

BERRY PETROLEUM CO
Form 424B3
March 06, 2012

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Registration No. 333-161243

The information in this preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 6, 2012

PRELIMINARY PROSPECTUS SUPPLEMENT
(to Prospectus dated August 11, 2009)

Berry Petroleum Company

\$600,000,000

% Senior Notes due 2022

We are offering \$600,000,000 of our % Senior Notes due 2022. Interest on the notes will accrue from March , 2012 and will be payable semiannually on and of each year, beginning on , 2012. The notes will mature on , 2022.

We may redeem all or part of the notes at any time on or after , 2017 at the redemption prices set forth in this prospectus supplement. In addition, before , 2015, we may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain equity offerings if certain conditions are met. At any time prior to , 2017, we may also redeem all or a part of the notes at a price equal to 100% of the principal amount of the notes plus a "make-whole" premium. Redemption prices are set forth under "Description of Notes - Optional Redemption" in this prospectus supplement. If we sell certain of our assets or experience specific kinds of change of control, we must offer to purchase the notes at prices set forth in this prospectus supplement plus accrued and unpaid interest.

The notes will be our senior unsecured obligations. The notes will rank effectively junior to all of our existing and any future secured debt, to the extent of the value of the collateral securing that debt, will rank equally in right of payment with our existing and any future senior unsecured debt and will rank senior in right of payment to our existing and any future subordinated debt.

Investing in our notes involves risks. Please read "Risk Factors" beginning on page S-14 of this prospectus supplement and page 5 of the accompanying base prospectus. You should read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference carefully before you make your investment decision.

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	Per Note	Total
Price to public(1)	%	\$
Underwriting discounts	%	\$
Proceeds, before expenses, to Berry Petroleum Company(1)	%	\$

(1) Plus accrued interest, if any, from March , 2012.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. Delivery of the notes, in book-entry form, will be made on or about March , 2012 through The Depository Trust Company. See "Underwriting."

None of the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Wells Fargo Securities

BMO Capital Markets

Credit Suisse

J.P. Morgan

RBS

SOCIETE GENERALE

Senior Co-Managers

RBC Capital Markets

Mitsubishi UFJ Securities

Citigroup

US Bancorp

Co-Managers

**BOSC, Inc.
Morgan Keegan**

**KeyBanc Capital Markets
Natixis**

**Lloyds Securities
Scotiabank**

The date of this prospectus supplement is March , 2012.

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You should rely only on the information contained in this prospectus or to which this prospectus refers or that is contained in any free writing prospectus relating to the notes. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer of the notes in any jurisdiction where their offer or sale is not permitted. The information in this prospectus supplement and the base prospectus and incorporated herein by reference may only be accurate as of the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering and certain other matters. The second part, the base prospectus dated August 11, 2009, provides more general information about the various securities that we may offer from time to time, some of which information may not apply to the notes we are offering hereby. Generally when we refer to this prospectus, we are referring to both this prospectus supplement and the base prospectus combined. If any of the information in this prospectus supplement is inconsistent with any of the information in the base prospectus, you should rely on the information in this prospectus supplement. Before you invest in our notes, you should carefully read this prospectus supplement, along with the base prospectus, in addition to the information contained in the documents we refer to under the heading "Incorporation by Reference" in this prospectus supplement.

INCORPORATION BY REFERENCE

The Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information we file with it. This means that we can disclose important information to you by referring you to those documents. Any information we reference in this manner is considered part of this prospectus. Information we file with the SEC after the date of this prospectus will automatically update and, to the extent inconsistent, supersede the information contained in this prospectus.

We incorporate by reference the documents listed below and future filings we make with the SEC (in each case, excluding any portions of such documents that have been "furnished" but not "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and before the termination of this offering.

Our Annual Report on Form 10-K for the year ended December 31, 2011;

Our Definitive Proxy Statement filed on Schedule 14A relating to our 2011 Annual Meeting of Shareholders;

Our Current Reports on Form 8-K filed with the SEC on January 5, 2012 and February 28, 2012; and

The description of our Class A Common Stock contained in our Registration Statement on Form 8-A which was declared effective by the SEC on or about October 20, 1987.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus contain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Exchange Act. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "would" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including those discussed under "Risk Factors," which could cause our actual results to differ from those projected in any forward-looking statements we make.

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are unable to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements speak only as of the date of such statement. We do not plan to publicly update or revise any forward-looking statements after we distribute this prospectus, whether as

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a result of any new information, future events or otherwise. Potential investors should not place undue reliance on our forward-looking statements. Before you invest in the notes, you should be aware that the occurrence of any of the events described in the "Risk Factors" section and elsewhere in this prospectus and the information incorporated by reference into this prospectus could harm our business, prospects, operations and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before deciding whether or not to invest in the notes. For a more complete understanding of our company and this offering, we encourage you to read this entire document, including "Risk Factors," the financial and other information incorporated by reference in this prospectus and the other documents to which we have referred. Unless otherwise indicated or required by the context, as used in this prospectus, the terms "we," "our" and "us" refer to Berry Petroleum Company. DeGolyer and MacNaughton ("D&M"), independent petroleum engineers, provided the estimates of our proved oil and natural gas reserves as of December 31, 2009, 2010 and 2011, included in this prospectus supplement.

Berry Petroleum Company

We are an independent energy company engaged in the production, development, exploitation and acquisition of oil and natural gas. We were incorporated in Delaware in 1985. We have been publicly traded since 1987 and trace our roots in California oil production back to 1909. Our principal reserves and producing properties are located in California, Texas (the Permian and E. Texas), Utah (Uinta) and Colorado (Piceance).

Since 2002, we have expanded our portfolio of assets through selective acquisitions driven by a consistent focus on properties with proved reserves and significant growth potential through low risk development. We focus on growing reserves and production by developing known undeveloped reserves rather than through exploration. We maintain a geographically diverse portfolio of assets that generally have long reserve lives, stable and predictable well production characteristics and significant inventories of relatively low-risk repeatable drilling opportunities.

As of December 31, 2011, our estimated proved reserves were approximately 275 MMBOE. Estimated proved oil reserves increased 12% to 186 MMBOE at December 31, 2011, and represent 68% of our total proved reserves. Reserve growth was driven by our three oil basins in which we invested \$527 million of development capital and made \$158 million of acquisitions in 2011. Proved developed reserves increased to 53% of total proved reserves from 49% at December 31, 2010. Our standardized measure of discounted future net cash flows increased to \$4.0 billion at December 31, 2011 compared to \$2.8 billion at December 31, 2010, with our pre-tax PV10 increasing 49% to \$5.7 billion at December 31, 2011 from \$3.8 billion at December 31, 2010.

In 2011, our oil production increased 14% to 24,771 BOE/D, with total production increasing 9% to 35,687 BOE/D. Average sales prices, including the effects of derivatives, were \$65.68 per BOE in 2011 compared to \$53.84 per BOE in 2010, with operating margins of \$44.87 per BOE in 2011 compared to \$35.96 per BOE in 2010. We generated cash from operating activities of \$456 million in 2011, up 24% from \$367 million in 2010.

