BERRY PETROLEUM CO
Form 424B3
October 27, 2010

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**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Filed Pursuant to Rule 424(b)(3)**
**Registration No. 333-161243**

**SUBJECT TO COMPLETION, DATED OCTOBER 27, 2010**

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

**$300,000,000**

# Berry Petroleum Company

## % Senior Notes due 2020

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We are offering $300,000,000 of our % Senior Notes due 2020. Interest on the notes will accrue from November , 2010 and will be payable semiannually on and of each year, beginning on , 2011. The notes will mature on , 2020.

We may redeem all or part of the notes at any time on or after , 2015 at the redemption prices set forth in this prospectus supplement. In addition, before , 2013, we may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain equity offerings if certain conditions are met. At any time prior to , 2015, we may also redeem all or a part of the notes at a price equal to 100% of the principal amount of the notes plus a "make-whole" premium. Redemption prices are set forth under "Description of Notes Optional Redemption" in this prospectus supplement. If we sell certain of our assets or experience specific kinds of change of control, we must offer to purchase the notes at prices set forth in this prospectus supplement plus accrued and unpaid interest.

The notes will be our senior unsecured obligations. The notes will rank effectively junior to all of our existing and any future secured debt, to the extent of the value of the collateral securing that debt, will rank equally in right of payment with our existing $10^1/_4$% senior notes due 2014 and any future senior unsecured debt and will rank senior in right of payment to our existing $8^1/_4$% senior subordinated notes due 2016 and any of our other existing or future subordinated debt.

**Investing in our notes involves risks. Please read "Risk Factors" beginning on page S-17 of this prospectus supplement and page 5 of the accompanying base prospectus. You should read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference carefully before you make your investment decision.**

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| | Per Note | Total |
|---|---|---|
| Price to Public(1) | % | $ |
| Underwriting Discounts | % | $ |
| Proceeds to Berry Petroleum Company, Before Expenses(1) | % | $ |

(1) Plus accrued interest, if any, from November , 2010.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. Delivery of the notes, in book-entry form, will be made on or about , 2010 through The Depository Trust Company. See "Underwriting."

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

*Joint Book-Running Managers*

**Wells Fargo Securities**
**BNP PARIBAS**
**J.P. Morgan**
**RBS**
**SOCIETE GENERALE**

*Co-Managers*

**BBVA Securities** **BMO Capital Markets** **Citi** **Credit Agricole CIB**

**Credit Suisse** **KeyBanc Capital Markets** **Lloyds TSB Corporate Markets**
**Mitsubishi UFJ Securities** **Morgan Keegan** **Natixis Bleichroeder LLC**
**RBC Capital Markets** **Scotia Capital** **US Bancorp**

**The date of this prospectus supplement is October , 2010.**

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

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## ABOUT THIS PROSPECTUS

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

## INCORPORATION BY REFERENCE

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

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

- Our Annual Report on Form 10-K for the year ended December 31, 2009, as amended;
- Our Definitive Proxy Statement filed on Schedule 14A relating to our 2010 Annual Meeting of Shareholders;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, as amended;
- Our Current Reports on Form 8-K filed with the SEC on January 19, 2010, March 19, 2010, May 14, 2010, June 16, 2010, October 1, 2010 and October 8, 2010; and
- The description of our Class A Common Stock contained in our Registration Statement on Form 8-A which was declared effective by the SEC on or about October 20, 1987.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are unable to accurately predict or control and that may cause

our actual results to differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements speak only as of the date of such statement. We do not plan to publicly update or revise any forward-looking statements after we distribute this prospectus, whether as a result of any new information, future events or otherwise. Potential investors should not place undue reliance on our forward-looking statements. Before you invest in the notes, you should be aware that the occurrence of any of the events described in the "Risk Factors" section and elsewhere in this prospectus and the information incorporated by reference into this prospectus could harm our business, prospects, operations and financial condition. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before deciding whether or not to invest in the notes. For a more complete understanding of our company and this offering, we encourage you to read this entire document, including "Risk Factors," the financial and other information incorporated by reference in this prospectus and the other documents to which we have referred. Unless otherwise indicated or required by the context, as used in this prospectus, the terms "we," "our" and "us" refer to Berry Petroleum Company. Reserve estimates for our Permian basin assets acquired in the first half of 2010 are based on internal estimates. DeGolyer and MacNaughton ("D&M"), independent petroleum engineers, provided the estimates of our proved oil and natural gas reserves as of December 31, 2007, 2008 and 2009, included in this prospectus supplement.*

### Berry Petroleum Company

We are an independent energy company engaged in the production, development, exploitation and acquisition of crude oil and natural gas. We can trace our roots in California crude oil production back to 1909, and we have been a publicly traded company since 1987. Since 2002, we have expanded our portfolio of assets to include oil and natural gas properties in the Rocky Mountain region, the East Texas region ("E. Texas") and the Permian basin in West Texas (the "Permian basin").

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

As of December 31, 2009, our estimated proved reserves were approximately 235 MMBOE, of which 55% were crude oil, 45% were natural gas and 53% were proved developed. This represents a 5% increase compared to 225 MMBOE as of December 31, 2008, adjusted for divestitures. With 2009 capital investments of $135 million and acquisitions of $13.5 million, we replaced 200% of our 2009 production. We also achieved production of 29.2 MBOE/D in 2009, which implies a proved reserve to production index of approximately 21 years based on our year-end 2009 proved reserves. For the three months ended September 30, 2010, our average daily production was 33.9 MBOE/D, 64% of which was oil production.

In March 2010, we acquired interests in producing properties principally on 6,900 net acres in the Permian basin from a private seller for approximately $133 million, including normal post-closing adjustments. In April 2010 we closed on the acquisition of an additional 3,200 acres in the Permian basin for approximately $14 million, including normal post-closing adjustments. As of April 2010, we estimate that the Permian basin acquisitions included properties with total proved reserves of approximately 13 MMBOE, of which 83% were crude oil and 21% were proved developed, bringing our total proved reserves at December 31, 2009 to approximately 248 MMBOE on a pro forma basis for those acquisitions.

Approximately 64% of our sales volumes in the third quarter of 2010 were crude oil, with 77% of the crude oil being heavy oil produced in California. Our California reserves are characterized by long-lived predictable production with low base decline rates which, combined with our hedging program, provide us with strong margins and a steady source of cash flow. The cash flow from these properties funds our significant drilling inventory and the development of our substantial proved undeveloped reserves. Our consumption of natural gas to produce steam for our California oil production provides us with a natural hedge (34,561 MMBtu/D during the third quarter of 2010) on our natural gas production in E. Texas and Colorado. We have further protected our 2010 and 2011 cash flows through hedges on

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approximately 75% and 65% of our anticipated crude oil production for 2010 and 2011, respectively. Our strong hedge position, our ability to generate free cash flow and our operating control of over 95% of our assets further enhances our ability to perform in volatile environments.

