

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 1998

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 93268
(Address of principal executive offices) (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, 1998 was 21,109,756 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.

2

BERRY PETROLEUM COMPANY
SEPTEMBER 30, 1998
INDEX

PART I. Financial Information	Page No.
Report of Independent Accountants	3
Item 1. Financial Statements	
Condensed Balance Sheets at September 30, 1998 and December 31, 1997	4
Condensed Statements of Operations for the Three Month Periods Ended September 30, 1998 and 1997	5

Condensed Statements of Operations for the Nine Month Periods Ended September 30, 1998 and 1997	6
Condensed Statements of Cash Flows for the Nine Month Periods Ended September 30, 1998 and 1997	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 5. Stockholder Proposals and Business13
Item 6. Exhibits and Reports on Form 8-K13
SIGNATURES14

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Berry Petroleum Company

We have reviewed the accompanying condensed balance sheet of Berry Petroleum Company as of September 30, 1998, the condensed statements of income for the three and nine month periods ended September 30, 1998 and 1997, and the condensed statements of cash flows for the nine month periods ended September 30, 1998 and 1997. 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 conducted 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.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet as of December 31, 1997, and the related statements of income, retained earnings and cash flows for the year then ended (not presented herein); and in our report dated February 20, 1998, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1997 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

October 30, 1998

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

	September 30, 1998 (Unaudited)	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,068	\$ 7,756
Short-term investments available for sale	711	718
Accounts receivable	5,940	8,990
Prepaid expenses and other	1,334	1,979
	14,053	19,443
Oil and gas properties (successful efforts basis), buildings and equipment, net	158,976	157,441
Other assets	959	840
	\$ 173,988	\$ 177,724
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,952	\$ 4,432
Accrued liabilities	2,676	2,459
Federal and state income taxes payable	2,094	1,053
	7,722	7,944
Long-term debt	30,000	32,000
Deferred income taxes	26,078	25,909
Shareholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; no shares outstanding	-	-
Capital stock, \$.01 par value:		
Class A Common Stock, 50,000,000 shares authorized; 21,109,756 shares issued and outstanding at September 30, 1998 (21,094,494 at December 31, 1997)	211	211
Class B Stock, 1,500,000 shares authorized; 898,892 shares issued and outstanding (liquidation preference of \$899)	9	9
Capital in excess of par value	53,378	53,422
Retained earnings	56,590	58,229
	110,188	111,871
	\$ 173,988	\$ 177,724

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
Three Month Periods Ended September 30, 1998 and 1997
(In Thousands, Except Per Share Data)
(Unaudited)

	1998	1997
Revenues:		
Sales of oil and gas	\$ 10,117	\$ 16,775
Gain on disposition of assets	36	768
Interest and other income (expense), net	(33)	115
	10,120	17,658
Expenses:		
Operating costs	4,767	5,599
Depreciation, depletion and amortization	2,508	2,578
General and administrative	980	1,262
Interest	479	607
	8,734	10,046
Income before income taxes	1,386	7,612
Provision for income taxes	8	2,476
Net income	\$ 1,378	\$ 5,136
	=====	=====
Basic net income per share	\$.06	\$.23
	=====	=====
Diluted net income per share	\$.06	\$.23
	=====	=====
Cash dividends per share	\$.10	\$.10
	=====	=====
Weighted average number of shares of capital stock outstanding used to calculate basic net income per share	22,009	21,978
	=====	=====
Effect of dilutive securities:		
Stock options	15	203
Other	1	21
	16	224
Weighted average number of shares of capital stock used to calculate diluted net income per share	22,025	22,202
	=====	=====

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, 1998 and 1997
(In Thousands, Except Per Share Data)
(Unaudited)

	1998	1997
Revenues:		
Sales of oil and gas	\$ 31,204	\$ 49,788
Gain on disposition of assets	64	1,198
Interest and other income (expense), net	(116)	493
	<u>31,152</u>	<u>51,479</u>
Expenses:		
Operating costs	13,284	16,105
Depreciation, depletion and amortization	7,554	7,549
General and administrative	3,112	4,209
Interest	1,464	1,763
	<u>25,414</u>	<u>29,626</u>
Income before income taxes	5,738	21,853
Provision for income taxes	775	7,248
Net income	<u>\$ 4,963</u>	<u>\$ 14,605</u>
	=====	=====
Basic net income per share	<u>\$.23</u>	<u>\$.66</u>
	=====	=====
Diluted net income per share	<u>\$.23</u>	<u>\$.66</u>
	=====	=====
Cash dividends per share	<u>\$.30</u>	<u>\$.30</u>
	=====	=====
Weighted average number of shares of capital stock outstanding used to calculate basic net income per share	<u>22,007</u>	<u>21,973</u>
	=====	=====
Effect of dilutive securities:		
Stock options	36	140
Other	1	12
	<u>37</u>	<u>152</u>
Weighted average number of shares of capital stock used to calculate dilutive net income per share	<u>22,044</u>	<u>22,125</u>
	=====	=====