As of December 31, 2011, we had hedged approximately 70% and 40% of our expected crude oil production in 2012 and 2013, respectively. Our consumption of natural gas to produce steam for our California oil production provides us with a natural hedge on our natural gas production in E. Texas and Colorado. Our strong hedge position, our ability to generate free cash flow and our operating control over approximately 92% of our assets further enhances our ability to perform in volatile environments.

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We currently have six asset teams as follows: South Midway-Sunset Steam Floods ("SMWSS Steam Floods"), North Midway-Sunset Diatomite ("NMWSS Diatomite"), Permian, Uinta, Piceance and E. Texas. The following table sets forth the estimated quantities of proved reserves and production attributable to our principal operating areas for the periods indicated:

Operating Areas	Proved Reserves as of December 31, 2011			Average Daily Production Year Ended December 31, 2011
	Total (MMBOE)	% Oil	% Proved Developed	(MBOE/D)
SMWSS Steam Floods	58.0	100%	88%	13.2
NMWSS Diatomite	62.4	100%	54%	4.2
Permian	56.9	85%	29%	4.4
Uinta	23.2	62%	57%	5.5
Piceance	55.0	2%	22%	4.0
E. Texas	19.4	10%	94%	4.4
Total	274.9	68%	53%	35.7

SMWSS Steam Floods. Our SMWSS Steam Floods assets include our Homebase, Formax, Ethel D, Placerita, and Poso Creek properties. Production from our Homebase, Formax and Ethel D properties in the South Midway-Sunset Field relies on thermal enhanced oil recovery ("EOR") methods, primarily cyclic steaming, to place steam effectively into the remaining oil column. These are some of our most thermally mature assets, with production from our Ethel D properties dating back to 1909. In 2011, we expanded our steam flood at our Homebase and Formax properties, drilling five horizontal wells, three vertical wells and six steam injection wells. At our Ethel D property, we expanded development of a new steam flood, drilling 17 production wells and three steam injection wells. In 2012, we plan to continue development of the steam flood at our Ethel D property, adding additional steam generation capacity and drilling approximately 40 production wells and five steam injection wells. In addition, we plan to drill eight horizontal wells and two vertical wells on our Homebase and Formax properties.

In 2003, we acquired our Poso Creek properties in the San Joaquin Valley and have proceeded with a successful thermal EOR redevelopment. Average daily production from these properties increased from 50 BOE/D at acquisition in 2003 to 3,620 BOE/D in 2011. In 2012, we plan to expand the steam flood at our Poso Creek properties by drilling approximately 10 production wells and six steam injection wells. Our Placerita field is located in Los Angeles County. In 2011, our efforts at Placerita were focused on the initiation of an Upper Kraft zone steam flood pilot and recompletion program. Average daily production at our Placerita properties increased to approximately 2,300 BOE/D in the fourth quarter of 2011 from less than 1,900 BOE/D in the third quarter of 2011. In 2012, we plan to drill six production wells and continue our recompletion program in the Upper Kraft zone.

Average daily production from all SMWSS Steam Floods assets was approximately 13,185 BOE/D in 2011 compared to 13,595 BOE/D in 2010.

NMWSS Diatomite. Our NMWSS Diatomite assets include our Diatomite and McKittrick properties and our North Midway-Sunset steam flood properties in the San Joaquin Valley. We received a new full-field development approval in late July 2011 from the California Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR) with respect to our Diatomite property. The approval contained operating requirements that were significantly more stringent than similar specifications contained in prior approvals from DOGGR. Implementation of these newer operating requirements negatively impacted the pace of drilling and steam injection in 2011, and this impact has continued into 2012. We are working constructively with DOGGR on the operating specifications to

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enable an increase in the pace of our development. On February 24, 2012, we received revisions to the July 2011 project approval letter, which, among other things, allow us to conduct mechanical integrity testing at least once every five years, rather than annually as provided in the original project approval letter. In addition, we are no longer required to cease cyclic steaming operations on wells located within 150 feet of a failed well bore, subject to demonstrating to DOGGR that steam injection into such surrounding wells will be confined to the Diatomite zone. Our estimates of well performance and ultimate recovery for the asset remain unchanged. We are currently assessing the impact of the revised project approval letter on the development and operations of our Diatomite properties. In 2011, we drilled 113 wells at our Diatomite property and expanded our infrastructure for the next phase of development. In 2012, we plan to drill approximately 70 new production wells and 20 replacement wells at Diatomite. Average daily production from our Diatomite property was 3,154 BOE/D in 2011 compared to 2,721 BOE/D in 2010.

At our McKittrick property, we drilled 44 cyclic production wells in 2011 in advance of a steam flood pilot expansion. We plan to steam cycle these new McKittrick wells and put them on production during the first quarter of 2012. We are currently in the final construction stages of our dehydration and steam generation facilities at our McKittrick property and plan to drill approximately 50 additional production wells in 2012.

In 2011, we also drilled 51 wells at our North Midway-Sunset steam flood properties. In 2012, we plan to expand steam flood projects at our Fairfield, Pan and Main Camp properties, drilling approximately 35 production wells and converting four wells to steam injection wells.

Average daily production from all NMWSS Diatomite assets was approximately 4,210 BOE/D in 2011 compared to 3,527 BOE/D in 2010.

Permian. In 2010, we acquired approximately 20,000 net acres in the Wolfberry trend. In 2011, we acquired approximately 22,000 additional net acres in or adjacent to the Wolfberry trend, bringing our total Permian acreage to approximately 42,000 net acres. In 2011, we drilled 72 gross (69 net) wells and completed 80 gross (75 net) wells. Average daily production at our Permian properties was 5,600 BOE/D in the fourth quarter of 2011, despite a reduction of approximately 800 BOE/D related to natural gas curtailments in the fourth quarter. In 2012, we plan to operate a five rig drilling program and drill approximately 100 gross operated wells. Average daily production from our Permian properties was 4,420 BOE/D in 2011 compared to 1,225 BOE/D in 2010.