**Operations Overview**

We currently have six asset teams as follows: South Midway-Sunset ("S. Midway"), North Midway-Sunset including diatomite ("N. Midway"), Uinta, E. Texas, Piceance and Permian. Our S. Midway asset team is primarily focused on production and generates significant cash flow to fund our planned drilling inventory in our N. Midway, Uinta, E. Texas, Piceance and Permian projects. The following table sets forth the estimated quantities of proved reserves, production and acreage attributable to our principal operating areas for the periods indicated:

| | Proved Reserves as of December 31, 2009 | | | | Average Daily Production | |
|---|---|---|---|---|---|---|
| **Operating Areas** | **Total (MMBOE)** | **% Oil** | **% Proved Developed** | **Average % Working Interest** | **Year Ended December 31, 2009 (MBOE/D)(1)** | **Quarter Ended September 30, 2010 (MBOE/D)** |
| S. Midway, CA | 59.6 | 100 | 83.1 | 98 | 11.3 | 11.9 |
| N. Midway, CA | 52.2 | 100 | 50.6 | 100 | 5.5 | 4.9 |
| Uinta, UT | 22.9 | 65 | 42.8 | 98 | 4.9 | 5.8 |
| E. Texas | 40.0 | 6 | 68.3 | 99 | 4.3 | 6.0 |
| Piceance, CO | 60.6 | 2 | 20.6 | 55 | 3.2 | 4.0 |
| Permian | | | | | | 1.3(2) |
| Total | 235.3 | 55 | 53.3 | | 29.2 | 33.9 |

(1) Does not include 0.8 MBOE/D attributable to natural gas assets in the Denver-Julesburg basin in Colorado ("DJ Basin"), which we sold in April 2009.

(2) Reflects actual production from the Permian basin assets acquired in the first half of 2010. As of April 2010, we estimate that the Permian basin assets acquired in the first half of 2010 included properties with total proved reserves of approximately 13 MMBOE, of which 83% were crude oil and 21% were proved developed.

***California***

*S. Midway.* We own and operate properties in the South Midway Sunset Field in the San Joaquin Valley. Production from our properties in the South Midway Sunset Field relies on thermal enhanced oil recovery ("EOR") methods, primarily cyclic steaming to place steam effectively into the remaining oil column. This is our most mature thermally enhanced asset with production from our Ethel D properties having commenced 100 years ago. We have planned a five-year, 150-well drilling program at Ethel D to develop the significant undeveloped reserves remaining on this asset. In 2009 we drilled 19 horizontal wells and 18 vertical producers at the South Midway Sunset Field. These wells have been placed deeper and closer to the oil-water contact. We also accelerated our continuous steam support for these horizontal wells by drilling six vertical steam injectors. In the first nine months of 2010, we drilled 70 wells, 17 of which were drilled in the third quarter of 2010. Of these 17 wells, nine were vertical producers at Poso Creek and four were horizontal producers at the Formax lease. The balance of the wells were drilled for water disposal and temperature monitoring purposes. The new producers are currently on production or undergoing their first steam cycle. Average daily production in the third quarter of 2010 from all S. Midway assets was approximately 11,855 BOE/D.

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In 2003, we acquired the Poso Creek properties in the San Joaquin Valley and have proceeded with a successful thermal EOR redevelopment. Average production from these properties increased from 50 BOE/D at acquisition in 2003 to 3,200 BOE/D in 2009. In 2009, we expanded the steam flood by drilling eight new injectors. To provide steam to these wells we also installed a fifth steam generator. In 2010, we have continued to expand the steam flood at Poso Creek, drilling three steam injection wells in the first nine months of 2010.

*N. Midway.* Our N. Midway asset team includes our Diatomite, Placerita and McKittrick assets and several N. Midway-Sunset leases. In 2009, total proved reserves from the N. Midway Diatomite asset were 35.3 MMBOE, representing a 15% increase from 2008. During 2009 we drilled 51 Diatomite wells and installed additional steam generation and water treating facilities. Average production in 2009 was 3,100 BOE/D. During the fourth quarter of 2009, we initiated a four-pattern steam flood pilot on our recently acquired McKittrick property. Our Diatomite production in the third quarter of 2010 averaged 2,290 BOE/D. Production was lower during the quarter as we completed field optimization activities in preparation of our 2010 drilling program. Our 2010 drilling program had been impacted by a suspension of drilling activity as we worked to secure permits from the California Division of Oil, Gas and Geothermal Resources ("DOGGR"). Steam injection, which had been averaging over 30,000 barrels of steam per day ("BSPD") earlier in the year decreased as a result of the facility and infrastructure modifications. In September 2010, we received approval from the DOGGR for the next phase of development of our Diatomite project. The first rig resumed drilling in early October 2010 and we plan to add a second drilling rig in the fourth quarter of 2010. Steam injection has steadily increased and we expect to exit 2010 at around 35,000 BSPD. Production from our Diatomite assets is expected to recover as we increase injection and bring new wells online. We expect approval for the balance of the project within the next six months. During the third quarter of 2010, we drilled 16 N. Midway wells, including 10 wells at Placerita to initiate a steam flood pilot in the Upper Kraft. We have evaluated the performance of the McKittrick steam flood pilot, determined that this project is economic and are planning an expanded development program for 2011. Average daily production in the third quarter of 2010 from all N. Midway assets was approximately 4,865 BOE/D.

***Rockies***

*Uinta.* In 2003, we established our initial acreage position in the Uinta basin, targeting the Green River formation that produces both light oil and natural gas. We acquired the Brundage Canyon leasehold in Duchesne County, northeastern Utah, which consists of working interests in approximately 55,000 gross acres which include federal, tribal and private leases. In 2004, we acquired working interests in approximately 163,000 gross acres in the Lake Canyon project, which is located immediately west of our Brundage Canyon producing properties. Total production in Uinta averaged 4,929 BOE/D in 2009. In 2009, capital was primarily directed at facility upgrades, pursuing the remaining three Lake Canyon completions, and the Ashley Forest Environmental Impact Study ("EIS"). The Ashley Forest Development EIS continues to progress with approval of the final EIS anticipated within the next six months. Implementation of a water flood pilot in Brundage Canyon had initial start up in the beginning of the fourth quarter of 2009. We drilled 14 wells during the third quarter of 2010, targeting higher oil potential areas of Brundage Canyon and the Ashley Forest. During the third quarter of 2010, we completed four Lake Canyon wells that were drilled earlier in the year. The wells were completed in both the Wasatch and Green River formations yielding encouraging early results. Our drilling inventory in the Uinta is approximately 350 locations distributed between Brundage Canyon, the Ashley Forest and Lake Canyon. In the third quarter of 2010, production from our Uinta basin assets averaged 5,785 BOE/D.

