhancement with respect to any debt or equity security of Borrower or any of its Subsidiaries or to secure interest rate, commodity, currency or other swaps, caps, collars, futures contracts or similar hedging arrangements.

SECTION 9.8. Investments. Borrower shall not and shall not permit any of its Subsidiaries to directly or indirectly, make any Investment other than Permitted Investments.

SECTION 9.9. Transactions with Affiliates. Borrower shall not, and shall not permit any of its Subsidiaries, to engage in any transaction with an Affiliate unless such transaction is as favorable to Borrower or such Subsidiary as could be obtained in an arm's length transaction with an unaffiliated Person in accordance with prevailing industry customs and practices.

SECTION 9.10. ERISA. Borrower agrees that it will not knowingly take action or fail to take action which would result in a violation of ERISA, the Code or other laws applicable to the Plans maintained or contributed to by it or any ERISA Affiliate. Neither Borrower nor any ERISA Affiliate shall, without the prior written consent of the Required Banks, materially modify the term of, or the funding obligations or contribution requirements under any existing Plan, establish a new Plan, or become obligated or incur any liability under a Plan that is not maintained or contributed to by Borrower or any ERISA Affiliate as of the Closing Date.

SECTION 9.11. Hedge Transactions. Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any Hedge Transactions which would cause the amount of hydrocarbons which are the subject of Hedge Transactions in existence at such time to exceed seventy five percent (75%) of Borrower's anticipated production from Proved, Producing Mineral Interests during the term of such existing Hedge Transactions.

SECTION 9.12. Fiscal Year. Borrower shall not change its fiscal year.

SECTION 9.13. Change in Business. Borrower shall not, and shall not permit any of its Subsidiaries to, engage in any business other than the acquisition, exploration, production and development of Mineral Interests; provided, that, this Section 9.13 shall not prevent Borrower or any of its Subsidiaries from (a) making Permitted Investments described in clause (e) of the definition of Permitted Investments, or (b) making capital expenditures to purchase assets used in the transportation, processing, refining or marketing of petroleum products; provided, that the sum of (i) the aggregate amount of capital expenditures made by Borrower and its Subsidiaries in such "downstream" assets, plus (ii) the aggregate amount of the outstanding Investments made pursuant to clause (e) of the definition of Permitted Investments (in each case measured on a cost basis), shall not exceed $15,000,000 at any time.

ARTICLE X

FINANCIAL COVENANTS

Borrower agrees that, so long as any Bank has any commitment to lend or participate in Letter of Credit Exposure hereunder or any amount payable under any Note remains unpaid or any Letter of Credit remains outstanding:

SECTION 10.1. Minimum Consolidated Tangible Net Worth of Borrower. Borrower will not permit its Consolidated Tangible Net Worth at any time to be less than the Minimum Consolidated Tangible Net Worth at such time.

ARTICLE XI

DEFAULTS

SECTION 11.1. Events of Default. If one or more of the following events (collectively "Events of Default" and individually an "Event of Default") shall have occurred and be continuing:

(a) Borrower shall fail to pay when due any principal on any Note;

(b) Borrower shall fail to pay when due accrued interest on any Note or any fees or any other amount payable hereunder and such failure shall continue for a period of three (3) days following the due date;

(c) Borrower shall fail to observe or perform any covenant or agreement contained in Sections 8.1(a), (b), (c), (e) or (g), 8.10, Article IX or Article X of this Agreement;

(d) Borrower or any Subsidiary of Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement or the other Loan Papers (other than those referenced in Sections 11.1(a), (b) and (c)) and such failure continues for a period of twenty (20) days after the earlier of (i) the date any Authorized Officer of Borrower acquires knowledge of such failure, or (ii) written notice of such failure has been given to Borrower by Administrative Agent or any Bank;

(e) any representation, warranty, certification or statement made or deemed to have been made by Borrower in this Agreement or by Borrower, any Subsidiary of Borrower or any other Person on behalf of Borrower or on behalf of any Subsidiary of Borrower in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made;

(f) Borrower or any of its Subsidiaries shall fail to make any payment when due on any Debt of such Person in a principal amount equal to or greater than $2,500,000 or any other event or condition shall occur which (i) results in the acceleration of the maturity of any such Debt, or (ii) entitles the holder of such Debt to accelerate the maturity thereof;

