

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 September 30, 1996

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)

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

28700 Hovey Hills Road, P.O. Bin X, Taft, California  
(Address of principal executive offices)

93268  
(Zip Code)

Registrant's telephone number, including area code (805) 769-8811

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 ( )

The number of shares of each of the registrant's classes of capital stock outstanding as of September 30, 1996 was 21,043,333 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.

BERRY PETROLEUM COMPANY  
SEPTEMBER 30, 1996  
INDEX

PART I. Financial Information	Page No.
Report of Independent Accountants . . . . .	3
Item 1. Financial Statements	
Condensed Balance Sheets at September 30, 1996 and December 31, 1995 . . . . .	4
Condensed Statements of Operations for the Three Month Periods Ended September 30, 1996 and 1995 . . . . .	5
Condensed Statements of	

Operations for the Nine Month Periods Ended September 30, 1996 and 1995 . . . . .	6
Condensed Statements of Cash Flows for the Nine Month Periods Ended September 30, 1996 and 1995 . . . . .	7
Notes to Condensed Financial Statements . . . . .	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	9
PART II. Other Information	
Item 6. Exhibits and Reports on Form 8-K . . . . .	12
SIGNATURES . . . . .	12

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors  
Berry Petroleum Company

We have reviewed the accompanying condensed balance sheet of Berry Petroleum Company as of September 30, 1996, the condensed statements of operations for the three and nine month periods ended September 30, 1996 and 1995, and the condensed statements of cash flows for the nine month periods ended September 30, 1996 and 1995. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed financial statements for them to be in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.  
Los Angeles, California  
October 31, 1996

BERRY PETROLEUM COMPANY  
Part I. Financial Information  
Item I. Financial Statements  
Condensed Balance Sheets  
(In Thousands Except Share Information)

	September 30, 1996 (Unaudited)	December 31, 1995
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 34,139	\$ 18,759
Short-term investments - available for sale	4,005	15,695
Accounts receivable	9,291	8,414
Deferred income taxes	364	1,175
Prepaid expenses and other	2,000	1,157
	49,799	45,200
Oil and gas properties (successful efforts basis), buildings and equipment, net	74,138	72,042
Other assets	520	480
	\$ 124,457	\$ 117,722
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,385	\$ 3,086
Accrued liabilities	3,722	3,912
Federal and state income taxes payable	968	1,696
	7,075	8,694
Deferred income taxes	19,485	16,968
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; 21,043,333 shares issued and outstanding at September 30, 1996 (21,033,055 at December 31, 1995)	210	210
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	52,997	52,850
Retained earnings	44,681	38,991
	97,897	92,060
	\$ 124,457	\$ 117,722

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

BERRY PETROLEUM COMPANY  
Part I. Financial Information  
Item I. Financial Statements  
Condensed Statements of Operations  
Three Month Periods Ended September 30, 1996 and 1995  
(In Thousands Except Per Share Data)  
(Unaudited)

	1996	1995
Revenues:		
Sales of oil and gas	\$ 13,433	\$ 12,173
Interest and other income, net	607	696
	14,040	12,869
Expenses:		
Operating costs	4,671	4,577
Depreciation, depletion and amortization	1,809	1,903
Dry hole and abandonment costs	-	103
General and administrative	1,229	1,091
	7,709	7,674
Income before income taxes	6,331	5,195
Provision for income taxes	2,319	1,821
Net income	\$ 4,012	\$ 3,374
	=====	=====
Net income per share	\$ .18	\$ .16
	=====	=====
Weighted average number of shares of capital stock used to calculate earnings per share	21,942	21,932
	=====	=====
Cash dividends per share	\$ .10	\$ .10
	=====	=====

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

BERRY PETROLEUM COMPANY  
Part I. Financial Information  
Item 1. Financial Statements  
Condensed Statements of Operations  
Nine Month Periods Ended September 30, 1996 and 1995  
(In Thousands Except Per Share Data)  
(Unaudited)