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 Cash Flows
Nine Month Periods Ended September 30, 1998 and 1997
(In Thousands)
(Unaudited)

	1998	1997
Cash flows from operating activities:		
Net income	\$ 4,963	\$ 14,605
Depreciation, depletion and amortization	7,554	7,549
Increase in deferred income tax liability	169	3,396
Gain on disposition of assets	(64)	(1,198)
Other, net	(113)	(294)
	<hr/>	<hr/>
Net working capital provided by operating activities	12,509	24,058
Decrease in accounts receivable, prepaid expenses and other		
	3,695	898
Decrease in current liabilities	(222)	(325)
	<hr/>	<hr/>
Net cash provided by operating activities	15,982	24,631
Cash flows from investing activities:		
Property acquisitions	(3,136)	-
Capital expenditures	(6,051)	(15,772)
Proceeds from sale of assets	339	1,982
Return of restricted cash	-	2,570
Other, net	(240)	(52)
	<hr/>	<hr/>
Net cash used in investing activities	(9,088)	(11,272)
Cash flows from financing activities:		
Dividends paid	(6,603)	(6,592)
Payment of short-term notes payable	-	(6,900)
Proceeds from issuance of long-term debt	-	3,000
Payment of long-term debt	(2,000)	(5,000)
Other, net	21	64
	<hr/>	<hr/>
Net cash used in financing activities	(8,582)	(15,428)
Net decrease in cash and cash equivalents		
	(1,688)	(2,069)
Cash and cash equivalents, beginning of year		
	7,756	9,970
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 6,068	\$ 7,901
	=====	=====
Supplemental disclosures of cash flow:		
Income taxes (refunded) paid	\$ (610)	\$ 3,510
	=====	=====
Interest paid	\$ 1,457	\$ 1,763
	=====	=====

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

BERRY PETROLEUM COMPANY
Part I. Financial Information
Item 1. Financial Statements
Notes to Condensed Financial Statements
September 30, 1998
(Unaudited)

1. All adjustments which are, in the opinion of Management, necessary for a fair presentation of the Company's financial position at September 30, 1998 and December 31, 1997, results of operations and cash flows for the nine month periods ended September 30, 1998 and 1997 and results of operations for the three month periods ended September 30, 1998 and 1997 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.

2. The accompanying unaudited financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the December 31, 1997 financial statements. The December 31, 1997 Form 10-K and the Form 10-Q's for the periods ended June 30 and March 31, 1998 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.

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

Results of Operations

For the first nine months of 1998, the Company had net income of \$5.0 million, or \$.23 per share, down 66% from \$14.6 million, or \$.66 per share, for the first nine months of 1997. For the third quarter, the Company had net income of \$1.4 million, or \$.06 per share, down 73% from \$5.1 million, or \$.23 per share, in the third quarter of 1997.

	Three Months Ended			Nine Months Ended	
	Sept 30, 1998	June 30, 1998	Sept 30, 1997	Sept 30, 1998	Sept 30, 1997
Net production - BOE*/day	12,011	11,973	12,854	12,205	12,272
Per BOE data:					
Average sales price	\$ 9.17	\$ 8.81	\$14.15	\$ 9.35	\$14.82
Operating costs	3.79	3.05	4.04	3.36	4.16
Production taxes	.53	.66	.69	.63	.65
Total operating costs	4.32	3.71	4.73	3.99	4.81
Depreciation/Depletion (DD&A)	2.27	2.31	2.18	2.27	2.25
General & administrative expenses (G&A)	.89	.86	1.07	.93	1.26

*Barrel of oil equivalent

Operating income was \$2.9 million for the third quarter of 1998, down 67% from \$8.7 million earned in the third quarter of 1997. Similarly, operating income for the nine months ended September 30, 1998 of \$10.6 million was down 60% from \$26.4 million earned in the nine months ended September 30, 1997.