(g) Borrower or any of its Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against Borrower or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian

or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against Borrower or any of its Subsidiaries of any of them under the federal bankruptcy Laws as now or hereafter in effect;

(i) one (1) or more judgments or orders for the payment of money aggregating in excess of $2,500,000 shall be rendered against Borrower or any of its Subsidiaries and such judgment or order shall continue unsatisfied and unstayed for thirty (30) days;

(j) (i) any event occurs with respect to any Plan or Plans pursuant to which Borrower and/or any ERISA Affiliate incur a liability due and owing at the time of such event, without existing funding therefor, for benefit payments under such Plan or Plans in excess of $1,500,000; or (ii) Borrower, any ERISA Affiliate, or any other "party-in-interest" or "disqualified person", as such terms are defined in section 3(14) of ERISA and section 4975(e)(2) of the Code, shall engage in transactions which in the aggregate would reasonably result in a direct or indirect liability to Borrower or any ERISA Affiliate in excess of $500,000 under section 409 or 502 of ERISA or section 4975 of the Code;

(k) as of any date either (i) thirty percent (30%) of the Persons who are members of Borrower's board of directors are Persons who were not members of Borrower's board of directors on the date which was twelve (12) months prior to such date, or (ii) any single Person or group of Affiliated Persons (excluding Persons who are directors or executive officers of Borrower on the Closing Date or are listed on Schedule 11.1(k), attached hereto) shall acquire thirty percent (30%) or more of the outstanding voting stock of Borrower (whether in a single transaction or series of related or unrelated transactions); or

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

then, and in every such event, Administrative Agent shall without presentment, notice or demand (unless expressly provided for herein) of any kind (including, without limitation, notice of intention to accelerate and acceleration), all of which are hereby waived, (a) if requested by the Required Banks, terminate the Commitments and they shall thereupon terminate, and (b) if requested by the Required Banks, take such other actions as may be permitted by the Loan Papers including, declaring the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable; provided that (c) in the case of any of the Events of Default specified in Sections 11.1(g) or (h), without any notice to Borrower or any other act by Administrative Agent or Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable.

ARTICLE XII

ADMINISTRATIVE AGENT

SECTION 12.1. Appointment and Authorization. (a) Each Bank irrevocably appoints and authorizes Administrative Agent to take such action as Administrative Agent

on its behalf and to exercise such powers under this Agreement, the Notes and the other Loan Papers as are delegated to Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto, provided that, as between and among Banks, Administrative Agent will not prosecute, settle or compromise any claim against Borrower or release or institute enforcement proceedings, except with the consent of the Required Banks. Each Bank and Borrower agree that Administrative Agent is not a fiduciary for Banks or for Borrower but simply is acting in the capacity described herein to alleviate administrative burdens for both Borrower and Banks and that Administrative Agent has no duties or responsibilities to Banks or Borrower except those expressly set forth herein.

(b) The Issuer shall act on behalf of the Banks with respect to any Letters of Credit issued by it and the documents associated therewith; provided, however, that the Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article XII with respect to any acts taken or omissions suffered by the Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent", as used in this Article XII, included the Issuer with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to the Issuer.

SECTION 12.2. Administrative Agent and Affiliates. Bank of America shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not Administrative Agent or Issuer, and Bank of America and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with Borrower and its Subsidiaries or any affiliate of Borrower as if it were not Administrative Agent hereunder or Issuer.

SECTION 12.3. Action by Administrative Agent. The obligations of Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, Administrative Agent shall not be required to take any action with respect to any Default or Event of Default, except as expressly provided in Article XI.

SECTION 12.4. Consultation with Experts. Administrative Agent may consult with legal counsel (who may be 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 by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 12.5. LIABILITY OF ADMINISTRATIVE AGENT. NEITHER ADMINISTRATIVE AGENT NOR ANY OF ITS DIRECTORS, OFFICERS, AGENTS, OR EMPLOYEES SHALL BE LIABLE FOR ANY ACTION TAKEN OR NOT TAKEN BY IT IN CONNECTION HEREWITH (A) WITH THE CONSENT OR AT THE REQUEST OF THE REQUIRED BANKS OR (B) IN THE ABSENCE OF ITS OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, IT BEING THE INTENTION OF BANKS THAT SUCH PARTIES SHALL NOT BE LIABLE FOR THE CONSEQUENCES OF THEIR OWN NEGLIGENCE. Neither Administrative Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (a) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder, (b) the performance or