Revenues:		
Sales of oil and gas	\$ 38,797	\$ 35,053
Interest and other income, net	1,572	1,771
	<u>40,369</u>	<u>36,824</u>
Expenses:		
Operating costs	12,233	14,372
Depreciation, depletion and amortization	5,124	5,180
Dry hole and abandonment costs	75	234
General and administrative	3,622	3,456
	<u>21,054</u>	<u>23,242</u>
Income before income taxes	19,315	13,582
Provision for income taxes	7,044	5,122
Net income	<u>\$ 12,271</u>	<u>\$ 8,460</u>
	=====	=====
Net income per share	<u>\$ .56</u>	<u>\$ .39</u>
	=====	=====
Weighted average number of shares of capital stock used to calculate earnings per share	<u>21,942</u>	<u>21,932</u>
	=====	=====
Cash dividends per share	<u>\$ .30</u>	<u>\$ .30</u>
	=====	=====

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

6

BERRY PETROLEUM COMPANY  
Part I. Financial Information  
Item 1. Financial Statements  
Condensed Statements of Cash Flows  
Nine Month Periods Ended September 30, 1996 and 1995  
(In Thousands)  
(Unaudited)

	1996	1995
Cash flows from operating activities:		
Net income	\$ 12,271	\$ 8,460
Depletion, depreciation and amortization	5,124	5,180
Dry hole and abandonment costs	163	13
Increase (decrease) in deferred income tax liability	2,517	(1,528)
Other, net	(14)	(49)
	<u>20,061</u>	<u>12,076</u>
Decrease (increase) in accounts receivable, prepaid expenses and other	(909)	2,344
Decrease in current liabilities	(1,619)	(3,092)
	<u>17,533</u>	<u>11,328</u>
Cash flows from investing activities:		
Capital expenditures	(7,420)	(13,779)

Maturities of short-term investments	11,690	7,932
Purchase of short-term investments	-	(3,014)
Other, net	11	(22)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	4,281	(8,883)
Cash flows from financing activities:		
Dividends paid	(6,582)	(6,578)
Stock options exercised	148	-
	<hr/>	<hr/>
Net cash used in financing activities	(6,434)	(6,578)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	15,380	(4,133)
Cash and cash equivalents at beginning of year	18,759	7,466
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 34,139	\$ 3,333
	=====	=====
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 5,059	\$ 4,924
	=====	=====

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

7

BERRY PETROLEUM COMPANY  
Part I. Financial Information  
Item 1. Financial Statements  
Notes to Condensed Financial Statements  
September 30, 1996  
(Unaudited)

- All adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's financial position at September 30, 1996 and December 31, 1995, results of operations and cash flows for the nine month periods ended September 30, 1996 and 1995 and results of operations for the three month periods ended September 30, 1996 and 1995 have been included. All such adjustments are of a recurring nature. The results of operations and cash flows are not necessarily indicative of the results for a full year.
- The accompanying unaudited financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the December 31, 1995 financial statements. The December 31, 1995 Form 10-K and the Form 10-Q for the periods ended June 30 and March 31, 1996 should be read in conjunction herewith. The year-end condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.
- On December 25, 1993, the Company experienced a crude oil spill on its PRC 735 State lease located in the West Montalvo field in Ventura County, California. The clean-up of the spill was substantially completed in January 1994. The Company negotiated a resolution of the state criminal investigation in August 1994. The Company continues its settlement negotiations with the appropriate governmental agencies. The Company estimates the total cost of the spill, net of insurance reimbursement, to be a minimum of \$3.3 million and a maximum of \$5.1 million. The minimum amount was expensed by the Company (\$1.3 million in 1994 and \$2 million in 1993). The costs incurred and estimated to be incurred in connection with the spill not yet paid by the Company are included in current liabilities at September 30, 1996, and the probable remaining minimum insurance reimbursement is included in accounts receivable. As of September 30, 1996, the Company had received approximately \$8.1 million under its insurance coverage as reimbursement for costs incurred and paid by the Company associated with the spill.

