BARNWELL INDUSTRIES INC
Form 10-K
December 24, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal year ended September 30, 2007
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 1-5103

BARNWELL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**72-0496921**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1100 Alakea Street, Suite 2900, Honolulu, Hawaii	**96813-2833**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: **(808) 531-8400**

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.50 per share	American Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

o Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

The aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of a share of common stock on March 31, 2007 (the last business day of the registrant s most recently completed second fiscal quarter) was $64,772,000.

As of December 12, 2007 there were 8,196,460 shares of common stock outstanding.

Documents Incorporated by Reference

1. Proxy statement to be forwarded to stockholders on or about January 17, 2008 is incorporated by

reference in Part III hereof.

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PART I

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-K, and the documents incorporated herein by reference, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. A forward-looking statement is one which is based on current expectations of future events or conditions and does not relate to historical or current facts. These statements include various estimates, forecasts, projections of Barnwell Industries, Inc. s (referred to herein together with its subsidiaries as Barnwell, we, our, us or the Company) future performance, statements of Barnwell s plans and objectives and other similar statements. Forward-looking statements include phrases such as expects, anticipates, intends, plans, believes, predicts, estimates, assumes, projects, may, will, will be, should, or similar expressions. Although Barnwell believes that its current expectations are based on reasonable assumptions, it cannot assure that the expectations contained in such forward-looking statements will be achieved. Forward-looking statements involve risks, uncertainties and assumptions which could cause actual results to differ materially from those contained in such statements. Investors should not place undue reliance on these forward-looking statements, as they speak only as of the date of filing of this Form 10-K, and Barnwell expressly disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are domestic and international general economic conditions, such as recessionary trends and inflation; domestic and international political, legislative, economic, regulatory and legal actions, including changes in the policies of the Organization of Petroleum Exporting Countries or other developments involving or affecting oil-producing countries; military conflict, embargoes, internal instability or actions or reactions of the governments of the United States and/or Canada in anticipation of or in response to such developments; interest costs, restrictions on production, restrictions on imports and exports in both the United States and Canada, the maintenance of specified reserves, tax increases and retroactive tax claims, royalty increases, expropriation of property, cancellation of contract rights, environmental protection controls, environmental compliance requirements and laws pertaining to workers health and safety; the condition of Hawaii s real estate market, including the level of real estate activity and prices, the demand for new housing and second homes on the island of Hawaii, the rate of increase in the cost of building materials and labor, the introduction of building code modifications, changes to zoning laws, the condition of Hawaii s tourism industry and the level of confidence in Hawaii s economy; levels of land development activity in Hawaii; levels of demand for water well drilling and pump installation in Hawaii; the potential liability resulting from pending or future litigation; the company s acquisition or disposition of assets; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; and the factors set forth under the heading Risk Factors in this Form 10-K, in other portions of this Form 10-K, in the Notes to Consolidated Financial Statements, and in other documents filed by Barnwell with the Securities and Exchange Commission (SEC). In addition, unpredictable or unknown factors not discussed in this report could also cause actual results to materially and adversely differ from those discussed in the forward-looking statements.

Unless otherwise indicated, all references to dollars in this Form 10-K are to United States dollars.

ITEM 1. BUSINESS

Overview

Fiscal 2007 represented Barnwell s 51st year of operations, having been incorporated in Delaware in 1956. Barnwell has the following four principal business segments:

Oil and Natural Gas Segment. Barnwell engages in oil and natural gas exploration, development, production and sales in Canada.

Land Investment Segment. Barnwell invests in leasehold interests in real estate in Hawaii.

Real Estate Development Segment. Established in January 2007, Barnwell acquires house lots for investment and to construct turnkey single-family homes for sale.

Contract Drilling Segment. Barnwell provides well drilling services and water pumping system installation and repairs in Hawaii.

Barnwell s oil and natural gas activities comprise its largest business segment. Approximately 73% of Barnwell s revenues for the fiscal year ended September 30, 2007 was attributable to its oil and natural gas activities. Barnwell s land investment segment revenues accounted for 12% of fiscal 2007 revenues; Barnwell s contract drilling activities accounted for 13% of fiscal 2007 revenues; and other revenues comprised 2% of fiscal 2007 revenues. There were no revenues generated by Barnwell s real estate development segment during fiscal 2007. Approximately 92% of Barnwell s capital expenditures for the fiscal year ended September 30, 2007 was attributable to its oil and natural gas activities and 8% was applicable to its other activities.