observance of any of the covenants or agreements of Borrower, (c) the satisfaction of any condition specified in Article VI, except receipt of items required to be delivered to Administrative Agent, or (d) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties or upon any oral notice which Administrative Agent believes will be confirmed in writing by the proper party or parties. If Administrative Agent fails to take any action required to be taken by it under the Loan Papers after a default and within a reasonable time after being requested to do so by any Bank (after such requesting Bank has obtained the approval of such other Banks as required), Administrative Agent shall not suffer or incur any liability as a result thereof, but such requesting Bank may request Administrative Agent to resign, whereupon Administrative Agent shall so resign pursuant to Section 12.9.

SECTION 12.6. Delegation of Duties. Administrative Agent may execute any of its duties hereunder by or through officers, directors, employees, attorneys, or agents.

SECTION 12.7. Indemnification. Each Bank shall, ratably in accordance with its commitment, indemnify Administrative Agent (to the extent not reimbursed by Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from Administrative Agent's gross negligence or willful misconduct) that Administrative Agent may suffer or incur in connection with this Agreement or any action taken or omitted by Administrative Agent hereunder, including, without limitation, matters arising out of Administrative Agent's own ordinary negligence. IT IS THE EXPRESS INTENTION OF EACH BANK THAT ADMINISTRATIVE AGENT SHALL BE INDEMNIFIED HEREUNDER FOR THE CONSEQUENCES OF ITS OWN ORDINARY NEGLIGENCE.

SECTION 12.8. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Bank, 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 any action under this Agreement.

SECTION 12.9. Successor Administrative Agent. Administrative Agent may resign at any time that an Event of Default is continuing by giving written notice thereof to Banks and Borrower. In addition, Borrower may, prior to a Default, request the designation by Banks of a successor Administrative Agent. Upon any such request by Borrower or resignation by Administrative Agent (which, in the absence of an Event of Default, shall be made only with the consent of Borrower), the Required Banks shall have the right to appoint a successor Administrative Agent, which shall be one of Banks and, except during the continuance of an Event of Default, shall be approved by Borrower, such approval to not be unreasonably withheld. If no successor Administrative Agent shall have been so appointed by the Required Banks, so approved by Borrower (if necessary), and accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation or Borrower's request for a successor Administrative Agent, then the retiring Administrative Agent may, on behalf of

Banks, appoint a successor Administrative Agent, which shall (i) be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000 and (ii) unless an Event of Default is continuing, be approved by Borrower (such approval to not be unreasonably withheld). Upon the acceptance of its appointment as a successor Administrative Agent hereunder, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article XII shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent. Borrower shall be entitled to recommend a successor Administrative Agent at the time of designation of any successor Administrative Agent pursuant to this Section 12.9. Banks shall give due consideration to the successor nominated by Borrower, but shall have no obligation to approve such nominee. Notwithstanding the foregoing, however, Borrower and Required Banks may not replace Bank of America as Administrative Agent unless Bank of America shall, if it so requests, also simultaneously be replaced as "Issuer" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

SECTION 12.10. Documentation Agent. The First National Bank of Chicago as "Documentation Agent" shall not have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Banks. Without limiting the foregoing, The First National Bank of Chicago as "Documentation Agent" shall not have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied, and will not rely, on The First National Bank of Chicago as "Documentation Agent" in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telecopy or similar writing) and shall be given at its address or telecopier number set forth on Schedule 13.1 hereto (or at such other address or telecopy number as such party may hereafter specify for the purpose by notice to Administrative Agent, Borrower and each Bank). Each such notice, request or other communication shall be effective (a) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section 13.1 and receipt is confirmed, (b) if given by mail, three (3) Domestic Business Days after deposit in the mails with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when delivered at the address specified in this Section 13.1; provided that notices to Administrative Agent or the Issuer under Article II and notices to the Administrative Agent under Article VI shall not be effective until received.

SECTION 13.2. No Waivers. No failure or delay by Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note or other Loan Paper shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law or in any of the other Loan Papers.