Uinta. In 2003, we established our initial acreage position in our Uinta properties, targeting the Green River formation that produces both light oil and natural gas. We acquired the Brundage Canyon leasehold in Duchesne County in Northeastern Utah, which consists of working interests in approximately 51,000 net acres on federal, tribal and private leases. We have working interests in approximately 27,000 net acres and exploratory rights in approximately 45,000 net acres in the Lake Canyon project, which is located immediately west of our Brundage Canyon producing properties. In 2011, we drilled 54 gross (45 net) wells in our Uinta properties, which included 20 gross (20 net) wells in Brundage Canyon, 17 gross (17 net) wells in the Ashley National Forest and 17 gross (8 net) wells in Lake Canyon. Additionally, we deepened two existing wells in Brundage Canyon and one existing well in Lake Canyon. We participated in six non-operated Uteland Butte horizontal wells with our partner in Lake Canyon and drilled three Uteland Butte horizontal wells (two in Lake Canyon and one in Brundage Canyon). Of the 54 gross wells drilled in 2011, 12 tested the Wasatch formation. Results from the Wasatch test wells have been encouraging. We continue to monitor the progress of our initial water flood pilot in Brundage Canyon, which was implemented in the fourth quarter of 2009, and, in 2012, we plan to expand our second water flood pilot that was implemented in Brundage Canyon in the fourth quarter of 2010. Our Ashley National Forest Environmental Impact Study ("EIS") continues to progress, although final approval continues to be delayed. We plan to run a three rig program in the Uinta in 2012, focused on developing areas of higher oil potential, including horizontal wells in the Uteland Butte and Brundage Canyon and commingled wells from the Green River and Wasatch formations. We

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estimate an inventory of 800-1,400 potential drilling locations distributed across our entire Uinta leasehold. Average daily production in our Uinta properties was approximately 5,540 BOE/D in 2011 compared to 5,350 BOE/D in 2010.

Piceance. In 2006, we acquired two properties in the Piceance targeting the Williams Fork section of the Mesaverde formation. We have a 62.5% working interest in 6,300 gross acres on our Garden Gulch property, a 95% working interest in 4,300 gross acres and a 5% non-operating working interest in 89 wells on our North Parachute property. We have accumulated a sizable resource base, which should allow us to add significant proved reserves as we develop these assets. We have successfully drilled 111 gross wells (69 net) at our Garden Gulch property and 38 gross wells (36 net) on our North Parachute property since the acquisitions of those properties. During 2009, we began a 20 well completion program testing new completion designs and saw improved well performance in line with our expectations. During 2011, we completed nine wells utilizing these improved completion techniques, and results continue to meet our expectations. In January 2011, we renegotiated the agreement covering our North Parachute property such that we have until January 31, 2020 to complete our drilling obligations. We are currently deferring drilling in the Piceance while we focus on higher return oil development opportunities in our portfolio. Average daily production in our Piceance properties was 24 MMcf/D in 2011 compared to 23 MMcf/D in 2010.

E. Texas. In 2008, we acquired certain interests in natural gas producing properties in Limestone and Harrison Counties in E. Texas. The Limestone County assets include seven productive horizons in the Cotton Valley and Bossier sands at depths between 8,000 and 13,000 feet. Additional potential exists in the Haynesville/Bossier shale. The Harrison County assets include five productive sands as well as the Haynesville/Bossier Shale, with average depths between 6,500 and 13,000 feet. In 2010, we completed an eight well Haynesville horizontal development program. We deferred drilling in E. Texas during 2011 and will defer drilling during 2012 while we focus on higher return oil development opportunities in our portfolio. Due to the impact of lower natural gas prices, we recorded a pre-tax impairment of \$625.0 million related to our E. Texas assets in 2011. Average daily production from the E. Texas assets was 26 MMcf/D in 2011 as compared to 31 MMcf/D in 2010.

Business Strategy

Our business strategy is to increase shareholder value by efficiently increasing production, reserves and cash flow, both through the drill bit and through acquisitions. We believe our inventory of drilling locations is ideally suited to growing production, reserves and cash flow due to predictable geology. Our strategy is based on the following:

Pursuing the development of projects that we believe will generate attractive rates of return;

Maintaining a balanced portfolio of long-lived oil and natural gas properties that provide stable cash flows;

Maximizing production from our base oil assets;

Selectively acquiring properties with an emphasis on oil; and

Maintaining a strong financial position by investing our capital in a disciplined manner.

Business Strengths

We believe that the following strengths allow us to successfully execute our business strategy.

Low-Risk Multi-Year Drilling Inventory in Established Crude Oil Plays. We have a significant number of drilling locations in established crude oil plays that possess low geologic risk, leading to relatively predictable drilling results. Our complementary mix of primary development locations as well

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as heavy oil thermal projects provide high operating margins and the financial flexibility to respond to commodity price environments and localized operating environments.

Balanced High Quality Asset Portfolio. Since 2002, we have grown our asset base and diversified our portfolio through acquisitions in the Permian and Uinta. Our portfolio provides us with the flexibility to allocate capital among a diverse set of high return oil assets.

Long-Lived Proved Reserves with Stable Production Characteristics. Our properties generally have long reserve lives and reasonably stable and predictable well production characteristics, with a ratio of proved reserves to production of approximately 21 years as of December 31, 2011.

Operational Control and Financial Flexibility. We exercise operating control over approximately 92% of our assets. We generally prefer to retain operating control over our properties, allowing us to more effectively control operating costs, timing of development activities and technological enhancements, marketing of production and allocation of our capital budget. In addition, the timing of most of our capital expenditures is discretionary, which allows us a significant degree of flexibility to adjust the size of our capital budget. We finance our drilling and development budget primarily through our internally generated operating cash flows.

Experienced Management and Operational Teams. Our core team of technical staff and operating managers has broad industry experience, including experience in heavy oil thermal recovery operations and unconventional reservoir development and completion. We continue to utilize technologies and steam practices that we believe will allow us to improve the ultimate recovery of crude oil on our California properties.

Concurrent Tender Offer and Redemption

Concurrently with this offering of notes, we are conducting a cash tender offer (the "Tender Offer") for up to \$150 million aggregate principal amount of our 10¹/₄% Senior Notes due 2014 (the "2014 Notes"). The Tender Offer is scheduled to expire on April 2, 2012, subject to our right to extend the offer. As of March 1, 2012, \$355.3 million aggregate principal amount of 2014 Notes were outstanding. We are offering to purchase the 2014 Notes for cash in an amount to be determined based on a modified "dutch auction" process. In this procedure, each holder that tenders 2014 Notes will specify a bid price between \$1,155 and \$1,175 per \$1,000 principal amount 2014 Notes, which represents the minimum consideration such holder is willing to receive for those 2014 Notes. These bid amounts include an early tender payment of \$30.00 per \$1,000 principal amount of the 2014 Notes tendered before 5:00 p.m., New York City time, on March 19, 2012 unless extended by us. No early tender payment will be paid to holders who tender their 2014 Notes after 5:00 p.m., New York City time, on March 19, 2012. We expect that the aggregate consideration payable in the Tender Offer will be approximately \$180 million including accrued interest and fees and expenses (assuming \$150 million aggregate principal amount of 2014 Notes are tendered and purchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid prices). The Tender Offer is being made pursuant to the offer to purchase issued in connection with the Tender Offer, and this prospectus is not an offer to purchase with respect to any of the 2014 Notes. We intend to finance the purchase of the 2014 Notes in the Tender Offer with a portion of the net proceeds from this offering. The closing of the Tender Offer will be conditioned on, among other things, the completion of this offering on terms satisfactory to us. We are permitted, among other things, to amend or terminate the Tender Offer, and there is no assurance that the Tender Offer will be consummated in accordance with its terms, or at all. This offering is not conditioned upon the successful consummation of the Tender Offer. Wells Fargo Securities, LLC is acting as the dealer manager for the Tender Offer. Please read "Use of Proceeds" and "Conflicts of Interest."