The decreases in operating income in these 1998 periods compared to 1997 were due to significantly lower oil prices. Oil prices/BOE in the third quarter of 1998 of \$9.17 were slightly higher than the \$8.81 received in the second quarter of 1998. However, they were down 35% from \$14.15 received in the third quarter of 1997. For the nine months ended September 30, 1998, oil prices averaged \$9.35, which was 37% lower than \$14.82 received in the same 1997 nine month period. The prices received in the third quarter and the first nine months of 1998 included benefits of \$.51/BOE and \$.66/BOE, respectively, from a crude oil hedge contract with a California refiner which expired on August 31, 1998.

Operating costs/BOE for the three months ended September 30, 1998 of \$4.32 were down from \$4.73 in the same 1997 three month period, but up from \$3.71 in the second quarter of 1998. Late in the second quarter of 1998, the Company increased the quantity of steam available from conventional sources and also increased the number of well service rigs in an effort to eliminate the production decline trend which occurred in the first half of 1998.

With the decline in oil prices which began in late 1997, the Company reduced its steam injection volumes, shut-in a number of marginal wells and reduced certain remedial operations in early 1998. Due primarily to these factors, production volumes declined to 12,011 BOE/day in the third quarter of 1998 from 12,854 BOE/day in the third quarter of 1997. Similarly, production volumes in the first nine months of 1998 of 12,205 BOE/day were down from 12,272 produced in the first nine months of 1997. However, production of 12,011 BOE/day in the third quarter of 1998 was up slightly from 11,973 BOE/day produced in the second quarter of 1998.

The Company began to increase its steam injection volume in the latter part of the second quarter. The number of available service rigs was also increased on a selective basis to improve production. These actions stopped the decline in production on several of the Company's leases. The other factor, adversely affecting production, is the effect of shut-in wells. The Company continues to evaluate its shut-in wells (totaling production of as much as 350 Bbls/day) and intends to bring these wells back on production upon achieving favorable economics. In conjunction with the purchase of four small properties adjacent to the Company's core South Midway-Sunset properties in July 1998, Berry was assigned a contract for the purchase of 2,000 barrels per day of high quality, low cost steam. It is anticipated that this steam, connected to the Company's main steam system in October will provide a more efficient use of steam and help maintain current production levels in the fourth quarter.

In the second quarter of 1998, the Company won a judgment for approximately \$1 million against Windsor Energy Corporation and Rincon Island Limited Partnership, the purchaser of the Company's Rincon properties in 1995. In the third quarter of 1998, Rincon Island Limited Partnership and its General Partner, Windsor Energy U.S. Corporation, filed bankruptcy. While the Company is continuing to pursue its collection efforts, ultimate collectibility is uncertain at this time. The portion of the judgment recorded as a receivable at June 30, 1998 of \$.3 million was written off in the third quarter.

The Company is continuing to achieve relatively low G&A expense on a per BOE basis in 1998. G&A in the third quarter of 1998 was \$1.0 million, or \$.89/BOE, down 23% from \$1.3 million, or \$1.07/BOE, incurred in the third quarter of 1997 and comparable to \$.9 million, or \$.86/BOE, incurred in the second quarter of 1998. The Company took numerous measures to reduce costs in early 1998 in reaction to the severe decline in oil prices and continues to monitor costs closely. G&A/BOE for the first nine months of 1998 of \$.93/BOE was down 26% from \$1.26 in the first nine months of 1997.

The Company's effective tax rate of 14% for the nine-month period ending September 30, 1998 was down from 33% for the same period in 1997. This substantial decrease was primarily due to the continuation of the Company's significant investment in qualifying enhanced oil recovery projects and applying the respective credits to lower earnings. In addition, the Company resolved past years through 1993 with both the federal and state tax authorities, collecting refunds and interest totaling \$1.2 million. The Company expects its effective tax rate to increase upon a recovery in oil prices.

On July 31, 1998, the Company purchased oil and gas properties, representing approximately 280 acres, for \$3.1 million in cash. The properties are adjacent to the Company's core South Midway-Sunset

properties and have estimated proved reserves of 1.3 million barrels. The acquisition cost, therefore, represented approximately \$2.38 per BOE of proved reserves. As mentioned above, this acquisition also included the assignment of a contract calling for delivery of a minimum of 2,000 B/D of steam to the Company.