SECTION 13.3. Expenses; Documentary Taxes; Indemnification. (a) Borrower shall pay (i) all reasonable out-of-pocket expenses of Administrative Agent, including reasonable fees and disbursements of special counsel for Administrative Agent, in connection with the preparation of this Agreement and the other Loan Papers and, if appropriate, the recordation of the Loan Papers, any waiver or consent hereunder or any amendment hereof or supplement hereto or any Default or alleged Default hereunder; and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by Administrative Agent or any Bank, including fees and disbursements of counsel in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom, fees of auditors and consultants incurred in connection therewith and investigation expenses incurred by Administrative Agent or any Bank in connection therewith. Borrower shall indemnify each Bank against any Taxes imposed by reason of the execution and delivery of this Agreement or the Notes (other than Taxes imposed on the overall net income of such Bank or its Lending Office, unless and to the extent that such income Taxes are assessed in a jurisdiction in which such Bank was not previously subject to income Taxes and are assessed solely as a result of such Bank's rights and obligations under this Agreement and the other Loan Papers). Without limiting Borrower's rights under Section 2.9, Banks agree that if Taxes of the type described in this Section 13.3 are imposed on any Bank and such Bank requests indemnification therefor in an amount greater than $100,000, Borrower shall have the right to either (i) reduce the Total Commitment to zero pursuant to and in accordance with Section 2.9, or (ii) replace such Bank with an Assignee reasonably acceptable to Administrative Agent pursuant to an Assignment and Assumption Agreement in accordance with Section 13.9 hereof.

(b) Borrower agrees to indemnify Administrative Agent and each Bank and hold Administrative Agent and each Bank harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind (including, without limitation, the reasonable fees and disbursements of counsel for Administrative Agent and each Bank in connection with any investigative, administrative or judicial proceeding, whether or not such Bank shall be designated a party thereto) which may be incurred by any Bank or by Administrative Agent relating to or arising out of (i) the existence of this Agreement or any of the Loan Papers, including the performance by Borrower, Administrative Agent or any Bank of its obligations hereunder, (ii) any transactions contemplated hereby or by any of the other Loan Papers, (iii) the exercise of any rights or remedies by Administrative Agent or any Bank under this Agreement or applicable Law following any Default or Event of Default hereunder or (iv) any actual or proposed use of proceeds of Loans or Letters of Credit hereunder; provided that neither Administrative Agent nor any Bank shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct, IT BEING THE EXPRESS INTENTION OF BORROWER THAT EACH BANK AND ADMINISTRATIVE AGENT SHALL BE INDEMNIFIED FOR THE CONSEQUENCES OF ITS OWN ORDINARY NEGLIGENCE. The obligation of Borrower to provide indemnification under this Section 13.3 for fees and expenses of counsel shall be limited to the fees and expenses of one counsel in each jurisdiction representing all of the Persons entitled to such indemnification, except to the extent that, in the reasonable judgment of any such. indemnified Person, the existence of actual or potential conflicts of interest make representation of all of such indemnified Persons by the same counsel inappropriate; in such a case, the Person exercising such judgment shall be indemnified for the reasonable fees and expenses of the separate counsel to the extent provided in this Section 13.3 without giving effect to the first clause of this sentence.

Nothing in this Section 13.3 is intended to limit the obligations of Borrower under any other provision of this Agreement.

SECTION 13.4. Right and Sharing of Set-Offs. (a) Upon the occurrence and during the continuance of an Event of Default, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of Borrower against any and all of the Obligations of Borrower now or hereafter existing under this Agreement and any Note held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Note and although such Obligations may be unmatured. Each Bank agrees promptly to notify Borrower after any such setoff and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of each Bank under this Section 13.4(a) are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

(b) Each Bank agrees that if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by Banks shall be shared by Banks ratably; provided that nothing in this Section 13.4 shall impair the right of any Bank to exercise any right of setoff or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of Borrower other than its indebtedness under the Notes. Borrower agrees, to the fullest extent it may effectively do so under applicable Law, that any holder of a participation in a Note may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of Borrower in the amount of such participation.

SECTION 13.5. Amendments and Waivers. Any provision of this Agreement, the Notes or the other Loan Papers may be amended or waived if, but only if such amendment or waiver is in writing and is signed by Borrower and the Required Banks (and, if the rights or duties of Administrative Agent are affected thereby, by Administrative Agent); provided that no such amendment or waiver shall, unless signed by all Banks, (a) increase the Commitments of Banks or subject any Bank to any additional obligation, (b) forgive any of the principal of or reduce the rate of interest on any Loan or any fees hereunder, (c) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder including the Termination Date, (d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for Banks or any of them to take any action under this Section 13.5 or any other provision of this Agreement, (e) amend Article III or the definitions contained in Section 1.1 applicable thereto; and provided, further that if such amendment, waiver or consent affects the rights or duties of the Issuer relating to any Letter of Credit issued or to be issued by it, such amendment, waiver or consent shall be signed by the Issuer.