Following this offering, we intend to use a portion of the net proceeds to redeem \$200 million aggregate principal amount of our 8¹/₄% Senior Subordinated Notes due 2016 (the "2016 Notes") at a

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total redemption price of approximately \$215 million, including accrued and unpaid interest. The redemption will occur approximately 30 days following the closing of this offering.

Executive Offices and Website

We were incorporated in Delaware in 1985. Our corporate headquarters and principal executive offices are located at 1999 Broadway, Suite 3700, Denver, Colorado 80202, and our telephone number is (303) 999-4400. We maintain a web site at <http://www.bry.com>. The information on our website is not part of this prospectus, and you should rely only on the information contained in this prospectus and in the documents incorporated by reference when making a decision as to whether to invest in the notes.

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THE OFFERING

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of Notes" beginning on page S-25 of this prospectus supplement.

Issuer	Berry Petroleum Company
Securities offered	\$600,000,000 aggregate principal amount of % Senior Notes due 2022
Maturity	, 2022
Interest payment dates	and , commencing , 2012.
Optional redemption	We may redeem all or part of the notes at any time on or after , 2017 at the redemption prices set forth under "Description of Notes Optional Redemption," plus accrued and unpaid interest to the redemption date. In addition, before , 2015, we may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a price of % of the principal amount plus accrued and unpaid interest to the redemption date. At any time prior to , 2017, we may also redeem all or part of the notes at a price equal to 100% of the principal amount of the notes plus a "make-whole" premium, plus accrued and unpaid interest to the redemption date. See "Description of Notes Optional Redemption."
Mandatory offers to purchase	If a specified change of control event occurs, we must make an offer to purchase the notes at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of the purchase. See "Description of Notes Change of Control." Certain asset dispositions will be triggering events that may require us to use the net proceeds from those asset dispositions to make an offer to purchase the notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase if such proceeds are not otherwise used within 330 days to repay certain types of indebtedness (with a corresponding permanent reduction in commitment, if applicable) or to invest in capital assets or capital expenditures related to our business. See "Description of Notes Certain Covenants Limitation on Sales of Assets and Subsidiary Stock."
Ranking	The notes will be our unsecured senior obligations. The notes will rank: effectively junior to all of our existing and future senior secured indebtedness, including our senior secured revolving credit facility and our senior secured money market line of credit, to the extent of the value of the collateral securing that debt;

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Covenants

equally in right of payment with our existing and any future senior unsecured indebtedness; and

senior in right of payment to all of our existing and any future subordinated indebtedness and obligations.

As of December 31, 2011, after giving effect to this offering and the application of estimated net proceeds from this offering of \$589 million (assuming \$150 million aggregate principal amount of 2014 Notes are tendered and purchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid prices), the notes would have ranked effectively junior to approximately \$339 million under our senior secured revolving credit facility and equally in right of payment to \$205 million of our 2014 Notes and \$300 million aggregate principal amount of our 6³/₄% Senior Notes due 2020 ("2020 Notes"). See " Concurrent Tender Offer and Redemption" and "Description of Notes Ranking." We will issue the notes under an indenture with Wells Fargo Bank, National Association, as trustee, dated as of June 15, 2006, as supplemented by a supplemental indenture establishing the terms of the notes. The indenture, among other things, limits our ability and the ability of our future restricted subsidiaries to:

incur, assume or guarantee additional indebtedness or issue redeemable stock;

pay dividends or distributions or redeem or repurchase capital stock;

prepay, redeem or repurchase debt that is junior in right of payment to the notes;

make loans and other types of investments;

incur liens;

restrict dividends, loans or asset transfers from our subsidiaries;

sell or otherwise dispose of assets, including capital stock of subsidiaries;

consolidate or merge with or into, or sell substantially all of our assets to, another person;

enter into transactions with affiliates; and

enter into new lines of business.

These covenants are subject to important exceptions and qualifications, which are described under the caption "Description of Notes Certain Covenants." In addition, if and for as long as the notes have an investment grade rating from both Standard & Poor's Ratings Group, Inc. and Moody's Investors Service, Inc., and no default exists under the indenture, we will not be subject to certain of the covenants listed above.

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Use of proceeds

We intend to use the estimated net proceeds of this offering of \$589 million to redeem all \$200 million outstanding principal amount of our 2016 Notes, to finance the Tender Offer, and to reduce outstanding borrowings under our senior secured revolving credit facility. To the extent that we purchase less than \$150 million of our 2014 Notes in the Tender Offer, we intend to use the net proceeds that otherwise would have been used to purchase the 2014 Notes to further reduce outstanding borrowings under our senior secured revolving credit facility. Pending the application of the net proceeds to redeem the 2016 Notes and finance the Tender Offer, we intend to reduce outstanding borrowings under our senior secured revolving credit facility, and we may temporarily invest the remaining net proceeds in cash equivalents or short-term investments. Amounts repaid under our senior secured revolving credit facility may be reborrowed, subject to the terms of the facility. This offering is not conditioned upon the successful consummation of the Tender Offer. See "Use of Proceeds."

Conflicts of interest

Affiliates of each of the underwriters are lenders under our senior secured revolving credit facility, and accordingly, each will receive its proportionate share of the net proceeds used to reduce outstanding borrowings under the facility. Wells Fargo Securities, LLC is acting as the dealer manager for the Tender Offer. Certain of the underwriters and their affiliates may hold our 2016 Notes, which will be redeemed with a portion of the net proceeds from this offering, and our 2014 Notes, which may be repurchased pursuant to the Tender Offer, and as such will receive a portion of the net proceeds from this offering. Additionally, Wells Fargo Bank, National Association, an affiliate of Wells Fargo Securities, LLC, serves as the trustee under the indentures governing our senior and subordinated notes. See "Conflicts of Interest."

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Table of Contents**SUMMARY HISTORICAL FINANCIAL DATA**

The following table presents our summary historical financial data as of and for the periods indicated. The historical data for the fiscal years ended December 31, 2009, 2010 and 2011 and as of December 31, 2010 and 2011 have been derived from our audited financial statements and related notes incorporated by reference into this prospectus. You should read the summary historical financial data below in conjunction with our historical financial statements and the accompanying notes, all of which are incorporated by reference into this prospectus. You should also read the sections entitled "Risk Factors" included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2011.

