**Berry Petroleum Company**

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September 20, 2002

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Stephen T. Burke
Land Manager

Via Facsimile: 562-590-5210

Mr. Paul B. Mount II
State Lands Commission
Mineral Resources Management Division
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

RE: State Lease PRC 3314
Montalvo Field, Ventura County
BPC Land File CA01005

Dear Paul:

On behalf of Berry Petroleum Company, we appreciated the opportunity to meet with you and your staff to discuss Berry's activities related to PRC 3314 during the past several months. The meeting was held at the State Lands Long Beach office on September 18, 2002 and attended by our respective representatives.

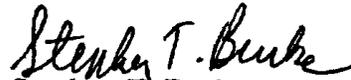
Following is an outline of the issues discussed:

1. Berry has completed its 3-D seismic feasibility review. We were disappointed to learn that the cost to shoot the 3-D seismic was higher than originally thought. Said high cost combined with the high risk and high cost to drill an extended reach well(s) compared to the probable benefits made this project uneconomic. Therefore, as we informed you by letter dated February 1, 2002, the 3-D project was terminated.
2. Subsequent to terminating the 3-D program, Berry hired a geophysical consultant to investigate the feasibility of utilizing a process called Vertical Seismic Profile (VSP) to evaluate the 3314 offshore potential. This process is performed by placing receivers in an existing well bore and moving a single low energy source in a radius around the receivers. After extensive research, our consultant concluded that the area surveyed by this process is too limited to be effective at the deeper offshore objective intervals needed to explore the subject lease.
3. After learning that the VSP would be ineffective, Berry decided to acquire over fifteen miles of existing onshore 2-D seismic lines. These lines will be reprocessed and are expected to provide sufficient data to identify additional onshore oil and/or gas prospects.

4. Berry is also investigating the feasibility of permitting additional onshore (some near offshore) 2-D seismic lines pending the results of the reprocessing of existing 2-D seismic lines.
5. In anticipation that this onshore interpretation may enhance the offshore potential via extrapolation of productive fairways under the subject leased lands, we are planning on meeting next week with Ms. Julie Ward, Ventura County Planning Department. The primary purpose of the meeting will be to discuss the permitting process in order to secure a drilling permit from a drillsite that can access the subject lands. We will be starting the permitting process soon in order to be prepared to drill a well on PRC 3314 by July 1, 2003.
6. Due to the high cost and high risk involved in drilling any offshore well it is respectfully requested that consideration be given to modifying the existing sliding scale lease royalty to a flat one-sixth (1/6). Economic projections under the existing royalty formula are not conducive to lease development.

For your use, we provided you with an interpretive extrapolated Sespe Zone Structure Map showing cumulative production. Should you have any questions regarding this map or any of the issues discussed in our meeting, please give me a call at 661-616-3815.

Very truly yours


Stephen T. Burke
Land Manager