

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

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934.

For the quarterly period ended June 30, 2004
Commission file number 1-9735

BERRY PETROLEUM COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

5201 Truxtun Avenue, Suite 300, Bakersfield, California
(Address of principal executive offices)

Registrant's telephone number, including area code

77-0079387
(I.R.S. Employer
Identification No.)

93309-0640
(Zip Code)

(661) 616-3900

Former name, Former Address and Former Fiscal Year, if Changed Since Last Report:
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 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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES (X) NO ()

The number of shares of each of the registrant's classes of capital stock outstanding as of June 30, 2004, was 21,031,619 shares of Class A Common Stock (\$.01 par value) and 898,892 shares of Class B Stock (\$.01 par value). All of the Class B Stock is held by a shareholder who owns in excess of 5% of the outstanding stock of the registrant.

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June 30, 2004
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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Condensed Balance Sheets
(In Thousands, Except Share Information)

	June 30, 2004 (Unaudited)	December 31, 2003 (Restated)
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 11,807	\$ 10,658
Short-term investments available for sale	665	663
Accounts receivable	29,922	23,506
Deferred income taxes	6,503	6,410
Prepaid expenses and other	2,476	2,049
Total current assets	51,373	43,286
Oil and gas properties (successful efforts basis), buildings and equipment, net	311,595	295,151
Other assets	2,517	1,940
	<u>\$ 365,485</u>	<u>\$ 340,377</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 29,924	\$ 32,490
Accrued liabilities	4,218	4,214
Accrued compensation	2,904	-
Income taxes payable	752	4,412
Fair value of derivatives	5,157	5,710
Total current liabilities	42,955	46,826
Long-term liabilities:		
Deferred income taxes	45,018	38,559
Accrued compensation	1,225	-
Long-term debt	50,000	50,000
Abandonment obligation	7,425	7,311
Fair value of derivatives	-	343
Total long-term liabilities	103,668	96,213
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; 21,031,619 shares issued and outstanding at June 30, 2004 (20,904,372 at December 31, 2003)	210	209
Class B Stock, 1,500,000 shares authorized; 898,892 shares issued and outstanding (liquidation preference of \$899)	9	9
Capital in excess of par value	54,346	56,475
Deferred stock option compensation	-	(1,108)
Accumulated other comprehensive loss	(2,084)	(3,632)
Retained earnings	166,381	145,385
Total shareholders' equity	218,862	197,338
	<u>\$ 365,485</u>	<u>\$ 340,377</u>

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

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Condensed Income Statements
Three Month Periods Ended June 30, 2004 and 2003
(In Thousands, Except Per Share Information)
(Unaudited)

	2004	2003 (Restated)
Revenues:		
Sales of oil and gas	\$ 52,755	\$ 29,466
Sales of electricity	11,291	9,899
Interest and other income, net	90	228
	<u>64,136</u>	<u>39,593</u>
Expenses:		
Operating costs - oil and gas production	19,194	15,626
Operating costs - electricity generation	11,291	9,899
Depreciation, depletion and amortization	8,504	4,729
General and administrative	4,400	5,079
Interest	534	268
	<u>43,923</u>	<u>35,601</u>
Income before income taxes	20,213	3,992
Provision/(benefit) for income taxes	4,935	(913)
Net income	<u>\$ 15,278</u>	<u>\$ 4,905</u>
Basic net income per share	<u>\$.70</u>	<u>\$.23</u>
Diluted net income per share	<u>\$.68</u>	<u>\$.22</u>

Cash dividends per share	\$.11	\$.15
Weighted average number of shares of capital stock outstanding (used to calculate basic net income per share)		21,873		21,764
Effect of dilutive securities:				
Stock options		488		145
Other		55		45
Weighted average number of shares of capital stock used to calculate diluted net income per share		22,416		21,954

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

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Condensed Income Statements
Six Month Periods Ended June 30, 2004 and 2003
(In Thousands, Except Per Share Information)
(Unaudited)

	2004	2003 (Restated)
Revenues:		
Sales of oil and gas	\$ 97,960	\$ 63,820
Sales of electricity	23,225	22,317
Interest and other income, net	293	248
	<u>121,478</u>	<u>86,385</u>
Expenses:		
Operating costs - oil and gas production	37,214	28,810
Operating costs - electricity generation	23,225	22,317
Depreciation, depletion and amortization	15,713	9,183
General and administrative	10,974	5,506
Dry hole and abandonment and impairment	-	2,487
Interest	1,065	477
	<u>88,191</u>	<u>68,780</u>
Income before income taxes	33,287	17,605
Provision for income taxes	7,644	2,425
Net income	<u>\$ 25,643</u>	<u>\$ 15,180</u>
Basic net income per share	<u>\$ 1.17</u>	<u>\$.70</u>
Diluted net income per share	<u>\$ 1.15</u>	<u>\$.69</u>
Cash dividends per share	<u>\$.22</u>	<u>\$.25</u>
Weighted average number of shares of capital stock outstanding (used to calculate basic net income per share)	21,845	21,761
Effect of dilutive securities: Stock options	439	130
Other	53	43
Weighted average number of shares of capital stock used to calculate diluted net income per share	<u>22,337</u>	<u>21,934</u>

Condensed Statements of Comprehensive Income
Six Month Periods Ended June 30, 2004 and 2003
(in Thousands)
(Unaudited)

	2004	2003 (Restated)
Net income	\$ 25,643	\$ 15,180
Unrealized gains/(losses) on derivatives, (net of income taxes of \$1,032 and \$(320), respectively)	1,548	(481)
Comprehensive income	<u>\$ 27,191</u>	<u>\$ 14,699</u>

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

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Condensed Statements of Cash Flows
Six Month Periods Ended June 30, 2004 and 2003
(In Thousands)
(Unaudited)

2004

2003

Cash flows from operating activities:		
Net income	\$ 25,643	\$ 15,180
Depreciation, depletion and amortization	15,713	9,183
Dry hole, abandonment and impairment	(235)	2,432
Deferred income taxes	6,142	353
Deferred stock option compensation	2,808	672
Other, net	763	277
Increase in current assets other than cash, cash equivalents and short-term investments	(6,877)	(3,984)
Decrease in current liabilities	(6,324)	(1,708)
Net cash provided by operating activities	37,633	22,405
Cash flows from investing activities:		
Capital expenditures	(31,838)	(12,636)
Property acquisitions	-	(7,447)
Other, net	-	181
Net cash used in investing activities	(31,838)	(19,902)
Cash flows from financing activities: Dividends paid		
	(4,646)	(5,441)
Net cash used in financing activities	(4,646)	(5,441)
Net increase (decrease) in cash and cash Equivalents	1,149	(2,938)
Cash and cash equivalents at beginning of year	10,658	9,866
Cash and cash equivalents at end of period	\$ 11,807	\$ 6,928
Supplemental non-cash activity:		
Increase (decrease) in fair value of derivatives:		
Current (net of income taxes of (\$322) and \$175 in 2004 and 2003, respectively)	\$ (484)	\$ 263
Non-current (net of income taxes of (\$710) and \$145 in 2004 and 2003, respectively)	(1,064)	218
Net increase (decrease) to accumulated other comprehensive income	\$ (1,548)	\$ 481

