

BERRY PETROLEUM CO  
Form 10-K/A  
April 30, 2013  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 10-K/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

Commission file number 1-9735

## BERRY PETROLEUM COMPANY

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**1999 Broadway**  
**Suite 3700**  
**Denver, Colorado 80202**

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

**(303) 999-4400**

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Class A Common Stock, \$0.01 par value  (including associated stock purchase rights)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of the Act. Yes  No

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 June 30, 2012, the aggregate market value of the voting and non-voting common stock held by non-affiliates was \$1,951,761,127.

As of February 25, 2013, the registrant had 52,547,120 shares of Class A Common Stock outstanding. The registrant also had 1,763,866 shares of Class B Stock outstanding on February 25, 2013, all of which is held by a single holder.

### DOCUMENTS INCORPORATED BY REFERENCE

None.

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**EXPLANATORY NOTE**

On February 20, 2013, Berry Petroleum Company ( we, us, or the Company ) entered into a merger agreement with Linn Energy, LLC (Linn Energy), LinnCo, LLC (LinnCo), Linn Acquisition Company, LLC, a direct wholly-owned subsidiary of LinnCo, Bacchus HoldCo, Inc., a direct wholly owned subsidiary of the Company (HoldCo), and Bacchus Merger Sub, Inc., a direct wholly owned subsidiary of HoldCo, pursuant to which and subject to the conditions provided in the agreement, we will ultimately become a subsidiary of Linn Energy. On March 22, 2013, Linn Energy filed a joint proxy statement/prospectus in connection with a special meeting of our stockholders to seek adoption of the merger agreement. In light of the special meeting, we have cancelled the 2013 annual meeting of our stockholders and such meeting may not be held if the merger is completed in 2013.

This Amendment No. 1 on Form 10-K/A (the Amendment) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, originally filed with the Securities and Exchange Commission (SEC) on February 28, 2013 (the Original Filing). We are filing this Amendment to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2012.

Part IV is being amended to add as exhibits the merger agreement and certain new certifications in accordance with Rule 13a-14(a) promulgated by the SEC under the Securities Exchange Act of 1934. The cover page has been amended to indicate that disclosure pursuant to Item 405 of Regulation S-K is contained herein.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC on or subsequent to February 28, 2013.

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We have presented below information about our directors as of April 29, 2013.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Robert F. Heinemann	60	President, Chief Executive Officer and Director
Martin H. Young, Jr.	60	Chairman of the Board and Director
Ralph B. Busch, III	53	Director
William E. Bush, Jr.	65	Director
Stephen L. Cropper	63	Director
J. Herbert Gaul, Jr.	69	Director
Stephen J. Hadden	58	Director
Thomas J. Jamieson	70	Director
J. Frank Keller	69	Director
Michael S. Reddin	53	Director

**Mr. Heinemann** was named the President and Chief Executive Officer (hereinafter referred to as CEO) on June 16, 2004 and was previously named the interim President and interim Chief Executive Officer on April 26, 2004 and the Chairman of the Board from April 1, 2004 until June 16, 2004. From December 5, 2003 to March 31, 2004, Mr. Heinemann was the director designated to serve as the presiding director at executive sessions of our Board in the absences of the Chairman and to act as liaison between the independent directors and the Chief Executive Officer. From 2000 until 2002, Mr. Heinemann served as the Senior Vice President and Chief Technology Officer of Halliburton Company and as the Chairman of the Halliburton Technology Advisory Committee. He was previously with Mobil Oil Corporation (Mobil) where he served in a variety of positions for Mobil and its various affiliate companies in the energy and technical fields from 1981 to 1999, most recently as the Vice President of Mobil Technology Company and the General Manager of the Mobil Exploration and Producing Technical Center. Mr. Heinemann has led the Company for more than eight years. Since his appointment as CEO, our annual revenue has grown from \$295 million in fiscal 2004 to over \$979 million in fiscal 2012.

As CEO, Mr. Heinemann brings to the Board of Directors his thorough knowledge of the oil and gas exploration and production industry, our business, strategy, people, operations, competition and financial position. He provides recognized executive leadership and vision. In addition, he brings with him a national network of investor, shareholder and industry relationships.

**Mr. Young** was named Chairman of the Board of Directors on June 16, 2004. Mr. Young was a member of the Audit Committee until November 2012. Mr. Young has been the Senior Vice President and Chief Financial Officer of Falcon Seaboard Diversified, Inc. (Falcon) and its predecessor companies, Falcon Seaboard Holdings, L.P. and Falcon Seaboard Resources, Inc., since 1992. Falcon is a private energy company involved in natural gas exploration and production, real estate and private investments. In July 2007, Mr. Young retired as Chairman of the Board and as a member of the Board of the Texas Mutual Insurance Company, the largest provider of workers' compensation insurance in the State of Texas. Prior to his employment with Falcon, Mr. Young had 13 years of banking experience, the last 10 working for a major California

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bank as the Vice President/Area Manager for the corporate banking group. In 2009, Mr. Young joined the Board of Cobalt International Energy, Inc. when it became a public company.

Mr. Young brings to the Board of Directors significant leadership experience, including service as a senior executive and chief financial officer of a diversified energy company and as an executive of a financial institution. These roles have required expertise in the oil and gas and banking industries. Mr. Young has over 20 years of experience in the exploration and production industry, including extensive skills in strategic planning and accounting, which are important to our financial management as well as our financial reporting and financial risk management functions. Mr. Young also has experience as a public oil and gas company outside

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director and as an insurance company outside director, which enhances his strong corporate governance background and his understanding of shareholder issues.

**Mr. Busch** is the Chairman of the Compensation Committee. Prior to November 2009, Mr. Busch also served on the Corporate Governance and Nominating Committee and prior to August 29, 2005, Mr. Busch also served on the Audit Committee. Mr. Busch is currently Executive Vice President and Chief Operating Officer for Aon Risk Services West, Inc., Central California. Prior to his position with Aon Risk Services West, Inc., Central California, Mr. Busch was President of Central Coast Financial from 1986 to 1993. Mr. Busch is a cousin to William E. Bush, Jr.

Mr. Busch has over 25 years of experience in senior leadership positions with financial institutions and insurance companies, including strategic planning, economic evaluation and human resources management skills, which are important to the oversight of our financial and compensation management functions. With this experience, Mr. Busch contributes financial management and strategy expertise to the Board. His understanding of and experience in the insurance industry give him a deep understanding of our risk management functions. In addition, Mr. Busch has knowledge of our Company acquired through nearly 16 years of service on the Board of Directors. In addition, Mr. Busch is also a member of the Berry family, which continues to be significant shareholders of the Company.

**Mr. Bush** is the Chairman of the Corporate Governance and Nominating Committee. Mr. Bush is a marketing consultant and private investor. Mr. Bush was formerly the Plant Manager of California Planting Cotton Seed Distributors from 1987 to 2000 and served for over 27 years in various management positions with other companies. Mr. Bush was a director of Eagle Creek Mining & Drilling, Inc. (Eagle Creek) from 2003 to July 2010 and was previously a director of Eagle Creek from 1985 to 1998. Mr. Bush is a cousin to Ralph B. Bush, III.

Mr. Bush brings to the Board of Directors significant leadership and management experience, which is complemented by his knowledge of our Company acquired through more than 25 years of service on the Board and employment with one of our predecessors. Mr. Bush is also a member of the Berry family, which continues to be significant shareholders of the Company.

**Mr. Cropper** is a member of the Audit Committee and is also a member of the Corporate Governance and Nominating Committee. Mr. Cropper served as Chairman of the Audit Committee from June 2004 to May 2006. Mr. Cropper is a consultant and private investor. Mr. Cropper retired in 1998 after 25 years with The Williams Companies, most recently serving as the President and Chief Executive Officer of Williams Energy Services, which was involved in various energy related businesses. Mr. Cropper was a director of three other public entities, Sunoco Logistics Partners L.P., Rental Car Finance Corp. and NRG Energy, Inc. Mr. Cropper was elected to the board of NGL Energy Partners LP in June 2011, for which he serves as the chairman of the compensation committee and also is a member of the audit committee.

Mr. Cropper has extensive leadership experience as chief executive officer of a large energy company. Through this experience, he has developed expertise in many aspects of the oil and gas industry, including oil and natural gas production, transportation and marketing as well as financial management. He brings specific knowledge of natural gas transportation infrastructure and experience running large natural gas marketing and trading operations. Mr. Cropper also brings a background in organizational leadership and management, and experience serving as an outside director of several public companies. Mr. Cropper has been determined to be an audit committee financial expert.



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**Mr. Gaul** is the Chairman of the Audit Committee. Previously, Mr. Gaul was a member and served as Chairman of the Corporate Governance and Nominating Committee. Mr. Gaul is a private investor. Mr. Gaul was the Chief Financial Officer for Gentek Building Products from 1995 to 1997 and served for over 25 years in senior treasury or finance positions with various other companies.

Mr. Gaul's extensive experience with the financial operations of a variety of companies allows him to bring to the Board strong financial management, accounting oversight and auditing skills and experiences which are important to the oversight of our financial reporting and financial and operational risk management functions. Mr. Gaul has considerable knowledge of our business and strategies, having served on the Board for over 12 years. Mr. Gaul has been determined to be an audit committee financial expert.

**Mr. Hadden** joined our Board of Directors on February 10, 2011. He is a member of the Corporate Governance and Nominating Committee and was appointed to the Audit Committee in November 2012. Mr. Hadden has over 30 years of experience in the oil and gas industry, having served in various management roles for Texaco and Chevron-Texaco. More recently, Mr. Hadden was Executive

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Vice President of Worldwide Exploration and Production for Devon Energy Corporation.

Mr. Hadden brings to the Board several decades of experience in the oil and gas industry, with particular expertise in the exploration and production side of the industry, especially in geographic areas in which the Company operates, which provides him with accumulated expertise in operational management, strategy and finance issues that are valuable to the Board. His experience as a senior executive enables him to contribute significant independent insights into our business and operations, and the economic environment and long-term strategic issues we face.

**Mr. Jamieson** is a member of the Compensation Committee and served as its Chairman until August 2009. Mr. Jamieson is also a member of the Audit Committee. Mr. Jamieson has been the Chief Executive Officer, President, owner and founder of Jaco Oil Company since 1970. Jaco Oil Company, based in Bakersfield, California, is one of the largest independent gasoline marketers in the western United States. Mr. Jamieson is also the owner of several private businesses involved in the petroleum, real estate and water utility industries.

Mr. Jamieson brings years of accumulated experience in the petroleum, gasoline marketing and related businesses to the Board. He has years of leadership experience as the chief executive officer of an oil company, and he brings specific knowledge of oil transportation infrastructure including pipelines, processing facilities, refineries and storage facilities, and experience running oil marketing and trading operations. Mr. Jamieson has been determined to be an audit committee financial expert.