	Year Ended December 31,		
	2011	2010	2009
	(in thousands, except per share, production, and per BOE data)		
Statements of Operations Data (continuing operations):			
Operating revenues	\$ 919,558	\$ 676,510	\$ 559,403
Net (loss) earnings	(228,063)	82,524	47,224
Adjusted net earnings(1)	149,086	80,064	61,451
Basic net (loss) earnings per share	(4.21)	1.54	1.03
Diluted net (loss) earnings per share	(4.21)	1.52	1.02
Production Data (continuing operations):			
Oil production (MBOE)	9,041	7,925	7,186
Natural gas production (MMcf)	23,907	23,988	20,982
Balance Sheet and Other Data (at period end):			
Total assets	2,734,952	2,838,616	2,240,135
Long-term debt	1,380,192	1,108,965	1,008,544
Dividends per share	0.31	0.30	0.30
Cash Flow Data:			
Net cash provided by operating activities	\$ 455,899	\$ 367,237	\$ 212,576
Exploration and development of oil and natural gas properties	(527,112)	(310,139)	(134,946)
Property acquisitions	(158,090)	(334,409)	(13,497)

- (1) Adjusted net earnings from continuing operations is considered a non-GAAP financial measure of performance. See "Non-GAAP Financial Measures" included in this summary.

Table of Contents**SUMMARY HISTORICAL RESERVE, PRODUCTION AND OPERATING DATA**

Historical estimates of our oil and natural gas reserves and present values as of and for our fiscal years ended December 31, 2011, 2010 and 2009 are derived from reserve reports prepared by D&M. Estimates of reserves and their value are inherently imprecise and are subject to constant revision and change, and they should not be construed as representing the actual quantities of future production or cash flows to be realized from oil and natural gas properties or the fair market value of such properties. The following table sets forth summary data with respect to estimated proved reserves and present values on a historical basis for the periods presented:

	As of December 31,		
	2011	2010	2009
Proved reserves (\$ in thousands):			
Oil (MBOE)	185,880	166,181	129,940
Natural gas (MMcf)	534,279	630,192	632,178
Total (MBOE)	274,926	271,213	235,303
% oil	68%	61%	55%
% proved developed	53%	49%	53%
Reserve life (years)(1)	21	23	22
Undiscounted future net cash flows	\$ 8,596,643	\$ 5,847,259	\$ 3,072,923
Standardized measure of discounted future net cash flows	\$ 4,035,279	\$ 2,799,156	\$ 1,445,747

(1)

Reserve life is a measure of the productive life of oil and natural gas properties, expressed in years, and is calculated by dividing proved reserve volumes at year end by production for the year shown.

The following table sets forth summary data with respect to production data and effective unit prices on a historical basis for the periods presented:

	Year Ended December 31,		
	2011	2010	2009
Production (continuing operations):			
Oil (BOE/D)	24,771	21,713	19,688
Natural gas (Mcf/D)	65,498	65,720	57,484
Total (BOE/D)(2)	35,687	32,666	29,269
Average sales price, before cash derivative settlements:(1)			
Oil (\$/BOE)	\$ 92.35	\$ 67.61	\$ 50.73
Natural gas (\$/Mcf)	4.09	4.37	3.61
Total (\$/BOE)	71.59	53.69	41.23
Average sales price, including cash derivative settlements:(1)			
Oil (\$/BOE)	\$ 82.63	\$ 66.71	\$ 57.28
Natural gas (\$/Mcf)	4.55	4.74	3.80
Total (\$/BOE)	65.68	53.84	46.02
Operating expenses per BOE:			
Operating costs oil and natural gas production	\$ 18.23	\$ 15.95	\$ 14.66
Production taxes	2.58	1.93	1.70
DD&A oil and natural gas production	16.42	15.05	13.10
G&A	4.74	4.43	4.61
Interest expense	5.59	5.58	4.67
Total	\$ 47.56	\$ 42.94	\$ 38.74

(1)

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Excludes non-cash amortization of other comprehensive loss related to discontinuing hedge accounting effective January 1, 2010.

(2)

Oil equivalents are determined using the ratio of six Mcf of natural gas to one barrel of oil.

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In this prospectus, we refer to adjusted net earnings from continuing operations, operating margin per BOE and pre-tax PV10, which are non-GAAP financial measures. These measures should not be considered substitutes for their most directly comparable GAAP measures. These non-GAAP measures should not be considered substitutes for their most directly comparable GAAP measures. In addition, it should be noted that companies calculate non-GAAP measures differently and, therefore, the non-GAAP measures presented in this release may not be comparable to the non-GAAP measures reported by other companies. These non-GAAP measures have material limitations as performance measures because they exclude certain items that are necessary elements of our operations.

Adjusted Net Earnings from Continuing Operations. Adjusted net earnings from continuing operations consists of net (loss) earnings from continuing operations before non-cash derivatives gains (losses), oil and natural gas property impairments and charges related to the extinguishment of debt and bad debt recovery. We believe that adjusted net earnings is useful for evaluating our operational performance from oil and natural gas properties. The following table reconciles adjusted net earnings to net earnings:

	Year Ended December 31,		
	2011	2010	2009
	(in thousands)		
Adjusted net earnings from continuing operations	149,086	80,064	61,451
After tax adjustments:			
Non-cash derivative gain (loss)	17,919	(31,286)	(477)
Impairment oil & natural gas properties	(385,285)		(712)
Bad debt recovery		36,579	
Extinguishment of debt and other	(9,783)	(2,833)	(13,038)
Net (loss) earnings from continuing operations	(288,063)	82,524	47,224

Operating Margin per BOE. Operating margin per BOE consists of oil and natural gas revenues less oil and natural gas operating expenses and production taxes divided by the total BOE sold during the period. We use operating margin per barrel as a measure of profitability and believes it provides useful information to investors because it relates our oil and natural gas revenue and oil and natural gas operating expenses to our total units of production providing a gross margin per unit of production, allowing investors to evaluate how profitability varies on a per unit basis each period.

	Years Ended	
	December 31:	
	2011	2010
	(per BOE)	
Average sales price including cash derivative settlements	\$ 65.68	\$ 53.84
Average operating costs oil and natural gas production	18.23	15.95
Average production taxes	2.58	1.93
Operating margin	\$ 44.87	\$ 35.96

Pre-Tax PV10. Pre-tax PV10 is defined as standardized measure of discounted future net cash flows before the effect of income taxes. We believe that pre-tax PV10 is helpful to investors because it is a widely used industry standard and is helpful when comparing our asset base and performance to other

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comparable oil and natural gas exploration and production companies. The following table reconciles pre-tax PV-10 to the standardized measure of discounted future net cash flows:

	Year Ended December 31,	
	2011	2010
	(in thousands)	
Standardized measure of discounted future net cash flows	\$ 4,035,279	\$ 2,799,156
Discounted future cash flow from income taxes	1,669,768	1,035,021
Pre-tax PV-10	5,705,047	3,834,177

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RISK FACTORS

You should carefully consider the risks described below and in the documents incorporated by reference as provided under "Incorporation By Reference," including our Annual Report on Form 10-K for the year ended December 31, 2011, as well as other information included or incorporated by reference in this prospectus, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks included in the documents incorporated by reference in this prospectus supplement or discussed below actually were to occur, our business, financial condition or results of operations could be materially and adversely affected, which in turn could adversely affect our ability to pay interest and/or principal on the notes.

