



# Corporate Governance Guidelines

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## BERRY PETROLEUM COMPANY CORPORATE GOVERNANCE GUIDELINES

### I. Introduction

The Board of Directors (the “**Board**”) of Berry Petroleum Company (the “**Company**”), acting on the recommendation of its Corporate Governance and Nominating Committee, has developed and adopted these corporate governance principles (the “**Guidelines**”) to promote the effective functioning of the Board and its committees and to set forth a common set of expectations as to how the Board, its committees and individual directors of the Company should perform their functions.

### II. Board Composition

The composition of the Board should balance the following goals:

1. A majority of the Board will consist of directors who the Board has determined have no material relationship with the Company and who otherwise are “**independent**” under the rules of the New York Stock Exchange (each, an “**Independent Director**”).
2. The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully.
3. The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, experience, attributes, qualifications, diversity of opinion and contacts relevant to the Company’s business.

### III. Selection of Chairman of the Board and Chief Executive Officer

The Board may select its Chairman of the Board and the Company’s Chief Executive Officer (the “**CEO**”) in the manner deemed by the Board to be in the best interests of the Company at any time. The Company shall have a Chairman of the Board who is separate from the President and CEO.

### IV. Selection of Directors

#### A. Nominations and Appointments

In accordance with its Charter, the Corporate Governance and Nominating Committee will recommend for the Board’s selection the slate of director nominees for election to the Board and for filling vacancies occurring between annual meetings of shareholders. The Board, after considering the recommendations of the Corporate Governance and Nominating Committee, will select the nominees for election to the Board by the Company’s shareholders and for appointing directors to the Board to fill vacancies.



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### **B. Criteria**

The Corporate Governance and Nominating Committee will determine new nominees for the position of director who satisfy the following criteria:

1. Business and other relevant experience.
2. Expertise, skills and knowledge useful to the oversight of the Company's business and the achievement of the Company's long term objectives.
3. Personal qualities, attributes and characteristics, accomplishments and reputation in the business community.
4. Knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business.
5. Ability and willingness to commit adequate time to Board and committee matters.
6. The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company.
7. Diversity of viewpoints, background, experience and other demographics.

### **C. Independence**

The Corporate Governance and Nominating Committee will assess initially whether a director candidate would be an Independent Director. The Board, after considering such assessment of the Corporate Governance and Nominating Committee, will determine whether a director nominee or appointee would be an Independent Director.

### **D. Invitations**

The Board itself, by the Chairman of the Board and the Chairman of the Corporate Governance and Nominating Committee, will extend invitations to join the Board.

### **E. Orientation and Continuing Education**

The CEO, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management will prepare additional educational sessions for directors on matters relevant to the Company, its business plan and its risk profile.



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### **V. Election Term**

The Board does not believe the Board should establish term limits.

### **VI. Retirement of Directors**

The Board does not believe the Board should establish a mandatory retirement age for Directors.

### **VII. Board Meetings**

The Board will have at least four regular scheduled meetings each year, with further meetings to occur (or action to be taken by unanimous consent) in the Board's discretion. Each Committee of the Board will have the number of meetings required by its Charter, with additional meetings to occur (or actions to be taken by unanimous written consent) when deemed necessary or desirable by such Committee or its chairperson.

The agenda for each Board meeting will be prepared by the Chairman of the Board in consultation with the CEO. All directors will be provided an agenda and appropriate materials in advance of meetings, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the Company's business and that in certain cases this may not be possible.

Materials presented to the Board or its Committees should be as concise as possible, while still providing the desired information needed for the directors to make an informed judgment.

### **VIII. Chairman of the Board**

The Board shall from time to time elect from among the independent non-management members of the Board a Chairman of the Board who shall:

- A.** serve as an advisor to the CEO and management;
- B.** conduct all meetings of the Board and the meetings of the shareholders and participate in the creation of the agenda for such meetings;
- C.** schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of Company operations;
- D.** define the quality, quantity and timeliness of the flow of information between the CEO, Company management and the Board acknowledging, however, that the CEO and Company management are responsible for the preparation of materials for the Board;



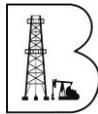
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- E.** develop the agenda for and preside at Executive Sessions of the Board's non-management Directors and of the Board and act as principal liaison between the non-management Directors and CEO;
- F.** be responsible for the development of a consensus position among the Board members and management for the strategic direction of the Company;
- G.** serve as an ex-officio member of each of the Committees of the Board of which the Chairman of the Board is not a member, as an ex-officio member of a Committee the Chairman of the Board shall be entitled to attend all Committee meetings, but shall not be authorized to vote at such meetings;
- H.** consult with the Chairman of the Compensation Committee concerning the conduct of the annual review of the performance of the Company's CEO and together with the Chairman of the Compensation Committee meet with the CEO to discuss the Board's evaluation;
- I.** in collaboration with the Chairman of the Corporate Governance and Nominating Committee and the Chairman of the Compensation Committee, ensure the annual review of the Company's management succession plans;
- J.** consult with the Chairman of the Corporate Governance and Nominating Committee concerning the periodic assessment of the effectiveness of the Board in meeting its responsibilities; and
- K.** be responsible to ensure that all the duties of Board members as set forth in the Company's Certificate of Incorporation, Bylaws, Committee Charters and Corporate Governance Guidelines, as adopted from time to time, are fully met.

