## Energy Partners, Ltd. (EPL – 13.94) Contrarian Opportunity

### **Summary and Recommendation**

Contrary to a decline in near-term oil price in the past week, our estimates of present value and 2001 cash flow increase, thereby implying an enhanced investment opportunity. Present value increases because oil quotes several years out have moved up, not down. Cash flow for next year increases because the mix of equivalent barrels shifts to 41% natural gas from 31% previously estimated. The best recent recompletion is a natural gas well and the company will be testing, on about December 15, a promising discovery well that will produce natural gas. Estimated present value of future cash flow is \$21.90 per share, or around \$593 million (see Table EPL-1). Current enterprise value is only 2.4 times 2001 EBITDAX of \$157 million (see Table EPL-2). Revised at least weekly depending on market prices of oil, natural gas and money, as well as any new interpretation of operating trends, our estimates imply that 2.4 times should be 3.8.

### **Testing Promising Natural Gas Discovery**

Disclosed in the company's first conference call as a publicly traded stock, a deep exploratory well in the Greater Bay Marchand area encountered 300 feet of productive thickness in 14 different horizons. EPL has a 50% working interest. The high-pressure gas discovery will be tested in the "R" formation around December 15. The well appears to justify expectations that the relatively unexplored sediments below the giant old oil field are prolific. The company scored a second recent success with a recompleted well in the East Bay area flowing 5.4 million cubic feet daily (mmcfd). EPL has a 100% working interest in the latter well.

Although we have billed EPL as a Gulf of Mexico oil producer, the company's production has turned surprisingly gassy. At least temporarily, the timing is especially fortuitous because natural gas price is at an all time high relative to oil. Current volume of 16.5 thousand barrels equivalent daily (mbd) breaks down to 9.7 mbd oil (59%) and 41 mmcfd natural gas (41%). We adjust projections for 2001 to a 59/41 mix.

Meanwhile a temporary disruption of 20% for more than three weeks reduces the current quarterly average by perhaps 1 mbd. Management expects production to be in the range of 15-16 mbd in the current quarter. We had been estimating 16 mbd, but will now use 15.5 mbd to acknowledge the impact of the disruption.

An unusual noncash charge of some \$40 million will be taken in the current quarter to reflect shares of stock released from escrow for the benefit of management and

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# McDep Associates Stock Idea

December 11, 2000

employees. As a result of that charge and the change in capital structure associated with the initial public offering on November 1, 2000, reported earnings for the rest of 2000 are not particularly meaningful. While 2001 earnings may be more realistic, our valuation focuses on cash flow.

Rick Bachmann and his team at EPL are off to a good start as a public company. We believe the prospects are favorable for management to achieve its growth targets and for the stock to appreciate accordingly. The company is in a strong financial position with only nominal debt.

### Kurt H. Wulff, CFA

#### Table EPL-1 Energy Partners, Ltd. Present Value

Volume Decline (%/yr): Volume Enhancement (%/yr): Capex/Cash Flow (%): Variable Cost (%):				15 30 98 18				Price Escalation post 2006 (%/yr): Discount rate (%/yr): U.S. TIPS Inflation (%/yr): U.S. 10 Year Yield (%/yr):					
		Volume				Fixed	Var	Cap	Pre-	Income	Cash		Present
	Basic	Enhanced	Total	Price	Revenue	Cost	Cost	Ex	Tax	Tax	Flow	Disc	Value
Year	(mb)	(mb)	(mb)	(\$/bbl)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	Factor	(\$mm)
Total 2000 through 2014													
	30100	129400	159500	25.37	4046	355	728	1508	1455	242	1213	0.41	593
												_	
1999	5055		5055	15.51	78.4	16.9	14.1		47.4	0.0	47.4		
2000	4396	390	4786	27.75	132.8	22.2	23.9	85.0	1.7	0.0	1.7	0.97	1.7
2001	3823	3477	7300	28.94	211.3	22.2	38.0	148.0	3.0	0.5	2.5	0.91	2.3
2002	3324	5146	8470	24.37	206.4	22.2	37.2	144.1	2.9	0.5	2.5	0.85	2.1
2003	2890	6915	9805	23.57	231.1	22.2	41.6	164.0	3.3	0.6	2.8	0.80	2.2
2004	2513	8819	11333	23.14	262.2	22.2	47.2	189.0	3.9	0.6	3.2	0.75	2.4
2005	2186	10896	13082	22.83	298.6	22.2	53.8	218.2	4.5	0.7	3.7	0.70	2.6
2006	1900	13186	15087	22.64	341.6	22.2	61.5	252.7	5.2	0.9	4.3	0.65	2.8
2007	1653	15734	17387	23.50	408.6	22.2	73.5	306.6	6.3	1.0	5.2	0.61	3.2
2008	1437	13374	14811	24.39	361.2	22.2	65.0		274.0	45.7	228.3	0.57	130.9
2009	1250	11368	12618	25.31	319.3	22.2	57.5		239.6	39.9	199.7	0.54	107.3
2010	1087	9663	10749	26.26	282.3	22.2	50.8		209.3	34.9	174.4	0.50	87.8
2011	945	8213	9158	27.26	249.6	22.2	44.9		182.5	30.4	152.1	0.47	71.7
2012	822	6981	7803	28.29	220.7	22.2	39.7		158.8	26.5	132.3	0.44	58.4
2013	714	5934	6649	29.36	195.2	22.2	35.1		137.8	23.0	114.9	0.41	47.5
2014	621	5044	5665	30.47	172.6	22.2	31.1		119.3	19.9	99.4	0.39	38.5
2015	540	4287	4828	31.62	152.6	22.2	27.5		103.0	17.2	85.8	0.36	31.1