**Mr. Keller** is a member of the Corporate Governance and Nominating Committee and is also a member of the Compensation Committee. Mr. Keller is a private investor. In February 2006, Mr. Keller retired from Bill Barrett Corporation, a public company where he had served as a member of the board of directors and had most recently served as the Vice Chairman of the Board and Chief Operating Officer. Mr. Keller was previously a co-founder of Barrett Resources Corporation in 1981 and served as Barrett Resources Executive Vice President from 1983 until Barrett Resources was acquired in 2001.

Mr. Keller has extensive experience in senior leadership positions in oil and gas companies, including companies operating in the Rocky Mountain region. He brings to the Board many years of experience in various aspects of oil and gas exploration and production and provides the Board with significant strategic planning, operations management, financial management, public company corporate governance and public policy insights from his experience with the various Barrett companies.

**Mr. Reddin** was appointed to our Board of Directors on February 10, 2011. Mr. Reddin is a member of the Compensation Committee. Mr. Reddin is currently president, chief executive officer and a director of Davis Petroleum Corporation. Prior to that, he was president and chief executive officer of Kerogen Resources, Inc. Mr. Reddin has been employed in the oil and gas industry since the early 1980s and has held leadership positions with BP America, Inc., Vastar Resources, Inc. and ARCO Oil & Gas Company.

Mr. Reddin has extensive experience in the oil and gas industry, including familiarity with areas in which the Company operates and the skills developed in his senior leadership positions.

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines.**

We are committed to having sound corporate governance principles and to maintaining clear policies and practices that promote good corporate governance. Having such principles, policies and practices is essential to running our business efficiently and to maintaining our integrity in the marketplace. Many of these principles, policies and practices are designed to ensure compliance with the listing requirements of the New York Stock Exchange and applicable governance requirements, and include the following:

- Our Board of Directors has adopted clear corporate governance policies;
- All but one director is independent of the Company and its management;

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- The independent directors meet regularly without the presence of management;
  
- All of the directors sitting on each committee of our Board of Directors are independent;
  
- The charters of the committees of our Board of Directors clearly establish the committees' respective roles and responsibilities;
  
- We have a code of business conduct and ethics which is applicable to all directors, officers and employees of the Company;
  
- We have a code of ethics for senior financial officers, which is applicable to our chief executive officer, chief financial officer, vice president of finance and controller;
  
- We have an internal audit control function that maintains critical oversight over key areas of our business and financial processes and controls, and reports directly to the Audit Committee of our Board of Directors;
  
- We have a hotline available to all employees for purposes of reporting ethical violations, and the Audit Committee of our Board of Directors has procedures in place for confidential, anonymous submission of concerns regarding questionable accounting or auditing matters;
  
- We have adopted an incentive compensation repayment (clawback) policy that applies to our executive officers; and
  
- We have stock ownership guidelines for our non-employee directors and executive officers.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, Procedure for Confidential, Anonymous Submission of Concerns regarding Questionable Accounting or Auditing Matters, committee charters and other documents of interest are available on our website at <http://www.bry.com>. The contents of our website are not incorporated into this document.

**Director Independence**

Our Director Independence Standards are available on our website at <http://www.bry.com>.

After careful review, upon the recommendation of the Corporate Governance and Nominating Committee, our Board has determined that each of the current directors (Mr. Ralph B. Busch, III, Mr. William E. Bush, Jr., Mr. Stephen L. Cropper, Mr. J. Herbert Gaul, Jr., Mr. Stephen J. Hadden, Mr. Thomas J. Jamieson, Mr. J. Frank Keller, Mr. Michael S. Reddin and Mr. Martin H. Young, Jr.), other than Mr. Heinemann, has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the meaning of our Director Independence Standards and the criteria established by the New York Stock Exchange and rules and regulations of the SEC. All Board committees are comprised entirely of independent directors.

In considering the independence of Messrs. Busch and Bush, the Corporate Governance and Nominating Committee and our Board considered the stock ownership of Messrs. Busch and Bush in Eagle Creek Mining & Drilling, Inc. (the parent company to S&D Supply Company), as described in Certain Relationships and Related Transactions in this Amendment, and that our transactions with S&D Supply Company are completed on a purchasing basis consistent with that used with all other vendors, are at prices competitive in the industry and represent a benefit to us in the availability of the equipment utilized by us. The Board also considered the fact that these purchases represent less than 1% of our total purchases of such similar equipment and services, that this relationship between S&D Supply Company and us predates our formation in 1985, and that the ownership of Messrs. Busch and Bush in Eagle Creek is a minority of the equity in that company.

In considering the independence of Mr. Bush, the Corporate Governance and Nominating Committee and our Board considered that he directly or through trusts or affiliates has purchased a position in our senior subordinated and senior notes in the secondary markets. Our Board encourages our directors to not only own stock in the Company, but also, if they should see fit, to own other of

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our non-equity securities. The Board would not consider any such ownership as impairing a director's independence.

In addition, upon the recommendation of the Corporate Governance and Nominating Committee, the Board of Directors has determined that three of the four members of the Audit Committee meet the additional qualifications to be designated an audit committee financial expert as defined by the regulations promulgated by the SEC.

**Board Leadership Structure**

The Board has determined that the functions performed by the Chairman of the Board and the Chief Executive Officer should be performed by separate individuals. This determination is reflected in our Corporate Governance Guidelines. We have had a separate, non-executive chairman of the board since 2004, and the Board believes that this structure has served us well.

**Board's Role in Risk Oversight**

We believe that risk is inherent in our business and the pursuit of growth opportunities. The Board charges our management with the responsibility to identify and manage risks and bring material risks in our business to the Board of Directors' attention. Additionally, risk assessment is one of the many factors that the Board of Directors, acting directly and through its committees, considers in all of the decisions it makes. Management does the same. Whether it is considering an acquisition or disposition, approving the capital budget, or approving compensation elements, potential risks are considered by our Board typically on a subjective and, if appropriate, on an arithmetic basis. The Audit Committee is assigned primary responsibility for oversight of risk assessment with financial implications. Our Compensation Committee has the primary responsibility to consider material risk factors in making recommendations and other decisions on overall Company compensation and specifically on executive compensation. The Corporate Governance and Nominating Committee monitors our governance and succession risks. As the final authority over our capital budget, major acquisitions and dispositions, material contracts, compensation and other similar decisions, the Board of Directors retains the ultimate authority over assessing risks and their impacts on our business. With the oversight of our Board of Directors, we have implemented practices and programs designed to help manage risks to which we are exposed in our business and to align risk-taking appropriately with our efforts to increase shareholder value.

Each committee reports regularly to the full Board of Directors on its activities. In addition, the Board of Directors participates in regular discussions with our senior management on many important subjects, including strategy, operations, finance, and legal and public policy matters, in which risk oversight is a critical element. The Board of Directors believes the facts that nine of the ten directors are independent and that the Chairman of the Board is independent facilitate the Board's oversight of risk management because the Board, with leadership from its independent Chairman and working through committees including the independent Audit Committee, is able to participate actively in oversight of management's actions.

**Stock Ownership Guidelines for Directors**

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Our Corporate Governance Guidelines require that, within five years of commencement of service, each director must own an amount of qualified securities (as defined in the Corporate Governance Guidelines and described below) having a value at least equal to five times the annual retainer we paid to such director. Qualified securities include, among other things, unvested stock units, vested in-the-money stock options, shares of Common Stock owned by a director's spouse or children and units held in the Non-Employee Directors' Deferred Compensation Plan. All of our current directors satisfy this policy.

### COMMUNICATIONS WITH OUR BOARD

We welcome questions and comments about our Company. Shareholders and other interested parties may communicate with our Board, the independent directors or any specified individual director or directors by writing to:

Board of Directors

Berry Petroleum Company

1999 Broadway, Suite 3700

Denver, CO 80202

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Communications that are intended specifically for the independent directors, the presiding director or any individual director or directors should be sent to the address above to the attention of the Chairman of the Board. Personnel designated by us will review and create a log of all such correspondence that, in our opinion, relates to the functions of our Board or the committees thereof. The Chairman of the Board periodically reviews the log of all such correspondence we receive and determines which items to bring to the attention of the full Board or to any particular Committee or member of our Board.

**MEETINGS AND COMMITTEES OF OUR BOARD**

**Our Board**

Each director is expected to devote sufficient time, energy and attention to ensure diligent performance of his or her duties and to attend all shareholder, Board and applicable Committee meetings. It is our policy that each member of our Board attend our Annual Meeting. All of our directors then serving were present at the Annual Meeting held on May 16, 2012. In 2012, our Board of Directors held fourteen meetings, the Audit Committee held nine meetings, the Compensation Committee held six meetings and the Corporate Governance and Nominating Committee held five meetings. The Chairman of the Board is responsible for providing leadership to the Board, facilitating communications among the directors, setting the Board meeting agenda in consultation with the CEO, presiding at Board meetings, and serving as a liaison between our management and directors on a regular basis. Martin H. Young, Jr., the Chairman of the Board, has also been chosen to be the presiding director to preside over each executive session of the independent directors. In the event the Chairman of the Board is unavailable, the remaining independent directors will select the independent director to preside over the executive session of the independent directors. In 2004, our Board determined that it was best for our Company and our shareholders to have a Chairman of the Board separate from the CEO in order to facilitate communication between the independent directors and our CEO and other senior management, and to relieve our CEO of many of the corporate governance responsibilities relevant to the Board of Directors. We continue to believe this Board structure is in the best interests of the Company and the shareholders.

The Board has nine independent members and only one non-independent member, the CEO. A number of our independent Board members are currently serving or have served as members of senior management of other companies in the oil and gas industry and are currently serving or have served as directors of other public companies. As discussed elsewhere, each of the Board's committees is comprised solely of independent directors, and each has a different independent director serving as chairperson of the committee. The specific experiences, qualifications, attributes and skills of each independent director, which enable him to effectively serve on the Board and on his specific committee or committees, are briefly described above. The number of independent and experienced directors that make up our Board, the specific experiences and skills that they bring to their respective Board committees and the overall leadership of the Board by the Chairman of the Board benefits our Company and our shareholders.

**Committees of our Board**

Our Board has three standing Committees to facilitate and to assist our Board in the execution of its responsibilities. The Committees are currently the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. In accordance with New York Stock Exchange listing standards, all the Committees are comprised solely of non-employee, independent directors. Charters for each Committee are available on our website at <http://www.bry.com> by first clicking on Governance and then Governance Home. The table below shows current membership for each of the standing Board Committees:



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<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Corporate Governance and Nominating Committee</b>
Stephen L. Cropper	Ralph B. Busch III *	William E. Bush, Jr. *
J. Herbert Gaul, Jr. *	Thomas J. Jamieson	Stephen L. Cropper
Thomas J. Jamieson	J. Frank Keller	Stephen J. Hadden
Stephen J. Hadden	Michael S. Reddin	J. Frank Keller

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\* Committee Chairman

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*Audit Committee*

The Audit Committee has four members and met nine times in 2012. The Committee is composed solely of non-employee directors, all of whom our Board has determined are independent pursuant to New York Stock Exchange rules. Our Board has also determined that each of Messrs. Cropper, Gaul and Jamieson is an audit committee financial expert as defined in Item 407(d) of Regulation S-K and that each member of the Audit Committee is an independent director within the meaning of our director Independence Standards, the criteria established by the New York Stock Exchange and the rules and regulations of the SEC. Mr. Gaul currently serves as the Chairman of the Audit Committee.