*Piceance.* We have two properties in the Piceance basin in Colorado targeting the Williams Fork section of the Mesaverde formation. We have a 62.5% working interest in 6,300 gross acres on our Garden Gulch property and a net operating working interest of 95% in 4,300 gross acres and a 5% non-operating working interest on 6,300 gross acres on our North Parachute Ranch property. Total production in Piceance averaged 19 MMcf/D during 2009 and 20.8 MMcf/D in 2008. During 2009, we began a

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20 well completion program testing new completion designs and have seen encouraging results in line with our expectations. Also, during 2009, we added water handling infrastructure which reduced our operating costs in the Piceance basin. In the first nine months of 2010 we drilled 14 wells. In the third quarter of 2010, production from the Piceance basin averaged 23.9 MMcfe/D. We continued to operate a one rig drilling program in the third quarter focusing on remaining lease earning obligations. We drilled five wells in the third quarter and continued to utilize improved completion techniques with four new well completions online in the quarter. Results from these completions continue to meet our expectations.

***Texas***

*E. Texas.* In 2008, we acquired certain interests in natural gas producing properties in the E. Texas Cotton Valley on 4,500 net acres in Limestone and Harrison Counties. The E. Texas assets established a core area in a low risk repeatable area and provided an inventory of drilling and recompletion projects. In Limestone County, we are targeting seven productive sands including the Cotton Valley and Bossier sands at depths between 8,000 and 13,000 feet. In Harrison County, we are targeting five productive sands and Haynesville Shale with average depths between 6,500 and 13,000 feet. Production from our E. Texas Assets averaged 24 MMcf/D in 2009. During 2009 we drilled 11 vertical wells in E. Texas. We continue to operate a one rig program which is now drilling a horizontal Haynesville well in our Darco field located in Harrison County. In the third quarter we successfully drilled three horizontal wells and completed two horizontal wells. As of September 30, 2010, we had six Haynesville wells completed and online with results continuing to meet our expectations. In the third quarter of 2010, production from our E. Texas assets averaged 36.1 MMcfe/D.

*Permian.* In March 2010, we acquired interests in producing properties principally on 6,900 net acres in the Permian basin from a private seller for approximately $133 million, including normal post-closing adjustments. In April 2010, we closed on the acquisition of an additional 3,200 acres in the Permian basin for approximately $14 million, including normal post-closing adjustments. As of April 2010, we estimate that our Permian basin assets included properties with total proved reserves of approximately 13 MMBOE, of which 83% were crude oil and 21% were proved developed. We now have a drilling inventory of over 200 locations on these properties based on 40-acre spacing in the Wolfberry trend targeting the Spraberry Dean, Wolfcamp and Strawn formations. Our Permian asset team executed a three rig drilling program in the third quarter of 2010 and drilled nine gross new wells. Our Midland, Texas office is fully staffed. Average daily production in the third quarter of 2010 was approximately 1,341 BOE/D, a 30% increase compared to the second quarter of 2010. Upon completion of the Wolfberry Acquisitions, we expect to have an inventory of approximately 400 locations based on 40-acre spacing. See "Recent Developments Wolfberry Acquisitions."

**Business Strengths**

***Balanced High Quality Asset Portfolio***

Since 2002, we have grown our asset base and diversified our California heavy oil assets through acquisitions in the Permian basin, Rocky Mountain and E. Texas regions that have significant growth potential. Our diverse asset base provides us with the flexibility to reallocate capital among our assets depending on fluctuations in oil and natural gas prices as well as area economics.

***Long-Lived Proved Reserves with Stable Production Characteristics***

Our properties generally have long reserve lives and reasonably stable and predictable well production characteristics with a ratio of proved reserves to production index (based on the year ended December 31, 2009) of approximately 21 years.

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***Low-Risk Multi-Year Drilling Inventory in Established Resource Plays***

Most of our drilling locations are located in proven resource plays that possess low geologic risk, leading to predictable drilling results. Our California assets have an average depth of less than 2,000 feet and are located in areas where we are an established producer. Our historical drilling success rate for the three years ended December 31, 2009 averaged 99%. In the Permian basin we began drilling in the second quarter of 2010 and, upon completion of the Wolfberry Acquisitions, we will have a drilling inventory of 400 locations based on 40-acre spacing in the Wolfberry trend targeting the Spraberry Dean, Wolfcamp and Strawn formations.

***Operational Control and Financial Flexibility***

We exercise operating control over more than 95% of our assets. We generally prefer to retain operating control over our properties, allowing us to more effectively control operating costs, timing of development activities and technological enhancements, marketing of production, and allocation of our capital budget. In addition, the timing of most of our capital expenditures is discretionary which allows us a significant degree of flexibility to adjust the size of our capital budget. We finance our drilling budget primarily through our internally generated operating cash flows.

***Experienced Management and Operational Teams***

Our core team of technical staff and operating managers have broad industry experience, including experience in heavy oil thermal recovery operations and tight gas sands development and completion. We continue to utilize technologies and steam practices that we believe will allow us to improve the ultimate recoveries of crude oil on our California properties.

**Corporate Strategy**

Our objective is to increase the value of our business through consistent growth in our production and reserves, both through the drill-bit and acquisitions. We strive to operate our properties in an efficient manner to maximize the cash flow and earnings of our assets. The strategies to accomplish these goals include:

***Maximize Production from our Base Oil Assets***

We are focused on the timely and prudent development of our large oil resource base through developmental and step-out drilling, down-spacing, well completions, remedial work and by application of EOR methods, as applicable. At our mature South Midway-Sunset Field, we continue to add horizontal wells and targeted steam injection to maintain and increase production levels. In addition, since we acquired our Poso Creek assets in 2003, we have successfully completed the thermal EOR redevelopment of the field to increase production from under 50 BOE/D at acquisition to 3,200 BOE/D in 2009.

***Grow Oil Production from our Inventory of Organic Development Projects***

We have a proven track record of developing reserves through enhanced recovery projects, as well as entering into new hydrocarbon basins. For example, in our N. Midway Diatomite, production averaged 3,100 BOE/D in 2009 and we expect to reach 5,000 BOE/D in mid-2011 and to continue to grow the asset significantly over the next several years. We plan to continue our focus on low-risk development of our existing assets rather than exploration.

***Meet the Growing Demand for Steam Generation***

Our assets in the E. Texas and Piceance basins produce natural gas that offsets our consumption of natural gas utilized to generate steam used in our EOR activities. We intend to continue to develop these assets as commodity prices permit and as we focus on additional enhanced oil development projects that we expect will require increasing quantities of natural gas for steam generation.

***Invest our Capital in a Disciplined Manner and Maintain a Strong Financial Position***

We focus on utilizing our available capital on projects where we are likely to have success in increasing production and/or reserves at attractive returns. We believe that maintaining a strong financial position will allow us to capitalize on investment opportunities in all commodity cycles. Our capital programs are generally developed to be fully funded through internally generated cash flows, but we also may obtain alternative sources of capital to develop our assets through partnerships or other investment opportunities with third parties. We hedge a portion of our production and utilize long-term sales contracts whenever possible to maintain a strong financial position and provide the cash flow necessary for the development of our assets. We have hedged approximately 75% and 65% of our anticipated crude oil production for 2010 and 2011, respectively.

