THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BRY.OQ - Q2 2020 Berry Corporation (Bry) Earnings Call

EVENT DATE/TIME: AUGUST 05, 2020 / 1:00PM GMT

CORPORATE PARTICIPANTS

Arthur T. Smith *Berry Corporation - Chairman, President & CEO*

Cary D. Baetz *Berry Corporation - Executive VP, CFO & Director*

Gary A. Grove *Berry Petroleum Company, LLC - Executive VP & COO*

Todd Crabtree *Berry Corporation - Manager of IR*

CONFERENCE CALL PARTICIPANTS

Charles Arthur Meade *Johnson Rice & Company, L.L.C., Research Division - Analyst*

Gregory Lee Tuttle *Simmons & Company International, Research Division - Research Analyst*

Leo Paul Mariani *KeyBanc Capital Markets Inc., Research Division - Analyst*

Nicholas Paul Pope *Seaport Global Securities LLC, Research Division - Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Berry Corporation Second Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker, Mr. Todd Crabtree, Investor Relations. Thank you. Please go ahead, sir.

Todd Crabtree - *Berry Corporation - Manager of IR*

Thank you, Brandy, and welcome to everyone this morning. hank you for joining us for Berry's Second Quarter Earnings Teleconference. Yesterday afternoon, Berry issued an earnings release highlighting 2020 second quarter results and our continued response to the financial and operating uncertainties caused by COVID-19. Addressing these and other issues this morning will be Trem Smith, Board Chair and CEO; Gary Grove, Chief Operating Officer and Executive Vice President; and Cary Baetz, Chief Financial Officer and Executive Vice President.

Trem will discuss Berry's continued response to these unprecedented times and the company's plans for the remainder of the year. Gary and then Cary will share further details on how we are addressing the operational and financial aspects of our business. Before turning it over to questions, Trem will make a few concluding remarks.

Before we begin, I want to call your attention to the safe harbor language found in our earnings release. Earnings release and today's discussion contain certain projections and other forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied in these statements. These include risks and other factors outlined in our filings with the SEC. Our website, bry.com, has a link to the earnings release and our most recent investor presentation. Any information, including forward-looking statements, made on this call are contained in the earnings release and that presentation reflect our analysis as of the date made. We have no plans or duty to update them, except as required by law.

Please refer to the tables in our earnings release and on our website for a reconciliation between all adjusted measures mentioned during today's call and the related GAAP measures. We will also post the replay link of this call and the transcript on our website.

I will now turn the call over to Trem Smith.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Thank you, Todd. Hello, everyone. Thank you all for joining us today for Berry's second quarter 2020 earnings call. 2020 continues to be a challenging business environment for our industry and many others. I hope everyone has remained safe and healthy over the last several months. The team at Berry has worked tirelessly to navigate these choppy waters, and due to everyone's dedication and commitment to the Berry First principle, we will come out of this depressed cycle in a strong position for growth and value creation.

As I mentioned on our last call, we have planned for a 2-year down cycle and we remain laser-focused on creating value through sustainable long-term cost reductions and process improvements, and by continuing to generate free cash flow. And I understand I might sound like a broken record, but Berry is living within levered free cash flow and will end the year with substantial cash on hand and our strong liquidity position intact, giving us flexibility into 2021.

As we anticipated, the second quarter was one of the most challenging quarters for the industry and the economy in history. Berry was prepared and our results show we performed very well. I will speak to a few highlights now, but additional details can be found in our earnings release and the 10-Q.

We reduced our unhedged OpEx by 16% quarter-over-quarter. This success was due to an extraordinary team effort. The organization identified numerous opportunities to reduce costs through cash savings and process improvements that increase efficiencies and improve our cash position. Importantly, because these projects are within our control, they should provide sustainable benefit over the long term. Gary and Cary will give examples of the specific projects in a moment. However, it is important to note that cumulatively, these projects all resulted in a major positive impact to our financial position. Further, we continue to improve our hedge position, and added additional 2021 hedges at $46 Brent. We are now about 2/3 hedged for oil in 2021 at about $46, which Cary will provide more details around.