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

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 the timing and extent of changes in commodity prices for oil and gas, environmental risks, drilling and operating risks, uncertainties about the estimates of reserves and government regulation.

Results of Operations

The Company had net income of \$12.3 million for the nine months ended September 30, 1996 (\$.56 per share), up 45% from net income of \$8.5 million for the nine months ended September 30, 1995 (\$.39 per share). For the three months ended September 30, 1996, the Company had net income of \$4.0 million, or \$.18 per share, down 9% from \$4.4 million earned in the second quarter, but up 18% from \$3.4 million (\$.16 per share) earned in the third quarter of 1995.

	Three Months Ended		Nine Months Ended		
	Sept 30, 1996	Jun 30, 1996	Sept 30, 1995	Sept 30 1996	Sept 30, 1995
Net production BOE/day	9,782	9,465	9,580	9,454	9,311
Average sales price/BOE	\$14.74	\$15.27	\$13.75	\$14.87	\$13.75
Operating costs/BOE	\$ 5.19	\$ 4.35	\$ 5.19	\$ 4.72	\$ 5.65
Depreciation/Depletion/BOE	\$ 2.01	\$ 1.96	\$ 2.16	\$ 1.98	\$ 2.04
General & administrative expenses/BOE	\$ 1.37	\$ 1.50	\$ 1.24	\$ 1.40	\$ 1.36

Operating income from producing operations was \$7.1 million in the third quarter of 1996, down 9% from \$7.8 million for the three months ended June 30, 1996, but up 22% from \$5.8 million in the third quarter of 1995. Operating income declined from the second quarter of 1996 due to a decline in oil prices and higher operating costs, partially offset by an increase in production volumes. The improvement from the third quarter of 1995 was due to higher oil prices and production volumes in the 1996 period, combined with a decline in depreciation and depletion.

The average sales price for the Company's oil and gas in the third quarter

was \$14.74/BOE, down 3% from \$15.27 in the second quarter of 1996, but up 7% from \$13.75 in the third quarter of 1995. The average posted price of San Joaquin Valley heavy crude oil, the applicable price for the Company's homebase properties (88% of the Company's total production) began the third quarter 1996 at \$14.50/bbl, declined to a low of \$14.25/bbl on August 1, 1996 and then rebounded to close the quarter at \$16.25/bbl. The "spread" or difference between pricing of San Joaquin heavy and West Texas Intermediate widened in the third quarter to \$7.34 from \$6.19 in the second quarter of 1996 contributing to the reduction in the average sales price received for the Company's crude oil compared to the second quarter.

The Company achieved higher production volumes in the third quarter with average production of 9,782 BOE/D for the three months ended September 30, 1996, up 317 BOE/D from the second quarter of 1996 and 202 BOE/D from the third quarter of 1995.

9

Operating costs per BOE in the third quarter of \$5.19 were comparable to the costs incurred in the same three month period in 1995, but were up 19% from \$4.35 incurred in the second quarter of 1996. In the quarter ended September 30, 1996, the Company experienced higher costs in its steaming operations due to rising fuel (natural gas) prices and higher gas transportation costs. In addition, the Company also incurred higher costs to return four wells to production and replace downhole equipment in other wells on its Montalvo properties.

The Company has substantially completed its drilling program for 1996. For the year, 47 wells were drilled and completed, all of which were on the Company's core Midway Sunset properties. The program was successful and, combined with increased steaming operations, was responsible for an increase of approximately 950 BOE/D in production from the beginning of 1996.

General and administrative expenses were \$1.2 million for the quarter ended September 30, 1996, down from \$1.3 million in the second quarter of 1996, but up from \$1.1 million in the third quarter of 1995. The increases in the 1996 periods from the third quarter of 1995 were primarily due to higher medical and general insurance costs.

The Company's effective tax rate in the nine month period ended September 30, 1996 was 37%, down from 38% in the first nine months of 1995. The higher rate in 1995 resulted from an adverse U.S. Tax Court decision rendered in May of 1995. In the third quarter of 1996, the California legislature passed and the Governor signed into law, an Enhanced Oil Recovery Credit Conformity Bill. The Bill conforms California tax law to federal tax law for all properties located in California which qualify under federal regulations. Based on the Company's current plans for enhanced recovery projects, Management expects this change to reduce the Company's California income tax liability for 1996 and beyond.