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

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

- All adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's financial position at June 30, 2004 and December 31, 2003 and results of operations for the three and six month periods ended June 30, 2004 and 2003 and cash flows for the six month periods ended June 30, 2004 and 2003 have been included. All such adjustments are of a normal recurring nature, except as indicated in notes 3 and 4. The results of operations and cash flows are not necessarily indicative of the results for a full year.
 - The accompanying unaudited condensed financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the December 31, 2003 financial statements, except as noted in Notes 3 and 4. The December 31, 2003 Form 10-K/A and the March 31, 2004 Form 10-Q/A should be read in conjunction herewith. The year-end condensed balance sheet, as restated, was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.
 - Restatement of Prior Financial Information for Variable Accounting for Stock Options - The accompanying condensed financial statements reflect certain unaudited restated financial information for the three months and six months ended June 30, 2003, which were included in and described in the Company's original Form 10-Q for the quarter ended June 30, 2003. The original Form 10-Q for the quarter ended June 30, 2003 was filed with the Securities and Exchange Commission on August 6, 2003. The Company is restating its financial information as of June 30, 2003, and results of operations and cash flows for the three months and six months ended June 30, 2003, to account for the Company's stock option plan using variable plan accounting, insofar as the Company had permitted option holders to exercise options by surrendering underlying unexercised options in payment of the exercise price of the options and related taxes. While the Company had accounted for options issued under the plan as fixed awards with compensation expense recorded for certain option exercises, it was determined that variable plan accounting is required under generally accepted accounting principles in the United States. The use of variable plan accounting requires a charge to compensation expense, commencing at the grant date, in an amount by which the market price of the Company's stock covered by the grant exceeds the option price. This accounting continues and subsequent changes in the market price of the Company's stock from the date of grant to the date of exercise or forfeiture result in a change in the measure of compensation cost for the award being recognized but not resulting in an accumulated adjustment below zero. Amounts in the ensuing discussion have been adjusted for these restatements where applicable.
- Accordingly, the income statements for the three and six months ended June 30, 2003 reflect stock compensation using variable plan accounting. As described in Note 4, the Company adopted the fair value method of accounting for its stock options effective January 1, 2004 using the modified prospective method which does not require restatement of periods prior to the effective date.

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

The effect of the restatement for variable plan accounting is as follows:

Condensed Income Statements

	Three Months Ended June 30, 2003		
	As Previously Reported	Adjustments	Restated
REVENUES	\$ 39,593	\$ -	\$ 39,593
EXPENSES			
Operating costs	25,525	-	25,525
Depreciation, depletion & amortization	4,729	-	4,729
General & administrative	2,404	2,675	5,079
Interest	268	-	268
	<u>32,926</u>	<u>2,675</u>	<u>35,601</u>
Income before income taxes	6,667	(2,675)	3,992
Provision for income taxes	157	(1,070)	(913)
Net income	<u>\$ 6,510</u>	<u>\$ (1,605)</u>	<u>\$ 4,905</u>
Basic net income per share	<u>\$ 0.30</u>	<u>\$ (0.07)</u>	<u>\$ 0.23</u>
Diluted net income per share	<u>\$ 0.30</u>	<u>\$ (0.08)</u>	<u>\$ 0.22</u>
Weighted average shares of capital stock outstanding (used to calculate basic net income per share)	21,764	-	21,764
Effect of dilutive securities			
Stock options	145	-	145
Other	<u>45</u>	<u>-</u>	<u>45</u>
Weighted average shares of capital stock outstanding (used to calculate diluted net income per share)	<u>21,954</u>	<u>-</u>	<u>21,954</u>

BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

	Six Months Ended June 30, 2003		
	As Previously Reported	Adjustments	Restated
REVENUES	\$ 86,385	\$ -	\$ 86,385
EXPENSES			
Operating costs	51,127	-	51,127
Depreciation, depletion & amortization	9,183	-	9,183
General & administrative	4,661	845	5,506
Interest	477	-	477
Dry hole, abandonment and impairment	2,487	-	2,487
	<u>67,935</u>	<u>845</u>	<u>68,780</u>
Income before income taxes	18,450	(845)	17,605
Provision for income taxes	2,763	(338)	2,425
Net income	<u>\$ 15,687</u>	<u>\$ (507)</u>	<u>\$ 15,180</u>
Basic net income per share	<u>\$ 0.72</u>	<u>\$ (0.02)</u>	<u>\$ 0.70</u>
Diluted net income per share	<u>\$ 0.72</u>	<u>\$ (0.03)</u>	<u>\$ 0.69</u>
Weighted average shares of capital stock outstanding (used to calculate basic net income per share)	21,761	-	21,761
Effect of dilutive securities			
Stock options	130	-	130
Other	<u>43</u>	<u>-</u>	<u>43</u>

Weighted average shares of capital stock outstanding
(used to calculate diluted net income per share)

21,934

-

21,934

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

	Six Months Ended June 30, 2003		
	As Previously Reported	Adjustments	Restated
Cash flows from operating activities:			
Net income	\$ 15,687	\$ (507)	\$ 15,180
Adjustments to reconcile net income to net cash provided in operating activities	6,718	507	7,225
Net cash provided by operating activities	22,405	-	22,405
Cash flows from investing activities:			
Net cash used in investing activities	(19,902)	-	(19,902)
Cash flows from financing activities:			
Net cash provided by financing activities	(5,441)	-	(5,441)
Net increase in cash and cash equivalents	(2,938)	-	(2,938)
Cash and cash equivalents at beginning of year	9,866	-	9,866
Cash and cash equivalents at end of period	<u>\$ 6,928</u>	<u>\$ -</u>	<u>\$ 6,928</u>

4. Effective January 1, 2004, the Company voluntarily adopted the fair value method of accounting for its stock option plan as prescribed by SFAS 123, "Accounting for Stock-based Compensation". The modified prospective method was selected as described in SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". Under this method, the Company recognizes stock option compensation expense as if it had applied the fair value method to account for unvested stock options from its original effective date. Stock option compensation expense is recognized from the date of grant to the vesting date. During the quarters ended June 30, 2004 and 2003, the Company recorded stock option compensation expense of \$9 million and \$2.8 million, respectively, which is included in General and Administrative expense. For the six months ended June 30, 2004, stock option compensation expense was \$4.5 million, up from \$1.0 million recognized during the six months ended June 30, 2003.

The Company has determined that a portion of its stock option compensation under SFAS 123, is required to be calculated under variable plan accounting; however, the majority of stock option compensation is accounted for under the fair value method. In accordance with variable plan accounting, the Company will recognize a corresponding liability determined by a mark-to-market valuation of the Company's stock at each financial

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

reporting date. Accordingly, as of June 30, 2004, \$2.9 million and \$1.2 million have been recorded as current and non-current liabilities, respectively. During the third quarter 2004, the Company revised certain stock option exercise provisions of the plan and prospectively, variable plan accounting will no longer be required. The related liabilities related to the stock option grants will be reclassified to Capital in Excess of Par Value during the third quarter of 2004.

If the fair value method had been used to record stock option expense for the three months ended June 30, 2003, the following would have been recorded (in thousands, except per share data):

	Three Months Ended June 30, 2003 (Restated)	Six Months Ended June 30, 2003 (Restated)
Compensation benefit, net of income taxes:		
As reported	\$ 1,691	\$ 614
Pro forma	768	387
Net income:		
As reported	4,905	15,180
Pro forma	5,828	15,407
Basic net income per share:		
As reported	0.23	0.70
Pro forma	0.27	0.71
Diluted net income per share:		
As reported	0.22	0.69
Pro forma	0.27	0.70

5. On July 13, 2004, the Company and an industry partner entered into a joint Exploration and Development Agreement with the Ute Indian Tribe to explore and develop approximately 125,000 prospective acres of tribal lands in the Uinta Basin in Utah. The Company also agreed to purchase an interest in 46,000 acres of fee lands adjacent to or near the tribal acreage. This 171,000 acre block (over 265 square miles) is located immediately west of the Company's Brundage Canyon field.