Additionally, this quarter, we closed a 740-acre bolt-on opportunity located on trend with our prolific Potter formation horizontal well development in North Midway Sunset. We are confident this acquisition will lead to even more development opportunities. We will continue to be proactive in taking advantage of attractive acquisition opportunities as they arise.

Looking forward now, we continue to concentrate our efforts on the remainder of 2020 and through 2021. Fuel usage in California is up approximately 33% from its low in early April, and refinery runs are up about 13%. The Brent strip is improving as well and is up around 40% from the April strip. This improving market gives us the confidence to run at least one drilling rig starting in October 2020 and continuing through 2021.

As noted in prior investor calls and meetings, we can maintain our production levels flat. In other words, we can replace our annual decline for $10 to $12 per barrel. The production decline in the second quarter was as expected. Our historic annual load decline curve and low capital needed to keep production flat set us up nicely for a successful 2021 and beyond. We are accustomed to adapting quickly to new regulations and requirements. COVID-19 is no different.

As we reported last call, we were able to pivot our operations quickly, implementing the recommended CDC-aligned safety and health protocols, including mask-wearing requirements and sanitizing procedures. These measures have been in place for the past few months at all of our locations, and they are working successfully. We also implemented remote working tools that allowed us to operate our assets seamlessly, while keeping employees safe and distanced when needed. This is critically important for our businesses - business and for the states where we operate.

The governors of Utah, Colorado and California have all declared oil and gas operations as essential businesses, and we continue to operate as such. We know that local oil and gas production is fundamental to the economic recovery of each state. In addition, Berry has not laid off or furloughed any employees due to the current economic downturn at this time, and we are proud to be able to continue to take care of our people and support the communities in which we work. We have, as previously stated, made significant advances in reducing nonemployee G&A, which should evidence itself even more profoundly in the second half of 2020.

California is the third largest gasoline consumer in the world and consumes more than half of the OPEC crude imported into the United States every day or about 600,000 barrels of oil per day. Last year, approximately 70% of all California imports came from OPEC+ nations, and all of it came to California by sea on tankers. Berry is committed to helping bridge the gap between California's energy reality and carbon neutrality goals as well as support the state's social priorities. We are working to become California's leading affordable energy provider. Therefore, it is critical that we remain dedicated to advancing our environmental, social and governance initiatives.

This includes maintaining safe and environmentally friendly operations as well as managing our collaborative relationships with regulatory agencies and policymakers everywhere Berry operates, especially in California. We understand we have a responsibility to support California in achieving its energy goals to reduce CO_2 emissions and to reduce its dependence on OPEC. We are taking a holistic approach to working with the state to achieve this. This includes producing affordable energy from diversified sources such as oil and gas and renewables, providing and offering high-paying energy jobs and growing local California oil production in a safe and environmentally sensitive manner.

To help us achieve this and to continue our ever-improving ESG efforts, we have created a new position: Director of Strategic Partnerships and Alliances. Jason Marshall, with 28 years of experience in resources conservation, joined us in early July, and will lead these efforts including: addressing orphan and idle wells throughout California; reducing CO_2 emissions; expanding the use of technology, including technology for beneficial reuse of water; remediation and preventative solutions; and the elimination of spills. We are not letting this downturn distract us from being a good corporate citizen, and we will not defer or shy away from our known obligations to the state and all of our stakeholders.

On the regulatory and permitting front, we have not and will not let COVID-19 issues keep us from achieving our 2020 plans. We continue to streamline our in-house permitting review process to expand throughput on CalGEM's additional permitting requirements and to work toward our 2020 plugging and abandonment plan. We will meet all our obligations to the state, as we always do.

I want to reiterate that the Berry business model is designed to create value in any cycle, including this one. Our experienced leadership has weathered several downturns in the past, and we are navigating through this one as well. As exemplified by the strategic initiatives we have already implemented, we are well positioned for the market to return, which it will.

I will now turn it over to Gary.

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Thank you, Trem, and thanks to everyone for joining us today. The second quarter was challenging with the acute swing in pricing due to both COVID-19 and eco-political market conditions. To meet that challenge, Berry was able to move quickly and decisively with a focus on cost and returned a solid quarter while creating value in a cycle low. Full operational details can be found in our earnings release and 10-Q, but I would like to touch briefly on a few of our results.