***Acquire Additional Resources with an Emphasis on Crude Oil***

We have been successful in expanding operations through targeted acquisitions that leverage our areas of expertise. This strategy allows us to utilize our operating and technical expertise and build on established core operations. We will continue to review asset acquisitions that meet our economic criteria with a primary focus on large repeatable oil development potential in these regions. For example, in March 2010 we entered the Permian basin, acquiring properties that provide us an opportunity to diversify our oil reserves while taking advantage of our operational strengths in oil development. We plan to expand our presence in the Permian basin through the Wolfberry Acquisitions. See " Recent Developments Wolfberry Acquisitions." We will also continue to evaluate and make opportunistic acquisitions of natural gas properties, primarily in our core areas of operation, which can be developed at reasonable costs.

**Recent Developments**

***Wolfberry Acquisitions***

On October 25, 2010, we announced that we entered into agreements with a group of private sellers to acquire interests in properties on approximately 9,300 net acres in the Wolfberry trend in the Permian basin for a combined purchase price of approximately $180 million in cash (the "Wolfberry Acquisitions"). Based on our preliminary internal estimates, the properties to be acquired included proved and probable reserves of approximately 35 MMBOE, of which approximately 76% were crude oil. See " Oil and Gas Reserves Reporting" for a discussion of proved and probable reserves. Upon completion of the acquisitions, the properties are expected to add approximately 2,200 BOE/D to our production during 2011. The Wolfberry Acquisitions provide us an opportunity to further diversify our oil reserves while taking advantage of our operational strengths in oil development. We believe that these assets represent a low operating cost, high margin, repeatable development opportunity. Since entering the Permian basin in March 2010, we have accumulated approximately 19,350 net acres in the Wolfberry trend. Our acquisitions in the Permian basin in 2010 are expected to provide a five-year drilling inventory of 400 locations based on 40-acre spacing with an additional 400 potential locations on 20-acre spacing. The Wolfberry Acquisitions, which we expect to close in December 2010, are subject to customary closing conditions, and there is no assurance that the acquisitions will be completed or that the anticipated benefits of the acquisitions or estimated reserves will be realized. We intend to finance $175 million of the purchase price of the Wolfberry Acquisitions using a portion of the net proceeds of this offering, with the remaining $5 million of the combined purchase price having been previously paid. This offering will not be conditioned on the closing of the Wolfberry Acquisitions. If the Wolfberry Acquisitions are not consummated or we only acquire a portion of the assets contemplated by the Wolfberry Acquisitions, we intend to repay the outstanding borrowings under our senior secured revolving credit facility and use the remainder for general corporate purposes.

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***California Diatomite***

In September 2010, we received approval from the DOGGR for the next phase of development of our Diatomite project. The first rig resumed drilling in early October 2010 and we plan to add a second drilling rig in the fourth quarter of 2010. Steam injection has steadily increased and we expect to exit 2010 at approximately 35,000 BSPD. Production from our Diatomite assets is expected to recover as we increase injection and begin drilling additional wells, with production approaching 3,500 BOE/D by year-end 2010 and 5,000 BOE/D by mid-2011. We expect approval for the balance of the project within the next six months.

***Senior Secured Revolving Credit Facility***

We are currently in negotiations to amend and restate our senior secured revolving credit facility. The terms of our amended and restated facility are expected to be substantially similar to the existing facility, except for decreases in our interest rate margins, changes to certain financial covenants and an increase in our borrowing base to $950 million, which will be reduced by $75 million as a result of this offering. The maturity date of the amended and restated facility is expected to be five years from the date of the closing of the facility. The closing of the amended and restated facility will not be contingent on the closing of this offering and there can be no assurance that we will enter into the amended and restated facility on the terms described in this prospectus supplement. See "Description of Other Indebtedness Senior Secured Revolving Credit Facility."

***Capital Budget Update***

We have increased our 2010 capital budget and now expect our capital expenditures for the year to range from $290 million to $310 million. Additional capital requirements are attributable to accelerated development of our Diatomite assets, an incremental 14 wells in the Uinta basin and increased costs in our E. Texas operations. Assuming completion of the Wolfberry Acquisitions in 2010, we plan to run four drilling rigs in the Permian basin during 2011 and spend approximately $130 million to drill approximately 75 wells. Our 2011 capital budget, based on $75 West Texas intermediate ("WTI") oil, is expected to range between $375 million and $425 million and should be fully funded from cash flow. Approximately 90% of our 2011 capital budget is expected to be directed towards our oil assets, targeting oil production growth of at least 20%. We expect average 2011 production to range between 37,000 and 39,000 BOE/D. Of the expected 2011 production growth of approximately 15%, we expect the assets to be acquired in the Wolfberry Acquisitions to contribute approximately 6% with organic growth comprising approximately 9%. Production volumes for 2011 are expected to consist of 70% oil and 30% natural gas.

**Executive Offices and Website**

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

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## The Offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of Notes" beginning on page S-44 of this prospectus supplement.

| | |
|---|---|
| **Issuer** | Berry Petroleum Company |
| **Securities offered** | $300,000,000 aggregate principal amount of % Senior Notes due 2020 |
| **Maturity** | , 2020 |
| **Interest payment dates** | and , commencing , 2011. |
| **Optional redemption** | We may redeem all or part of the notes at any time on or after , 2015 at the redemption prices set forth under "Description of Notes Optional Redemption," plus accrued and unpaid interest to the redemption date. In addition, before , 2013, we may redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a price of % of the principal amount plus accrued and unpaid interest to the redemption date. At any time prior to , 2015, we may also redeem all or part of the notes at a price equal to 100% of the principal amount of the notes plus a "make-whole" premium, plus accrued and unpaid interest to the redemption date. See "Description of Notes Optional Redemption." |
| **Mandatory offers to purchase** | If a specified change of control event occurs, we must make an offer to purchase the notes at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of the purchase. See "Description of Notes Change of Control."<br><br>Certain asset dispositions will be triggering events that may require us to use the net proceeds from those asset dispositions to make an offer to purchase the notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase if such proceeds are not otherwise used within 330 days to repay certain types of indebtedness (with a corresponding permanent reduction in commitment, if applicable) or to invest in capital assets or capital expenditures related to our business. See "Description of Notes Certain Covenants Limitation on Sales of Assets and Subsidiary Stock." |
| **Ranking** | The notes will be our unsecured senior obligations. The notes will rank:<br>effectively junior to all of our existing and future senior secured indebtedness, including our senior secured revolving credit facility and our senior secured money market line of credit, to the extent of the value of the collateral securing that debt; |

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- equally in right of payment with our existing and any future senior unsecured indebtedness; and
- senior in right of payment to all of our existing and any future subordinated indebtedness and obligations.