The Company and its partner will develop a plan to test the total acreage and the Company will operate the shallow horizons down to approximately 6,500 feet. The Company's ownership will be up to 75% in these zones. Natural gas potential will be the focus of the deeper horizons, primarily in the Wasatch and Mesa Verde sections, and the Company will participate up to 25% in the development of these deeper zones. The Ute Indian Tribe has a right to, and has indicated it plans to, participate in both the shallow and deep programs with a working interest of 25%.

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
June 30, 2004
(Unaudited)

The effective date of the transaction is July 13, 2004. The completion of the transaction, which is expected in the third quarter of 2004, is subject to certain conditions and approvals and there are no assurances that all such conditions and approvals will be satisfied.

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

The Company earned a record net income of \$15.3 million, or \$.68 per share (diluted), on revenues of \$64.1 million in the second quarter of 2004, up 212% from net income of \$4.9 million, or \$.22 per share, on revenues of \$39.6 million in the second quarter of 2003, and up from net income of \$10.4 million, or \$.47 per share, on revenues of \$57.3 million in the first quarter of 2004. Net income for the six months ended June 30, 2004 was \$25.6 million, or \$1.15 per share (diluted), on revenues of \$121.5 million, up 70% from \$15.1 million, or \$.69 per share, on revenues of \$86.4 million for the six months ended June 30, 2003. Results in the six months ended June 30, 2003 include an after-tax write off of \$1.4 million, representing the cost of a pilot project and associated leasehold acquisition costs in Kansas.

	Three Months Ended			Six Months Ended	
	June 30, 2004	March 31, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Oil and gas:					
Net Production - BOE per day	20,315	19,395	15,397	19,949	15,566
Per BOE:					
Average sales price, net of Hedges ⁽¹⁾	\$ 28.55	\$ 25.58	\$ 21.07	\$ 27.00	\$ 22.66
Operating costs ⁽²⁾	9.21	9.24	10.63	9.18	9.71
Production taxes	1.17	.97	.52	1.07	.52
Total operating costs	10.38	10.21	11.15	10.25	10.23
Depreciation, depletion and amortization (DD&A)	4.60	4.08	3.38	4.33	3.26
General & administrative expenses (G&A)	2.38	3.73	3.62	3.02	1.95
Interest expense	.29	.30	.19	.29	.17
Electricity:					
Production - MWh/day	2,045	2,167	2,036	2,118	2,086
Sales - MWh/day	1,843	1,956	1,847	1,900	1,899
Average sales price, net of hedges - \$/Mwh	67.51	67.05	62.59	67.34	68.11
Fuel gas cost - \$/Mmbtu	5.44	5.09	5.04	5.26	5.21
⁽¹⁾ Comparative average West Texas Intermediate (WTI) price:	\$ 38.28	\$ 35.25	\$ 28.91	\$ 36.78	\$ 31.32
⁽²⁾ Includes monthly expenses in excess of monthly revenues from cogeneration operations of:	\$ 1.81	\$ 1.81	\$ 2.79	\$ 1.81	\$ 2.25

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The Company achieved record production (BOE/day) in the second quarter of 2004 of 20,315, up 5% from 19,395 in the first quarter of 2004 and up 32% from 15,397 in the second quarter of 2003. The increases from 2003 were due primarily to the acquisition and subsequent development activity of the Brundage Canyon property in Utah purchased in August 2003. At Brundage Canyon, the Company drilled 27 new wells during 2003 and an additional 27 wells in the first half of 2004. Production from this property has increased from approximately 2,100 BOE/day in the fourth quarter of 2003 to an average of approximately 4,200 BOE/day in the second quarter of 2004. In May, the Company revised its 2004 capital development budget to include an additional 10 wells for a total of 54 new wells to be drilled on this property during 2004.

Crude oil prices remained strong during the second quarter of 2004. The average price received per BOE, net of hedges, was \$28.55, up 12% from \$25.58 received in the first quarter of 2004 and up 36% from \$21.07 received in the second quarter of 2003. The average price, net of hedges, received per BOE for the first six months of 2004 was \$27.00, up 19% from \$22.66 received in the first six months of 2003.

The Company has continued its practice of hedging a portion of its production to protect cash flows from a severe decline in crude oil prices. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for information related to these agreements and their impact on future revenues. The Company nets its oil hedging gains or losses into its revenue from the sale of oil and gas. For the second quarter of 2004, the effect of these agreements was to reduce the net realized price of crude oil by \$2.28 per barrel compared to a reduction of \$2.68 per barrel in the first quarter of 2004 and \$1.42 per barrel in the second quarter of 2003.

The Company sells approximately 85 MW of electricity from its cogeneration facilities. Approximately 65 MW is sold to utilities under Standard Offer (SO) contracts that are scheduled to terminate on December 31, 2004. In January 2004, the California Public Utilities Commission (CPUC) issued a decision that orders the utilities to continue to purchase energy and capacity from Qualified Facilities (QFs), such as Berry, under 5-year SO contracts. The CPUC has not yet determined the price that will be paid under these SO contracts. The Company is carefully reviewing this and other options for the sale of energy beginning in 2005. The remaining 20 MW of electricity continues to be sold to a utility under a long-term SO contract that is scheduled to terminate in March 2009.

Due to production increases, oil and gas operating costs for the second quarter of 2004 of \$19.2 million were up 7% from \$18.0 million in the first quarter of 2004 and up 23% from \$15.6 million in the second quarter of 2003. On a per BOE basis, operating costs were \$10.38 in the second quarter of 2004, up 2% from \$10.21 in the first quarter of 2004, but down 7% from \$11.15 in the second quarter of 2003. Growth in production in the second quarter of 2004 from the second quarter of 2003 is due primarily to the Brundage Canyon acquisition in Utah. The increase in operating costs in the second quarter of 2004 from the first quarter of 2004 was due primarily to higher steam costs in California operations resulting from lower electricity revenue and increased cost of natural gas used as fuel in the Company's steaming operations. Operating costs decreased by \$.77 per BOE in the second quarter of 2004 compared to the second quarter of 2003 due primarily to lower operating cost per BOE associated with light crude production from the Brundage Canyon property.

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For the six months ended June 30, 2004, operating costs of \$10.25 were up slightly from \$10.23 incurred during the first six months of 2003. The Company continues to anticipate that operating costs will average below \$10.50 per BOE during the full year of 2004 assuming stable natural gas prices.

Due to higher production, DD&A for the second quarter of 2004 was \$8.5 million, up 18% from \$7.2 million in the first quarter of 2004 and up 81% from \$4.7 million in the second quarter of 2003. DD&A for the first six months of 2004 was \$15.7 million, up 71% from \$9.2 million in the first six months of 2003. DD&A is higher in 2004 compared to the 2003 periods due primarily to the acquisition and development activities in the Rocky Mountains and California. On a per BOE basis, DD&A was \$4.60 for the second quarter of 2004, up from \$4.08 in the first quarter of 2004 and up from \$3.38 from the second quarter of 2003. With the continued development activities budgeted for the remainder of 2004, the Company anticipates its DD&A rate to average between \$4.00 and \$4.60 per BOE for all of 2004.