We have a substantial amount of debt and the cost of servicing that debt could adversely affect our business and hinder our ability to make payments on the notes, and such risk could increase if we incur more debt.

We have a substantial amount of indebtedness. As of December 31, 2011, we had approximately \$1,386.8 million of total outstanding long-term debt, including \$531.5 million of outstanding borrowings under our senior secured revolving credit facility (excluding \$23.2 million of outstanding letters of credit). Total lender commitments under the facility are \$1,200.0 million, and the borrowing base is currently approximately \$1,400.0 million. The issuance of the notes will automatically reduce the borrowing base under the facility by 25 cents per dollar, and the purchase of 2014 Notes pursuant to the Tender Offer will increase the borrowing base under the facility by 25 cents per dollar, resulting in a net decrease in the borrowing base of \$112.5 million (assuming \$150.0 million aggregate principal amount of 2014 Notes are tendered and purchased). After giving effect to this offering, the application of the estimated net proceeds from this offering of \$588.5 million, the decrease in our borrowing base as a result of this offering and assuming \$150.0 million aggregate principal amount of 2014 Notes are tendered and purchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid price, as of December 31, 2011, we would have had approximately \$1,443.9 million of total outstanding long-term debt, including \$338.7 million outstanding under our credit facility (excluding \$23.2 million of outstanding letters of credit), with a borrowing base under the facility of approximately \$1,287.5 million, lender commitments of \$1,200.0 million and additional borrowing availability of approximately \$838.1 million.

We have demands on our cash resources in addition to interest expense on the notes, including, among others, operating expenses and interest and principal payments under our senior secured revolving credit facility, our senior secured money market line of credit, our 2014 Notes, 2020 Notes and our 2016 Notes. Our level of indebtedness relative to our proved reserves and these significant demands on our cash resources could have important effects on our business and on your investment in the notes. For example, they could:

make it more difficult for us to satisfy our obligations with respect to the notes and our other debt;

require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the amount of our cash flow available for working capital, capital expenditures, acquisitions and other general corporate purposes;

require us to make principal payments under our senior secured revolving credit facility if the quantity of proved reserves attributable to our natural gas and crude oil properties are insufficient to support our level of borrowings under that credit facility;

limit our flexibility in planning for, or reacting to, changes in the oil and natural gas industry;

place us at a competitive disadvantage compared to our competitors that have lower debt service obligations and significantly greater operating and financing flexibility than we do;

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limit our financial flexibility, including our ability to borrow additional funds, pay dividends, make certain investments and issue equity on favorable terms or at all;

increase our interest expense if interest rates increase, because borrowings under our senior secured revolving credit facility are at a variable rate of interest, and borrowings under our senior secured money market line of credit are generally at a variable rate of interest;

increase our vulnerability to general adverse economic and industry conditions; and

result in an event of default upon a failure to comply with financial covenants contained in our senior secured revolving credit facility or senior secured money market line of credit which, if not cured or waived, could have a material adverse effect on our business, financial condition or results of operations.

A higher level of indebtedness increases the risk that we may default on our obligations. Our ability to pay the principal and interest on our long-term debt, including the notes, and to satisfy our other liabilities will depend upon our future performance and our ability to refinance our debt as it becomes due. Our future operating performance and ability to refinance will be affected by economic and capital markets conditions, oil and natural gas prices, our financial condition, results of operations and prospects and other factors, many of which are beyond our control.

If we are unable to service our indebtedness and fund our operating costs, we will be forced to adopt alternative strategies that may include:

reducing or delaying capital expenditures;

seeking additional debt financing or equity capital;

selling assets; or

restructuring or refinancing debt.

There can be no assurance that any such strategies could be implemented on satisfactory terms, if at all.

The borrowing base under our senior secured revolving credit facility may be reduced below the amount of our outstanding borrowings under that facility.

The amount we are able to borrow under our senior secured revolving credit facility is determined based on the value of our proved oil and natural gas reserves and is based on oil and natural gas price assumptions which vary by individual lender. Our borrowing base is subject to redetermination twice each year in April and October with the option for one additional redetermination each year and additional redeterminations contemporaneously with any issuance of permitted second lien debt and after any issuance of permitted unsecured debt, including the issuance of the notes. Each dollar of permitted senior unsecured debt, including the notes, automatically reduces the borrowing base under our senior secured revolving credit facility by 25 cents. Should there be a deficiency in the amount of our borrowing base in comparison to our outstanding debt under the senior secured revolving credit facility, we would be required to repay any such deficiency in two equal installments, 90 and 180 days after the redetermination. If we were unable to make those repayments, we would be in default under our senior secured revolving credit facility, which could have a material adverse effect on our business and financial condition. See "Description of Other Indebtedness."

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

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The terms of the indenture governing the notes permit us to incur substantial additional indebtedness, including significant additional secured debt, under our senior secured revolving credit facility or other facilities. Any secured debt we incur will effectively rank senior to the notes to the

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extent of the value of the collateral securing that debt. If we incur any additional indebtedness that ranks equally with the notes, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of our business. This may have the effect of reducing the amount of proceeds paid to you. If new debt is added to our current debt levels, the related risks that we now face could intensify. See "Description of Notes" and "Description of Other Indebtedness."

Covenants in agreements governing our debt restrict our ability to engage in certain activities.

Agreements governing our outstanding debt and the indenture governing the notes restrict our ability to, among other things:

incur, assume or guarantee additional indebtedness or issue redeemable stock;

pay dividends or distributions or redeem or repurchase capital stock;

prepay, redeem or repurchase debt that is junior in right of payment to the notes;

make loans and other types of investments;

incur liens;

restrict dividends, loans or asset transfers from our subsidiaries;

sell or otherwise dispose of assets, including capital stock of subsidiaries;

consolidate or merge with or into, or sell substantially all of our assets to, another person;

make capital expenditures or acquire assets or businesses;

enter into transactions with affiliates; and

enter into new lines of business.

In addition, our senior secured revolving credit facility contains certain covenants, which, among other things, require the maintenance of (i) an interest coverage ratio of 2.75 to 1.0 and (ii) a minimum current ratio of 1.0 to 1.0. Our ability to borrow under our senior secured revolving credit facility is dependent upon the quantity of proved reserves attributable to our natural gas and oil properties and the respective projected commodity prices as determined by the lenders under that credit facility. Our ability to meet these covenants or requirements may be affected by events beyond our control, and we cannot assure you that we will satisfy such covenants and requirements.