SECTION 13.6. Survival. All representations, warranties and covenants made by Borrower herein or in any certificate or other instrument delivered by it or in its behalf under the Loan Papers shall be considered to have been relied upon by Banks and shall survive the delivery to Banks of such Loan Papers or the extension of the Loans (or any part thereof), regardless of any investigation made by or on behalf of Banks.

SECTION 13.7. Limitation on Interest. It is the intention of the parties hereto to comply strictly with applicable usury laws, if any; accordingly, notwithstanding any provision to the contrary contained herein or in any fee letter or other Loan Paper or any other document otherwise relating hereto, in no event shall this Agreement or any Note or such documents require or permit the payment, taking, reserving, receiving, collection or charging of any sums constituting interest under applicable laws which exceed the maximum amount permitted by such laws. If any such excess interest is called for, contracted for, charged, taken, reserved, or received in connection with any Loan or in any fee letter or other Loan Paper, or in any communication by the Administrative Agent, any Bank or any other Person to the Borrower or any other Person, or in the event all or part of the principal or interest of any Loan shall be prepaid or accelerated, so that under any of such circumstances or under any other circumstance whatsoever the amount of interest contracted for, charged, taken, reserved, or received on the amount of principal actually outstanding from time to time under this Agreement or any Note shall exceed the maximum amount of interest permitted by applicable usury laws, then in any such event it is agreed as follows: (i) the provisions of this paragraph shall govern and control, (ii) neither the Borrower nor any other Person now or hereafter liable for the payment of any Loan shall be obligated to pay the amount of such interest to the extent such interest is in excess of the maximum amount of interest permitted by applicable usury laws, (iii) any such excess which is or has been received notwithstanding this paragraph shall be credited against the then unpaid principal balance of the Loans or, if the Loans have been or would be paid in full by such credit, refunded to the Borrower, and (iv) the provisions of this Agreement, the Notes and the other Loan Papers, and any communication to the Borrower, shall immediately be deemed reformed and such excess interest reduced, without the necessity of executing any other document, to the maximum lawful rate allowed under applicable laws as now or hereafter construed by courts having jurisdiction hereof or thereof. Without limiting the foregoing, all calculations of the rate of interest contracted for, charged, collected, taken, reserved, or received in connection herewith which are made for the purpose of determining whether such rate exceeds the maximum lawful rate shall be made to the extent permitted by applicable laws by amortizing, prorating, allocating and spreading during the period of the full term of the Loans, including all prior and subsequent renewals and extensions, all interest at any time contracted for, charged, taken, collected, reserved, or received. The terms of this paragraph shall be deemed to be incorporated in every Loan Paper and communication relating to this Agreement, the Loans and the Notes.

To the extent that the interest rate laws of the State of Texas are applicable to the Loans, the applicable interest rate ceiling is the weekly ceiling (formerly the indicated rate ceiling) determined in accordance with Tex. Rev. Civ. Stat., Title 79, Article 5069-1D.003, also codified at Texas Finance Code, Section 303.301 (formerly Article 5069-1.04 (a)(1)), and, to the extent that this Agreement is deemed an open end account as such term is defined in Tex. Rev. Civ. Stat., Title 79, Article 5069-1B.002(14), also codified at Texas Finance Code Section 301.001(3) (formerly Article 5069-1.01(f)), the Banks retain the right to modify the interest rate in accordance with applicable law.

The parties agree that Texas Finance Code, Chapter 346 (formerly Tex. Rev. Civ. Stat., Title 79, Chapter 15), which regulates certain revolving loan accounts and revolving triparty accounts, shall not apply to any revolving loan accounts created under this Agreement or the Notes or maintained in connection therewith.

SECTION 13.8. Invalid Provisions. If any provision of the Loan Papers is held to be illegal, invalid, or unenforceable under present or future Laws effective during the term thereof, such provision shall be fully severable, the Loan Papers shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part thereof, and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of the Loan Papers a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid and enforceable.