### **IX. Executive Sessions**

At every regularly scheduled meeting of the Board there shall be scheduled an Executive Session of the Board at which all Board Members shall be in attendance as well as such other persons as shall be requested by the Chairman of the Board or other Board members from time to time. The purpose of this component of the Executive Sessions is to facilitate discussions of matters deemed best discussed outside the presence of non-director employees and guests, and provide full Board feedback to the CEO as to the Company's progress in carrying out the strategies of the Company and as to the Company's performance and those matters that are appropriately discussed with legal counsel. Likewise, thereafter, at each regularly scheduled Board meeting there shall be scheduled an Executive Session from which all management directors shall excuse themselves and from which all other non-director persons shall be excused as directed by the directors through the Chairman of the Board. If it is determined that any of the non-management directors are not independent, then there will be, at least once a year, a meeting of only the Independent Directors. In recognition of the fact the CEO is a director, no formal action shall be taken by the Board of Directors in the non-CEO Executive Sessions, unless such action would



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relate directly to the performance of the CEO. Appropriate topics for the non-CEO Executive Sessions include consideration of the performance of the CEO and other matters on a limited basis that are deemed by the directors to be inappropriate to discuss in the presence of the CEO. The Chairman of the Board shall preside at all Executive Sessions and in the absence of the Chairman of the Board, the Independent Directors shall determine who shall preside at Executive Sessions.

### **X. Committees of the Board**

The Company will have at least the Committees required by the rules of the New York Stock Exchange. Currently, these are the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Each such Committee will have a written Charter satisfying the rules of the New York Stock Exchange. The Audit Committee also will satisfy the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Each Committee will report regularly to the Board, summarizing such Committee's actions and significant issues that it is considering. All directors, whether or not they are members of a Committee, are invited to make suggestions to a Committee Chair for additions to the agenda of each Chair's Committee or to request that an item from a Committee agenda be considered by the Board. Each Committee Chair will give a periodic report to the Board of such Chair's Committee's activities.

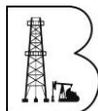
Each of the Corporate Governance and Nominating Committee, the Audit Committee and the Compensation Committee will be composed of at least three directors who the Board has determined are Independent Directors and, in the case of the Audit Committee, who satisfy the additional eligibility requirements of Rule 10A-3 under the Securities Exchange Act of 1934. The required qualifications for the members of each Committee will be set out in the respective Charter of each Committee. Each Committee member will satisfy the requirements for membership of such Committee set forth in its Charter. A director may serve on more than one Committee for which such director qualifies.

The Corporate Governance and Nominating Committee will be responsible for identifying Board members qualified to fill vacancies on any Committee of the Board and recommending to the Board that it make Committee membership appointments.

### **XI. Management Succession**

At least annually, the Board will review and concur in a succession plan, developed under the direction of the Corporate Governance and Nominating Committee in collaboration with the Chairman of the Board and the Compensation Committee, addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of the Company's business.

At least annually, the Board also will review and concur in a succession plan, also prepared under the direction of the Corporate Governance and Nominating Committee in collaboration



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with the Chairman of the Board, the Compensation Committee and the CEO, for other members of senior management.

### **XII. Executive Compensation**

#### **A. Evaluating and Approving Salary for the CEO**

The Board, acting through the Chairman of the Board and the Compensation Committee, will evaluate the performance of the CEO and the Company against the Company's goals and objectives, and acting through the Independent Directors, upon the advice or with the assistance of the Chairman of the Board and the Compensation Committee, will determine the compensation of the CEO.

#### **B. Evaluating and Approving the Compensation of Management**

The Board, acting through the Compensation Committee, will evaluate and approve all proposals for overall compensation policies applicable to executive officers.

#### **C. Security Ownership Guidelines for Officers**

The Board or the Compensation Committee, as authorized by the Board, will establish security ownership guidelines for the Company's officers.

### **XIII. Board Compensation**

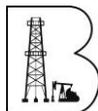
The Board, acting through the Compensation Committee, will conduct a review at least once every three years of the components and amount of Board compensation in relation to other companies that are situated similarly with the Company. Board compensation should be consistent with market practices but should not be set at a level that would make questionable the Board's objectivity.