G&A for the second quarter of 2004 was \$4.4 million, or \$2.38 per BOE, down 33% from \$6.6 million, or \$3.73 per BOE, in the first quarter of 2004 and down 14% from \$5.1 million, or \$3.62 per BOE, in the second quarter of 2003. G&A expense decreased in the second quarter of 2004 compared to the first quarter of 2004 due primarily to a lower mark-to-market adjustment of accrued compensation determined under variable accounting for stock option compensation expense, partially offset by \$.8 million in costs associated with the change in the chief executive officer of the Company in the second quarter of 2004. Stock option compensation was \$.8 million, \$3.6 million and \$2.8 million in the three months ended June 30, 2004, March 31, 2004 and June 30, 2003, respectively.

For the first six months of 2004, G&A was \$11.0 million, or \$3.02 per BOE compared to \$5.5 million, or \$1.95 per BOE, in the first six months of 2003. Stock option compensation was \$4.5 million for the six months ended June 30, 2004, up from \$1.0 million incurred in the first six months of 2003. G&A also increased due to the cost associated with the change in the chief executive officer of the Company as indicated above. The Company anticipates G&A costs for all of 2004 to be between \$16.5 and \$17.5 million and average between \$2.20 and \$2.35 per BOE.

The Company's effective income tax rate was 24% in the second quarter of 2004 compared to 21% in the first quarter of 2004 and a benefit of 23% in the second quarter of 2003. For the first six months, the effective tax rate was 23% compared to 14% for the first six months of 2003. The Company's effective tax rate is lower than the statutory rate due to the Company's continued investment in qualifying enhanced oil recovery (EOR) projects, among other factors. The Company's effective tax rate has increased during 2004 due to higher pre-tax income resulting from higher crude oil prices and higher production volumes. Based on current future strip oil prices, the Company anticipates an effective tax rate for 2004 between 24% and 27%.

Liquidity and Capital Resources

Working capital as of June 30, 2004 was \$8.4 million, up from negative \$.4 million as of June 30, 2003 and up from negative \$3.5 million as of December 31, 2003. Net cash provided by operating activities was \$37.6 million in the first six months of 2004, up from \$22.4 million in the first six months of 2003 due to higher production levels resulting from the acquisition of Brundage Canyon and increases in oil prices.

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Cash was used to fund \$31.8 million in capital expenditures in the first six months of 2004, which included drilling 58 new wells, of which 13 were a carryover from the 2003 capital budget, and completing 43 workovers. Of these totals, 31 new wells were drilled and 25 workovers were performed in California and 27 new wells were drilled and 18 workovers were performed on the Brundage Canyon property.

Excluding 2004 acquisitions, the Company's 2004 revised budget is approximately \$61 million, up 15% from its initial budget of approximately \$53 million. Within this budget, the Company expects to drill approximately 100 wells and perform approximately 100 workovers. The Company intends to fund 100% of its capital program out of internally generated cash flow. As of June 30, 2004, the Company had \$150 million available under its \$200 million credit facility. Excess cash will be targeted to acquisitions, additional development and debt reduction. The Company estimates it will spend approximately \$2 million on land acquisition costs related to its recently announced acquisition of 171,000 acres in the Uinta Basin and is hopeful that it can begin a drilling program on this acreage in 2004.

Forward Looking Statements

"Safe harbor under the Private Securities Litigation Reform Act of 1995:" *With the exception of historical information, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, but are not limited to, the timing and extent of changes in commodity prices for oil, gas and electricity, a limited marketplace for electricity sales within California, counterparty risk, competition, environmental risks, litigation uncertainties, drilling, development and operating risks, the availability of drilling rigs and other support services, legislative and/or judicial decisions and other government regulations.*

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BERRY PETROLEUM COMPANY Part I. Financial Information Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company enters into various financial contracts to hedge its exposure to commodity price risk associated with its crude oil production, electricity production and net natural gas volumes purchased for its steaming operations. These contracts related to crude oil and natural gas have historically been in the form of zero-cost collars and swaps. The Company typically hedged between 25% and 50% of its anticipated crude oil production each year and up to 30% of its anticipated net natural gas purchased each year. Going forward, the Company anticipates that it may put hedges in via swaps on over 50% of its production to capture the price benefit of favorable crude pricing. All of these hedges have historically been deemed to be cash flow hedges with the mark-to-market valuations of the collars provided by external sources, based on prices that are actually quoted.

Based on NYMEX futures prices as of June 30, 2004, (WTI \$36.85 per Bbl.; Henry Hub (HH) \$6.09 per mcf) the Company would expect to make pre-tax future cash payments over the remaining term of its crude oil and natural gas hedges in place as follows:

	NYMEX Futures	Impact of percent change in futures prices on pre-tax earnings (in thousands)			
		-20%	-10%	+10%	+20%
Average WTI Price	\$ 36.85	\$ 29.48	\$ 33.16	\$ 40.53	\$ 44.21
Crude Oil gain/(loss)	(7,010)	(2,520)	(4,840)	(9,190)	(11,360)
Average HH Price	6.09	4.87	5.48	6.70	7.31
Natural Gas gain/(loss)	3,330	(930)	1,200	5,460	7,590

The Company sells 100% of its electricity production, net of electricity used in its oil and gas operations, under SO contracts to major utilities. Three of the four SO contracts representing approximately 77% of the Company's electricity for sale are scheduled to expire on December 31, 2004 and the Company is evaluating its options beyond the termination dates. In January 2004, the California Public Utilities Commission (CPUC) issued a decision that orders the utilities to continue to purchase energy and capacity from Qualified Facilities (QFs), such as Berry, under 5-year SO contracts. The CPUC initiated a rulemaking to determine the price that will be paid under these SO contracts. The Company is carefully reviewing this and other options for the sale of energy beginning in 2005. The remaining 20 MW of electricity continues to be sold to a utility under a long-term SO contract that is scheduled to terminate in March 2009.

The Company attempts to minimize credit exposure to counterparties through monitoring procedures and diversification. The Company's exposure to changes in interest rates results primarily from long-term debt. Total debt outstanding at both June 30, 2004 and December 31, 2003 was \$50 million. Interest on amounts borrowed is charged at LIBOR plus 1.25% to 2.0%. Based on these borrowings, a 1% change in interest rates would not have a material impact on the Company's condensed financial statements.

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BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 4. Controls and Procedures

Based on an evaluation by the Company's management as of the end of the period covered by this Quarterly Report on Form 10-Q, subject to and except for the discussion below, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined by regulations of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

In July, 2004, the Company became aware of a material weakness relating to the Company's internal controls and procedures over its financial reporting for stock based compensation relating to its stock option plan. As a result, the Company has performed a review of the method of stock option exercises by employees and directors since the plan's inception in 1994. Based on this review, the Company determined that variable plan accounting is required to comply with generally accepted accounting principles in the United States. In response to this matter, the Company, during the third quarter 2004, revised its procedures related to stock option exercising to remove the option holder's election to surrender options in payment of any portion of taxes above the minimum statutory withholding. Furthermore, the Company, during the third quarter 2004, has remediated the ineffective internal controls through the implementation of enhanced controls to assure that financial reporting is in compliance with generally accepted accounting principles in the United States.