Oil and Natural Gas Segment

Overview

Through our wholly-owned subsidiary, Barnwell of Canada, Limited (Barnwell of Canada), we are involved in the acquisition, exploration and development of oil and natural gas properties. Barnwell of Canada initiates and participates in exploratory and developmental operations for oil and natural gas on property in which it has an interest, and evaluates proposals by third parties with regard to participation in such exploratory and developmental operations elsewhere.

Operations

Barnwell s investments in oil and natural gas properties consist of investments in Canada, principally in the Province of Alberta, with minor holdings in the Provinces of Saskatchewan and British Columbia. These property interests are principally held under governmental leases or licenses.

Under the typical Canadian provincial governmental lease, Barnwell must perform exploratory operations and comply with certain other conditions. Lease terms vary with each province, but, in general, the terms grant Barnwell the right to remove oil, natural gas and related substances subject to payment of specified royalties on production.

Barnwell initiates and participates in exploratory and developmental operations for oil and natural gas on property in which it has an interest. Barnwell also evaluates proposals by third parties for participation in other exploratory and developmental opportunities. All exploratory and developmental operations are overseen by Barnwell s Calgary, Alberta staff and Barnwell s Chief Operating Officer located in Honolulu, along with senior management and independent consultants as necessary. In fiscal 2007, Barnwell participated in exploratory and developmental operations primarily in the Canadian Province of Alberta, although Barnwell does not limit its consideration of exploratory and developmental operations to this area.

The Province of Alberta charges oil and gas producers a royalty for production in Alberta. The Province of Alberta determines its royalty share of natural gas and of oil by using reference prices that average all natural gas sales and oil sales, respectively, in Alberta. Royalty rates are calculated on a sliding scale basis, increasing as prices increase up to a maximum royalty rate of 35%. Additionally, Barnwell pays gross overriding royalties and leasehold royalties on a portion of its natural gas and oil sales to parties other than the Province of Alberta.

On October 25, 2007, the Alberta Government announced increases to the royalty rates on oil, natural gas liquids and natural gas production beginning on January 1, 2009. The new plan also intends to simplify royalties and eliminate old and new classifications of oil and natural gas with current maximum royalty rates of 35% with new royalty rates up to 50%. The new proposed 50% royalty rate is reached for oil when oil is selling at or above $120.00 Canadian dollars per barrel and for natural gas when natural gas is selling at or above $17.50 Canadian dollars per MCF. Barnwell is awaiting clarification from the Alberta Government on the new program and is in the process of assessing its impact. The new program may reduce Barnwell s natural gas and oil reserve volumes, reported net production, and estimated future revenues and estimated future cash flows from natural gas and oil reserves. The new program may also materially impact the economics of oil and natural gas exploration in the Alberta area. However, the magnitude of the potential impact, which will depend on the final form of legislation upon enactment, cannot be reasonably estimated at this time.

In fiscal 2007 and 2006, the weighted-average rate of all royalties paid on all of Barnwell s natural gas was approximately 24% and 28%, respectively. The weighted-average rate of all royalties paid to governments and others on natural gas from the Dunvegan Unit, Barnwell s principal oil and natural gas property, was approximately 27% and 30% in fiscal 2007 and 2006, respectively. The decrease in royalty rate on all properties was primarily due to higher operating cost royalty credits received from the Alberta Department of Energy for operating expenditures incurred by Barnwell and lower commodity prices. At Dunvegan, the decrease in royalty rate was due to lower prices, lower average gross production per well, and these wells being categorized as lower productivity, decreasing the royalty rate overall for the property.

In fiscal 2007 and 2006, the weighted-average royalty rate paid on oil was approximately 20% and 23%, respectively. The decrease in the weighted-average royalty rate on oil was primarily due to a higher percentage of Barnwell s fiscal 2007 production of oil coming from newer wells where royalties are assessed at a lower rate than on older wells.