Our sales -- total sales volumes were down 5% quarter-over-quarter as a result of ending our drilling activity in early April and the impact from some of our current steam reduction, which I'll speak to shortly. Additionally, 8 of the 19 wells we drilled in the previous quarter were either delineation wells or steam injectors, which will not have any current production impact. Based on our plans and expected drilling activity for the remainder of the year, we currently expect 2020 volumes to be in line with our 2019 annual volumes.

Total operating expense per BOE was down 9% quarter-to-quarter, while our unhedged operating expense per BOE was down 16% during the same period. These results are due to our continued focus on managing our entire operating cash cost structure, including operating expense, capital and abandonment, to ensure our operations are safe and compliant.

As Trem mentioned, we have been reducing cost in manageable and sustainable ways. These are not personnel or salary cuts, but rather, efficiency opportunities like vendor rate reductions and well servicing efficiencies. To highlight a few examples. Surface repair and maintenance was down 18%. Well servicing was down 20%, and our chemical usage was down 13% quarter-over-quarter. Even more telling is that those 3 areas were down 50%, 41% and and 19%, respectively, from January to June. We also actively decreased our steam volumes during the quarter through effective steam management without impacting our reservoir conditions, reducing our total gas burn rate 11% quarter-over-quarter. We burned 72,500 MMBtu per day during the second quarter at an average unhedged price of $1.74 per MMBTu.

Furthermore, we've been calibrating our cost and volume reduction associated with production. As we reduce steam, our water disposal requirements increase, which can have a negative production impact in the short term. We continue to balance cost savings with potential production impacts concentrating on incremental value creation as always.

Moving to capital. Capital for the quarter was $16.5 million as we -- again, we stopped drilling early in the quarter. We did finish certain infrastructure projects that are necessary for when we restart our drilling program. And on that note, we're going to start one rig in October and currently plan to drill up to 23 sandstone wells going into 2021. We have continued with our permitting process on all other projects. And as of today, we have roughly 185 drilling permits in hand, all for sandstone wells, as we finish the 2020 permitting program and begin our 2021 program. We also have approximately an additional 190 permits, either at CalGEM or waiting to send to CalGEM.

While we reduced capital and paused our drilling program, we have not reduced our abandonment or ARO activities, and we remain fully committed to our obligations under the California mandated Idle Well Management Plan and our role as a leader in environmental, social and governance initiatives. We have abandoned 79 wells to date in our annual plan, targeting approximately 150 to be completed by year-end.

During our last call, Trem mentioned that Berry had been proactively engaged with CalGEM and the Lawrence Livermore lab on their study concentrate concerning -- excuse me, safe operations and best practices with high-pressure cyclic steam injection. Since our last call, we have participated in 2 update meetings with CalGEM and the lab. The study is progressing, and we continue to supply information and data as requested. We are still expecting the study will conclude later this year.

Storage has been a hot topic across the industry over the last several months due to the oversupply situation in the spring. Since then, the supply levels have returned to more normal levels, and storage is no longer a concern at this time. However, we do have a certain amount of storage available to us that we have procured through June of next year, and we'll use it opportunistically in our marketing group.

Looking forward, we will continue to focus on our costs and production, analyzing everything we do through our value creation lens. And with that, I'll now turn it over to Cary.

Cary D. Baetz - *Berry Corporation - Executive VP, CFO & Director*

Thanks, Gary. As highlighted by both Trem and Gary, we are continuing to plan for a 2-year cyclical low crude price environment. Our second quarter was centered on improving our free cash flow position, and it will continue to be the focus as we head into 2021. We again achieved positive levered free cash flow in the second quarter, even higher than the first quarter, and we expect it to continue to improve the remainder of the year. We are already seeing a cash buildup with current cash balance of about $20 million and nothing outstanding on the RBL.