The Company has identified no changes in the internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2004, and that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except as described above.

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BERRY PETROLEUM COMPANY
Part II. Other Information

Item 5. Submission of Matters to a Vote of Security Holders

At the annual meeting, which was held at the Doubletree Hotel, Bakersfield, CA, on May 20, 2004, nine incumbent directors were re-elected. The results of voting as reported by the inspector of elections are noted below:

1. There were 21,825,935 shares of the Company's capital stock issued, outstanding and entitled to vote as of the record date, April 27, 2004.
2. There were present at the meeting, in person or by proxy, the holders of 19,755,673 shares, representing 90.52% of the total number of shares outstanding and entitled to vote at the meeting, such percentage representing a quorum.

PROPOSAL ONE: Election of Directors

NOMINEE	FOR VOTES	PERCENT OF QUORUM VOTES CAST	WITHHOLD AUTHORITY
William F. Berry	19,176,673	97.07%	579,000
Ralph B. Busch, III	19,170,023	97.04%	585,650
William E. Bush, Jr.	19,475,221	98.58%	280,452
Stephen L. Cropper	19,543,034	98.92%	212,639
J. Herbert Gaul, Jr.	19,544,116	98.93%	211,557
John A. Hagg	19,548,306	98.95%	207,367
Robert F. Heinemann	18,299,487	92.63%	1,456,186
Thomas J. Jamieson	19,147,223	96.92%	608,450
Martin H. Young, Jr.	19,467,231	98.54%	288,442

Percentages are based on the shares represented and voting at the meeting in person or by proxy.

Item 6. Exhibits and Reports on Form 8-K

Exhibit No.	Description
10.1	Employment Agreement dated as of June 16, 2004, by and between Registrant and Robert F. Heinemann
10.2	Salary Continuation Agreement dated as of June 16, 2004, by and between Registrant and Robert F. Heinemann.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Rule 1350 Certification of Chief Executive Officer
32.2	Rule 1350 Certification of Chief Financial Officer

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BERRY PETROLEUM COMPANY
Part II. Other Information

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K (cont'd)

On May 5, 2004, the Company filed a Form 8-K reporting an Item 9 - Regulation FD Disclosure and Item 12 - - Disclosure of results of operations and financial condition to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing financial results for the three months ended March 31, 2004.

On May 14, 2004, the Company filed a Form 8-K reporting an Item 9 - Regulation FD Disclosure to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing designation of interim governance procedures and the formation of a search committee for a permanent President and Chief Executive Officer.

On May 18, 2004, the Company filed a Form 8-K reporting an Item 9 - Regulation FD Disclosure to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing webcasting of the Company's Annual Shareholder Meeting of May 20, 2004.

On June 17, 2004 the Company filed a Form 8-K reporting an Item 9 - Regulation FD Disclosure to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing naming of Robert Heinemann as President and Chief Executive Officer and Martin H. Young, Jr. as Chairman of the Board.

On July 19, 2004 the Company filed a Form 8-K reporting an Item 9 - Regulation FD Disclosure to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing the acquisition of additional Uinta Basin acreage and a joint exploration and development program.

On July 26, 2004, the Company filed a Form 8-K reporting an Item 12 - Disclosure of results of operations and financial condition to furnish the Securities and Exchange Commission a copy of the Company's Press Release announcing a rescheduling of the release of the Company's financial results for the three months ended June 30, 2004 and revision of accounting treatment for stock options.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BERRY PETROLEUM COMPANY

/s/ Donald A. Dale

Donald A. Dale
Controller
(Principal Accounting Officer)

Date: August 9, 2004

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Berry Petroleum Company, a Delaware corporation ("Company"), and Robert F. Heinemann, an individual ("Executive") (collectively the "Parties"), with respect to the following facts:

WHEREAS, the Company desires to employ Executive in the position of President and Chief Executive Officer ("CEO") on the terms and conditions, and for the consideration hereinafter set forth, and Executive desires to be employed by the Company on such terms and conditions and for such consideration;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the Parties hereto do hereby agree as follows:

ARTICLE 1 EMPLOYMENT AND DUTIES

1.1 **Employment Relationship.** The Company hereby employs Executive for the Term of Employment, as defined in Section 3.1, to perform the duties and undertake the responsibilities for the Company as described herein. During the term of this Agreement, Executive shall serve as an employee and shall hold the position of President and CEO of the Company. Executive shall report directly to the Chairman of the Board of Directors of the Company. Executive shall perform the duties of the President and CEO as prescribed in the agreed upon job description and those additional duties as are common for similar positions in similar industries.

1.2 **Scope of Duties.** Executive shall perform diligently and use all of his best efforts during the Term of Employment, as defined in Section 3.1, to protect, encourage, and promote the interests of the Company. During the Term of Employment, Executive shall also perform such other duties consistent with the position of President and CEO as may be assigned to Executive from time to time by the Board and will devote substantial time and attention to such duties.

1.3 **Other Activities.** During the term of this Agreement, Executive shall not be precluded from devoting a limited amount of time to outside activities, provided that:

1.3.1 Such activity does not interfere with Executive's duties under this Agreement and is not in conflict with the interests of the Company;

1.3.2 Executive's obligations to the Company are not compromised; and

1.3.3 Executive makes a full written disclosure to the Chairman of the Board of the nature, extent, and duration of all such activities prior to beginning any such activities, and Executive obtains the written consent of the Board prior to beginning any such activity.

1.4 **Passive Investments in Non-Competitive Enterprises.** It is expressly understood that neither Section 1.3 nor any other provision of this Agreement shall be construed to prohibit or restrict Executive from making any passive investment in an enterprise not competitive with the Company. In addition, nothing contained in this Agreement shall be construed to prohibit or restrict Executive from engaging in any activities on his own time which are not competitive with nor in conflict with the Company.

ARTICLE 2 COMPENSATION AND BENEFITS

2.1 **Base Salary.** The Company shall pay Executive an annual base salary of Three Hundred and Seventy-Five Thousand Dollars (\$375,000) ("Base Salary"). The Base Salary shall be payable in semi-monthly installments or otherwise, in accordance with the normal payroll procedures of the Company, less applicable withholdings. The annual Base Salary during the contract term may be increased from time to time by the Company.

2.2 **Signing Bonus.** The Company shall pay Executive a signing bonus of Three Hundred Thousand Dollars (\$300,000), less applicable withholdings, payable upon execution of this Agreement.

2.3 **Discretionary Annual Bonus.** In addition to his Base Salary, Executive may be eligible to receive an annual bonus of between One Hundred and Fifty Thousand Dollars (\$150,000) and Three Hundred and Seventy-Five Thousand Dollars (\$375,000), as may be determined from time to time by the Board and adjusted. The payment of any bonus under this section and the amount of any such bonus shall be at the sole discretion of the Board.

2.4 **Stock Options.** Executive shall receive a grant of One Hundred Thousand (100,000) stock options upon the Effective Date of this Agreement, as provided by the Company's 1994 Stock Option Plan, as amended ("Stock Plan"), subject to the terms and conditions of the Stock Plan.

2.5 **Health and Welfare Benefits.** Executive shall be eligible to participate in all benefit programs (including welfare plans, retirement plans, disability plans, leave programs and educational reimbursement programs) provided by the Company to its employees, in accordance with terms of the applicable plans.