If we default on our obligations to pay our indebtedness we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our senior secured revolving credit facility, our money market line of credit or the indentures governing our senior and subordinated notes, that is not waived by the required lenders or holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium (if any) and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our senior secured revolving credit

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facility, our money market line of credit and the indentures governing our senior and subordinated notes), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders could elect to terminate their commitments thereunder and cease making further loans and we could be forced into bankruptcy or liquidation. Moreover, our senior

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secured revolving credit facility, our money market line of credit, our senior and subordinated notes indentures and the indenture governing the notes offered hereby each contain cross-default or cross-acceleration provisions that would be triggered by the occurrence of a default or acceleration under other instruments governing our indebtedness. If the payment of our indebtedness is accelerated, there can be no assurance that our assets would be sufficient to repay in full that indebtedness and our other indebtedness that would become due as a result of any acceleration.

If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured revolving credit facility to avoid being in default. If we breach our covenants under our senior secured revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured revolving credit facility, the lenders could exercise their rights and the lenders under our money market line of credit and the holders of our senior and subordinated notes could exercise their cross-default or cross-acceleration rights, as described above, and we could be forced into bankruptcy or liquidation. See "Description of Other Indebtedness" and "Description of Notes."

The notes are not secured by our assets.

The notes will be our general unsecured obligations and will be effectively junior in right of payment to all of our secured indebtedness, including the senior secured revolving credit facility and the money market line of credit, to the extent of the value of the assets securing such indebtedness. If we become insolvent or are liquidated, our assets which serve as collateral under our secured indebtedness, if any, would be made available to satisfy our obligations under any secured debt before any payments are made on the notes.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Our borrowings under our senior secured revolving credit facility (and generally under our money market line of credit) are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net earnings would decrease. Borrowings under our senior secured revolving credit facility bear interest at either (i) LIBOR plus a margin between 1.50% and 2.50% or (ii) the prime rate plus a margin between 0.50% and 1.50%, in each case based on the amount utilized. Borrowings under our money market line of credit bear interest at LIBOR plus a margin of approximately 1.4%. Assuming a constant debt level of \$1,400 million, the cash flow impact resulting from a 100 basis point change in interest rates during periods when the interest rate is not fixed would be \$3.3 million over a 12-month time period.

The notes will be structurally subordinated to all indebtedness and other liabilities of our future subsidiaries that are not guarantors of the notes.

We currently do not have any subsidiaries. You would not have any claim as a creditor against any of our future subsidiaries that are not or do not become guarantors of the notes. Indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will be effectively senior to your claims against those subsidiaries.

In addition, the indenture governing the notes, subject to some limitations, permits our present and future non-guarantor subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that these subsidiaries may incur.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest. We

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may not be able to repurchase the notes upon a change of control because we may not have sufficient funds. In addition, restrictions under our credit facilities may not allow such repurchase. Our failure to repurchase the notes upon a change of control would cause a default under the indenture and a cross-default or cross-acceleration under the senior secured revolving credit facility, our money market line of credit and our senior and subordinated notes indentures. Our senior secured revolving credit facility also provides that a change of control, as defined in such agreement, will be a default that permits lenders to terminate their commitment to lend and to accelerate the maturity of borrowings thereunder, thereby limiting our ability to raise cash to purchase the notes, and reducing the practical benefit of the offer-to-purchase provisions to the holders of the notes. We may not be able to obtain waivers from the lenders under or refinance our senior secured revolving credit facility. Any of our future debt agreements may contain similar provisions.

In addition, the change of control provisions in the indenture governing the notes may not protect you from certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness), reorganization, restructuring, merger, sale or other disposition of all or substantially all of our assets or other similar transaction. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change that constitutes a "Change of Control" as defined in the indenture that would trigger our obligation to repurchase the notes. If an event occurs that does not constitute a "Change of Control" as defined in the indenture, we will not be required to make an offer to repurchase the notes and you may be required to continue to hold your notes despite the event. See "Description of Other Indebtedness" and "Description of Notes - Change of Control."

You cannot be sure that an active trading market will develop or be maintained for the notes.

There is no active trading market for the notes of the series offered hereby, and we cannot assure you that an active trading market for the notes will develop or be maintained. We do not intend to list the notes on any national securities exchange. The underwriters are not obligated to make any market for the notes and may cease their market-making activities at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, will depend on a number of factors, including:

the number of holders of notes;

our operating performance, financial condition or prospects;

the operating performance, financial condition or prospects of other companies in our industry;

the overall market for high yield securities;

the interest of securities dealers in making a market in the notes; and

prevailing interest rates.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that an active trading market for the notes will develop or be maintained or that the market will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your notes. Therefore, we cannot assure you that you will be able to sell your notes at a particular time or the price that you receive when you sell will be favorable.

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USE OF PROCEEDS

The estimated net proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately \$589 million. We intend to use approximately \$215 million of the net proceeds from this offering to redeem all \$200 million outstanding principal amount of our 2016 Notes, approximately \$180 million of the net proceeds (assuming \$150 million aggregate principal amount of 2014 Notes are tendered and repurchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid price) to finance the Tender Offer and the remainder to reduce outstanding borrowings under our senior secured revolving credit facility. To the extent that we purchase less than \$150 million of our 2014 Notes in the Tender Offer, we intend to use the net proceeds that otherwise would have been used to purchase the 2014 Notes to further reduce outstanding borrowings under our senior secured revolving credit facility. Pending the application of the net proceeds to redeem the 2016 Notes and finance the Tender Offer, we intend to reduce outstanding borrowings under our senior secured revolving credit facility, and we may temporarily invest the remaining net proceeds in cash equivalents or short-term investments. Amounts repaid under our senior secured revolving credit facility may be reborrowed, subject to the terms of the facility. This offering is not conditioned upon the successful consummation of the Tender Offer. See "Summary Concurrent Tender Offer and Redemption."

Borrowings under our senior secured revolving credit facility were incurred for general corporate purposes. As of March 1, 2012, the weighted average interest rate with respect to outstanding borrowings under our senior secured revolving credit facility was 2.0%. The indebtedness under our senior secured revolving credit facility matures on May 13, 2016.

Affiliates of each of the underwriters are lenders under our senior secured revolving credit facility, and accordingly, each will receive its proportionate share of the net proceeds used to reduce outstanding borrowings under the facility. Wells Fargo Securities, LLC is acting as the dealer manager for the Tender Offer. Certain of the underwriters and their affiliates may hold our 2016 Notes, which will be redeemed with a portion of the net proceeds from this offering, and our 2014 Notes, which may be repurchased pursuant to the Tender Offer, and as such will receive a portion of the net proceeds from this offering. See "Conflicts of Interest."

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The following table sets forth our unaudited capitalization as of December 31, 2011:

on an actual basis; and

on an as adjusted basis, to reflect this offering, the application of the estimated net proceeds of the offering as described in "Use of Proceeds" to redeem all \$200 million outstanding principal amount of our 2016 Notes, to finance the Tender Offer (assuming \$150 million aggregate principal amount of 2014 Notes are tendered and purchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid price) and to reduce outstanding borrowings under our senior secured revolving credit facility, as if such transactions occurred on December 31, 2011.