SECTION 13.9. Successors and Assigns. (a) Each Loan Paper binds and inures to the parties to it, any intended beneficiary of it, and each of their respective successors and permitted assigns. Borrower shall not assign or transfer any rights or obligations under any Loan Paper without first obtaining all Banks' consent, and any purported assignment or transfer without all Banks' consent is void. No Bank may transfer, pledge, assign, sell any participation in, or otherwise encumber its portion of the Obligations except as permitted by clauses (b) or (c) below.

(b) Any Bank may (subject to the provisions of this section, in accordance with applicable law, in the ordinary course of its business, and at any time) sell to one or more Persons (each a "Participant") participating interests in its portion of the Obligations. The selling Bank remains a "Bank" under the Loan Papers, the Participant does not become a "Bank" under the Loan Papers, and the selling Bank's obligations under the Loan Papers remain unchanged. The selling Bank remains solely responsible for the performance of its obligations and remains the holder of its share of the outstanding Loans for all purposes under the Loan Papers. Borrower and each Administrative Agent shall continue to deal solely and directly with the selling Bank in connection with that Bank's rights and obligations under the Loan Papers, and each Bank must retain the sole right and responsibility to enforce due obligations of Borrower. Participants have no rights under the Loan Papers except certain voting rights as provided below. Subject to the following, each Bank may obtain (on behalf of its Participants) the benefits of Article XII with respect to all participations in its part of the Obligations outstanding from time to time so long as Borrower is not obligated to pay any amount in excess of the amount that would be due to that Bank under Article XII calculated as though no participations have been made. No Bank may sell any participating interest under which the Participant has any rights to approve any amendment, modification, or waiver of any Loan Paper except as to matters in Section 13.5.

(c) Each Bank may make assignments to the Federal Reserve Bank. Each Bank may also assign to one or more assignees (each an "Assignee") all or any part of its rights and obligations under the Loan Papers so long as (i) the assignor Bank and Assignee execute and deliver to Administrative Agent, the Issuer and Borrower for their consent and acceptance (that may not be unreasonably withheld and will not be required from Borrower during the existence of a Default or an Event of Default) an assignment and assumption agreement in substantially the form of Exhibit J (an "Assignment and

Assumption Agreement") and assignor Bank pays to Administrative Agent a processing fee of $3,500, (ii) the conditions (including, without limitation, minimum amounts of the Total Commitment that may be assigned or that must be retained) for that assignment set forth in the applicable Assignment and Assumption Agreement are satisfied, and (iii) no Event of Default exists under the Agreement. The "Effective Date" in each Assignment and Assumption Agreement must (unless a shorter period is agreeable to Borrower and Administrative Agent) be at least five Domestic Business Days after it is executed and delivered by the assignor Bank and the Assignee to the Administrative Agent and Borrower for acceptance. Once that Assignment and Assumption Agreement is accepted by Administrative Agent and Borrower, then, from and after the Effective Date stated on it (i) the Assignee automatically becomes a party to this Agreement and, to the extent provided in that Assignment and Assumption Agreement, has the rights and obligations of a Bank under the Loan Papers, (ii) the assignor Bank, to the extent provided in that Assignment and Assumption Agreement, is released from its obligations under this Agreement and, in the case of an Assignment and Assumption Agreement covering all of the remaining portion of the assignor Bank's rights and obligations under the Loan Papers, that Bank ceases to be a party to the Loan Papers, (iii) Borrower shall execute and deliver to the assignor Bank and the Assignee the appropriate Notes in accordance with this Agreement following the transfer, (iv) upon delivery of the Notes under clause (iii) preceding, the assignor Bank shall return Borrower all Notes previously delivered to that Bank under this Agreement, and (v) Schedule 1 is automatically deemed to be amended to reflect the name, address, telecopy number and Commitment of the Assignee and the remaining Commitment (if any) of the assignor Bank, and Administrative Agent shall prepare and circulate to Borrower and Banks an amended Schedule 1 reflecting those changes.

SECTION 13.10. TEXAS LAW. THIS AGREEMENT AND EACH NOTE AND THE OTHER LOAN PAPERS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

SECTION 13.11. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when Administrative Agent shall have received counterparts hereof signed by all of the parties hereto or, in the case of any Bank as to which an executed counterpart shall not have been received, Administrative Agent shall have received a signature by facsimile or other written confirmation from such Bank of execution of a counterpart hereof by such Bank.