The Audit Committee reviews our auditing performance and practices, risk management, financial and credit risks, accounting policies and practices, internal control, internal audit policies and practices, tax matters, financial reporting and financial disclosure policies and practices and hedging policies and practices, and reports its findings to the Board of Directors. The Audit Committee is responsible for: (1) reviewing the qualifications, independence and performance of, and selecting our independent registered public accounting firm; (2) reviewing the scope of the annual audit; (3) pre-approving the nature of non-audit services; (4) approving the fees to be paid to the independent registered public accounting firm; (5) approving outside firms hired for their expertise to conduct special projects and internal audits and reviewing their reports; (6) reviewing our accounting practices; and (7) performing any other tasks as described in the Audit Committee's Charter. The Charter of the Audit Committee, which was last revised on November 16, 2011, is reviewed at least annually by Corporate Governance and Nominating Committee and the Board and is available on our website at <http://www.bry.com>.

*Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee (CGN Committee) of our Board of Directors consists of four members (Messrs. Bush, Cropper, Hadden and Keller) and met five times in 2012. The CGN Committee is composed solely of independent directors, all of whom our Board has determined are independent within the meaning of our Director Independence Standards, the criteria established by the New York Stock Exchange and the rules and regulations of the SEC. Mr. Bush serves as Chairman of the CGN Committee. The CGN Committee is responsible for: (1) the development of governance guidelines and practices for the effective operation of our Board in fulfilling its responsibilities, as well as the development of corporate governance policies for our Company; (2) the review and assessment of the performance of our Board, the Board Committees and individual directors to ensure they are functioning effectively and have the necessary skills, backgrounds and experiences to meet our evolving needs; (3) the nomination and evaluation of prospective directors for our Board of Directors and Board Committee memberships; (4) in conjunction with the Chairman of the Board, the Compensation Committee and the entire Board of Directors, ensuring that executive succession planning is periodically considered; (5) monitoring director compliance with our Stock Ownership Guidelines for Directors; and (6) performing any other tasks as described in the CGN Committee Charter. The CGN Committee regularly monitors developments in the areas of corporate governance. The Charter of the CGN Committee, which was last revised on February 26, 2013, is reviewed at least annually by the CGN Committee and the Board and is available on our website at <http://www.bry.com>.

*Compensation Committee*

The Compensation Committee of our Board of Directors consists of four members (Messrs. Busch, Jamieson, Keller and Reddin) and met six times in 2012. The Committee is composed solely of non-employee directors, all of whom our Board has determined are independent pursuant to New York Stock Exchange rules. Mr. Busch serves as Chairman of the Compensation Committee. Generally, the Compensation Committee's responsibility is to review the performance and development of our Company's management in achieving corporate goals and objectives, to establish our compensation policies and to assure that our executive officers are compensated effectively in a manner consistent with our business strategies, competitive practices, sound corporate governance principles and shareholder interests. To discharge this responsibility, the

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Committee oversees, reviews and administers the Company's compensation, equity and employee benefit plans and programs. More specifically, the Compensation Committee is responsible for: (1) recommending to our Board of Directors total compensation for executive officers, including but not limited to, salaries, bonuses and all equity-based compensation; (2) evaluating, in conjunction with all the independent directors, the performance of the CEO; (3) reviewing and overseeing the administration of our employee compensation and benefit programs; (4) recommending director compensation; (5) reviewing and approving awards under our Incentive Compensation Plan; (6) monitoring officer compliance with our Stock Ownership Guidelines for officers; and (7) performing any other tasks as described in the Compensation Committee's Charter. In addition, the Compensation Committee is charged with the responsibility, subject to certain authority reserved to our Board, of administering our 2010 Equity Incentive Plan, our 2005 Equity Incentive Plan and our 1994 Stock Option Plan. The Charter of the Compensation Committee, which was last revised on February 26, 2013, is reviewed at least annually by the CGN Committee

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and the Board and is available on our website at <http://www.bry.com>.

**DIRECTOR COMPENSATION**

Non-employee directors, excluding the Chairman of the Board, are paid a quarterly retainer fee of \$12,500. The Chairman of the Board receives an annual fee of \$150,000, payable quarterly. All non-employee directors are paid \$1,200 for each Board meeting attended and \$1,200 for each Committee meeting attended. Mr. Heinemann, as CEO, receives no further compensation as a director.

The Chairman of the Audit Committee receives an additional retainer of \$5,000 per quarter, the Chairman of the Compensation Committee receives an additional retainer of \$3,750 per quarter and the Chairman of the Corporate Governance and Nominating Committee receives an additional retainer of \$2,500 per quarter.

Each non-employee director can elect to have his quarterly and meeting fees or other cash compensation paid in cash or defer payment until his resignation from our Board of Directors in an interest bearing account or to a stock unit account which mirrors our Class A Common Stock under deferral provisions of the Non-Employee Director Deferred Stock and Compensation Plan.

We reimburse all directors for their reasonable expenses in connection with their activities as directors. The cost of any and all perquisites paid to or on behalf of each non-employee director was less than \$10,000 for 2012.

The 2005 Equity Incentive Plan, which was approved by the shareholders in May 2005, allows for equity grants to directors as recommended by the Compensation Committee and approved by our Board of Directors. Under the 2005 Equity Incentive Plan 2,231 restricted stock units (RSUs) were granted to each of our non-employee directors in 2012. The grant date fair value of the RSUs was approximately \$120,000 based on the average of the high and low stock price of our Common Stock on the March 2, 2012 grant date pursuant to the terms of the 2005 Equity Incentive Plan. All such grants vested immediately in recognition of the past services of the directors and consistent with our past practice. Our policy is generally that equity grants to non-employee directors are awarded in arrears, such that a director must have completed one year of service to be eligible for the succeeding year's equity grant which is fully vested at the time of grant.

On March 4, 2013, the Board of Directors, on the recommendation of the Compensation Committee, granted 2,629 RSUs to each of our non-employee directors. The grant date fair value of the RSUs was approximately \$120,000 based on the average of the high and low stock price of our Common Stock on the grant date of March 4, 2013. All such grants vested immediately in recognition of the non-employee directors' past services and consistent with our past practice.

All of the RSUs granted to the directors on March 2, 2012 and March 4, 2013 may be deferred, at the election of the director, until the earlier of a specified date in the future or the date the director leaves our Board. Subject to the director's deferral election, the director may receive the underlying shares in five equal installments or in a lump sum. All undistributed shares are immediately issued in the event of a change in control.

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The table below summarizes the compensation paid by us to non-employee directors for the fiscal year ended December 31, 2012.

Name (1)	Fees Earned or Paid in Cash or Deferred (\$) (2)	Stock Awards (\$) (3)	Option Awards (\$) (4)	All Other Compensation (\$) (4)	Total (\$)
Martin H. Young, Jr.	\$ 178,800	\$ 120,000	\$	\$ 30,971	\$ 329,771
Ralph B. Busch, III	90,200	120,000		16,593	226,793
William E. Bush, Jr.	84,000	120,000		6,111	210,111
Stephen L. Cropper	77,600	120,000		3,081	200,681
J. Herbert Gaul, Jr.	98,800	120,000		11,352	230,152
Stephen J. Hadden	81,200	120,000		1,514	202,714
Thomas J. Jamieson	86,000	120,000		23,327	229,327
J. Frank Keller	81,200	120,000		9,083	210,283
Michael S. Reddin	75,200	120,000		2,367	197,567

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- (1) Robert F. Heinemann, our CEO, is not included in this table as he is our employee and thus receives no compensation for serving as a director.
- (2) Represents the fees earned by each of the directors under our Board of Director fee arrangements disclosed above. Each director is able to defer his fees in full or in part into the Non-Employee Director Deferred Stock and Compensation Plan as also disclosed above (the Director Deferral Plan ). In 2012, Martin H. Young, Thomas J. Jamieson and Michael S. Reddin deferred 100% of their fees and Ralph B. Busch, III deferred a portion of his fees pursuant to the Director Deferral Plan.
- (3) The directors received an equity award of 2,231 RSUs granted to each non-employee director on March 2, 2012. These RSU grants from the Company's 2005 Equity Incentive Plan (the 2005 Plan ) had an aggregate grant date fair value of \$120,000 for each director. All such grants were for past service and as such were immediately vested. Not included in this table are the 2,629 RSUs granted to each non-employee director on March 4, 2013. These RSU grants from the 2005 Plan had an aggregate grant date fair value of approximately \$120,000 for each director. The grants were for past service and as such were immediately vested.
- (4) Reflects the dollar value of dividend equivalents earned by the directors in 2012 and deferred pursuant to the director Deferral Plan and the dividend equivalents paid to the directors on the RSUs outstanding. At December 31, 2012, each director had the following aggregate number of deferred stock units accumulated in their deferral accounts for all of their years of service for which they deferred compensation pursuant to the Director Deferral Plan, including additional share units credited as a result of the reinvestment of dividend equivalents: Mr. Young, 93,102 units; Mr. Busch, 47,154 units; Mr. Bush, 12,127 units; Mr. Cropper, 3,653 units; Mr. Gaul, 34,336 units; Mr. Hadden, 38 units; Mr. Jamieson, 68,117 units; Mr. Keller, 23,834 units and Mr. Reddin, 3,477 units. These share units are not included in the Security Ownership Table below because the share units are not issued nor do they have any voting power until such time as the director retires or resigns from our Board. Mr. Heinemann has 3,223 deferred stock units under the Director Deferral Plan that were awarded during the time he served as a director prior to his employment with the Company.

**ITEM 11. EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

The compensation discussion and analysis set forth below provides an overview of our compensation program, including the objectives and rationale for each element of compensation, for our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and our two other most highly compensated executive officers (NEOs). This section also describes the actions and decisions of the Compensation Committee of our Board of Directors (Committee), and of our Board of Directors, as they relate to our executive compensation decisions.

**Executive Summary**

*Compensation Philosophy and Programs*

The following highlights our executive pay-for-performance compensation philosophy and key compensation programs and provides a brief overview of the factors we believe are most relevant to shareholders as they consider the non-binding advisory vote on executive compensation.

- Our NEOs are compensated in a manner consistent with our short- and long-term performance, business strategy, competitive practices, sound compensation governance principles and shareholder interests and concerns.
- Pay-for-performance continues to be the core of our executive compensation philosophy, with variable compensation from year-to-year based on company-wide and individual performance.
- We design our executive compensation program to encourage long-term shareholder value creation through consistent leadership, decision-making and actions without taking unnecessary or inappropriate risks.