Based on our current hedged portfolio and operating performance, we currently expect levered free cash flow of 2020 to be nearly $100 million. We have continued adding to our 2021 hedge position. We currently have about 19,000 barrels per day of oil hedged in the first half of 2021 at just under $46 a barrel and slightly more than 11,000 barrels per day hedged in the second half of 2021 at slightly more than $46 a barrel. The combination of lower cost, improving commodity prices and our hedge positions, provides us with visibility into our 2021 cash flows and increases our confidence to put at least 1 rig back to work the last quarter of this year and all of 2021.

As Trem and Gary have highlighted, we have implemented cost-cutting savings and efficiency initiatives, and there are more in process. Some of these are short-term concepts designed to help us conserve cash in these trying times. However, many of these items are sustainable over the long term. One of the short-term cash-saving initiative was to temporarily suspend our regular quarterly dividend. This saves us nearly $10 million of cash per quarter. However, we are committed to returning value to shareholders as the economy and our financial position allows. We will reconsider reinstituting our dividend when we have more clarity on long-term prospects of oil prices and we'll explore this when Brent prices reach the sustainable $50 a barrel.

One financial item I'd like to give more color is on our greenhouse gas cost, which are historically the largest part of our taxes other than income taxes line item. We saw nearly a $6 million decrease in these costs in the first quarter due to temporary market dislocation. In the second quarter of this year, GHG allowance market stabilized and cost returned to historical levels, and we expect them to remain in that historical range going forward. However, we will take advantage of any market disruption to further improve our GHG cost position like we did in the first quarter.

As we announced in late June, after completing our semiannual bank redetermination, we reduced our RBL elected commitment to $200 million. This reduction equates to an annual savings of $1 million. We primarily use the RBL Facility to manage working capital fluctuations and have no outstanding borrowings on the line today. Our plans anticipate that we will not use the RBL through 2021 given the cash position we are currently in the process of building. The RBL capacity is getting tougher as more banks flee the sector and larger banks reduce their exposure. We will continue to partner with our banking group to ensure Berry has adequate liquidity and the banks had the opportunity to meet their return requirements. We are different than most companies in this space as we have always lived within our levered free cash flow and use our RBL Facility primarily to manage working capital fluctuations.

On the note of being different, and before I hand it back over to Trem, I wanted to reiterate our investment thesis in 5 points: number one, Berry is a conventional oil producer with low corporate decline rates, 13% to 14% annually; number two, we live out a levered free cash flow, which includes interest, the required cash to maintain our production flat and dividends; number three, we have higher cost than the typical oil resource play because we are about -- we are weighted 88% oil, and we use energy in the form of steam to produce the majority of our oil and don't have a large barrel of oil equivalent from gas production, masking our oil production cost. Because we are primarily oil and Brent-based, our revenue per BOE is higher as is our cash margin compared to the typical resource oil producer; number 4, we do return capital to our shareholders, $115 million in dividends and share repurchases since going public in July of 2018. This is top-tier for any small-cap oil and gas producer. We will reinstate a dividend when the market supports and market gives us value for paying one; number 5, we aren't a capital-intensive drilling completion company and can scale up and down very quickly. In plain terms, we are not a resource oil play. In fact, the only thing we share with them is that we produce oil. Berry's properties have been producing oil in the San Joaquin Basin since the early 1900s and we'll be producing for many years to come. Many investors wrongly put us in the same box as a resource oil play. But in reality, we just don't fit. We are different, and that is good.

At Berry, this management team will always manage this company for value. Not volume, not EBITDA, but value. We will continue to operate efficiently, safely and at the lowest possible cost during these challenging times. While we don't know when the market will improve, we are working to ensure that Berry is in the best position for continued success. This means taking advantage of opportunistic acquisitions like bolt-ons, hedging prudently, lowering our costs and living within our levered free cash flow. And now I'll turn it back over to Trem for final remarks.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Thanks, Cary and Gary. There is no better word to describe 2020 than unprecedented. We started this year with a price of Brent at nearly $70 per barrel. We finished the first quarter and began the second quarter with Brent in the low 20s. And now Brent has returned to the low 40s. With all of this volatility, Berry has remained committed to its promises. We are living by our financial policy, cutting costs, improving our ESG program and partnering with the state to reach their energy goals, all in an effort to continue to create value for our shareholders. We are planning for the eventual return of the market. And as noted, we plan to start a drilling rig in the fourth quarter. We also anticipate that we will see a lot of changes in the industry, including restructuring activities and consolidation as the downturn continues. This creates opportunity for Berry, and we will be proactive in pursuing these opportunities.

