

BERRY PETROLEUM CO
Form 10-Q
April 29, 2008

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 March 31, 2008
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ___ to ___
Commission file number 1-9735

BERRY PETROLEUM COMPANY
(Exact name of registrant as specified in its charter)
DELAWARE 77-0079387
(State of incorporation or (I.R.S. Employer Identification
organization) Number)
5201 Truxtun Avenue, Suite 300
Bakersfield, California 93309
(Address of principal executive offices, including zip code)
Registrant's telephone number, including area
code: (661) 616-3900

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

As of April 15, 2008, the registrant had 42,664,779 shares of Class A Common Stock (\$.01 par value) outstanding. The registrant also had 1,797,784 shares of Class B Stock (\$.01 par value) outstanding on April 15, 2008 all of which is held by an affiliate of the registrant.

BERRY PETROLEUM COMPANY
FIRST QUARTER 2008 FORM 10-Q
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BERRY PETROLEUM COMPANY
Unaudited Condensed Balance Sheets
(In Thousands, Except Share Information)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,679	\$ 316
Short-term investments	58	58
Accounts receivable	117,235	117,038
Deferred income taxes	44,457	28,547
Fair value of derivatives	-	2,109
Assets held for sale	-	1,394
Prepaid expenses and other	10,814	11,557
Total current assets	175,243	161,019
Oil and gas properties (successful efforts basis), buildings and equipment, net	1,333,578	1,275,091
Other assets	15,308	15,996
	\$ 1,524,129	\$ 1,452,106
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 112,312	\$ 90,354
Revenue and royalties payable	16,621	47,181
Accrued liabilities	26,068	21,653
Line of credit	10,200	14,300
Income taxes payable	2,952	2,591
Fair value of derivatives	130,338	95,290
Total current liabilities	298,491	271,369
Long-term liabilities:		
Deferred income taxes	134,694	128,824
Long-term debt	445,000	445,000
Abandonment obligation	36,310	36,426
Unearned revenue	227	398
Other long-term liabilities	5,111	1,657
Fair value of derivatives	143,216	108,458
	764,558	720,763
Shareholders' equity:		
Preferred stock, \$.01 par value, 2,000,000 shares authorized; no shares outstanding	-	-
Capital stock, \$.01 par value:		
Class A Common Stock, 100,000,000 shares authorized; 42,663,779 shares issued and outstanding (42,583,002 in 2007)	426	425
Class B Stock, 3,000,000 shares authorized; 1,797,784 shares issued and outstanding (liquidation preference of \$899) (1,797,784 in 2007)	18	18
Capital in excess of par value	70,967	66,590
Accumulated other comprehensive loss	(163,680)	(120,704)
Retained earnings	553,349	513,645
Total shareholders' equity	461,080	459,974

\$ 1,524,129 \$ 1,452,106

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

BERRY PETROLEUM COMPANY
Unaudited Condensed Statements of Income
Three Month Periods Ended March 31, 2008 and 2007
(In Thousands, Except Per Share Data)

	Three months ended March 31,	
	2008	2007
REVENUES AND OTHER INCOME ITEMS		
Sales of oil and gas	\$ 164,495	\$ 101,773
Sales of electricity	15,927	14,596
Gas marketing	3,231	-
Gain on sale of assets	415	-
Interest and other income, net	1,329	1,110
	185,397	117,479
EXPENSES		
Operating costs - oil and gas production	41,629	33,610
Operating costs - electricity generation	16,399	14,170
Production taxes	5,967	3,815
Depreciation, depletion & amortization - oil and gas production	27,076	18,725
Depreciation, depletion & amortization - electricity generation	693	762
Gas marketing	2,982	-
General and administrative	11,383	10,307
Interest	3,738	4,292
Commodity derivatives	708	-
Dry hole, abandonment, impairment and exploration	4,126	649
	114,701	86,330
Income before income taxes	70,696	31,149
Provision for income taxes	27,665	12,294
Net income	\$ 43,031	\$ 18,855
Basic net income per share	\$.97	\$.43
Diluted net income per share	\$.95	\$.42
Dividends per share	\$.075	\$.075
Weighted average number of shares of capital stock outstanding used to calculate basic net income per share	44,392	43,916
Effect of dilutive securities:		
Equity based compensation	795	603
Director deferred compensation	123	112

Weighted average number of shares of capital stock used to calculate diluted net income per share	45,310	44,631
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Unaudited Condensed Statements of Comprehensive Income
Three Month Periods Ended March 31, 2008 and 2007

(In Thousands)

Net income	\$	43,031	\$	18,855
Unrealized gains (losses) on derivatives, net of income tax benefits of (\$40,349) and (\$7,885), respectively		(60,523)		(11,828)
Reclassification of realized gains (losses) on derivatives included in net income, net of income taxes (benefit) of \$11,698 and (\$361), respectively		17,547		(542)
Comprehensive income	\$	55	\$	6,485

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

BERRY PETROLEUM COMPANY
Unaudited Condensed Statements of Cash Flows
Three Month Periods Ended March 31, 2008 and 2007
(In Thousands)

	Three months ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 43,031	\$ 18,855
Depreciation, depletion and amortization	27,769	19,487
Dry hole and impairment	2,728	187
Commodity derivatives	271	439
Stock-based compensation expense	2,107	1,792
Deferred income taxes	22,082	12,311
Gain on sale of oil and gas properties	(415)	-
Other, net	491	209
Change in book overdraft	4,609	(4,711)
Cash paid for abandonment	(971)	(255)
Increase in current assets other than cash and cash equivalents		