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- The objectives of our executive compensation program are to attract and retain the caliber of talent necessary to lead the Company in a highly competitive industry during a period of significant growth, drive the achievement of short- and long-term objectives, link pay and performance, align management's interests with our shareholders' interests, and to be competitive in the markets in which the Company competes for talent.
- We generally target NEO total compensation by reference to the median of compensation paid by members of our peer group to equivalent executive officers.
- The compensation program for our NEOs consists of a balanced mix of three primary components: base salary, a short-term incentive cash compensation program and an equity-based long-term incentive program consisting of time-vested restricted stock unit awards (RSUs), time-vested stock option awards (NQSOs), and performance-based share awards (PSAP Awards).
- In order to motivate our NEOs to consider the impact of their decisions over both the short- and long-term, the incentives tied to short-term annual performance are balanced with those tied to our long-term performance.
- The base salary awards provide a certain level of income to our NEOs which does not vary with our performance.
- Consistent with our pay-for-performance philosophy, the majority of the compensation for our NEOs is comprised of at risk compensation (i.e., short-term and long-term incentive compensation).
- Our short-term incentive program bonuses are directly aligned with our annual performance (e.g., discretionary cash flow, total company production, finding and development costs, operating margin, and environmental, health and safety goals), consistent with our pay-for-performance philosophy.
- Our long-term incentive program is intended to motivate management to achieve strategic long-term business objectives, align management's interests with those of our shareholders and aid in the recruitment and retention of key executives; a major portion of the NEOs total compensation is in long-term equity awards, the value of which rises only when the shareholders experience an increase in the market price of our Common Stock.
- Our compensation philosophy and related governance features are complemented by specific elements designed to align the NEOs compensation with long-term shareholder interests, including:



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- stock ownership guidelines for our NEOs, other officers and non-employee directors;
- an incentive compensation recoupment, or clawback, policy that applies to the NEOs and certain other officers;
- prohibitions on NEOs and other officers, employees and non-employee directors from engaging in any speculative transactions involving our securities, including engaging in short sales, engaging in transactions involving put options, call options or other derivative securities, or engaging in any other form of hedging transactions, such as collars or forward sale contracts; and
- prohibitions on NEOs and other officers and non-employee directors from holding our securities in margin accounts or pledging such securities as collateral for loans.
- We have an informed and accessible Committee that is comprised solely of independent directors and that has established means of communicating with shareholders regarding their executive compensation ideas and concerns, including the opportunity for shareholders to cast a non-binding advisory vote on executive compensation at our Annual Meeting of Shareholders. A non-binding advisory vote on executive compensation was presented to our shareholders at the 2012 annual meeting of stockholders and received an approval by approximately 95.2% of the shares voted (including abstentions).
- The NEOs for 2012 include:
  - Robert F. Heinemann, President and Chief Executive Officer (CEO), who has nine years of service with the Company and has been CEO since 2004;
  - Michael Duginski, Executive Vice President (EVP) and Chief Operating Officer (COO), who has eleven

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years of service with the Company and has been EVP and COO since 2007;

- David D. Wolf, EVP and Chief Financial Officer (CFO), who has four years of service with the Company and has been EVP and CFO since 2008;
  
- G. Timothy Crawford, Senior Vice President of California Production (SVP), who has thirteen years of service with the Company and has been SVP since 2009; and
  
- Davis O. O Connor, Vice President, General Counsel and Secretary, who joined the Company in 2010.

*2012 Performance*

Despite the economic environment, we improved many aspects of our operating performance during 2012. As described in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Original Filing, our 2012 financial results were strong relative to our fiscal 2011 results. The following table highlights the year-over-year comparison of some of the key financial metrics that we use in evaluating the Company's performance for the purpose of making compensation decisions.

Performance Measure	2012	2011	% Change
Revenues	\$ 979 Million	\$ 921 Million	6%
Net earnings (loss)	\$ 172 million	\$ (228) million	N/A
Adjusted net earnings	\$ 168 Million	\$ 149 Million	13%
Discretionary cash flow	\$ 502 Million	\$ 462 Million	9%
Operating margin per BOE	\$ 48.79	\$ 44.88	9%
Average daily production	36,402 BOE/D	35,687 BOE/D	2%
Proved reserves	275 MMBOE	275 MMBOE	%

Adjusted net earnings, discretionary cash flow and operating margin per BOE are non-GAAP measures, and 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 document may not be comparable to 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations Reconciliation of Non-GAAP Measures in Part II, Item 7 of the Original Filing. Adjusted net earnings 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,

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(in thousands)	2012	2011
Adjusted net earnings	\$ 167,703	\$ 149,086
After tax adjustments:		
Non-cash derivative gain (loss)	\$ 22,873	\$ 17,919
Legal matters	\$ (1,809)	
Dry hole expense	\$ (9,321)	
Impairment - oil & natural gas properties		\$ (385,285)
Extinguishment of debt and other	\$ (25,485)	\$ (9,783)
Research and development credit	\$ 7,155	
Gain on sale of assets	\$ 1,144	
Cash settlements from early termination of natural gas derivatives	\$ 9,279	
Net (loss) earnings from continuing operations	\$ 171,539	\$ (228,063)

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**Comparison of CEO Pay with Median and Mean CEO Pay at Peer Group Companies**

As reflected in the chart below, the total direct compensation of our CEO during 2012 is less than the median and mean CEO pay at our peer group companies as determined based on publicly disclosed 2011 compensation.

**Total Direct NEO Compensation Analysis**

The graph below compares the total direct compensation amount for each NEO during 2012 relative to the 50th and 75th percentiles of total direct compensation amounts paid for equivalent positions within our peer group companies as determined based on publicly disclosed 2011 compensation.



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**Compensation Committee's Role in Determining Executive Compensation**

Our executive compensation is determined by the Board of Directors and the Committee. The Committee is comprised of four directors who are appointed by the Board and are independent within the meaning of our Director Independence Standards and the criteria established by the New York Stock Exchange. The Committee has responsibility for establishing, implementing and continually monitoring adherence with our compensation philosophy subject to the ultimate approval of our Board of Directors. The Committee ensures that the total compensation paid to the NEOs is fair, reasonable, competitive and aligned with our shareholders' interests.

Base salary, annual incentive cash bonuses and equity-based long-term incentive awards are the primary focus of our compensation program and we believe attention to all three is particularly important, along with other customary benefits, to motivate and retain our existing personnel and to attract and hire new employees. Each key component of compensation is reviewed for external competitiveness when appropriate comparisons are available, based on industry peers and published survey data, as well as for internal equity.

The Committee also takes into account external market conditions, such as competition for executives for a particular position, and position-specific factors when approving the total compensation for each NEO. The position-specific factors influencing the compensation levels include largely qualitative factors such as experience, tenure, job performance, contributions to our financial results, scope of responsibilities and complexity of the position.

After consulting with the CEO, our Vice President of Human Resources and any advisors, such as Deloitte Consulting LLP (Deloitte Consulting), that the Committee deems necessary, the Committee recommends to our Board the compensation it deems appropriate for each of the NEOs. All compensation for our NEOs, other than the CEO's, is subject to Board approval. Our CEO's compensation is also subject to the approval of the non-employee directors.

**Role of Compensation Consultants**

In carrying out its responsibilities, the Committee has the sole authority to retain and terminate any independent third-party compensation consultant and to obtain independent advice and assistance from internal and external legal, accounting and other advisors. During 2012, the Committee retained the services of Deloitte Consulting, which reported directly to the Committee. We did not engage Deloitte Consulting for any additional services in 2012 beyond its support of the Committee, as directed by the Committee. Pursuant to this engagement, Deloitte Consulting:

- Provided information, insights and advice regarding compensation program philosophy, objectives, strategy and structure;
- Provided advice with respect to proxy advisory firm recommendations;

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- Provided analyses of competitive compensation practices for executive officers and non-employee directors;
- Provided advice and information on equity retention issues;
- Reviewed and commented on recommendations regarding NEO compensation; and
- Advised the Committee on specific issues as they arose.

Representatives of Deloitte Consulting attended certain Committee meetings during 2012 and interacted with the Committee Chair and members of our Human Resources staff prior to and following Committee meetings. We paid \$106,544 in fees to Deloitte Consulting during 2012, all for work that was directly in support of the Committee. Such amount is less than 1% of the total annual revenues of Deloitte Consulting. The engagement of Deloitte Consulting did not raise any conflicts of interest. No officer, director, partner or employee of Deloitte Consulting has any known personal relationship with any officer, director, shareholder or employee of our Company that would present any potential conflict to their independence.

### **Role of Management in Determining Executive Compensation**

Under the oversight of our CEO and Vice President of Human Resources, management provides recommendations to the Committee on matters of compensation philosophy and plan design, and provides data relating to matters under

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consideration by the Committee. Our CEO consults with the Committee and provides recommendations to the Committee on compensation awards for the NEOs and other officers based on Company performance, individual performance and future potential, competitive market data and internal fairness among officers. Our Human Resources department supports management and the Committee by providing information on historic compensation levels and employee evaluations, obtaining and analyzing third-party survey data and interfacing with Deloitte Consulting. While members of the management team attend Committee meetings, they are not present during executive sessions or during deliberations or determinations of their respective compensation. The Committee and the Board of Directors make all final decisions with respect to the compensation of our NEOs and other officers.

**Executive Compensation Philosophy**

Our compensation philosophy is designed to support the overall objective of maximizing the return to our shareholders while maintaining a qualified workforce by:

- (1) attracting, developing, rewarding, retaining and motivating highly qualified and productive individuals;
- (2) directly aligning compensation with both company-wide and individual performance;
- (3) ensuring compensation levels that are externally competitive and internally equitable; and
- (4) encouraging executive stock ownership to enhance a mutuality of interest with our shareholders.

It is the Committee's policy to provide incentives that promote both our short- and long-term financial objectives that are appropriate to the preservation and growth of our income-producing oil and natural gas assets. Our compensation system is designed to provide the appropriate balance between fixed and variable compensation, cash and equity compensation, and short- and long-term incentives. The combination of these compensation elements is intended to provide a total compensation package which is closely linked to our overall financial and operating performance. The base salary amounts we pay our executive officers are intended to provide sufficient competitive pay to attract and retain experienced and successful executives. The short-term incentive compensation program is designed to reward achievement of annual operating and financial objectives measured by quantitative metrics such as cash flow, company production volumes, finding and development costs, operating margins, operating costs and capital expenditures, as well as qualitative metrics such as environmental, health and safety performance. We believe these metrics represent factors that drive long-term value creation. The long-term incentive compensation is intended to encourage employees, particularly executives, to focus on our long-term goals by rewarding total shareholder return, both on an absolute basis and relative to our peer group (as defined below), and company growth. We seek to align the long-term interests of our shareholders and our executives through paying a substantial portion of total executive compensation in the form of equity-based incentives, the value of which rises when the market price of our Common Stock rises, and through stock ownership guidelines that encourage our executives to retain a significant ownership stake in our Company.