2.6 **Equipment, Supplies and Services.** The Company shall provide Executive with equipment, supplies, and professional and administrative support services that, in the judgment of the Company, are reasonably necessary for Executive to efficiently perform the duties required hereunder.

2.7 **Tax Liability.** Executive shall take full and complete responsibility for, and shall hold the Company harmless from any and all tax liability relating to his receipt of benefits, including but not limited to, withholding, social security, SUI/SDI, federal, state or local taxes, and any interest or penalties incurred in connection with receipt of such benefits.

ARTICLE 3 TERM AND TERMINATION OF EMPLOYMENT

3.1 **Term of Employment.** As used in this Agreement, the phrase "Term of Employment" shall mean the period commencing with the Effective Date (as defined herein) of this Agreement and continuing for three (3) years ("Expiration Date"), or until the Agreement is terminated pursuant to Section 3.2, Section 3.3, Section 3.4 or Section 3.5. The Company may choose not to renew this Agreement by providing Executive with no less than one hundred eighty (180) days written notice prior to the Expiration Date. In the event the Company provides less than one hundred eighty (180) days notice to Executive of its intention not to renew this Agreement, the sole obligation of the Company shall be to pay to Executive his Base Salary for the amount of time such notice fell short of one hundred eighty (180) days.

3.2 **Death and Disability.** Executive's employment under this Agreement and this Agreement shall terminate automatically upon Executive's death. Additionally, Company may terminate this Agreement and Executive's employment under this Agreement, in compliance with all state and federal workers' compensation, disability, and family and medical leave laws, if Executive is absent from work or is unable to discharge the essential functions of Employee's position, with or without reasonable accommodation, due to legal, physical or mental incapacity for a period of at least sixty (60) days (whether or not consecutive) in any three hundred and sixty-five (365) consecutive day period.

3.3 **The Company's Right to Terminate For Cause.** The Company may terminate this Agreement and the employment relationship with Executive at any time for cause. For purposes of this Agreement, the term "for cause" shall include, but not be limited to, any of the following, as determined by the Company in its sole and absolute discretion: (i) any material violation of the Company's policies or procedures, as established and revised by the Company from time to time or any material breach of this Agreement; (ii) any form or incident of misconduct, or violation of the Board approved Code of Conduct; (iii) actual conflict of interest or any activities, directly or indirectly, by Executive involving another business entity or organization in the oil and gas industry, including but not limited to advising, investing in, or receiving consideration from, such entity, except as provided in Section 1.3 herein; or (iv) breach of Executive's confidentiality obligations under this Agreement or under applicable law. The Company agrees to give Executive thirty (30) days written notice of its intent to terminate this Agreement and Executive's employment under this Agreement based upon the reason(s) specified above in such notice, or pay to Executive the equivalent Base Salary in lieu of notice. A failure or refusal by Company to exercise its right to terminate this Agreement as a result of the existence of cause or any other factor shall not constitute nor be construed as a waiver of its right to terminate this Agreement and the employment relationship at a later time for such cause or other factor under this Section, or without cause under Section 3.4.

3.4 **The Company's Right to Terminate Without Cause.** The Company may terminate this Agreement and the employment relationship at will, at any time during the Term of Employment, without cause. In the event that the Company exercises its right to terminate this Agreement and the employment relationship pursuant to this provision, the Company shall pay Executive, in addition to all sums to which Executive shall be entitled as a result of his employment and all acts up to and including the date of termination of Executive's employment, the lesser of two (2) years Base Salary or the Base Salary owed for the remainder of Term of the Employment. Provided, however, that if the Company exercises its right to terminate this Agreement and the employment relationship pursuant to this provision during the third year of this Agreement, the Company shall pay Executive, in addition to all sums to which Executive shall be entitled as a result of his employment and all acts up to and including the date of termination of Executive's employment, one (1) year Base Salary. No additional benefits will be earned by Executive following the last day of actual work. This severance pay will be paid in a lump sum or in monthly installments, at the Company's option, less applicable withholdings.

3.5 **Resignation by Executive.** Executive may terminate this Agreement and the employment relationship at will, at any time during the Term of Employment, with or without cause. In the event Executive resigns, with or without cause, the Company shall pay Executive only that compensation earned by Executive as of the last day of work, and no additional compensation or sums shall be owed to Executive.

3.6 **Change in Control.** The Parties will enter into a Salary Continuation Agreement in the form attached hereto as Exhibit A.

3.7 **Resignation from Board.** Unless otherwise requested by the Board, upon the termination of Executive's employment for any reason, Executive shall immediately resign from the Board and Executive agrees that he shall be treated as so resigned upon termination of employment.

3.8 **Obligation Upon Death or Disability, Termination for Cause or Termination by Executive.** If Executive's employment under this Agreement is terminated under Sections 3.2 or 3.3 above, or Executive terminates Executive's employment, then neither Employee nor Executive's estate shall be entitled to receive any compensation, benefits, or other remedies under or in relation to this Agreement or otherwise, other than the payment of Executive's Base Salary earned up to the date of termination, except as otherwise specifically provided.

3.9 Release. In exchange for the payments made by the Company under Section 3.1, 3.4 or 3.6 to Executive, Executive hereby agrees to waive and release in writing all claims or other rights, whether legal or otherwise, which Executive may have against the Company or any of its affiliates or any of their respective officers, directors, stockholders, employees, attorneys, or agents for damages or any other payment or remedies arising from Executive's employment with the Company or the termination thereof. Payment of any amounts shall be conditioned upon Executive's execution of a general release of such claims or rights, which is in a form acceptable to the Company.

ARTICLE 4 INDEMNITY

The Company and Executive entered into an Indemnification Agreement on March 28, 2002, which remains in full force and effect.

Executive agrees to fully indemnify and hold the Company harmless from and against any and all liability, loss, damage, claim or cause(s) of action (whether or not well-founded) which may result, directly or indirectly, from any actions of Executive which are not within the course and scope of Executive's employment as authorized or required hereunder.

ARTICLE 5 MISCELLANEOUS

5.1 Confidential Information; Prohibited Misappropriation. Executive hereby recognizes and acknowledges that during the course of his employment by the Company, the Company has disclosed and will furnish, disclose, or make available to Executive confidential and proprietary information related to the Company's business including, without limitation, business records, personnel information, financial information, ideas, processes, inventions, and devices and other technical or related documentation, whether or not patentable or entitled to trademark (the "Confidential Information"), that such Confidential Information has been developed and will be developed through the expenditure by the Company of substantial time and money and that all such Confidential Information, except to the extent it is in the public domain, shall constitute valuable, special and unique assets of the Company and trade secrets protected under applicable law. Executive further agrees to use such Confidential Information only for the purpose of carrying out his duties with the Company and agrees that he will not, for a period of two (2) years after his last day of employment with the Company, misappropriate for himself or others or disclose to any third party, either directly or indirectly, any Confidential Information. It is expressly understood that Executive shall not be in breach of this Section 5.1 for any disclosure he is required to make by virtue of a final unappealable order by a court of competent jurisdiction. It is further expressly agreed that Executive shall return to the Company at the time of termination of employment and not retain any property belonging to the Company, including, without limitation, any and all originals and copies of documents referencing or containing any Confidential Information.

5.2 Prohibited Solicitation: Employees. Either during or for two years after employment, Executive agrees not to directly or indirectly encourage or solicit any individual to leave the Company's employ for any reason or interfere in any other manner, except with respect to disciplinary or other employment actions Executive may undertake in Executive's role as a supervisor, with the employment relationship at the time existing between the Company and its current or prospective employees.