As of September 30, 2010, after giving effect to this offering and the application of assumed net proceeds of approximately $294 million to finance the purchase price of the Wolfberry Acquisitions and to reduce outstanding borrowings under our senior secured revolving credit facility, the notes would have ranked effectively junior to approximately $121 million of our senior secured indebtedness, equally in right of payment to $438 million of our $10^1/_4$% senior notes due 2014 ("$10^1/_4$% senior notes") and senior in right of payment to $200 million of our $8^1/_4$% senior subordinated notes due 2016 ("$8^1/_4$% senior subordinated notes"). See "Description of Notes Ranking."

**Covenants**

We will issue the notes under an indenture with Wells Fargo Bank, National Association, as trustee, dated as of June 15, 2006, as supplemented by a supplemental indenture establishing the terms of the notes. The indenture, among other things, limits our ability and the ability of our future restricted subsidiaries to:

- incur, assume or guarantee additional indebtedness or issue redeemable stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt that is junior in right of payment to the notes;
- make loans and other types of investments;
- incur liens;
- restrict dividends, loans or asset transfers from our subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person;
- enter into transactions with affiliates; and
- enter into new lines of business.

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

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| | |
|---|---|
| **Use of proceeds** | We intend to use approximately $175 million of the net proceeds from this offering to finance the Wolfberry Acquisitions and to use the remainder to reduce outstanding borrowings under our senior secured revolving credit facility. If the Wolfberry Acquisitions are not consummated or we only acquire a portion of the assets contemplated by the Wolfberry Acquisitions, we intend to use the net proceeds from this offering to repay the outstanding borrowings under our senior secured revolving credit facility and use the remainder, if any, for general corporate purposes. Pending the application of the net proceeds to finance the Wolfberry Acquisitions, we intend to repay the outstanding borrowings under our senior secured revolving credit facility and use the remainder for general corporate purposes. See "Use of Proceeds." |
| **Conflicts of interest** | Affiliates of certain of the underwriters are lenders under our senior secured revolving credit facility, and accordingly, each will receive its proportionate share of the net proceeds of this offering used to reduce outstanding borrowings under such facility. See "Conflicts of Interest." |

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**SUMMARY HISTORICAL FINANCIAL DATA**

The following table shows our summary historical financial data as of and for the periods indicated. Our summary historical financial data for the fiscal years ended December 31, 2007, 2008 and 2009 and balance sheet data as of December 31, 2007, 2008 and 2009 have been derived from our audited financial statements and related notes incorporated by reference into this prospectus. Our summary historical financial data as of and for the nine months ended September 30, 2009 and 2010 are derived from our unaudited financial statements incorporated by reference into this prospectus and, in our opinion, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this information. You should read the summary historical financial data below in conjunction with our historical financial statements and the accompanying notes, all of which are incorporated by reference into this prospectus. You should also read the sections entitled "Risk Factors" included elsewhere in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" included in our Quarterly Reports on Form 10-Q for the periods ended March 31, 2010, June 30, 2010 and September 30, 2010 and our Annual Report on Form 10-K for the year ended December 31, 2009, as amended.

**Historical**

**Year Ended December 31,**

**Uncertain Tax Treatment**

You should review carefully the section of the accompanying Product Supplement entitled “U.S. Federal Income Tax Consequences.” Although the tax consequences of an investment in the Securities are unclear, we believe that it is reasonable to treat a Security for U.S. federal income tax purposes as a put option (the “Put Option”), written by you to us with respect to the Underlying Shares, secured by a cash deposit equal to the face amount of the Security (the “Deposit”). Under this treatment, less than the full amount of each coupon payment will be attributable to the interest on the Deposit, and the excess of each coupon payment over the portion of the coupon payment attributable to the interest on the Deposit will represent a portion of the option premium attributable to your grant of the Put Option (the “Put Premium,” and collectively for all coupon payments received, “Put Premiums”). Interest on the Deposit generally will be treated as ordinary income on indebtedness while the Put Premium will not be taken into account prior to sale, exchange or maturity of the Securities. The cover of the Term Sheet reflects our preliminary determination of the rate of interest paid on the Deposit and the amount of the Put Premiums.

Due to the absence of authorities that directly address instruments that are similar to the Securities, significant aspects of the U.S. federal income tax consequences of an investment in the Securities are uncertain. We do not plan to request a ruling from the Internal Revenue Service (the “IRS”), and the IRS or a court might not agree with the tax treatment described in this Term Sheet and the accompanying Product Supplement. If the IRS were successful in asserting an alternative treatment for the Securities, the tax consequences of the ownership and disposition of the Securities could be affected materially and adversely.

In December 2007, the Treasury and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. While it is not clear whether the Securities would be viewed as similar to the typical prepaid forward contract described in the notice, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Securities, possibly with retroactive effect.

Both U.S. and non-U.S. holders should consult their tax advisers regarding all aspects of the U.S. federal tax consequences of investing in the Securities (including possible alternative treatments and the issues presented by the December 2007 notice), as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Reverse Exchangeable is a Service Mark of ABN AMRO Bank N.V.

Hypothetical Sensitivity Analysis of Total Return
of the Securities at Maturity

The following tables set out the total return to maturity of a Security, based on the assumptions outlined below and several variables, which include (a) whether the closing price of the Underlying Shares has fallen below the knock-in level on any trading day during the knock-in period and (b) several hypothetical closing prices for the Underlying Shares on the determination date. The information in the tables is based on hypothetical market values for the Underlying Shares. We cannot predict the market price or the closing price of the Underlying Shares on the determination date or at any time during the term of the Securities. The assumptions expressed below are for illustrative purposes only and the returns set forth in the table may or may not be the actual rates applicable to a purchaser of the Securities.

Assumptions

| | |
|---|---|
| Hypothetical Initial Price: | $45.00 |
| Hypothetical Knock-In level: | $36.00 (80% of the hypothetical Initial Price) |
| Hypothetical Annual Interest on the Security: | 10.00% per annum or 5.00% over the life of the hypothetical security |
| Hypothetical Term of the Security: | 6 Months |
| Hypothetical Exchange Factor: | 1.0 (we have assumed that no market disruption event occurs and the calculation agent does not need to adjust the exchange factor for any adjustment events during the term of the Securities). |

Payment at maturity if the closing price of the Underlying Shares falls below the knock-in level on any trading day during the knock-in period:

| Assumed Underlying Shares Closing Price on Determination Date | Hypothetical Value of Payment at Maturity(a) | Hypothetical Total Coupon (Payable in Six Monthly Coupon Payments)(c) | Hypothetical Total Return(b) over the life of the security | Hypothetical Total Return(b) over the life of the security |
|---|---|---|---|---|
| $45.00 or greater | $1,000.00 | $50.00 | $1,050.00 | 5.00% |
| $43.88 | $975.10 | $50.00 | $1,025.10 | 2.51% |
| $42.75 | $949.99 | $50.00 | $999.99 | 0.00% |
| $41.85 | $929.99 | $50.00 | $979.99 | -2.00% |
| $39.97 | $888.21 | $50.00 | $938.21 | -6.18% |
| $37.97 | $843.77 | $50.00 | $893.77 | -10.62% |
| $30.38 | $675.10 | $50.00 | $725.10 | -27.49% |
| $21.27 | $472.66 | $50.00 | $522.66 | -47.73% |
| $10.64 | $236.44 | $50.00 | $286.44 | -71.36% |
| $5.32 | $118.22 | $50.00 | $168.22 | -83.18% |
| $0.00 | $0.00 | $50.00 | $50.00 | -95.00% |