We are a proven, safe, environmentally friendly producer of oil, and we are positioned for growth. With our focus on value and cash flow in our Berry First approach, we will be in a better position than many of our fellow producers when the market recovers. Oil is now, more than ever, an integral part of the energy solution for all the states where we operate, but especially in California. For far too long, California has been reliant on energy from risky foreign-sourced oil with terrible human rights records. We are providing a safe and healthy working environment with high-paying jobs for the people of California. And by working with the renewable energy providers, together, we can reduce California's dependence on OPEC.

Like Cary noted about our investment thesis, we are different from other resource oil companies in a very positive way. Managing cash flow is nothing new to Berry. As we have historically demonstrated and exemplified just this past quarter, we will manage the company on value creation, as always, to ensure it is strongly positioned to capitalize on the eventual market improvements. And lastly, I'd like to let you know that Gary Grove has decided he will be retiring by the end of the first quarter of next year. We owe Gary an immense amount of gratitude for his dedication to this organization and his leadership. Gary's involvement was critical in helping Berry emerge from bankruptcy and now becoming a publicly traded company on NASDAQ. He has also been instrumental in creating a flexible and nimble organization, driven by value creation for our shareholders that has been able to pivot during the numerous unprecedented circumstances and challenges we have faced. An active executive search is underway, and Gary is engaged in finding his successor and ensuring a smooth transition. Thank you, Gary, for everything.

And now I'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Leo Mariani of KeyBanc.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

I just wanted to touch base on the guidance here. I know you guys had the $65 million of capital guidance. Just wanted to kind of verify that, that's still intact with the regulation here in the fourth quarter. And then also, I was hoping you could help us a little bit with the directionality on production. Just given the lack of activity, I'm kind of assuming that it comes down a little bit more in the third quarter and maybe starts to stabilize a little bit in the fourth quarter. Is all that about right?

Cary D. Baetz - *Berry Corporation - Executive VP, CFO & Director*

Leo, this is Cary. I'll jump on it real quick, and then Gary will fill in any holes that I missed. But you're right, the third quarter will be the one where we see the drop continue and then we'll start seeing flattening out as the rig comes on in the fourth quarter. As far as guidance, right now, we are still in the approximately $65 million range. As you know, we do have the ability to scale up and scale down very quickly.

If opportunities arise and we start into the 2021 plan with the capital that we put into work on the facility side, we can move quicker on that plan if we so choose. But we'll give you more color if we decide to do that starting in the -- at the third quarter call. But right now, everything, as we've talked about, is in place.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Okay. That's helpful. And I guess just with respect to the activity restart here. Obviously, you got the one rig in place. You guys did talk about the potential to have at least one rig in 2021. I know it's a little bit early on '21, but you've got some good hedges in place. So you've certainly got a solid base of cash flow. Just wanted to kind of make sure that the way you guys look at it is sort of the governor on activity is more just living within that levered free cash flow. To the extent that oil prices keep going up and levered free cash flow rises in '21, is it reasonable to expect that we'll get at least another rig that comes in next year if oil keeps going up here?

Cary D. Baetz - *Berry Corporation - Executive VP, CFO & Director*

Yes I'll answer that. Cary, again. But Leo, I answered -- again, we were looking over a 2-year horizon, right? In the year -- for this year was to build-up cash, take advantage of the hedges that we have in place to have the cash to give us the flexibility into 2021. And as of right now, I mean, you can work your models, things have improved versus where we're originally planning 2021. The reason we put in more hedges is so we could lock in that cash flow to put at least one rig to work. But the focus for 2021 will at least be around keeping production flat year-over-year will be our intent at this point in time.