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As part of its annual evaluation of our compensation programs and in connection with approving any changes to the programs and awards under the programs, in order to ensure cost-effectiveness and financial efficiency, the Committee evaluates numerous factors, including the competitive landscape, financial impact of such compensation including the impact on our financial results, potential shareholder dilution and expected accounting and tax treatment. We also seek to ensure that our compensation program upholds high corporate governance standards and reflects evolving best practices.

Our Board has determined that it is in our best interest to maintain flexibility when establishing executive compensation due to the intense competition for qualified personnel within our industry and the volatility of commodity prices not under our direct control. Consequently, the components of and awards under our compensation program are evaluated annually against competitive conditions, the environment in which we operate and company-wide and individual performance.

With the exception of our CEO, COO and CFO, we do not have employment agreements (other than change in control agreements, discussed below) with any of our employees. As to any given individual, the factors considered in any compensation decision include, but are not limited to, the complexity of that individual's job, the person's demonstrated contributions to our values, competitive pressures in the marketplace and his or her relative performance compared to peers within the Company. These factors are not approached on a formulaic basis but are addressed by the Committee subjectively.

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Our philosophy is to target overall compensation opportunities at levels competitive with equivalent positions at companies in our peer group and other companies against which we compete for talent. As a general guideline, the Committee believes that the total compensation, including base salary, annual incentive cash bonuses and equity-based long-term incentive awards, for each of the NEOs should be approximately at the median of total compensation for equivalent positions of our peer group, before taking into account Company and individual performance. Based on the Committee's analysis of the available data, the Committee concluded that the compensation paid to each of our NEOs was appropriate given the Company's performance, size and complexity, as well as that individual's performance.

**Results from the 2012 Annual Meeting Advisory Vote on Executive Compensation**

At our 2012 Annual Meeting of Shareholders, we held a non-binding advisory vote on executive compensation, commonly known as Say-on-Pay. Of the votes cast, 95.2% approved our 2012 executive compensation. The Committee was mindful of this support for our philosophy of linking compensation to our operating objectives and enhancement of shareholder value, and, as a result, determined to continue the key components, design, implementation and amounts for our 2012 compensation programs.

Principle Components of our Pay-for-Performance Compensation Program

Compensation Element	Description	Form of Payment	Objectives
<b>Base Salary</b>	Fixed based on level of responsibility, experience, tenure, internal equity and qualifications	Cash	<ul style="list-style-type: none"> <li>• Aid in attracting and retaining top talent</li> <li>• Recognize skills, competencies, experience and individual contribution</li> <li>• Consistent with competitive practice including peer group benchmarks on base pay</li> </ul>
<b>Short-Term Incentive Compensation Program (ICP)</b>	Variable based on the achievement of annual financial and performance objectives and on executive's contribution to strategic and operational objectives	Cash	<ul style="list-style-type: none"> <li>• Link pay and performance</li> <li>• Aligns executives with short-term business objectives</li> <li>• Drive and incentivize superior annual performance at company, asset team and individual levels</li> <li>• Consistent with competitive practice</li> <li>• Engage executives in execution, collaboration and team work</li> <li>• Emphasize accountability for results</li> <li>• Link pay and performance</li> </ul>

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<b>Long-Term Incentive Awards</b>	Variable based on the achievement of longer term financial goals and shareholder value creation	<ul style="list-style-type: none"> <li>• 50% Time-vested RSUs (maintains retention value through short-term market volatility)</li> <li>• 25% Time-vested stock options (rewards absolute share price appreciation)</li> <li>• 25% PSAP Awards (rewards relative stock performance and production growth)</li> </ul>	<ul style="list-style-type: none"> <li>• Aids in attracting and retaining top talent</li> <li>• Aligns executives with longer term business objectives</li> <li>• Reward long-term performance</li> <li>• Align executive and shareholder interests</li> <li>• Drive shareholder value creation</li> <li>• Consistent with competitive practice</li> </ul>
<b>Other Compensation and Benefits Programs</b>	Satisfy employee health, welfare, and retirement needs	<ul style="list-style-type: none"> <li>• Matching Contribution to 401(k) Thrift Plan</li> <li>• Executive Life Insurance</li> <li>• Financial Planning</li> <li>• Auto Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Aid in attracting and retaining top talent</li> <li>• Support overall health and well-being of all employees</li> <li>• Consistent with competitive practice</li> </ul>

**Factors Considered When Determining Total Compensation of NEOs**

*Peer Group Benchmarking*

In addition to survey benchmarking, in order to ensure that the total compensation paid to our executive officers is competitive with companies against which we compete for executive talent and in order to ensure that we are informed as to compensation best practices, we perform our own internal analysis of the published compensation data of our peer group.

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The composition of that peer group was determined by the Committee in consultation with the CEO, the Vice President of Human Resources, and Deloitte Consulting and is as follows:

**Peer Group Utilized for 2012 Analysis**

Bill Barrett Corp.  
Cimarex Energy Co.  
Forest Oil Corp.  
Newfield Exploration Company  
Rosetta Resources, Inc.  
Quicksilver Resources Inc.  
SM Energy Company  
Whiting Petroleum Corp.

Cabot Oil & Gas Corp.  
Denbury Resources Inc.  
Laredo Petroleum Holdings, Inc.  
Plains Explorations & Production Co.  
SandRidge Energy, Inc.  
Stone Energy Corp.  
Swift Energy Co.

For 2012 benchmarking purposes, the Committee has determined to remove Penn Virginia Corp. and Comstock Resources Inc. from the peer group because they no longer fit the market capitalization criterion. Meanwhile, Laredo Petroleum Holdings, Inc., Newfield Exploration Company and Rosetta Resources, Inc. have been added to the peer group for 2012 because their market capitalizations are within the existing peer group range, and because the nature and location of their properties, and their business strategies and structures, are similar to the Company's.

The pay levels and pay practices of this peer group were considered by the Committee as part of 2012 compensation decisions, including ultimately performance under the 2012 Performance Share Award Program, described below. It is our intent as much as reasonably possible to include in the peer group those companies whose attributes, including but not limited to size, market capitalization, nature and location of properties, strategies and structure, are similar to ours and to use the same peer group to measure our performance for all relevant purposes and not just for executive compensation.

The Committee compares the peer group data for the base salary, short-term incentive compensation and long-term incentive compensation for each NEO. When it is available, the data also is used to determine the relationship of cash to equity compensation and the allocation of long-term compensation between time vested RSUs, NQSOs and PSAP awards. As a general guideline, the Committee believes that the total compensation, including base salary, annual bonus and the value of equity grants, for each of the NEOs should be approximately at the median of the total compensation paid by our peer group for equivalent executive officers. As the Committee reviewed the 2012 proxy data of the peer group prior to making its most recent decisions on compensation, it concluded that the compensation paid to our NEOs was appropriate given the Company's performance and its size and complexity. The Committee further recognizes that the public data available as to the peer group is at least one year old and, therefore, is only one of many considerations in making decisions on executive compensation.

*Survey Benchmarking*

To evaluate compensation, the Committee also utilizes two external compensation surveys for the upstream oil and gas industry from Effective Compensation, Inc. (ECI) which focuses on both executive and non-executive positions and Meridian Compensation Partners, LLC (Meridian) which focuses on executive and technical/professional disciplines. Most of the companies in our peer group participate in the ECI survey. Some of the Meridian partners and employees are former employees of Hewitt Associates, Inc. (now known as Aon Hewitt), whose compensation surveys the Committee has used in the past. We understand that both ECI and Meridian develop their data by collecting data from participating companies and then publishing that data in an anonymous format provided to all the participants to assist in compensation decisions. The survey

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data is used to assess the reasonableness of the peer group compensation data and whether or not our NEO and other employee compensation was consistent with market practice as disclosed by the surveys.

### *Risk Assessment*

On an annual basis, the Committee, in collaboration with our Human Resources department, conducts an assessment of potential risks that may arise from our compensation programs, policies and practices for all of our employees. This evaluation is designed to

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determine whether and to what extent, if any, our programs, policies and practices of compensating our employees could result in risk taking incentives, and whether risks arising from such programs, policies and practices are reasonably likely to have a material adverse effect on us. The risk mitigating factors considered in this assessment included the following:

- *Balanced Pay Mix:* The target compensation mix is heavily weighted towards long-term incentive compensation.
- *Mix of Performance Metrics:* We do not rely on a single performance metric to determine payouts for performance-based awards. Instead, performance targets are tied to a variety of financial metrics, including cash flow, production volumes, finding and development costs, operating costs, operating margins and capital expenditures. We prefer a balancing of factors to avoid having any one performance metric become an overriding influence. For that reason, the short-term incentive program (ICP) described below balances a number of metrics such as production targets, finding and development costs and operating margins. In addition, performance-based awards are based, in part, on the achievement of strategic and operational (including environmental, health and safety) objectives in addition to financial metrics to ensure that such other objectives are given the proper amount of attention by program participants. The Performance Share Award Program, also described below, uses the performance measures over a three-year period in order to mitigate against a short term focus at the expense of long-term results by our senior executives, including the NEOs.
- *Calculation and Verification of Performance:* Controls are in place to ensure accuracy of calculations as to actual performance against metrics.
- *Layered Performance Period and Vesting Schedules:* The performance period and vesting schedules for long-term incentives overlap and, therefore, reduce the motivation to maximize performance in any one period.
- *Stock Ownership Guidelines:* As it relates to our officers, this policy requires our CEO to own equity in the Company valued at six times his salary, other executive officers to own equity valued at two to three times their salary, and other officers to own equity valued at one to two times their salary, and requires our officers to retain this level of ownership throughout their tenure with the Company.
- *Composition of Compensation Committee:* The Committee is comprised entirely of independent directors.
- *Board Structure:* The Chairman of the Board is an independent director and is separate from the CEO.
- *Prohibition on Hedging:* We have adopted a policy under which directors, officers and employees are prohibited from hedging or speculating in Company stock, and under which directors and officers are prohibited from pledging such stock as collateral for loans.

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- *Clawback Policy:* We have adopted a policy under which incentive compensation paid to an executive officer may be recouped by the Company in the event of a restatement of our financial results caused by the officer's fraud or misconduct.
  
- *Compensation Decision Timing:* The Committee and Board do not make their final decisions on compensation awards to officers and employees until after our audited financial statements are filed with the SEC.

After review of all these elements and specific discussion of them and others at scheduled meetings at least annually, the Committee and our Board have determined that it is not reasonably likely that our compensation programs, policies and practices create risks that will have a material adverse effect on us.