Natural gas prices are typically higher in the winter than at other times due to increased heating demand. Oil prices are also subject to seasonal fluctuations, but to a lesser degree. Oil and natural gas unit sales are based on the quantity produced from the properties by the operator. During periods of low demand for natural gas, the operator of the Dunvegan property may re-inject natural gas into underground storage facilities in the Dunvegan property for delivery at a future date.

Well Drilling Activities

During fiscal 2007, Barnwell participated in the drilling of 30 gross development wells and 2 gross exploratory wells, of which management believes 29 should be capable of production and three are dry holes.

The following table sets forth more detailed information with respect to the number of exploratory (Exp.) and development (Dev.) wells drilled for the fiscal years ended September 30, 2007, 2006, and 2005 in which Barnwell participated:

	Productive Oil Wells		Productive Gas Wells		Total Productive Wells		Dry Holes		Total Wells	
	Exp.	Dev.	Exp.	Dev.	Exp.	Dev.	Exp.	Dev.	Exp.	Dev.
2007										
Gross*		**9.0**	**2.0**	**18.0**	**2.0**	**27.0**		**3.0**	**2.0**	**30.0**
Net*		**2.4**	**0.9**	**2.3**	**0.9**	**4.7**		**1.1**	**0.9**	**5.8**
2006										
Gross*	1.0	4.0	2.0	33.0	3.0	37.0	4.0	3.0	7.0	40.0
Net*	0.4	1.1	0.7	9.0	1.1	10.1	1.3	1.0	2.4	11.1
2005										
Gross*	1.0	7.0	4.0	57.0	5.0	64.0	5.0	6.0	10.0	70.0
Net*	0.3	1.7	1.0	7.3	1.3	9.0	1.6	1.6	2.9	10.6

* The term Gross refers to the total number of wells in which Barnwell owns an interest, and Net refers to Barnwell s aggregate interest therein. For example, a 50% interest in a well represents one gross well, but 0.5 net well. The gross figure includes interests owned of record by Barnwell and, in addition, the portion owned by others.

Barnwell invested $14,164,000 in oil and natural gas properties during fiscal 2007, of which $1,187,000 (8%) was for acquisition of oil and natural gas leases and lease rentals, $1,428,000 (10%) was for geological and geophysical costs, $8,846,000 (63%) was for intangible drilling costs, $2,410,000 (17%) was for production equipment, and $293,000 (2%) was for future site restoration and abandonment and other costs. The major areas of investments in fiscal 2007 were in the Progress, Pouce Coupe South, Dunvegan, Bonanza/Balsam, Boundary Lake, Wood River, Cecil and Doris areas of Alberta.

The Dunvegan Unit, in which Barnwell holds an 8.9% working interest, is Barnwell s principal oil and natural gas property and is located in Alberta, Canada. At September 30, 2007, the Dunvegan Unit had 203 producing natural gas wells. In fiscal 2007, Barnwell participated in the drilling of 11 gross (1.0 net) development gas wells in the Dunvegan area, all of which were successful. Total capital expenditures at Dunvegan were $3,524,000 in fiscal 2007 as compared to $1,781,000 and $4,299,000 in fiscal 2006 and 2005, respectively. Barnwell expects that fiscal 2008 capital expenditures at Dunvegan will decline slightly from fiscal 2007 s level with the anticipated drilling of 10 gross (0.9 net) development gas wells.

Capital expenditures totaled $1,335,000 in the Boundary Lake area of Alberta in fiscal 2007 as compared to $739,000 in fiscal 2006. Five gross (1.3 net) wells were drilled in fiscal 2007 of which three gross (1.0 net) wells were successful with one (0.3 net) producing and two (0.7 net) waiting to be tied in, one gross (0.1 net) well was not successful and one gross (0.2 net) well was being evaluated at September 30, 2007. Barnwell did not acquire any undeveloped land in the Boundary Lake area in fiscal 2007. At September 30, 2007, Barnwell s average working interest in its productive wells in the Boundary Lake area was 25%.