Payment at maturity if the closing price of the Underlying Shares never falls below the knock-in level on any trading day during the knock-in period:

| Assumed Underlying Shares Closing Price on Determination Date | Hypothetical Value of Payment at Maturity(a) | Hypothetical Total Coupon (Payable in Six Monthly Coupon Payments)(c) | Hypothetical Total Return(b) over the life of the security | |
|---|---|---|---|---|
| $45.00 or greater | $1,000.00 | $50.00 | $1,050.00 | 5.00% |
| $40.50 | $1,000.00 | $50.00 | $1,050.00 | 5.00% |
| $38.48 | $1,000.00 | $50.00 | $1,050.00 | 5.00% |
| $36.00 | $1,000.00 | $50.00 | $1,050.00 | 5.00% |

Please see footnotes on next page.

(a) Based on the assumptions set forth above, if the closing price of the Underlying Shares falls below $36.00 on any trading day during the knock-in period and, in addition, the closing price of the Underlying Shares is less than $45.00 on the determination date, the payment at maturity will be made in Underlying Shares. For determining the value of the payment at maturity, we have assumed that the closing price of the Underlying Shares will be the same on the maturity date as on the determination date.

(b) The total return presented is exclusive of any tax consequences of owning the Securities. You should consult your tax advisor regarding whether owning the Securities is appropriate for your tax situation. See the sections titled "Risk Factors" in this Term Sheet and the accompanying Product Supplement No. 1-I and "United States Federal Taxation" and "Taxation in the Netherlands" in the accompanying Prospectus Supplement.

(c) Coupons on the Securities will be computed on the basis of a 360-day year of twelve 30-day months or, in the case of an incomplete month, the number of actual days elapsed. Accordingly, depending on the number of days in any monthly coupon payment period, the coupon payable in such period and, consequently, the total coupons payable over the term of the Securities, may be less than the amount reflected in this column.

(d) Based on the assumptions set forth above, if the closing price of the Underlying Shares never falls below $36.00 on any trading day during the knock-in period, the payment at maturity will be made in cash.

PUBLIC INFORMATION REGARDING THE UNDERLYING SHARES

The Underlying Shares are shares of the Common Stock of the Underlying Companies set forth on the following pages. The Underlying Shares are registered under the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." Companies with securities registered under the Exchange Act are required periodically to file certain financial and other information specified by the Securities and Exchange Commission, which we refer as the "Commission." Information provided to or filed with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Room of the Commission at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. Please call the Commission at 1-800-SEC-0330 for further information about the Public Reference Room. In addition, information provided to or filed with the Commission electronically can be accessed through a website maintained by the Commission. The address of the Commission's website is http://www.sec.gov. Information provided to or filed with the Commission by each of the Underlying Companies pursuant to the Exchange Act can be located by reference to the applicable Commission file number provided in the information below.

In addition, information regarding the Underlying Companies may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. We make no representation or warranty as to the accuracy or completeness of such reports.

This Term Sheet relates only to the Securities offered by us and does not relate to any of the Underlying Shares or other securities of the Underlying Companies. We will derive all disclosures contained in this Term Sheet regarding the Underlying Companies from the publicly available documents described above. Neither we nor Holding nor the agents have participated in the preparation of such documents or made any due diligence inquiry with respect to the Underlying Companies in connection with the offering of the Securities. Neither we nor Holding nor the agents make any representation that such publicly available documents or any other publicly available information regarding the Underlying Companies are accurate or complete. Furthermore, neither we nor Holding can give any assurance that all events occurring prior to the date of this Term Sheet (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the trading price of the applicable Underlying Shares (and therefore the applicable initial price, knock-in level and redemption amount) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning any of the Underlying Companies could affect the value you will receive on the maturity date with respect to the Securities and therefore the trading prices of the applicable Securities. Neither we nor Holding nor any of our affiliates have any obligation to disclose any information about any of the Underlying Companies after the date of this Term Sheet.

Neither we nor Holding nor any of our affiliates makes any representation to you as to the performance of any of the Underlying Shares.

We and/or our affiliates may presently or from time to time engage in business with any of the Underlying Companies, including extending loans to, or making equity investments in, or providing advisory services to any of the Underlying Companies, including merger and acquisition advisory services. In the course of such business, we and/or our affiliates may acquire non-public information with respect to any of the Underlying Companies and, in addition, one or more of our affiliates may publish research reports with respect to any of the Underlying Companies. The statement in the preceding sentence is not intended to affect the rights of holders of the Securities under the securities laws. As a prospective purchaser of a Security, you should undertake such independent investigation of the applicable Underlying Company as in your judgment is appropriate to make an informed decision with respect to an investment in the applicable Underlying Shares.

Freeport-McMoRan Copper & Gold Inc.

According to publicly available documents, Freeport-McMoRan Copper & Gold Inc., which we refer to as "Freeport-McMoRan," is a copper, gold, and molybdenum mining company. Freeport-McMoRan's SEC file number is 1-9916.

Historical Information

The common stock, $0.10 par value per share, of Freeport-McMoRan is traded on the NYSE, under the symbol "FCX". The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day intra-day price for the quarter of the common stock of Freeport-McMoRan since 2005. The closing price for each share of common stock on October 30, 2009 was $73.36.

| Period | High Intra-day Price | Low Intra-day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $ 39.82 | $31.86 | $ 36.37 |
| Second Quarter | $ 37.02 | $28.94 | $ 34.38 |
| Third Quarter | $ 45.95 | $34.09 | $ 45.13 |
| Fourth Quarter | $ 52.34 | $40.68 | $ 50.43 |
| 2006 | | | |
| First Quarter | $ 60.92 | $44.16 | $ 56.59 |
| Second Quarter | $ 68.36 | $41.46 | $ 53.30 |
| Third Quarter | $ 59.92 | $45.77 | $ 51.96 |
| Fourth Quarter | $ 62.14 | $46.44 | $ 55.73 |
| 2007 | | | |
| First Quarter | $ 67.19 | $48.98 | $ 66.19 |
| Second Quarter | $ 85.50 | $65.62 | $ 82.82 |
| Third Quarter | $110.48 | $67.08 | $104.89 |
| Fourth Quarter | $120.20 | $85.71 | $102.44 |
| 2008 | | | |
| First Quarter | $107.37 | $69.10 | $ 96.22 |
| Second Quarter | $127.23 | $93.00 | $117.19 |
| Third Quarter | $117.08 | $51.24 | $ 56.85 |
| Fourth Quarter | $ 56.20 | $15.70 | $ 24.44 |
| 2009 | | | |
| First Quarter | $ 43.45 | $21.17 | $ 38.11 |
| Second Quarter | $ 61.55 | $36.60 | $ 50.11 |
| Third Quarter | $ 73.43 | $43.19 | $ 68.61 |
| Fourth Quarter (through October 30, 2009) | $ 84.28 | $63.01 | $ 73.36 |

Peabody Energy Corporation

According to publicly available documents, Peabody Energy Corporation, which we refer to as "Peabody," is a private-sector coal company that mines and sells coal to electricity generating and industrial plants. Peabody's SEC file number is 1-16463.