5.3 Prohibited Solicitation: Third Parties. During employment, Executive agrees not to directly or indirectly induce or attempt to induce any member, payor, contractor, supplier, distributor, licensee or other affiliate of the Company to cease its relationship with the Company or in any way interfere with the existing relationship between any such member, payor, contractor, supplier, distributor, licensee or other affiliate and the Company. After employment, Executive agrees not to use Confidential Information to directly or indirectly induce or attempt to induce any member, payor, contractor, supplier, distributor, licensee or other affiliate of the Company to cease its relationship with the Company or in any way interfere with the existing relationship between any such member, payor, contractor, supplier, distributor, licensee or other affiliate and the Company.

5.4 No Competition. During the term of his employment, Executive shall not directly or indirectly, own, enter into, engage in, operate, manage, control, participate in, advise, assist, finance, be employed by or render services to or consult with, or have a financial or other interest in, any business that competes with the Company (or any segment thereof), or take any preliminary steps to do any of the foregoing.

5.5 Recourse for Breach of Restrictive Covenants. Executive acknowledges that monetary damages may not be sufficient to compensate the Company for any economic loss, which may be incurred by reason of Executive's breach of the foregoing restrictive covenants. Accordingly, in the event of any such breach, the Company is relieved from paying any remaining payments provided under this Agreement, it may pursue any remedies available at law, and it will be entitled to obtain equitable relief in the form of an injunction precluding Executive from continuing to engage in such breach. Such relief may be sought as provided in Section 5.9.

5.6 Consideration. Executive acknowledges that the restrictions placed upon him by Sections 5.1, 5.2, 5.3 and 5.4 are reasonable, given the nature of his position, and that there is sufficient consideration promised him pursuant to this Agreement to support these restrictions.

5.7 Survival of Restrictive Covenants. The restrictions of Sections 5.1, 5.2 and the specified portion of 5.3 shall survive Executive's last day of employment by the Company and shall be in addition to any restrictions imposed upon Executive by statute or at common law.

5.8 Applicability. Sections 5.1 (except as to personnel information), 5.2, and 5.3 shall not apply should the Company cease to exist altogether.

5.9 Mutual Arbitration. The Company and Executive agree to seek to resolve any dispute between them arising out of the services performed under this Agreement, or arising out of the Agreement itself, through voluntary mediation and binding arbitration. Claims subject to arbitration include, but are not limited to, (i) claims for discrimination, including but not limited to age, disability, marital status, medical condition, national origin, race, religion, retaliation, sex, sexual harassment, sexual orientation or veteran status; (ii) claims for breach of any contract or covenant, express or implied; (iii) claims for violation of any federal, state or other governmental law, statute, regulation or ordinance, including, but not limited to Title VII, the Age Discrimination In Employment Act, the Americans With Disabilities Act, and the California Fair Employment Housing Act; (iv) tort claims, including but not limited to negligent or intentional injury, defamation and termination of employment in violation of public policy and (v) claims for injunctive relief. Should either party choose not to participate in voluntary mediation, such dispute shall be resolved immediately by binding arbitration.

5.9.1 The arbitration proceeding shall be governed by the most recent version of the Employment Dispute Resolution Rules that have been issued by the American Arbitration Association or by another appropriate procedures and arbitration organization as determined by the initiating party.

5.9.2 The neutral Arbitrator(s) must be an attorney(s) with no less than five (5) years experience in labor and employment law in the State of California.

5.9.3 Executive will not be required to bear costs that are unique to arbitration. All such costs shall be borne by the Company.

5.9.4 The Parties shall be entitled to discovery sufficient to adequately arbitrate any statutory claims, including access to essential documents and witnesses, as determined by the arbitrator.

5.9.5 In making an award, the Arbitrator shall have the authority to make any finding and determine any remedy congruent with applicable law, including an award of attorneys' fees. In reaching a decision, the Arbitrator shall adhere to relevant law and applicable legal precedent, and shall have no power to vary therefrom. The Arbitrator shall not have the power to modify any of the provisions of this Agreement, but shall have all the authority to render an award which will be final and binding upon the Parties. The Arbitrator shall issue a written decision that reveals the essential findings and conclusions upon which the award is based. Judgment upon the award rendered by the Arbitrator may be entered in any Court having competent jurisdiction. The Arbitrator's award shall be reviewable in a court of law pursuant to the California Arbitration Act.

5.9.6 This Section 5.9 shall survive the termination of this Agreement and apply to any claim whether it arises or is asserted during or after such termination. The Parties agree that this Section does not cover claims by either party to obtain emergency equitable, injunctive or other relief from a Court or agency of competent jurisdiction as provided by law. THE PARTIES HERETO EXPRESSLY WAIVE THEIR RIGHT TO A JURY TRIAL AS TO ANY CLAIMS COVERED BY THIS AGREEMENT TO ARBITRATE.

5.10 Amendment and Modifications. This Agreement and the March 28, 2002 Indemnification Agreement referenced in Article 4 of this Agreement and the Salary Continuation Agreement contain a complete statement of all rights and obligations between the Parties with respect to Executive's employment by the Company. This Agreement supersedes all prior and existing negotiations and agreements between the Parties concerning Executive's employment and can only be changed or modified pursuant to a written instrument duly executed by each of the Parties hereto.

5.11 Severability. If any provision of this Agreement or any portion thereof is declared invalid, illegal or incapable of being enforced by any Court of competent jurisdiction, the remainder of such provisions and all of the remaining provisions of this Agreement shall continue in full force and effect.

5.12 Withholdings. All amounts payable hereunder shall be subject to such withholdings as may be required by law.

5.13 Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Company. Except as expressly provided in this Agreement, Executive may neither sell, transfer, assign, nor pledge any of Executive's rights or interests pursuant to this Agreement. The Company may sell, transfer or assign this Agreement or any of the Company's rights under this Agreement in connection with any transaction involving the sale, assignment or transfer of the stock or assets of the Company, or a merger or other reorganization involving the Company (whether or not the Company is the surviving entity in such transaction), or any transaction involving a Change in Control.

5.14 Copyright, Publication And Use Of Data. All work developed by Executive under this Agreement shall be the sole and exclusive property of the Company. Executive shall not have the right to use, distribute or otherwise disseminate such work without the express written permission of the Company.

5.15 Notices. Whenever notice is to be served hereunder, service shall be made personally, by facsimile transmission, by overnight courier or by registered or certified mail, return receipt requested. All postage and other delivery charges shall be prepaid by the party sending the notice. Notice shall be effective only upon receipt by the party being served, except notice shall be deemed received seventy two (72) hours after posting by the United States Post Office, by any method described above. Confirmation of receipt of any facsimile sent must be received in order to presume that the transmission was received. All notices shall be sent to the addresses described below unless changed by written notice pursuant to the terms of this Section.

If To the Company: Berry Petroleum Company

5201 Truxtun Ave., Suite 300

Bakersfield, CA 93309-0640

Attn: Martin H. Young, Jr., Chairman of the Board

Copy to: Laura K. McAvoy, Esq.

Jackson, DeMarco & Peckenpaugh

2815 Townsgate Road, Suite 200

Westlake Village, CA 91361

If To Executive: Robert F. Heinemann

5201 Truxtun Ave., Suite 300

Bakersfield, CA 93309

[or current address as listed in the Company's records.]