We are permitted, among other things, to amend or terminate the Tender Offer, and there is no assurance that the Tender Offer will be consummated in accordance with its terms, or at all. This offering is not conditioned upon the successful consummation of the Tender Offer. Pending the application of the net proceeds to finance the Tender Offer, we intend to reduce the outstanding borrowings under our senior secured revolving credit facility, and we may temporarily invest the remaining net proceeds in cash equivalents or short-term investments. In addition, to the extent that we purchase less than \$150 million outstanding principal amount of 2014 Notes in the Tender Offer, we intend to use the net proceeds from this offering that would have otherwise been used to purchase 2014 Notes to further reduce outstanding borrowings under our senior secured revolving credit facility. Neither of such reductions are reflected in the table below. The following table is unaudited and should be read together with our financial statements and accompanying notes incorporated by reference into this prospectus.

	As of December 31, 2011	
	Actual	As Adjusted
	(\$ in thousands)	
Cash and cash equivalents	\$ 298	\$ 298
Short-term debt:		
Money market line of credit	\$	\$
Long-term debt:		
Senior secured revolving credit facility(1)	531,500	338,654
10 ¹ / ₄ % Senior Notes due 2014(2)	355,256	205,256
6 ³ / ₄ % Senior Notes due 2020(2)	300,000	300,000
8 ¹ / ₄ % Senior Subordinated Notes due 2016(2)	200,000	
Senior notes offered hereby(2)		600,000
Total long-term debt	\$ 1,386,756	\$ 1,443,910
Total shareholders' equity(3)	840,729	815,824
Total capitalization	\$ 2,227,485	\$ 2,259,734

(1) As of March 1, 2012, outstanding borrowings were approximately \$530.0 million (excluding \$23.2 million of outstanding letters of credit).

(2) Represents the aggregate principal amount outstanding.

(3) Adjusted to reflect the premiums paid on the 2014 Notes in connection with the Tender Offer and in connection with the redemption of the 2016 Notes, along with the write off of related deferred financing costs reflected on the balance sheet at December 31, 2011.

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RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to combined fixed charges is as follows:

	Historical				
	Years Ended December 31,				
	2011	2010	2009	2008	2007
Ratio of earnings to fixed charges	x(1)	2.1x	1.5x	4.4x	6.0x

(1)

For the year ended December 31, 2011, earnings were deficient to cover fixed charges by \$397.6 million, which was due primarily to a pre-tax, non-cash charge to earnings of \$625.0 million related to the impairment of our E. Texas natural gas properties.

For purposes of this table, "earnings" consists of earnings from continuing operations before income taxes plus fixed charges and less capitalized interest. "Fixed charges" consists of interest expense and capitalized interest (for both continued and discontinued operations).

The calculation of ratio of earnings to fixed charges is different from the calculation of the Consolidated Coverage Ratio contemplated by the indenture. See "Description of Notes" for more information about the Consolidated Coverage Ratio.

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DESCRIPTION OF OTHER INDEBTEDNESS

Senior Secured Revolving Credit Facility

Our senior secured revolving credit facility, which matures on May 13, 2016, has a current borrowing base of \$1,400.0 million, subject to lender commitments of \$1,200.0 million, as of December 31, 2011. Borrowings under the facility bear interest at either (i) LIBOR plus a margin between 1.50% and 2.50% or (ii) the prime rate plus a margin between 0.50% and 1.50%, in each case, based on the amount utilized. The annual commitment fee on the unused portion of the facility ranges between 0.35% to 0.50% based on the amount utilized.

The facility contains certain covenants, which, among other things, require the maintenance of (i) an interest coverage ratio of 2.75 to 1.0 and (ii) a minimum current ratio of 1.0 to 1.0.

As of December 31, 2011, outstanding borrowings under the facility were approximately \$531.5 million (excluding \$23.2 million of outstanding letters of credit). The maximum amount available is subject to semi-annual redeterminations of the borrowing base, based on the value of the our proved oil and natural gas reserves, in April and October of each year in accordance with the lenders' customary procedures and practices. We and the banks have the bilateral right to one additional redetermination each year.

The issuance of the notes will automatically reduce the borrowing base under the facility by 25 cents per dollar, and the purchase of 2014 Notes pursuant to the Tender Offer will increase the borrowing base under the facility by 25 cents per dollar, resulting in a net decrease in the borrowing base of \$112.5 million (assuming \$150.0 million aggregate principal amount of 2014 Notes are tendered and purchased). After giving effect to this offering, the application of the estimated net proceeds from this offering of \$588.5 million, the decrease in our borrowing base as a result of this offering and assuming \$150.0 million aggregate principal amount of 2014 Notes are tendered and purchased by the early consent date at a purchase price equal to the average of the maximum and minimum allowed bid price, as of December 31, 2011, we would have had approximately \$338.7 million outstanding under our senior secured revolving credit facility (excluding \$23.2 million of outstanding letters of credit), with a borrowing base of approximately \$1,287.5 million, lender commitments of \$1,200.0 million and additional borrowing availability of approximately \$838.1 million.

Subject to certain agreed limitations, we granted first priority security interests over substantially all of our assets in favor of the lenders under the senior secured revolving credit facility.

The senior secured revolving credit facility contains customary covenants, subject to certain agreed exceptions, including covenants restricting our ability to, among other things:

owe or be liable for indebtedness;

create, assume or permit to exist liens;

be a party to or be liable on any hedging contract;

engage in mergers or consolidations;

transfer, lease, exchange, alienate or dispose of our material assets or properties;

declare dividends on or redeem or repurchase our capital stock;

make any acquisitions of, capital contributions to or other investments in any entity or property;

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extend credit or make advances or loans;

engage in transactions with affiliates; and

enter into, create or allow to exist contractual obligations limiting our ability to grant liens on our assets to the lenders under the senior secured revolving credit facility.

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Money Market Line of Credit

Our senior secured uncommitted money market line of credit has a borrowing capacity of up to \$40.0 million for a maximum of 30 days. As of December 31, 2011, there were no borrowings outstanding under the money market line of credit. Amounts borrowed under the line of credit bear interest at LIBOR plus a margin of approximately 1.4%. The line of credit is currently unavailable to us and we do not know when or if the line of credit will be available in the future.

Senior Notes

On May 27, 2009, we issued \$325 million aggregate principal amount of our 2014 Notes. On August 14, 2009, we issued an additional \$125 million aggregate principal amount of our 2014 Notes. In November 2010, we issued \$300 million aggregate principal amount of 2020 Notes (together with the 2014 Notes, the "Outstanding Senior Notes"). The Outstanding Senior Notes rank effectively junior to our secured indebtedness, including the senior secured revolving credit facility and the money market line of credit, to the extent of the value of the assets securing such indebtedness, equally in right of payment with our other existing and any future senior indebtedness, including our money market line of credit and the notes offered hereby, and senior in right of payment with our existing and any future subordinated indebtedness.