Historical Information

The common stock, $0.01 par value per share, of Peabody is traded on the NYSE under the symbol "BTU." The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day closing price for the quarter of the common stock of Peabody since 2005. The closing price for each share of common stock on October 30, 2009 was $39.59.

| Period | High Intra-day Price | Low Intra-day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $23.85 | $17.20 | $21.70 |
| Second Quarter | $26.43 | $18.42 | $24.36 |
| Third Quarter | $40.28 | $24.35 | $39.49 |
| Fourth Quarter | $40.70 | $32.97 | $38.58 |
| 2006 | | | |
| First Quarter | $49.19 | $38.61 | $47.20 |
| Second Quarter | $71.43 | $43.83 | $52.20 |
| Third Quarter | $56.08 | $30.84 | $34.43 |
| Fourth Quarter | $45.49 | $31.88 | $37.83 |
| 2007 | | | |
| First Quarter | $41.76 | $33.89 | $37.67 |
| Second Quarter | $52.20 | $37.41 | $45.30 |
| Third Quarter | $47.74 | $35.97 | $44.82 |
| Fourth Quarter | $62.55 | $44.49 | $61.64 |
| 2008 | | | |
| First Quarter | $63.97 | $42.05 | $51.00 |
| Second Quarter | $88.69 | $49.38 | $88.05 |
| Third Quarter | $88.39 | $39.06 | $45.00 |
| Fourth Quarter | $43.99 | $16.00 | $22.75 |
| 2009 | | | |
| First Quarter | $30.95 | $20.17 | $25.04 |
| Second Quarter | $37.44 | $23.64 | $30.16 |
| Third Quarter | $41.54 | $27.20 | $37.22 |
| Fourth Quarter (through October 30, 2009) | $46.57 | $34.54 | $39.59 |

Caterpillar Inc.

According to publicly available documents, Caterpillar Inc., which we refer to as “Caterpillar,” is a producer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Caterpillar is also a services provider through Caterpillar Financial Services, Caterpillar Logistics Services and Caterpillar Remanufacturing Services. Caterpillar’s SEC file number is 1-768.

Historical Information

The common stock, par value $1.00 per share, of Caterpillar is traded on the NYSE, under the symbol “CAT”. The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day intra-day price for the quarter of the common stock of Caterpillar since 2005. The closing price for each share of common stock on October 30, 2009 was $55.06.

| Period | High Intra-day Price | Low Intra-day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $49.98 | $43.22 | $45.72 |
| Second Quarter | $51.49 | $41.35 | $47.66 |
| Third Quarter | $59.87 | $47.43 | $58.75 |
| Fourth Quarter | $59.84 | $48.30 | $57.77 |
| 2006 | | | |
| First Quarter | $77.20 | $57.05 | $71.81 |
| Second Quarter | $82.00 | $64.41 | $74.48 |
| Third Quarter | $75.43 | $62.09 | $65.80 |
| Fourth Quarter | $70.91 | $58.85 | $61.33 |
| 2007 | | | |
| First Quarter | $68.43 | $57.98 | $67.03 |
| Second Quarter | $82.88 | $65.87 | $78.30 |
| Third Quarter | $87.00 | $70.59 | $78.43 |
| Fourth Quarter | $82.74 | $67.00 | $72.56 |
| 2008 | | | |
| First Quarter | $78.62 | $60.01 | $78.29 |
| Second Quarter | $85.96 | $72.56 | $73.82 |
| Third Quarter | $75.87 | $58.11 | $59.60 |
| Fourth Quarter | $58.18 | $32.00 | $44.67 |
| 2009 | | | |
| First Quarter | $47.05 | $21.72 | $27.96 |
| Second Quarter | $40.96 | $27.50 | $33.04 |
| Third Quarter | $54.70 | $30.02 | $51.33 |
| Fourth Quarter (through October 30, 2009) | $61.21 | $47.50 | $55.06 |

National Oilwell Varco, Inc.

According to publicly available documents, National Oilwell Varco, Inc., which we refer to as "National Oilwell," is a worldwide provider of equipment and components used in oil and gas drilling and production operations, oilfield services, and supply chain integration services to the upstream oil and gas industry. National Oilwell's SEC file number is 1-12317.

Historical Information

The common stock, $.01 par value per share, of National Oilwell is traded on the NYSE under the symbol "NOV". The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day closing price for the quarter of the common stock of National Oilwell since 2005. The closing price for each share of common stock on October 30, 2009 was $40.99.

| Period | High Intra-day Price | Low Intra-day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $25.25 | $16.54 | $23.35 |
| Second Quarter | $24.60 | $19.64 | $23.77 |
| Third Quarter | $34.01 | $23.12 | $32.90 |
| Fourth Quarter | $33.70 | $26.71 | $31.35 |
| 2006 | | | |
| First Quarter | $38.80 | $27.89 | $32.06 |
| Second Quarter | $36.50 | $28.17 | $31.66 |
| Third Quarter | $34.32 | $27.44 | $29.28 |
| Fourth Quarter | $34.30 | $25.81 | $30.59 |
| 2007 | | | |
| First Quarter | $39.64 | $26.88 | $38.90 |
| Second Quarter | $54.79 | $38.28 | $52.12 |
| Third Quarter | $74.94 | $48.91 | $72.25 |
| Fourth Quarter | $82.00 | $61.06 | $73.46 |
| 2008 | | | |
| First Quarter | $77.83 | $49.46 | $58.38 |
| Second Quarter | $92.37 | $56.80 | $88.72 |
| Third Quarter | $92.70 | $42.78 | $50.23 |
| Fourth Quarter | $49.27 | $17.60 | $24.44 |
| 2009 | | | |
| First Quarter | $34.47 | $22.19 | $28.71 |
| Second Quarter | $40.69 | $27.52 | $32.66 |
| Third Quarter | $44.57 | $28.77 | $43.13 |
| Fourth Quarter (through October 30, 2009) | $50.16 | $40.12 | $40.99 |

Halliburton Company

According to publicly available documents, Halliburton Company, which we refer to as "Halliburton," offers services and products for the exploration, development, and production of oil and gas. Halliburton's SEC file number is 001-03492