### *Timing and Other Matters*

Our current policy is to make decisions with respect to cash bonuses and equity awards in March following each completed fiscal year. Annual salary adjustments are also made at that time. This policy ensures that compensation decisions are made after the full year's performance for the prior year is analyzed and the Company's Annual Report on Form 10-K is filed. In March 2010, we implemented the PSAP and granted 2010 PSAP awards with a performance period of 2010-2012. As a result of the change in the timing of awards, except for a grant to Mr. O'Connor upon his employment, we did not make any option or time-vesting RSU awards during 2010, and instead made those awards in respect of 2010 performance in March 2011. Accordingly, the amounts shown in the 2010 Stock Awards column of the Summary Compensation Table below are lower than they would have been had we continued

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our prior practice of granting those awards in December of the applicable year. In March 2012, grants of RSU, NQSO and PSAP awards were made with respect to 2011 performance, and in March 2013, similar grants were made with respect to 2012 performance.

**Incentive Compensation Recoupment Policy**

On February 16, 2012, our Board of Directors adopted an incentive compensation recoupment, or clawback, policy under which the Board has discretion to require reimbursement to the Company of a portion of any incentive compensation award paid to any named executive officer (as defined in the Securities Exchange Act of 1934) where the Board finds the award was predicated on the achievement of certain financial results that were subsequently the subject of a substantial restatement, the officer engaged in fraud or misconduct that caused the need for the restatement in whole or part, and a lower award would have been made to the officer based on the restated financial results. We intend to amend the policy to comply with the additional requirements of the Dodd-Frank Act after the SEC adopts new regulations implementing those requirements. The current policy is available on our website at <http://www.bry.com>.

**2012 EXECUTIVE COMPENSATION**

**Components of Executive Compensation**

*Pay Mix*

The majority of the CEO's and other NEOs' total direct compensation is at risk and dependent upon the Company achieving financial and other business goals set by the Committee, with a significant portion of such total direct compensation tied to the Company's long-term results and future stock price performance. Approximately 87% of the CEO's and 82% of the other NEOs' 2012 target total compensation (excluding Other Compensation as described in the Summary Compensation Table below) is at risk. We believe this balance of fixed and variable compensation is consistent with the Company's executive compensation philosophy, maintains a strong link between NEOs' compensation and Company performance and motivates executives to deliver strong business performance to create shareholder value.

*Base Salary*

The Committee reviews the NEOs' salaries annually. In determining appropriate salary levels, the Committee considers the level and scope of responsibility and experience, the Company's performance, individual performance relative to internal peers and pay practices of the peer group for executives of similar responsibility. By design, we strive to set our NEOs' base salaries at or close to the median of our peer group, adjusted for years of experience, individual performance and job responsibility.

The NEOs' salaries commencing February 26, 2012 were set as follows:



NEO	2012 Base Salary	Percentage Increase from Prior Year
Robert F. Heinemann	\$ 645,000	4.0%
Michael Duginski	\$ 365,000	4.3%
David D. Wolf	\$ 340,000	6.2%
G. Timothy Crawford	\$ 295,000	3.5%
Davis O. O Connor	\$ 284,000	4.0%

*Short-Term Incentive Compensation*

The Committee believes that a significant portion of the annual cash compensation of each NEO should be in the form of variable cash incentive pay. Our annual short-term incentive cash bonus program, known as Short Term Incentive Compensation Program (ICP), reflects that philosophy. All full-time employees participate in the program. The intent of the ICP is to align employee incentives to the achievement of annual performance goals based upon the employee's job position, and the program is designed to reward NEOs and other employees for achievement of annual performance and financial objectives. The NEOs and other employees are evaluated, in part, based on the outcome of a company-wide performance measurement grid known as the ICP Scorecard. Typically, in the case of NEOs, the pay philosophy is to target total annual cash compensation with reference to the median of peer

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group cash compensation, with the opportunity to earn annual cash incentives through the ICP in excess of target levels based on achieving performance superior to the objectives the Committee has determined to reward. If the performance objectives are not achieved, the NEOs and other employees will earn annual cash incentives under the ICP that are below the target level.

Each employee participant in the ICP is assigned a potential bonus range as a percentage of base salary. The bonus range is established by contract for NEOs who have employment agreements, and by the Committee for the other NEOs, and each range represents an amount the Committee deems competitive and appropriate, based on its consideration of peer data and other factors discussed herein. Target bonus levels are then established by the Committee after the end of each year at an amount that the Committee deems appropriate based upon each NEO's individual performance as well as the competitive landscape for experienced executives within our industry. For 2012, the bonus ranges and target bonuses as percentages of salary for our NEOs were as follows:

NEO	Bonus Range as % of Base Salary	2012 Target Bonus %
President and Chief Executive Officer	50%-200%	200%
Executive Vice President and Chief Operating Officer	50%-200%	120%
Executive Vice President and Chief Financial Officer	50%-200%	120%
Senior Vice President-California	60%-75%	65%
Vice President and General Counsel	75%-100%	87.5%

Mr. Heinemann's ICP target bonus reflected the Committee's and Board's evaluation of his leadership in setting the strategic direction for the Company, developing the Company's organization including our senior executives, determining the proper composition and development pace of our portfolio of assets and presenting the Company's performance and investment opportunities to our shareholders, future investors and other external stakeholders.

Mr. Duginski's ICP target bonus reflected the Committee's and Board's evaluation of his contributions in improving the Company's production and cash flow, securing permits essential to developing the Company's California properties, and generating new opportunities in our Uinta assets. Mr. Duginski continued to identify and implement strategies to grow the Company's reserves and production and to improve its EHS performance.

Mr. Wolf's ICP target bonus was based on his contributions to the Company's strategic initiatives, delivering accounting and reporting practices of the highest quality with transparent and robust disclosures, management of the Company's equity and bond offerings, and increasing our research coverage from investor analysts. Mr. Wolf led our Corporate Development beginning in 2012, which led to successful bolt-on acquisitions in Utah, Texas and California.

Mr. Crawford's ICP target bonus was based on his leadership of the Company's technically and operationally complex California assets, including his successful efforts to recruit and develop experienced production teams, to manage relations with California regulators, to implement frontier techniques applicable to heavy oil assets and to increase overall production from such properties. Our California assets deliver a majority of the Company's production and cash flow.

Mr. O'Connor's ICP target bonus was based on his leadership roles in resolving the Company's litigation matters, managing corporate transactions and many of the Company's compliance functions, growing a legal department, developing a more robust EHS program, providing legal advice, guidance and counseling to all of the Company's asset teams, dealing with regulators and managing the Company's contracting function.

We use the ICP Scorecard to further adjust the target bonuses and determine the final amount of short-term incentive compensation payments. On March 2, 2012, the 2012 ICP Scorecard was approved by the Committee and the Board. The 2012 ICP Scorecard has four company-wide performance measures: total production, operating expenditures per barrel, total capital expenditures, and operating margin per BOE. The targets for each of these measures are initially based on the Company's 2012 capital budget, which assumes West Texas intermediate (WTI) oil prices at \$90.00/bbl and natural gas at \$3.00/Mcf. Each performance measure is also assigned (i) a relative weight and (ii) minimum, target and maximum levels, which are set forth in the tables below.

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A performance measure falling at or below the minimum results in a score of 0.5, a performance measure at target results in a score of 1.0, and a performance measure falling at or above the maximum results in a score of 1.5. We use linear interpolation to calculate the scores for performance within the various measurement ranges.

*Production* - The production volume target represents the volume of barrel of oil equivalent ( BOE ) per day as initially estimated in our annual capital budget to be produced and sold during 2012. This measure is important because the majority of our revenue is generated by the sale of oil and natural gas.

*Operating Expenditures per BOE* - The operating expenditures per BOE target represents the operating expenditures per BOE as initially estimated in our annual capital budget.

*Capital Spend* - Capital spend represents the total capital expenditures of the Company as initially estimated in our annual capital budget.

*Operating Margin* - Operating margin measures the proportion of revenue remaining after paying costs of production, on a per BOE basis. It is an important indicator of efficiency and profitability, and serves to focus our efforts on high-return projects and bottom line results.

Additionally, there is an overall modifier based on our environmental, health and safety (EHS) performance which is applied based on company-wide and regional performance. EHS performance for this purpose is evaluated based on statistical industry measurements and qualitative goals, including lost time and Occupational Safety and Health Administration reportable incidents, by a committee of management and non-management employees which establishes the criteria for the evaluation. Their report is supplied to the Committee for approval. The minimum and maximum adjustments for the EHS multiplier are generally between 95% and 105%, respectively. In 2012, the EHS multiplier was set at 101% which was incorporated in the 2012 ICP Scorecard factor.

The Committee and the Board, with input from the CEO, have the discretion to adjust the ICP Scorecard over the course of the year. For example, adjustments to ICP targets may be required when events occur that could not be anticipated in the design of the ICP at the beginning of the year, such as acquisitions completed over the course of the year or events outside our control such as disruptions in our access to crude oil and natural gas markets.

The final 2012 ICP Scorecard effective for the NEOs and other employees is set forth below:

Measure of Performance	Relative Weight	Minimum	Target	Maximum	Results	Score
Production (BOED)	40%	35,600	38,600	40,600	36,402	0.81
OPEX / BBL (\$/BOED)	25%	\$ 22.00	\$ 18.00	\$ 17.00	\$ 19.45	0.93

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Capital Spend (\$MM)	25%	\$	730	\$	644	\$	600	\$	676	0.91
Operating Margin (\$/BOE)	10%	\$	47.00	\$	52.00	\$	55.00	\$	48.77	0.84
EHS Performance Factor	Applied to weighted scorecard results									1.01
ICP Factor										0.88

The Committee took all of these factors, including the 2012 ICP Scorecard factor reflecting Company performance shortfalls, into account and recommended the following short-term incentive compensation awards for the NEOs, all of which are below the targeted amounts and which were approved by the Board of Directors on March 4, 2013:

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NEO	Bonus Range as % of Base Salary	Target Bonus %	Target times Base Salary (1)	2012 ICP Factor	Final Bonus (2)
Robert F. Heinemann	50% - 200%	200%	1,290,000	88% \$	950,000
Michael Duginski	50% - 200%	120%	438,000	88% \$	350,000
David D. Wolf	50% - 200%	120%	408,000	88% \$	350,000
Davis O. O Connor	75% - 100%	87.5%	248,500	88% \$	215,000
G. Timothy Crawford	60% - 75%	65%	191,750	88% \$	160,000

(1) Represents the award approved by the Committee and the Board based on the individual performance factors discussed above, prior to application of the 2012 ICP Scorecard factor.

(2) The Committee and Board retain discretion to adjust the final short-term incentive compensation award amounts, and exercised that discretion to reduce certain of the short-term incentive compensation award amounts to less than the targeted amounts.

*Long-Term Incentive Compensation*

The Committee and the Board of Directors believe that our long-term incentive compensation program should be designed to drive the achievement of strategic long-term business objectives, align management's interests with those of our shareholders and aid in the recruitment and retention of key executives. As with base salary and short-term incentive compensation, the form and value of long term awards is determined by the Committee and our Board based on several factors. These factors include our need to retain a specific employee, the employee's position and performance, the employee's potential for advancement, the employee's ability to add value to our enterprise, the value of existing vested and unvested outstanding equity-based awards, benchmarking percentiles and competitive compensation data. The relative weight given to each of these factors varies among individuals at the Committee's discretion. In addition, the Committee and Board take into account the recommendations of the CEO with respect to the long term equity awards for the other NEOs.