SECTION 13.12. No Third Party Beneficiaries. It is expressly intended that there shall be no third party beneficiaries of the covenants, agreements, representations or warranties herein contained other than third party beneficiaries permitted pursuant to Section 13.9(b).

SECTION 13.13. COMPLETE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN PAPERS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BY AND AMONG BANKS, ADMINISTRATIVE AGENT AND BORROWER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF BANKS, ADMINISTRATIVE AGENT

AND BORROWER. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN BANKS, ADMINISTRATIVE AGENT AND BORROWER.

SECTION 13.14. WAIVER OF JURY TRIAL. BORROWER AND BANKS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN PAPERS AND FOR ANY COUNTERCLAIM THEREIN.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers effective as of the day and year first above written.

BERRY PETROLEUM COMPANY,
a Delaware corporation

By _____
Jerry V. Hoffman, President and
Chief Executive Officer

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

BANK OF AMERICA, N.A., as
Administrative Agent

By _____
Claire M. Liu
Managing Director

BANK OF AMERICA, N.A., as a Bank
and as Letter of Credit Issuer

By _____
Claire M. Liu
Managing Director

THE FIRST NATIONAL BANK OF
CHICAGO, as Documentation Agent
And as a Bank

By _____
Name: Jeff Dalton
Title: An Authorized Officer

UNION BANK OF CALIFORNIA, N.A.

By _____
Name: Damien Meiburger
Title: Senior Vice President

WELLS FARGO BANK (TEXAS),
NATIONAL ASSOCIATION

By _____
Name: Greg Petruska
Title: Vice President

[SIGNATURE PAGE TO BERRY PETROLEUM COMPANY CREDIT AGREEMENT]

SCHEDULE 1

COMMITMENTS AND COMMITMENT PERCENTAGE

Banks	Commitment Amount	Commitment Percentage
Bank of America, N.A.	$50,000,000.00	33.3333333%
The First National Bank of Chicago	$40,000,000.00	26.6666667%
Wells Fargo Bank (Texas), National Association	$30,000,000.00	20.0000000%
Union Bank of California, N.A.	$30,000,000.00	20.0000000%
TOTAL	$150,000,000.00	100%

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Berry Petroleum Company on Form S-8 (File No. 333-62799 and 333-62873)of our report dated February 18, 2000 on our audits of the financial statements of Berry Petroleum Company as of December 31, 1999 and 1998 and for the three years in the period ended December 31, 1999, which report is included in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Los Angeles, California
February 28, 2000

EXHIBIT 23.1

February 21, 2000

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

Gentlemen:

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 1999, (the Annual Report) of Berry Petroleum Company (the Company), we hereby consent to (i) the use of and reference to (a) our report dated February 6, 2000, entitled "Appraisal Report as of December 31, 1999, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, Oklahoma, Texas, and Wyoming; (b) our report dated February 6, 1999, entitled "Appraisal Report as of December 31, 1998, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, Oklahoma, Texas and Wyoming; and (c) our report dated February 19, 1998, entitled "Appraisal Report as of December 31, 1997, on Certain Property Interests owned by Berry Petroleum Company," which pertains to interests of the Company in certain oil and gas properties located in California, Louisiana, Nevada, Texas and Wyoming; (collectively referred to as the "Reports"), under the caption "Oil and Gas Reserves" in items 1 and 2 of the Annual Report and under the caption "Supplemental Information About Oil and Gas Producing Activities (Unaudited) in item 8 of the Annual Report; and (ii) the use of and reference to the name DeGolyer and MacNaughton as the independent petroleum engineering firm that prepared the Reports under such items; provided, however, that since the cash-flow calculations in the Annual Report

include estimated income taxes not included in the Reports, we are unable to verify the accuracy of the cash-flow values in the Annual Report.

Very truly yours,

DeGOLYER and MacNAUGHTON

Exhibit 23.2

5
0000778438
BERRY PETROLEUM COMPANY
1,000

YEAR	
	DEC-31-1999
	DEC-31-1999
	980
	596
	15,303
	0
	0
	18,959
	278,094
	91,575
	207,649
	10,524
	0
	0
	0
	220
	115,993
207,649	
	66,615
	67,475
	0
	34,322
	6,269
	0
	3,973
	22,911
	4,905
	18,006
	0
	0
	0
	18,006
	.82
	.82

UNDERTAKING FOR FORM S-8 REGISTRATION STATEMENT

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

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

Exhibit 99.1