Historical Information

The common stock, $2.50 par value per share, of Halliburton is traded on the NYSE under the symbol "HAL". The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day closing price for the quarter of the common stock of Halliburton since 2005. The closing price for each share of common stock on October 30, 2009 was $29.21.

| Period | High Intra-Day Price | Low Intra-Day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $22.65 | $18.59 | $21.63 |
| Second Quarter | $24.70 | $19.83 | $23.91 |
| Third Quarter | $34.88 | $22.89 | $34.26 |
| Fourth Quarter | $34.68 | $27.37 | $30.98 |
| 2006 | | | |
| First Quarter | $41.19 | $31.35 | $36.51 |
| Second Quarter | $41.98 | $33.94 | $37.11 |
| Third Quarter | $37.93 | $27.36 | $28.45 |
| Fourth Quarter | $34.30 | $26.33 | $31.05 |
| 2007 | | | |
| First Quarter | $32.72 | $28.12 | $31.74 |
| Second Quarter | $37.18 | $30.99 | $34.50 |
| Third Quarter | $39.17 | $30.81 | $38.40 |
| Fourth Quarter | $41.93 | $34.43 | $37.91 |
| 2008 | | | |
| First Quarter | $39.98 | $30.01 | $39.33 |
| Second Quarter | $53.97 | $38.56 | $53.07 |
| Third Quarter | $55.38 | $29.00 | $32.39 |
| Fourth Quarter | $31.97 | $12.80 | $18.18 |
| 2009 | | | |
| First Quarter | $21.47 | $14.68 | $15.47 |
| Second Quarter | $24.76 | $14.82 | $20.70 |
| Third Quarter | $28.58 | $18.11 | $27.12 |
| Fourth Quarter (through October 30, 2009) | $31.95 | $25.50 | $29.21 |

Schlumberger N.V. (Schlumberger Limited)

According to publicly available documents, Schlumberger N.V. (Schlumberger Limited), which we refer to as "Schlumberger N.V." is an oilfield services company, supplying technology, project management and information solutions to the oil and gas industry. Schlumberger N.V.'s SEC file number is 1-4601.

Historical Information

The common stock, $0.01 par value per share, of Schlumberger N.V. is traded on the NYSE under the symbol "SLB". The following table sets forth the published highest intra-day price for the quarter, lowest intra-day price for the quarter and last day closing price for the quarter of the common stock of Schlumberger N.V. since 2005. The closing price for each share of common stock on October 30, 2009 was $62.20.

| Period | High Intra-Day Price | Low Intra-Day Price | Last Day Closing Price |
|---|---|---|---|
| 2005 | | | |
| First Quarter | $ 39.16 | $31.58 | $ 35.24 |
| Second Quarter | $ 39.23 | $32.31 | $ 37.97 |
| Third Quarter | $ 43.90 | $37.43 | $ 42.19 |
| Fourth Quarter | $ 51.49 | $38.66 | $ 48.58 |
| 2006 | | | |
| First Quarter | $ 65.88 | $49.20 | $ 63.29 |
| Second Quarter | $ 74.75 | $54.00 | $ 65.11 |
| Third Quarter | $ 68.55 | $54.23 | $ 62.03 |
| Fourth Quarter | $ 69.30 | $56.85 | $ 63.16 |
| 2007 | | | |
| First Quarter | $ 71.17 | $56.31 | $ 69.10 |
| Second Quarter | $ 89.20 | $68.25 | $ 84.94 |
| Third Quarter | $108.47 | $81.30 | $105.00 |
| Fourth Quarter | $113.86 | $87.42 | $ 98.37 |
| 2008 | | | |
| First Quarter | $102.71 | $72.30 | $ 87.00 |
| Second Quarter | $110.11 | $85.75 | $107.43 |
| Third Quarter | $111.91 | $73.53 | $ 78.09 |
| Fourth Quarter | $ 78.00 | $37.24 | $ 42.33 |
| 2009 | | | |
| First Quarter | $ 49.25 | $35.05 | $ 40.62 |
| Second Quarter | $ 63.78 | $39.13 | $ 54.11 |
| Third Quarter | $ 63.00 | $48.13 | $ 59.60 |
| Fourth Quarter (through October 30, 2009) | $ 71.10 | $56.00 | $ 62.20 |

We obtained the prices listed in the tables above from Bloomberg Financial Markets without independent verification. You should not take the historical prices of any of the Underlying Shares as an indication of future performance. Neither we nor Holding can give any assurance that the price of any of the Underlying Shares will not decrease, such that we will deliver the applicable Underlying Shares at maturity.

Neither we nor ABN AMRO Holding N.V. make any representation as to the amount of dividends, if any, that any of the Underlying Companies will pay in the future. In any event, as a holder of a Security, you will not be entitled to receive dividends, if any, that may be payable on any of the Underlying Shares.

PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We have appointed RBS Securities Inc. ("RBSSI") as agent for any offering of the Securities. RBSSI has agreed to use reasonable efforts to solicit offers to purchase the Securities. We will pay RBSSI, in connection with sales of the Securities resulting from a solicitation such agent made or an offer to purchase such agent received, a commission of 2.25% of the initial offering price of the Securities. RBSSI has informed us that, as part of its distribution of the Securities, it intends to reoffer the Securities to other dealers who will sell the Securities. Each such dealer engaged by RBSSI, or further engaged by a dealer to whom RBSSI reoffers the Securities, will purchase the Securities at an agreed discount to the initial offering price of the Securities. RBSSI has informed us that such discounts may vary from dealer to dealer and that not all dealers will purchase or repurchase the Securities at the same discount. You can find a general description of the commission rates payable to the agents under "Plan of Distribution" in the accompanying Product Supplement No. 1-I.

RBSSI is an affiliate of ours and ABN AMRO Holding N.V. RBSSI will conduct this offering in compliance with the requirements of NASD Rule 2720 of the Financial Industry Regulatory Authority, which is commonly referred to as FINRA, regarding a FINRA member firm's distributing the securities of an affiliate. Following the initial distribution of any of these Securities, RBSSI may offer and sell those Securities in the course of its business as a broker-dealer. RBSSI may act as principal or agent in those transactions and will make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. RBSSI may use this Term Sheet and the accompanying Prospectus and Prospectus Supplement in connection with any of those transactions. RBSSI is not obligated to make a market in any of these Securities and may discontinue any market-making activities at any time without notice.

RBSSI or an affiliate of RBSSI will enter into one or more hedging transactions with us in connection with this offering of Securities. See "Use of Proceeds" in the accompanying Product Supplement No. 1-I.

To the extent that the total aggregate face amount of the Securities being offered by this Term Sheet is not purchased by investors in the offering, one or more of our affiliates has agreed to purchase the unsold portion, and to hold such Securities for investment purposes. See "Holdings of the Securities by our Affiliates and Future Sales" under the heading "Risk Factors" in this Term Sheet.