And you're right, if opportunities improve and cash flow improves, then we'll start thinking about do we need more capital to go to work on the -- in the field or do we want to start thinking about the returning of capital. So nice problem to have, but you're exactly right on describing the model's ability to flex up if market prices improve.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Well, that's helpful. Maybe just lastly on the acquisition front. Can you provide a little bit more color on this recent deal? I know it's not a big deal at $5 million, but just wanted to get a sense, is this completely undeveloped? Is there some kind of plan to attack this asset potentially next year? And then just obviously, there's a company in your neighborhood there that just recently filed for bankruptcy. Wanted to see if there's maybe some attractive assets there that you might look at as well in the near term.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Leo, I'm going to start this, and this is Trem, and then I'll let Gary fill in, because he is super excited about this bolt-on that we did.

First of all, I don't want to disagree with you, but I'm going to use your choice of words and say it is a big deal. 740 acres in a field like Midway Sunset, given the volume of oil, is actually a -- this is a big bolt-on. And the best part about it is an extension of our Prolific, what we discovered over a year ago, Potter trend in which we drill horizontal wells. So it's -- we're very excited to have consolidated our position in this trend. So that is a good one for us. So Gary, did you want to add? And then I'll come back and talk about the bankruptcy issue.

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Yes. So we do like the trend, as Trem mentioned. It sits right just north of an existing property set. And it allows us to continue drilling horizontally in that direction. As far as timing goes, we -- again, it's - so it's currently does not have any production on it. But it was -- it's not undeveloped. It had been developed previously with vertical wells, like similar locations and areas around it, again, where we've been successful coming back into and redeveloping with the horizontal program. So that's our expectation. We would look to drill potentially some delineation wells to help us guide our horizontals. As always, earlier in 2021, again, taking everything that Cary mentioned about our modeling and what pricing is going to do and where we project ourselves out as a caveat to that. But ultimately, the way that would work is we go ahead and delineate and then we'd start drilling, honestly, south to north in that direction. So hopefully, that's helpful.

Leo Paul Mariani - *KeyBanc Capital Markets Inc., Research Division - Analyst*

Very helpful.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

And on disruptions in the industry doing -- due to things like restructuring. I'll just remind you, we are always looking at opportunities to grow, but any activity in that area must create value for Berry's shareholders. So it's an ongoing conversation in that respect, Leo.

Operator

Your next question comes from the line of Charles Meade of Johnson Rice.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

Guys, I know you touched on some of your inventory targets on the -- in your prepared remarks, but I'm wondering if you could just go back over some of that because I'm not sure that the question I have, whether this it's covered or not. Can you talk about what kind of targets or which of your targets this one rig that you're bringing back in October is going to be going after? And is that going to be -- is there just one sort of target that -- or one sort of area that you're going to be really focused in through 4Q and into '21? Or is that kind of going to bounce around? Just any color on that?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Sure, Charles. This is Gary, again. So it will be a combination of -- they'll all be sandstone wells right now as we're -- where we talked about the thermal diatomite study is still continuing. But they're all sandstones with a combination of horizontal and vertical wells. And they're all in the west side of the Kern County or Bakersfield at San Joaquin valley. Some will be up in Belridge, there'll be vertical wells in the Tillery Formation as an example. And then the others will be down in Midway Sunset. Two, bluntly will be horizontal wells, similar to the opportunity I just talked about, and the remainder will be in the Monarch Sands down in South Midwest-Sunset.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

Got it. That's helpful, Gary. And then...

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Charles, this is Trem. Just because of the nature of the call, I want to remind everyone that when we talk about horizontal wells, going back to Cary's investment thesis. These are very shallow in terms of total vertical depth and very low cost, okay? In the what, 650 range to drill and complete, okay? So they're not resource play-type horizontal wells. Just want to make sure everybody is aware of that.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

YYes, thank you for that added clarification. And Trem, maybe for -- this might be best for you, but of course, you can kick it anywhere. The -- I'm curious, I'd like -- Leo's question, zeroing in on this 748 acres for $5 million, and I appreciate the color you've already added to it. I wondered if you could give us your thoughts. Is this representative of the sort of opportunity that you see emerging through the back half of '20 into '21? Or is this just kind of a small bite, and we should expect bigger bites further down the line?

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

It's a very good question, Charles. I would expect that we are going to -- we have -- this bolt-on that we just talked about, we've done a number of these over the last 3 years since becoming public. And we will continue to do those kind of normal course of business as various companies go through and review what they can operate and what they want to put aside and what we want to operate, et cetera. That's just normal.