5.16 Waiver. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or be construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

5.17 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original instrument and all of which together shall constitute the same instrument.

5.18 Authority. The individuals signing below represent that each has full authority to enter this Agreement and that each party hereto will be bound by the respective signatories.

5.19 Captions and Construction. The captions used herein as headings of the various sections hereof are for convenience only, and the Parties agree that such captions are not to be construed to be part of this Agreement or to be used in determining or construing the intent, context or meaning of this Agreement. The Parties further agree that no term of this Agreement shall be construed against any party because of such party's role or input in drafting this Agreement.

5.20 Governing Law. This Agreement shall be deemed to have been executed and delivered within the State of California, and the rights and obligations of the Parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

IN WITNESS WHEREOF this Agreement, the Parties to this Agreement have executed this Agreement to be effective as of June ____, 2004 ("Effective Date").

EMPLOYEE BERRY PETROLEUM COMPANY

_____ By: _____

Robert F. Heinemann Martin H. Young, Jr.

Chairman of the Board

Date Date

Exhibit A

to Employment Agreement

SALARY CONTINUATION AGREEMENT

THIS SALARY CONTINUATION AGREEMENT (this "**Agreement**") is made and entered into effective as of June ____, 2004, by and between BERRY PETROLEUM COMPANY, a Delaware corporation ("**Berry**"), and ROBERT F. HEINEMANN ("**Employee**"), with reference to the following facts:

A. Employee is currently serving as the Interim President and Interim Chief Executive Officer of Berry and is a valuable employee of Berry whose continued employment is beneficial to Berry.

B. Effective June ____, 2004, Employee is being named the full-time President and Chief Executive Officer of Berry and Employee and Berry are hereby entering into this Salary Continuation Agreement as recommended by the Compensation Committee of the Board of Directors and adopted by the Board of Directors.

NOW, THEREFORE, in consideration of the mutual promises and obligations contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Salary Continuation Provision.

(a) In the event of a Change of Control of Berry, Berry agrees to pay to Employee on the effective date of such Change of Control a single payment in an amount equal to his Salary (as defined herein) multiplied by two (2).

(b) For purposes of this Agreement, a "**Change of Control**" of Berry shall mean and shall be deemed to have occurred if and when any one of the following four events occurs: (a) within the meaning of Section 13(d) of the Securities Exchange Act of 1934, any person or group becomes a beneficial owner, directly or indirectly, of securities of Berry representing 20% or more of the combined voting power of Berry's then outstanding securities, without the prior approval of Berry; (b) individuals who were members of the Board of Directors immediately prior to a meeting of the stockholders of Berry involving a contest for the election of Directors shall not constitute a majority of the Board of Directors following such election; (c) the stockholders of Berry approve an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities which are not subsidiaries, as a result of which less than 50% of the outstanding securities of the surviving or resulting entity are, or are to be, owned by former stockholders of Berry (excluding from the term "former stockholders") a stockholder who is, or as a result of the transaction in question, becomes an "affiliate," as that term is used in the Securities Exchange Act of 1934 and the Rules promulgated thereunder, of any party to such merger, consolidated or reorganization); or (d) the stockholders of Berry approve the sale of substantially all of Berry's business and/or assets (in one transaction or a series of related

transactions) to a person or entity which is not a subsidiary.

Exhibit A

to Employment Agreement

(c) For purposes of this Agreement, Employee's "**Salary**" shall mean (i) Employee's regular base annual salary in effect as of the effective date of a Change of Control (as reportable on Employee's IRS Form W-2, including the amount of any voluntary deferrals of salary, and excluding any gain from exercise of stock options or any other similar non-recurring payments), plus (ii) an amount equal to the average of the annual discretionary cash bonuses received by Employee for the two (2) fiscal years immediately prior to the Change of Control.

2. Employment Status. No assurance is given to Employee that after a Change of Control he will in fact be retained by Berry, or its successor, or that he will have the same job classification. Employee understands and acknowledges that Berry, or its successor, shall not be obligated in any way to Employee under the provisions of this Agreement if Employee resigns or is terminated by Berry, whether with or without cause, prior to the effective date of a Change of Control so long as employee's termination immediately prior to a Change of Control was not motivated by a bad faith intent to avoid the obligation arising under this Agreement.

3. No Contract of Employment. Nothing in this Agreement shall be construed or interpreted as creating any contract or agreement of employment or any right to continued employment with Berry. This Agreement is not intended to confer upon Employee any right to notice of termination beyond that customarily given by Berry to its employees generally, or as may be set forth in any written employment agreement. Any successor-in-interest of Berry shall be free to establish its own policies or procedures for notice and termination of employment.

4. General Provisions.

(a) Neither this Agreement nor any interest herein may be assigned by Employee.

(b) This Agreement shall be binding upon and shall be enforceable against Berry, its successors-in-interest and assigned and the benefits hereunder shall accrue to Employee, his heirs, executors or administrators.

(c) This Agreement and Paragraph 3.9 of the Employment Agreement between the parties constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, between them regarding the subject matter hereof.

(d) Any claim, dispute or controversy arising out of or relating to this Agreement, including a claim for declaratory relief, will be covered by Paragraph 5.9 of the Employment Agreement between the parties.

(e) This Agreement shall be construed and governed by the laws, without regard to the laws as to choice or conflict of laws, of the State of California. The parties hereto acknowledge that this Agreement was executed in Kern County, California. By execution and

Exhibit A

to Employment Agreement

delivery of this Agreement, the parties hereto agree and accept that any legal action or proceeding shall be brought in the federal or state courts for the State of California, County of Kern, and the parties expressly waive any objection to personal jurisdiction, venue or forum nonconveniens.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the date and year first above written.

BERRY PETROLEUM COMPANY,
a Delaware corporation

By: _____
MARTIN H. YOUNG, JR.

Chairman of the Board

"Berry"

ROBERT F. HEINEMANN

"Employee"

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert F. Heinemann, President and Chief Executive Officer of Berry Petroleum Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Berry Petroleum Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the condensed financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 9, 2004

/s/ Robert F. Heinemann
Robert F. Heinemann
President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ralph J. Goehring, Executive Vice President and Chief Financial Officer of Berry Petroleum Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Berry Petroleum Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the condensed financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant is made known to us by others within the registrant, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 9, 2004

/s/ Ralph J. Goehring
Ralph J. Goehring
Executive Vice President and
Chief Financial Officer

**Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the Quarterly Report of Berry Petroleum Company (the "Company") on Form 10-Q for the period ending June 30, 2004 (the 'Report') for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the 'Exchange Act') and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Robert F. Heinemann, President and Chief Executive Officer of Berry Petroleum Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of and for the periods presented in the condensed financial statements in this Report.

/s/ Robert F. Heinemann
Robert F. Heinemann,
President and Chief Executive Officer
August 9, 2004

**Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the Quarterly Report of Berry Petroleum Company (the "Company") on Form 10-Q for the period ending June 30, 2004 (the 'Report') for the purpose of complying with Rule 13a-14(b) of the Securities Exchange Act of 1934 (the 'Exchange Act') and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Ralph J. Goehring, Executive Vice President and Chief Financial Officer of Berry Petroleum Company (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of and for the periods presented in the condensed financial statements in this Report.

/s/ Ralph J. Goehring
Ralph J. Goehring
Executive Vice President and Chief Financial Officer
August 9, 2004