Capital expenditures totaled $1,196,000 in the Pouce Coupe South area in fiscal 2007 as compared to $2,101,000 in fiscal 2006. One gross (0.5 net) well was drilled in fiscal 2007 which was not successful, and certain wells drilled in prior years required additional development costs. At September 30, 2007 Barnwell s average working interest in its productive wells in the Pouce Coupe South area was 48%.

Capital expenditures totaled $1,042,000 in the Progress area in fiscal 2007 as compared to $6,094,000 in fiscal 2006. One gross (0.5 net) well was drilled in fiscal 2007, and as of September 30, 2007, was being evaluated. In fiscal 2007, in the Progress area Barnwell acquired oil and natural gas rights in 640 gross (416 net) acres of undeveloped land and completed development of certain wells drilled in the prior year. At September 30, 2007 Barnwell s average working interest in its productive wells in the Progress area was 39%.

Capital expenditures totaled $947,000 in the Wood River area in fiscal 2007 as compared to $867,000 in fiscal 2006. Three gross (0.6 net) wells were successfully drilled in fiscal 2007 with one gross well on production and two gross wells waiting to be tied in at September 30, 2007. In the Wood River area, Barnwell did not acquire any undeveloped land in fiscal 2007. At September 30, 2007 Barnwell s average working interest in its productive wells in the Wood River area was 16%.

Capital expenditures totaled $807,000 in the Cecil area in fiscal 2007 as compared to $551,000 in fiscal 2006. One gross (0.4 net) well was successfully drilled. In the Cecil area Barnwell acquired oil and natural gas rights in 1,920 gross (1,120 net) acres of undeveloped land in fiscal 2007.

Capital expenditures totaled $709,000 in the Doris area in fiscal 2007 as compared to $917,000 in fiscal 2006. One gross (0.5 net) well was drilled in fiscal 2007 which was not successful. In the Doris area Barnwell acquired oil and natural gas rights in 4,480 gross (2,880 net) acres of undeveloped land in fiscal 2007. At September 30, 2007 Barnwell s average working interest in its productive wells in the Doris area was 47%.

Capital expenditures totaled $590,000 in the Bonanza/Balsam area in fiscal 2007 as compared to $850,000 in fiscal 2006. One gross (0.2 net) well was drilled in fiscal 2007 which was successful and waiting to be tied in at September 30, 2007. In the Bonanza/Balsam area Barnwell acquired oil and natural gas rights in 3,200 gross (2,048 net) acres of undeveloped land in fiscal 2007. At September 30, 2007 Barnwell s average working interest in its productive wells in the Bonanza/Balsam area was 30%.

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Barnwell participated in 16 gross (5.2 net) wells, 28 gross (11.7 net) wells and 27 gross (8.8 net) wells in fiscal 2007, 2006 and 2005, respectively, that were on prospects developed by Barnwell.

Oil and Natural Gas Production

The following table summarizes (a) Barnwell s net unit production for the last three fiscal years, based on sales of crude oil, natural gas, condensate and other natural gas liquids, from all wells in which Barnwell has or had an interest, and (b) the average sales prices and average production and depletion costs for such production during the same periods. Production amounts reported are net of royalties and the Alberta Royalty Tax Credit, where applicable. As discussed in further detail below, the Alberta Royalty Tax Credit was discontinued effective January 1, 2007. Barnwell s net production in fiscal 2007, 2006, and 2005 was derived primarily from the Province of Alberta.

	Year Ended September 30,					
		2007		2006		2005
Annual net production:						
Natural gas liquids (BBLS)*		**114,000**		115,000		114,000
Oil (BBLS)*		**146,000**		145,000		139,000
Natural gas (MCF)*		**3,615,000**		3,629,000		3,621,000
Annual average sale price per unit of production:						
BBL of natural gas liquids**	**$**	**37.36**	$	40.18	$	31.84
BBL of oil**	**$**	**56.96**	$	56.85	$	48.11
MCF of natural gas***	**$**	**5.88**	$	6.67	$	5.93
Annual average production cost per MCFE produced****	**$**	**1.83**	$	1.45	$	1.20
Annual average depletion cost per MCFE produced*****	**$**	**2.49**	$	2.17	$	1.66

* When used in this report, the term BBL(S) means stock tank barrel(s) of oil equivalent to 42 U.S. gallons and the term MCF means 1,000 cubic feet of natural gas at 14.65 pounds per square inch absolute and 60 degrees F.