I would expect bigger chunks in the future. I can't talk much about all of that, but there's clearly some disruption going on in the market. And given that we've worked very hard, Charles, to position Berry to thrive through the cycle. And therefore, it puts us in a unique position, particularly in California, to take advantage of opportunities, okay?

So I hope that helps you there.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

That is helpful. Thank you for sharing your thoughts there, Trem.

Cary D. Baetz - *Berry Corporation - Executive VP, CFO & Director*

Charles, this is Cary. I'm -- just because I have to talk too, just when the other 2 talked. So I feel left out. But also, I just want to highlight, as Trem and Gary both said, we do have a lot of permits in hand. And so it does give us flexibility to do what -- to be very nimble in the fourth quarter where we put the rig on the sandstones. And it also gives us the ability to scale up quicker if the market allows -- if market did something crazy and pricing became even that much better. I just want to make sure everybody understood that as well.

Charles Arthur Meade - *Johnson Rice & Company, L.L.C., Research Division - Analyst*

We're hoping for something, some crazy like that.

Operator

Your next question comes from the line of Greg Tuttle of Simmons Energy.

Gregory Lee Tuttle - *Simmons & Company International, Research Division - Research Analyst*

A quick -- just in your prepared remarks, you talked about an overall corporate decline of 13% to 14%. And I'm curious as to the 6% that we saw quarter-over-quarter. Like what drove that 6%? Were there any shut-ins that we need to think about? Or can we think maybe about a higher decline going forward?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Yes, Greg, this is Gary. Let me talk about that real quick. So 2 or 3 things go into that. So first, let's just talk about that 13% to 14%. That's our annual decline, PDP decline, and that's where we talk about having low declines overall as a company and as a corporation. And that is still in place today. That -- nothing has changed. Again, I've mentioned before that it's very difficult to look at us on a quarter-to-quarter basis because of things that can swing, being a thermal producer, as an example, things can move. They're just not -- the IP of the well is sometimes not the highest it ever will produce, as an example. So if you think of a single-well model when you think of, "Oh, I drill this well, it's a peak rate and it declines off of that." That isn't necessarily the case in the thermal application. Even in producers, sometimes they produce more or less, depending on when we cycle them in a particular quarter or as you can understand, it's a little bit time-related. I'm sorry for the detail here, but I'm hoping to give you a little more information that you can feel comfortable with this.

So in the first quarter, we actually had some carryover that allowed that rate to be a little bit higher as we had some work that we did in 2019 that came online in the first quarter. So first quarter was slightly up from some of that work. And that work did not continue through the end of the first quarter and into the second quarter of this year, as I mentioned. So that has a little bit of effect that kind of overrides, if you will, that 13% to 14% annual PDP decline. That's one.

We did have a little bit of impact from shutting in some steam in the second quarter, not a lot. And then we did have a little bit of impact from certain wells that we did not bring back online if they went down during the quarter due to the pricing in the quarter. We expect both of those to come up in the future as we continue to look at our property sets on a well-by-well basis and make those individual judgments on, is that well economic in the current environment, just like always. Does it add value. So I will tell you that, no, the annual corporate decline has not changed. It's not higher. You're looking at a 1-quarter cycle that is not indicative of an annual rate. Is that helpful?

Gregory Lee Tuttle - *Simmons & Company International, Research Division - Research Analyst*

Okay. Perfect. Yes, absolutely. Thank you so much for the color on that. And then I guess, shifting gears. I'm curious as to -- for year-end 2020, how do you guys think about the cash balance? And then any efforts that you guys may have to be mitigating like a working capital drag?

Cary D. Baetz - *Berry Corporation - Executive VP, CFO & Director*

Yes. Greg, I'll make sure I get -- so cash balance is fairly easy. So it will be, as pointed out, $20 million today and growing. I'll let everybody have their model out, but it will be significantly higher than that at year-end, kind of as we planned, especially based upon our $65 million of CapEx and no dividend. It's kind of easy to map out. As far as working capital, we just don't see -- we don't have massive working capital (technical difficulty) to work we'll we'll actually get some benefit from the payable side of things in that time. But overall, our working capital should not vary wildly from quarter-to-quarter or month-to-month even as we started having a rig back to work.