### **XIV. Expectations for Directors**

The Board will manage or direct the management of the business and affairs of the Company in accordance with Delaware law. The primary responsibility of the directors in performing their duties is to exercise their business judgment in the best interests of the Company. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

#### **A. Commitment and Attendance**

All Independent Directors and management directors will make every effort to attend meetings of the Board and meetings of Committees of which they are members and to attend all meetings of shareholders. Members may attend by telephone or video conference.



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### **B. Participation in Meetings**

Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition that the Company faces, to facilitate active and effective participation in the deliberations of the Board and of each Committee of the Board of which such director is a member. Management will make appropriate personnel available upon request to answer all questions that any director may have about any aspect of the Company's business. Directors must review the materials provided by Management and advisors in advance of the meetings of the Board and its Committees and are required to be prepared to discuss the issues presented at such meetings.

### **C. Loyalty and Ethics**

All directors owe a duty of loyalty to the Company. Under this duty, the best interests of the Company must take precedence over all interests possessed by a director.

The Company has adopted a Code of Ethics for Senior Financial Officers (the "Code"). Senior financial officers must be fully familiar with the Code's provisions and must consult with the Company's legal counsel in the event of any issue.

### **D. Other Directorships**

The Company values the experience that directors bring from other boards of directors on which they serve. The Company recognizes, however, that those boards of directors also may present demands on a director's time and availability and may present legal issues or conflicts. Directors will advise the Chairman of the Corporate Governance and Nominating Committee, the Chairman of the Board and the CEO before accepting membership on any other board of directors or on any audit committee or other significant committee of any other board of directors and before establishing any other significant commitment to or a relationship with any other business, institution or governmental or regulatory authority.

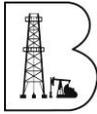
### **E. Contact with Management**

Any and every director may contact the CEO at any time to discuss any aspect of the Company's business. Directors will have complete access to all other members of management. Informally and in Board and Committee meetings, directors will be able to meet regularly with the CEO and other members of management.

Management may (and is encouraged by the Board to) bring persons into meetings of the Board from time to time who can provide additional insight into the matters being discussed because of personal involvement or substantial knowledge of such matters.

### **F. Contact with Other Constituencies**

Management will serve as the primary spokespersons of the Company with the objective that the Company speak to employees and outside constituencies with a single voice. The Chairman of



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the Board shall conduct all shareholder meetings.

### **G. Confidentiality**

The proceedings and deliberations of the Board and its Committees are confidential. Each director will maintain the confidentiality of information received in connection therewith.

### **H. Security Ownership Guidelines for Directors**

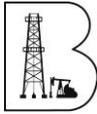
The Board of Directors believes that directors more effectively represent the Company's shareholders, whose interests they are charged with protecting, if they are owners of the Company's securities themselves.

Therefore, beginning February 17, 2010, non-employee directors should own Qualified Securities (as defined below) equal (or greater) in value to five times the annual cash Board retainer within five years of (i) the date of adoption of this policy, for current directors; or (ii) joining the Board, for directors joining the Board after the date of adoption of this policy;

Qualified Securities shall include:

1. a) Shares of the Company's Common Stock, b) vested or unvested stock units, provided, however, that performance based share awards shall not be included until vested, and 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 director;
2. Qualified Securities owned jointly with, or separately by a spouse, domestic partner and/or minor children, either directly or indirectly; and
3. Units held pursuant to the Non-Employee Directors' Deferred Compensation Plan.

The value of Common Stock and stock units for the purpose of calculating Qualified Securities will be calculated on the first trading day of each calendar year based on their then fair market value and the value of the vested "in the money" stock options shall be the difference between the exercise price and the fair market value of the Common Stock. Fair Market Value of the Common Stock is 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 directors should hold during that year. In the event of an increase in annual retainer the Corporate Governance and Nominating Committee will review the need for an increase in directors' stock-based holdings.



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### **XV. Evaluating Board Performance**

The Board, acting through the Chairman of the Board and the Corporate Governance and Nominating Committee, will conduct a self-evaluation at least annually to determine whether the Board is functioning effectively. The Corporate Governance and Nominating Committee will consider periodically the mix of skills, qualifications, attributes and experience that directors bring to the Board in order to assess whether the Board has the tools necessary to perform its oversight function effectively.

At least annually, each Committee of the Board will conduct a self-evaluation as required by its Charter and report the results of such self-evaluation to the Board.

### **XVI. Reliance on Management and Outside Advice**

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. Except as otherwise provided in the Charter of any Committee of the Board, the Board will have the authority to retain and approve the fees and retention terms of its outside advisors.

End