** Calculated on revenues before royalty expense and Alberta Royalty Tax Credit divided by gross production.

*** Calculated on revenues net of pipeline charges before royalty expense and Alberta Royalty Tax Credit divided by gross production.

**** Natural gas liquids, oil and natural gas units were combined by converting barrels of natural gas liquids and oil to an MCF equivalent (MCFE) on the basis of 1 BBL = 5.8 MCF. Excludes natural gas pipeline charges.

***** Natural gas liquids, oil and natural gas units were combined by converting barrels of natural gas liquids and oil to an MCF equivalent (MCFE) on the basis of 1 BBL = 5.8 MCF.

In fiscal 2007, approximately 63%, 25% and 12% of Barnwell s oil and natural gas revenues were from the sale of natural gas, oil and natural gas liquids, respectively.

In fiscal 2007, Barnwell s net production after royalties for natural gas averaged 9,900 MCF per day, a slight decrease from 9,940 MCF per day in fiscal 2006. Gross natural gas production decreased 6% in fiscal 2007, as compared to fiscal 2006. Gross natural gas production decreased 6% while net natural gas production was essentially unchanged due to lower royalties which were due in part to lower natural gas prices. Dunvegan contributed approximately 52% of Barnwell s net natural gas production in fiscal 2007, an increase from 50% in fiscal 2006 due to the lower royalties realized in fiscal 2007.

Barnwell s major oil producing properties are the Red Earth, Chauvin and Bonanza/Balsam areas in Canada. In fiscal 2007 and fiscal 2006, net production after royalties for oil averaged 400 barrels per day; gross oil production declined 2%. The addition of new wells in the Wood River and Progress areas were offset by decreased production from the Red Earth, Chauvin and Manyberries areas caused by natural declines from existing wells.

In fiscal 2007, net production after royalties for natural gas liquids averaged 310 barrels per day, a decrease of 3% from 320 barrels per day in fiscal 2006. Gross natural gas liquids production declined 2%. These decreases were principally due to lower Dunvegan production which decreased 2% or 6 barrels per day. Dunvegan contributed approximately 86% of Barnwell s net natural gas liquids production in fiscal 2007.

The average production cost per MCFE was $1.83 for fiscal 2007, a 26% increase from $1.45 for fiscal 2006. Actual field costs increased due to continued industry-wide increases in costs for oilfield services and utilities in Canada and a 3% increase in the average exchange rate of the Canadian dollar to the U.S. dollar in fiscal 2007, as compared to fiscal 2006.

The average depletion cost per MCFE was $2.49 for fiscal 2007, a 15% increase from $2.17 for fiscal 2006. The increase was due to a 12% increase in the depletion rate and a 3% increase in the average exchange rate of the Canadian dollar to the U.S. dollar. The 12% increase in the depletion rate was the result of increases over the past several years in Barnwell s costs of finding and developing proven reserves. Barnwell s cost of finding and developing proven reserves has increased due to the costs of oil and natural gas exploration and development having increased along with product prices and the drilling of unsuccessful wells.

In fiscal 2006, approximately 66%, 22% and 12% of Barnwell s oil and natural gas revenues were from the sale of natural gas, oil and natural gas liquids, respectively.

In fiscal 2006, Barnwell s net production after royalties for natural gas averaged 9,940 MCF per day, a slight increase from 9,920 MCF per day in fiscal 2005. Gross natural gas production also increased 1% in fiscal 2006, as compared to fiscal 2005. Dunvegan contributed approximately 50% of Barnwell s net natural gas production in fiscal 2006, an increase from 48% in fiscal 2005 due to the new wells drilled at Dunvegan.

In fiscal 2006, net production after royalties for oil averaged 400 barrels per day, an increase of 5% from 380 barrels per day in fiscal 2005. This increase was principally due to the addition of new wells in the Wood River and Progress areas which offset decreased production from the Bonanza/Balsam and Red Earth areas caused by natural declines from existing wells.