Year 2000 (Y2k) Compliance Status

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

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

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

The Company is working with the operator of the Company's two cogeneration facilities and third party equipment manufacturers to ensure that all equipment is Y2k compliant. These facilities provide over two-thirds of the Company's steam, which is necessary to produce the Company's heavy oil reserves. It is estimated that the analysis will be completed in the fourth quarter of 1998. If any of the equipment needs to be modified or replaced, the Company plans to make the changes by the end of the second quarter of 1999. It is not known at this time what the estimated cost is, if any, to make these facilities Y2k compliant. If, by the year 2000, the cogeneration facilities are not compliant, it could have a material adverse effect on the Company's production volumes and results of operations. If the plants were shut down, the Company would fire its conventional generators, which would result in a lower volume of steam at a higher cost to the Company. However, the Company believes such action will not be necessary and is confident that the facilities will be compliant by the year 2000.

The Company's customers are predominantly major oil companies or large independent refiners. If any of these customers were not Y2k compliant by the end of 1999 and could not buy our crude oil, it could have a material impact on the Company's operations. The Company's operations could also be impacted if any of the utility providers of natural gas, electricity, etc. were not Y2k compliant by the year 2000 and could not provide their

products and services to the Company. However, Management anticipates that these companies will be ready and, therefore, the Company's operations will not be materially impacted when the year 2000 arrives. The Company has communicated with the financial institutions that are business partners of the Company. It is anticipated that they will be Y2k compliant by the year 2000 resulting in no material impact to the Company. If any of the other business partners of the Company are not Y2k compliant by the year 2000, Management does not believe it will have a material impact on the Company's operations.

Liquidity and Capital Resources

Working capital at September 30, 1998 was \$6.3 million, down \$2.6 million from \$8.9 million at June 30, 1998 and down \$5.2 million from \$11.5 million at December 31, 1997. Net cash provided by operations was \$16.0 million for the first nine months of 1998, down 35% from \$24.6 million generated in the first nine months of 1997. The Company purchased oil and gas properties adjacent to its core South Midway-Sunset for \$3.1 million in July 1998. Cash was also used for property development and other capital projects of \$6.1 million, to pay dividends of \$6.6 million, and to reduce its long-term debt by \$2.0 million.

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, Y2K non-compliance by key vendors, customers, the Company, etc. and government regulation.

Part II. Other Information

Item 5. Stockholder Proposals and Business

Stockholders of the Company are entitled to submit proposals on matters appropriate for stockholder action consistent with regulations of the Securities and Exchange Commission (SEC) and the Company's bylaws. Should a stockholder wish to have a proposal considered for inclusion in the proxy statement for the Company's 1999 annual meeting, under the regulations of the SEC, such proposal must be received by the Company on or before December 4, 1998.

In connection with the Company's 1999 annual meeting and pursuant to recently amended SEC Rule 14(a)4, if the stockholder's notice is not received by the Company on or before February 17, 1999, the Company (through management proxy holders) may exercise discretionary voting authority when the proposal is raised at the annual meeting without any reference to the matter in the proxy statement.

The above summary, which sets forth only the procedures by which business may be properly brought before and voted upon at the Company's annual meeting, is qualified in its entirety by reference to Section 1 of Article I of the Company's bylaws, which do not in any way grant additional rights to stockholders beyond those currently afforded them by law.

All stockholder proposals and notices should be directed to the Company's Corporate Secretary at P.O. Bin X, Taft, California 93268.

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
 Chairman, President and
 Chief Executive Officer

/s/ Ralph J. Goehring
 Ralph J. Goehring
 Senior Vice President and
 Chief Financial Officer
 (Principal Financial Officer)

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

Date: November 2, 1998

14

EXHIBIT 15. ACCOUNTANTS AWARENESS LETTER

PricewaterhouseCoopers LLP
 350 South Grand Avenue
 Los Angeles, CA 90071-3405
 telephone (213) 356-6000
 facsimile (213) 356-6363

October 30, 1998

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 30, 1998 on our review of the interim condensed financial statements of Berry Petroleum Company for the three and nine month periods ended September 30, 1998, 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. 33-61337, 333-62799 and 333-62873). 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/ PricewaterhouseCoopers LLP

9-MOS			
	DEC-31-1998		
	SEP-30-1998		
			6,068
		711	
		5,940	
		0	
		0	
	14,053		236,827
		77,851	
		173,988	
	7,722		0
	0		0
		0	220
		109,968	
173,988			
			31,204
	31,152		0
		20,838	
		3,112	
		0	
	1,464		
		5,738	
			775
	4,963		
		0	
		0	
			0
		4,963	
		.23	
		.23	