The long-term incentive compensation program uses three forms of awards: time-vested restricted stock units (RSUs); time-vested non-qualified stock options (NQSOs); and performance share awards (PSAPs). The RSUs not underlying the PSAP grants and the NQSOs vest in four equal annual installments on each annual anniversary of the award grant date, and the RSUs underlying the PSAP grants vest on the date the Committee determines the applicable performance measures have been met after the end of the applicable performance measurement period.

For 2012, the Committee and Board determined for our NEOs that a split of approximately 50% in RSUs, 25% in NQSOs and 25% in PSAP awards, based on grant date fair value, represented a total long-term equity incentive opportunity aligned with shareholder interests with the appropriate balance for long term incentives of risk, performance and retention.

On March 2, 2012, the Board granted the following RSUs and NQSOs to the NEOs:

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<b>Name</b>	<b>Number of RSUs Awarded</b>	<b>Grant Date Fair Value of RSUs Awarded</b>	<b>Number of Stock Options Awarded</b>	<b>Grant Date Fair Value of Stock Options Awarded</b>
Robert F. Heinemann	26,406	\$ 1,378,921	31,167	\$ 701,258
Michael Duginski	11,789	615,622	13,914	313,065
David D. Wolf	11,317	590,974	13,358	300,555
G. Timothy Crawford	5,895	307,837	6,957	156,533
Davis O. O Connor	6,366	332,433	7,514	169,065

Equity grants, including NQSOs, are priced on the day of our Board meeting at which the grant decision is made and for which the meeting date is set well in advance. Likewise all other equity grants that may be occasionally granted during the year for new hires or special retention awards are priced on the date of grant. Under the 2005 Equity Incentive Plan,

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awards were priced at the average of the high and the low market sales price on the date of grant. For awards under the 2010 Equity Incentive Plan, awards are priced at the closing market price on the date of grant.

*2012 Performance Share Award Program*

On March 2, 2012, the Committee and the Board adopted the 2012 Performance Share Award Program (2012 PSAP). Our Performance Share Award Program (PSAP) is intended to provide an annual incentive opportunity based on the overall success of the Company over a three-year period and is designed to represent approximately 25% of the total equity-based awards granted to an NEO each year. The PSAP is designed to diversify our equity grant program beyond our prior practice of only granting RSU and NQSO awards. Each award under the PSAP grants a target number of RSUs based on an award value established by the Committee at the time of the grant subject to the applicable terms of 2010 Equity Incentive Plan and the PSAP Award Agreement. The target number of PSAP RSU awards is established by dividing the award value by the closing market price of our Common Stock on the date of the grant. After the applicable performance period has ended, the holder of an award is entitled to receive a payout of shares equal to the targeted number of RSUs multiplied by a factor determined with reference to the degree of achievement of the performance targets set out in the applicable PSAP Award Agreement. The Committee has discretion to reduce, but not increase, the ultimate amount of any such award.

In addition, for any payout to occur, under the 2012 PSAP, the Company must maintain a ratio of EBITDA to interest paid over a three-year performance period from 2012 to 2014 that is no less than 2.5x. This coverage ratio test was chosen by the Committee since it is a standard credit covenant in our senior note indentures and focuses management on balancing the PSAP performance targets with the need to maintain the Company in a strong financial position. If the Company has not met the coverage ratio test, no shares will be issued under the 2012 PSAP.

Assuming the coverage ratio test is met, the number of RSUs ultimately paid under the 2012 PSAP is based upon two equally weighted performance factors: (i) total shareholder return as compared to the peer group from 2012 to 2014 and (ii) compounded annual production growth as measured by average annual barrels of oil equivalent per day (BOE/D) (excluding acquisitions and divestitures) from 2012 to 2014. The initial target measures of performance in 2012 for the PSAP awards are as follows:

<b>Performance Measure</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Total Shareholder Return	25th Percentile	50th Percentile	75th Percentile
Compound Annual Production Growth (BOE/D)	5% (41,300 BOE/D)	10% (47,500 BOE/D)	15% (54,275 BOE/D)

Under the PSAP, depending on achievement of the performance targets, the NEOs may earn stock awards ranging from 25% to 175% of the targeted number of RSUs. If the total shareholder return is at the 50th percentile of the peer group and the production growth is at 10% (47,500 BOE/D), the Committee will issue shares of our Common Stock to the NEOs equal in number to the targeted number of RSUs set forth in the table below. If the total shareholder return is above the 50th percentile and below the 75th percentile of the peer group or if the production growth is above 10% (47,500 BOE/D) and below 15% (54,275 BOE/D), the Committee intends to reduce the number of shares issued proportionately below the maximums set forth in the table below. If the total shareholder return is below the 50th percentile and above the 25th percentile of the peer group or if the production growth is below 10% (47,500 BOE/D) and above 5% (41,300 BOE/D), the Committee intends to reduce the number of shares issued proportionately below the targeted number of RSUs. If the total shareholder return is below the 25th percentile of the peer group or if the production growth is below 5% (41,300 BOE/D), the Committee intends to eliminate the applicable PSAP award attributable to each measure.



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Additionally, the Committee may adjust the performance measures if any of the following events occur during the relevant performance period: production gains and losses based on the purchase or sale of assets; extreme price volatility; impairment of assets and/or counterparty failures beyond management control; natural disasters; legislative actions taken which negatively affect operations or results; changes in accounting or tax rules which significantly affect outcomes; and any extraordinary, unusual or non-recurring items.

On March 2, 2012, the Board granted the following PSAP awards (in RSUs) to the NEOs:

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NEO	2012 - 2014 PSAP Awards			
	Below Threshold	Threshold	Target	Maximum
Robert F. Heinemann	None	3,301	13,202	23,104
Michael Duginski	None	1,474	5,894	10,314
David D. Wolf	None	1,415	5,658	9,901
G. Timothy Crawford	None	737	2,947	5,157
Davis O. O Connor	None	796	3,182	5,569

Upon the death or disability of Messrs. Heinemann, Duginski or Wolf, the award granted under the 2012 PSAP shall fully vest at the target award level and shall be paid in full. Upon the death or disability of Messrs. Crawford or O Connor, or the other officers receiving PSAP awards, the award granted under the 2012 PSAP shall (1) immediately vest based on the pro-rata amount of time that has lapsed since the commencement of the performance period, in this case January 1, 2012, and the date of death or disability; and (2) be paid in full at the target award levels. Upon a change in control of the Company, as defined in the PSAP Award Agreement, all awards to the NEOs shall immediately vest and shall be paid in full at the target award levels. In the event Mr. Heinemann is involuntarily terminated without cause or terminates his employment for good reason, as set forth in his employment agreement, the award granted to him under the PSAP award will be (1) fully vested, (2) paid when all other awards are paid, and (3) based on our actual performance.

**Perquisites**

The NEOs are entitled to the same benefits coverage as all other employees such as health insurance, 125 Cafeteria Plan, reimbursement of ordinary and reasonable business expenses, and relocation expenses when the relocation is at our request, with the exception that the NEOs may also receive (a) a monthly automobile allowance, (b) financial planning services, and (c) executive life insurance. We have not adopted a qualified pension benefit plan for any employee or supplemental executive retirement plan.

**Officer Stock Ownership Guidelines**

The Company's executive officers should own, at a minimum, qualified securities (as defined in the stock ownership guidelines and described below) in accordance with the following guidelines:

Title	Multiple of Base Salary
Chief Executive Officer	6 times
Executive Vice President, Chief Financial Officer, Chief Operating Officer	3 times
Vice President or equivalent	2 times
All other executive officers	1 times

Each executive officer is required to comply with the guidelines within five years of: (i) November 17, 2010, the date of adoption of this policy, for existing executive officers; or (ii) the date of appointment, for executive officers appointed after the date of adoption of this policy. If an executive officer fails to meet the guidelines set forth above within the appropriate time frame, such executive officer is required to retain a minimum of 50%, on a post-tax basis, of all future equity awards until the guidelines are met.

Qualified securities include (a) shares of Common Stock; (b) vested or unvested stock units, provided, however, that performance based share awards shall not be included until vested; (c) vested stock options unless, as of the first trading day of each calendar year, the exercise price is higher than the then current fair market value of the Company's Common Stock, in each case owned individually by the executive officer; (d) Common Stock held in the executive officer's 401(k) retirement plan; (e) qualified securities owned jointly with, or separately by a spouse, domestic partner and/or minor children, either directly or indirectly; and (f) restricted stock units which have been deferred pursuant to an election made by the executive officer under any of the Company's equity incentive plans.

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For the purposes of calculating qualified securities, the value of Common Stock and RSUs is calculated on the first trading day of each calendar year based on the then fair market value and the value of the vested in the money NQSOs shall be the difference between the exercise price and the fair market value of the Common Stock. The fair market value of Common Stock is defined as the closing price of the Company's Common Stock on the first trading day of each calendar year. Any subsequent change in the value of the Common Stock will not affect the amount of stock executive officers are required to hold during that year. In the event of an increase in base salary, the applicable executive officer shall not have to adjust his or her holdings until January 1st of the calendar year after the increase in base salary.

The Committee reviewed compliance with the ownership guidelines on February 15, 2012 and concluded that all of the Company's officers are either in compliance with the ownership guidelines or are within the five-year accumulation period.

In addition, pursuant to our Insider Trading Policy, our directors, NEOs and other officers are prohibited from entering into any hedging contracts with respect to our Common Stock or from using our Common Stock as collateral for any loans.

**Employment Agreements**

Messrs. Heinemann, Duginski and Wolf have employment agreements and the provisions are summarized below:

*Mr. Heinemann's Employment Agreement*

On June 23, 2006, we entered into an amended and restated employment agreement with Mr. Heinemann (the Amended and Restated Employment Agreement) that extended the term of Mr. Heinemann's employment until January 31, 2010 and provides that we may annually elect to extend the term for an additional year by giving two years prior notice. Each December thereafter starting in 2007 and including December 2011, the Board exercised its right to give notice to Mr. Heinemann of additional one year extensions of the Amended and Restated Employment Agreement such that his agreement now expires January 31, 2015. Except for such extensions and an amendment entered into in November 2008 for the sole purpose of ensuring compliance with certain technical terms under Section 409A of the Internal Revenue Code of 1986, as amended (IRC), Mr. Heinemann's Amended and Restated Employment Agreement has not been amended or modified since it was entered into.

The Amended and Restated Employment Agreement provides for an annual salary of \$500,000, which may be increased from time to time by the Committee or the Board. Mr. Heinemann's salary was adjusted by the Committee and Board to \$620,000 in January 2010 and again in March 2012 to \$645,000. The Agreement also provides for an annual bonus of between 50% and 200% of base salary with a target of 200% of the base salary (although in certain circumstances it may be less). Mr. Heinemann's incentive compensation is primarily derived from short term incentive compensation bonuses and long term incentive equity awards.