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In fiscal 2006, net production after royalties for natural gas liquids averaged 320 barrels per day, an increase of 3% from 310 barrels per day in fiscal 2005. This increase was due to higher Dunvegan production which increased 8% or 19 barrels per day. Dunvegan contributed approximately 87% of Barnwell s net natural gas liquids production in fiscal 2006.

The average production cost per MCFE was $1.45 for fiscal 2006, a 21% increase from $1.20 for fiscal 2005. Actual field costs increased by 12% due to industry-wide increases in costs for oilfield services and utilities in Canada and a 7% increase in the average exchange rate of the Canadian dollar to the U.S. dollar in fiscal 2006, as compared to fiscal 2005.

The average depletion cost per MCFE was $2.17 for fiscal 2006, a 31% increase from $1.66 for fiscal 2005. The increase was due to a 22% increase in the depletion rate and a 7% increase in the average exchange rate of the Canadian dollar to the U.S. dollar.

Productive Wells

The following table sets forth the gross and net number of productive wells Barnwell has an interest in as of September 30, 2007.

	Productive Wells*			
	Gross**		**Net****	
Location	**Oil**	**Gas**	**Oil**	**Gas**
<u>Canada</u>				
Alberta	159	571	28.2	67.7
Saskatchewan	7	32	0.3	5.3
British Columbia	3	1	0.8	0.2
Total	169	604	29.3	73.2

* Twenty-eight natural gas wells have dual or multiple completions.

** Please see note (2) on the following table.

Developed Acreage and Undeveloped Acreage

The following table sets forth certain information with respect to oil and natural gas properties of Barnwell as of September 30, 2007.

	Developed Acreage(1)		**Undeveloped Acreage(1)**		**Developed and Undeveloped Acreage(1)**	
Location	**Gross(2)**	**Net(2)**	**Gross(2)**	**Net(2)**	**Gross(2)**	**Net(2)**
Canada						
Alberta	248,581	38,695	259,940	123,508	508,521	162,203
British Columbia	1,632	488	3,983	1,120	5,615	1,608
Saskatchewan	3,140	426			3,140	426
Total	253,353	39,609	263,923	124,628	517,276	164,237

(1) Developed Acreage includes the acres covered by leases upon which there are one or more producing wells. Undeveloped Acreage includes acres covered by leases upon which there are no producing wells and which are maintained in effect by the payment of delay rentals or the commencement of drilling thereon.

(2) Gross refers to the total number of acres or wells in which Barnwell owns an interest, and Net refers to Barnwell s aggregate interest therein. For example, a 50% interest in a 320 acre lease represents 320 gross acres and 160 net acres. The gross acreage and well figures include interests owned of record by Barnwell and, in addition, the portion owned by others.

Barnwell s leasehold interests in its undeveloped acreage expire over the next fiscal years, if not developed, as follows: 15% expire during fiscal 2008; 27% expire during fiscal 2009; 21% expire during fiscal 2010; 14% expire during fiscal 2011; and 12% expire during fiscal 2012. Eleven percent of Barnwell s undeveloped acreage is related to heavy oil and therefore not subject to expiration. There can be no assurance that Barnwell will be successful in renewing its leasehold interests in the event of expiration.

Barnwell s undeveloped acreage includes concentrations in Alberta, at Doris (9,984 net acres), Bremner (8,640 net acres), Bonanza/Balsam (8,504 net acres), Rycroft (8,440 net acres), Swalwell (6,468 net acres), Mulligan (6,048 net acres), Thornbury (5,949 net acres) and Boundary Lake (5,890 net acres).

Reserves

The amounts set forth in the table below, prepared by Paddock Lindstrom & Associates Ltd., Barnwell s independent reservoir engineering consultants, summarize the estimated net quantities of proved producing reserves and proved reserves of crude oil (including condensate and natural gas liquids) and natural gas as of September 30, 2007, 2006, and 2005 on all properties in which Barnwell has an interest. These reserves are before deductions for indebtedness secured by the properties and are based on constant dollars. No estimates of total proved net oil or natural gas reserves have been filed with or included in reports to any federal authority or agency, other than the United States Securities and Exchange Commission, since October 1, 2004.

Proved Producing Reserves