Operator

Your next question comes from the line of Nicholas Pope of Seaport Global.

Nicholas Paul Pope - *Seaport Global Securities LLC, Research Division - Research Analyst*

I was hoping to -- just kind of as a follow-on with that production decline question. It's really just trying to understand the OpEx, seeing that drop, the $10 million drop from 1Q, how much of that is, I guess, sustainable versus what you saw from reduced workovers and the steam and the cogen being cut back or turned off for various periods during the quarter?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

So obviously, we control the bulk of that -- and Nick, this is Gary. So we control a lot of that. The steam itself, obviously, we control pretty dramatically. I will tell you that at some point in the future, we will want to bring steam back online, most likely, and because we'll be redirecting it. So our steam management happens all the time. So there's times when we reduce steam at a particular interval but we put it in a different interval. What we've chosen to do right now is we took the steam out of that interval and we have to put it back in a different interval due to the, again, the market conditions as we sit today. As that moves forward, we'll continue to bring that steam, some of it, back online.

As far as the other categories. It's -- we're -- number one, let me be -- first and foremost, we have not done anything that will get in the way of us operating safely for our employees and for those who visit our properties. Regulatory compliance, none of that is -- we put in jeopardy at all. That's sacrosanct for us. We will always operate that way, and we won't cut any cost that are associated with us staying at those levels. So first and foremost.

Now the other thing is, quite frankly, we had initiatives in place before this COVID issue and the eco-political market, as I called it. And so we were working to move costs down in the sustainable levels before that even. So like chemicals itself, we've done a lot of things. I don't expect those to go back up. Some of the well servicing that we've done as we look to do time-in-motion studies on rig movement and personnel that we use, those are sustainable and will continue forward. So I would say a lot of the things that we've done, the majority of them will continue forward, like Trem mentioned. But I can't say 100% of them will because, again, market conditions will have us bring some more wells back online. And that hard number, that real number, the dollar figure, will go up a little bit if that is the case. But on a per BOE basis, I expect us to stabilize in and around an opportunity in this range where we are today.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Nick, this is Trem. I'm going to add to Gary's comments, he did talk about the unit costs. The mandate has been for continuing to operate safely and within regulations, et cetera, we'll never deviate from that, of course. But these are sustainable. We're taking an opportunity as a company should during a downturn to really look at how we do things, okay?

So Gary is right. We've reduced our steam in the zone, and we will continue to have reduction in steam. When we do it on a unit, we will see steam costs grow on the unit -- on a overall basis, but on a unit basis, it will stay low, okay? Because we've learned things about our reservoirs in this downturn that are very helpful and are sustainable, okay? And Gary is absolutely right. We don't know, is it 70% sustainable, 80%, I don't know. But a significant piece of this cost is going to be sustainable.

Nicholas Paul Pope - *Seaport Global Securities LLC, Research Division - Research Analyst*

Yes, that's great. And on to the greenhouse gas number. Should I be thinking about the taxes other than income on a unit basis? On a percent basis of revenue? I was off on my numbers just because of the swing from 1Q. And I guess how do you all think about that line item in your expenses?

Gary A. Grove - *Berry Petroleum Company, LLC - Executive VP & COO*

Usually, I mean we give it as a -- on a per BOE basis, and that's kind of how we looked at it here. What happened in the first quarter, just kind of to give guidance is, there was a distressed seller. And so we took advantage of that and but historically, I think our guidance for the year was around that, $4, $4.50 range. I don't think we're coming off that right now at this point in time, Nick. I think it's consistently been in that range. And right now, with the pricing out there, that's what we're seeing as well. So a little bump that we got in the first quarter. Now we're kind of back to normal.

Operator

(Operator Instructions) I would now like to turn the call back over to Trem for any closing or additional comments.

Arthur T. Smith - *Berry Corporation - Chairman, President & CEO*

Thank you all for participating today. Really enjoyed the conversation, and look forward to the next quarter. Have a great day.

Operator

Thank you for participating in today's conference. That does conclude today's call. Have a great day, and you may now disconnect.