#### Liquidity and Capital Resources

Working capital at September 30, 1996 was \$42.7 million, up 7% and 17%, respectively, from \$39.9 million at June 30, 1996 and \$36.5 million at December 31, 1995. Net working capital provided by operations was \$20.1 million for the first nine months of 1996, an increase of 66% from \$12.1 million for the same period in 1995. The combined effect of higher oil prices, higher production and lower operating costs was primarily responsible for the increase. Funds were used to finance capital expenditures of \$7.4 million and to pay \$6.6 million in dividends.

#### Future Developments

On August 16, 1996, Berry announced an agreement in principle to purchase substantially all of the producing oil properties and the cogeneration facility of Tannehill Oil Company and related entities for approximately \$25.2 million. While there can be no assurances that all conditions to closing will be satisfied, it is anticipated that the purchase will be completed in the fourth quarter of this year. The properties are located adjacent to Berry's Midway Sunset properties and fit well into the Company's growth strategy pursuant to which the Company continues to evaluate acquisition possibilities. Management expects the Tannehill properties to generate an immediate positive impact on the Company's profitability.

The current long-term gas transportation contract with the owner of one of the two pipelines which supply fuel gas to the Company will be fulfilled in January 1997. The contract contained a minimum take-or-pay clause and required



a transportation charge higher than current market rates. The Company expects that it can fulfill its gas transportation needs in the future at lower transportation rates by utilizing the existing spot market due to its physical connection to the Southern California Gas Company and Kern River Gas Transmission Company pipelines.

10

The Company's Standard Offer #2 (S02) contract to deliver electricity from its 38MW cogeneration facility to a major California utility company also expires in January 1997. The Company has requested, and the California Public Utilities Commission has approved, a Standard Offer #1 (S01) contract with the utility company for a fifteen (15) year term beginning in January 1997. Although the S02 contract provides for a higher capacity payment than the S01 contract, this new S01 contract is beneficial to the Company in that it will allow the Company to continue to sell its electricity to the utility.

Because the financial impact of the expiration of the above two contracts (i.e., the gas transportation contract and the S02 contract) is offsetting, the Company does not anticipate their expiration to materially increase steam costs in 1997 compared to 1996.

11

Item 6. Exhibits and Reports on Form 8-K

Exhibit 15 - Accountants' Awareness Letter

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/ Jerry V. Hoffman  
Jerry V. Hoffman  
President and  
Chief Executive Officer

/s/ Ralph J. Goehring  
Ralph J. Goehring  
Chief Financial Officer  
(Principal Financial Officer)

/s/ Donald A. Dale  
Donald A. Dale  
Controller  
(Principal Accounting Officer)

Date: October 31, 1996

EXHIBIT 15. ACCOUNTANTS AWARENESS LETTER

COOPERS                    350 South Grand Avenue                    telephone (213) 356-6000  
& LYBRAND L.L.P.        Los Angeles, CA 90071-3405                facsimile (213) 356-6363

October 31, 1996

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington D.C. 20549

Re: Berry Petroleum Company  
Commission File No. 1-9735

We are aware that our report dated October 31, 1996 on our review of the interim condensed financial statements of Berry Petroleum Company for the three and nine-month periods ended September 30, 1996, and included in the Company's quarterly report on Form 10-Q for the quarter then ended, is incorporated by reference in the registration statements on Form S-8 (File No. 33-23326 and 33-61337). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statements prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/s/ Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P., a registered limited liability partnership, is a member firm of Coopers & Lybrand (International)

9-MOS			
	DEC-31-1996		
	SEP-30-1996		
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		9,291	
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	49,799		144,817
		70,679	
		124,457	
	7,075		0
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		97,678	
124,457			
		38,797	
	40,369		0
		17,432	
		3,622	
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