In the event we terminate Mr. Heinemann's employment without cause, or Mr. Heinemann terminates his employment for good reason, Mr. Heinemann will be entitled to severance in an amount equal to two times (1) his annual base salary, (2) his highest annual bonus in the last

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two years, and (3) our then maximum annual matching contribution to our 401(k) Plan, plus certain other benefits for a two year period. Mr. Heinemann's unvested stock options and RSUs will also fully vest upon such an event. His right to exercise stock options granted under our 1994 Stock Option Plan would be extended, subject to applicable securities laws, to the later of the last day of the calendar year during which such options would otherwise terminate, or the 75th day following such existing termination date.

In the event we terminate Mr. Heinemann's employment without cause, or Mr. Heinemann terminates his employment for good reason within two years after (or in certain cases within six months before) a change in control, as defined, Mr. Heinemann will be entitled to the above benefits with respect to his stock options and RSUs described herein, his PSAP awards will vest and issue at the target amount, and he will be entitled to enhanced severance representing three times (1) his annual base salary, (2) highest annual bonus in the last two years, and (3) our then maximum annual matching contribution to our 401(k) Plan, and to continue certain other benefits for a period of three years. In accordance with the terms of the original Employment Agreement and also the Amended and Restated Employment Agreement, we agreed to pay Mr. Heinemann for any excise taxes on parachute payments imposed as a result of the foregoing benefits.

If Mr. Heinemann resigns or if we terminate his employment for cause, Mr. Heinemann is not eligible for any separation benefits and will forfeit all unvested stock options, RSUs and performance shares when his employment ends. The independent directors acted unanimously to approve the Amended and Restated Employment Agreement, upon the

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recommendation of the Committee, and likewise unanimously approved the compensation awards to him thereafter and the notices of extension of the term of his Amended and Restated Employment Agreement.

As part of the execution of the Amended and Restated Employment Agreement with Mr. Heinemann in June 2006, his salary continuation agreement was terminated and replaced by a provision that would pay Mr. Heinemann three times his compensation as described above, but would only be paid in the event there was both a change in control and either Mr. Heinemann was terminated or he resigned for good reason, as defined. This approach is known as a double trigger.

*Messrs. Duginski and Wolf's Employment Agreements*

On November 19, 2008, we entered into employment agreements with Mr. Duginski and Mr. Wolf. Each of such employment agreements provides for a three-year term of employment and that the term of employment will thereafter be automatically renewed for successive one-year terms unless cancelled by either the Company or the executive upon six months' notice. The employment agreements confirmed Mr. Duginski's then current annual salary of \$320,000 (adjusted to \$350,000 for 2011 and to \$365,000 for 2012) and Mr. Wolf's then current annual salary of \$300,000 (adjusted to \$320,000 for 2011 and to \$340,000 for 2012) (and Mr. Wolf's initial cash bonus of \$150,000), and eligibility for each executive to receive a discretionary annual bonus with a range from 50% to 200% of the base salary per year. In the event we terminate either Mr. Duginski or Mr. Wolf's employment without cause, such executive's employment terminates due to death or disability, or the executive terminates his employment for good reason, any outstanding equity awards may immediately vest.

In the event we terminate Mr. Duginski or Mr. Wolf's employment without cause, or Mr. Duginski or Mr. Wolf terminate their employment for good reason, Mr. Duginski and Mr. Wolf will be entitled to severance in an amount equal to one and one-half times (1) his annual base salary, (2) the average of his annual bonus for last two years, and (3) our then maximum annual matching contribution to our 401(k) Plan, plus certain other benefits for an eighteen month period. Mr. Duginski and Mr. Wolf's unvested stock options and RSUs will also fully vest upon such an event. Their right to exercise stock options granted under our 1994 Stock Option Plan would be extended, subject to applicable securities laws, to the later of the last day of the calendar year during which such options would otherwise terminate, or the 75th day following such existing termination date.

In the event we terminate either Mr. Duginski or Mr. Wolf's employment without cause, or either terminates his employment for good reason within two years after a change in control, as defined, Mr. Duginski or Mr. Wolf will be entitled to the above benefits with respect to his stock options and RSUs described herein, his PSAP awards will vest and issue at the target amount, and he will be entitled to enhanced severance representing two and one-half times (1) his annual base salary, (2) highest annual bonus in the last two years and (3) our then maximum annual matching contribution to our 401(k) Plan, and to continue certain other benefits for a period of two and one-half years (or up to three years, in the case of COBRA benefits). In accordance with their employment agreements, we pay Mr. Duginski and Mr. Wolf for any excise taxes on parachute payments imposed as a result of the foregoing benefits.

**CHANGE IN CONTROL AGREEMENTS**

Since the late 1980s, we had provided salary continuation agreements for certain of our executives which provided for a multiple from two times to one-half times the executive's salary and bonus, as defined, in the event of a defined change in control. These contracts are generally known as

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single trigger in that the payment was due without regard to future status of employment of that executive in the event that the change in control occurred. As part of the execution of the Amended and Restated Employment Agreement with Mr. Heinemann in June 2006, his salary continuation agreement was terminated and replaced by a provision that would pay Mr. Heinemann three times his compensation as described above, but would only be paid in the event there was both a change in control and either Mr. Heinemann was terminated or he resigned for good reason, as defined. This approach is known as a double trigger.

On August 22, 2006, upon recommendation of the Committee, our Board authorized a plan pursuant to which we would enter into a Change in Control Severance Protection Agreement (Severance Protection Agreement) in an approved form with each of our then Executive Vice Presidents, Vice Presidents, Controller, Treasurer and Corporate Secretary. The Severance Protection Agreements provide for payment of severance to the executive upon the termination of the executive's employment without cause or the resignation of employment by the executive for good reason, in either case within two years after a change in control of the Company. For Mr. Duginski and Mr. Wolf, the outstanding Severance Protection Agreements were terminated effective November 19, 2008,

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and the provisions of those agreements were incorporated into the terms of their respective employment agreements.

For the Senior Vice President and the Vice Presidents, the severance will be in an amount equal to two times: (1) annual base salary, (2) highest annual bonus in the last two years, (3) our then maximum annual matching contribution to our 401(k) Plan and (4) the executive's car allowance, if any. For the other covered officers, the payment will be in an amount equal to one and one-half times the foregoing amounts. Such amounts will include any annual bonus earned by the executive for the calendar year in which a qualifying termination occurs, and no separate bonus will be paid. The Severance Protection Agreements also provide that we will, upon a qualifying termination, continue to pay the portion of the premium for the executive's health coverage that we paid before the qualifying termination, and continue to pay for life insurance coverage at the level in effect before the qualifying termination, for a number of years equal to the compensation multiple approved for the executive. In addition, the Severance Protection Agreements provide that all unvested stock options, RSUs and the PSAP awards described above pursuant to the terms of those award agreements will fully vest upon a qualifying termination, and the executive's right to exercise any stock options granted under our 1994 Stock Option Plan would, subject to applicable securities laws, be extended to the later of the last day of the calendar year during which the options would otherwise terminate, or the 75th day following such termination date. The Severance Protection Agreements also provide that we will pay the executive for any taxes on parachute payments imposed as a result of the foregoing benefits. The Committee and our Board believe that having these Severance Protection Agreements in place is an important retention incentive for our officers. Effective October 8, 2010, Mr. O'Connor was entitled to the same Severance Protection Agreement as the other Vice Presidents as well as an Indemnification Agreement. Mr. Duginski and Mr. Wolf's Employment Agreements and the Severance Protection Agreements also contain double trigger features.

Given the frequency of mergers, acquisitions and other change in control transactions in the oil and gas industry, we believe that the terms of the change in control and Severance Protection Agreements promote stability and continuity among our executives by providing them with reasonable compensation and benefits protection during a reasonable period of time after termination in which to obtain comparable employment. This allows the executives to remain neutral in the face of transactions that would benefit shareholders, but would result in their involuntary termination. Such terms and agreements are designed to attract and retain executives as we compete for talented executive employees in an environment where such protections are routinely provided. The multipliers of base salary and bonuses we use in calculating change in control severance benefits are competitive with those used by other companies in the oil and gas industry. The change in control terms for Messrs. Heinemann, Duginski and Wolf, as well as the Severance Protection Agreements, all have a double trigger feature which, without establishing unreasonably high barriers for a possible buyer of our Company, helps create an executive retention incentive benefiting the Company and our shareholders.

See Potential Payments Upon Termination and Change in Control in this Amendment.

**COMPLIANCE WITH IRC SECTION 162(M)**

Our policy with respect to compensation paid to our executive officers is, to the extent possible, to deduct compensation that qualifies under Section 162(m) of the IRC as an expense. Section 162(m) of the IRC and related Treasury Department regulations restrict deductibility of executive compensation paid to our Chief Executive Officer and each of the three other most highly compensated executive officers other than the Chief Financial Officer holding office at the end of any year to the extent such compensation exceeds \$1,000,000 for any of such officers in any year and does not qualify for an exception under the statute or regulations. The Committee endeavors to maximize deductibility of compensation under Section 162(m) of the IRC to the extent practicable while maintaining a competitive, performance-based compensation program. However, tax consequences, including but not limited to tax deductibility, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof) that are beyond our control or the Committee's control. In addition, the Committee and the Board believe that it is important to retain maximum flexibility in designing compensation programs that meet our stated objectives and fit within the Committee's guiding principles. For all of the foregoing reasons, the Committee, while considering tax deductibility as one of our factors in



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determining compensation, has not and will not limit compensation to those levels or types of compensation that will be deductible. The Committee will, of course, consider alternative forms of compensation that preserve deductibility, consistent with our compensation goals. The Committee expects that some of the executive officers' compensation as currently designed may not be fully deductible under Section 162(m) under some circumstances.

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**REPORT OF THE COMPENSATION COMMITTEE OF OUR BOARD OF DIRECTORS**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this document.

Compensation Committee of our Board of Directors

*Ralph B. Busch III (Chairman)*  
*J. Frank Keller*

*Thomas J. Jamieson*  
*Michael S. Reddin*

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**EXECUTIVE COMPENSATION**

**Summary Compensation Table**

The following table summarizes the total compensation earned by each of the following NEOs for the fiscal year ended December 31, 2012, 2011 and 2010. With the exception of Mr. Heinemann, our President and Chief Executive Officer, Mr. Duginski, our Executive Vice President and Chief Operating Officer and Mr. Wolf, our Executive Vice President and Chief Financial Officer, we have not entered into an employment agreement with any of the other NEOs:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)
Name and	Year	Salary (\$)	Bonus (\$)	Stock	Option	Non-Equity	All Other	Total (\$)
Principal Position			(1)	Awards	Awards	Incentive Plan	Compensation	
				(\$)	(\$)	Compensation	(\$)	
				(2)	(3)	(4)	(5) (6) (7)	
<b>Principal Position</b>								
<b>President and Chief Executive Officer</b>	2012	645,000		2,219,394				