Table EPL-2 Energy Partners, Ltd. Cash Flow

Mighlights   Mig				a / = [		0.15			0.45	
Highlights										
Revenue (Smm)		6/30/00	9/30/00	12/31/00	2000E	3/31/01	6/30/01	9/30/01	12/31/01	2001E
EBITDAX (Smm)		20.4	20.5	42.0	4050	<b></b>	40.4			244.2
Cash Flow (Smm)         15.4         17.2         2.9.7         62.3         39.4         34.4         39.3         42.4         15.5         5.74           Net Income (Smm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Per share         0.46         0.29         (0.76)         0.56         0.46         0.55         0.59         2.16           Shares (millions)         1.81         1.91         0.66         0.0         3.83         4.26         4.75         5.05         17.88           Natural Gas (bect)         1.48         1.41         1.61         33.0         1.64         42.5         46.8         51.6         54.9         49.0           Days         182         92         92         366         90         91         92         92         36.5           Oil (mb)         965         899         920         2.785         927         1.019         1.141         1.233         4.320           Oil (mb)         6.7         1.22         15.5         10.3         17.4         19.0         21.0         22.5         20.0           Price         1.3	, ,									
Per share (S)	, ,									
Net Income (smm)	` '	15.4	17.2		62.3					
Pers share	\.'.'									
Shares (millions)   1.48   1.49   3.04   6.00   3.83   4.26   4.75   5.05   17.88     Natural Gas (berl)   1.48   1.49   3.04   6.00   3.83   4.26   4.75   5.05   17.88     Natural Gas (mmcfd)   8.1   16.1   33.0   16.4   42.5   46.8   51.6   54.9   49.0     Days   182   92   92   366   90   91   92   266     Oil (mb)   965   899   920   2.785   927   1.019   1.141   1.233   4.320     Oil (mbd)   5.30   9.78   10.00   7.61   10.30   11.20   12.40   13.40   11.84     Total (mbd)   1.212   1.147   1.426   3.785   1.555   1.729   1.952   2.075   7.300     Price   Natural Gas   1.25   15.5   10.3   17.4   19.0   21.0   22.5   20.0     Price   Natural Gas   1.25   1.25   1.25   1.25   1.25   1.25   1.25   1.25     Henry Hub (\$mmbtu)   3.13   4.48   6.27   4.25   8.05   5.27   5.01   5.05   5.84     Differential (\$mmbtu)   (0.40   0.29   0.020   (1.07)   (0.20   0.020   (0.20)   (0.20)   (0.09)     EPL (\$mmcf)   3.52   4.77   6.47   5.32   8.25   5.47   5.21   5.25   5.93     Oil (\$8bh)	, ,			` '	(1.0)					
Natural Gas (bcr)		0.46		` ′						
Natural Gas (bcf)	,		18.1	19.1		27.1	27.1	27.1	27.1	27.1
Natural Gas (mmcfd)	Volume									
Days   182   92   92   366   90   91   92   92   365   0il (mb)   965   899   920   2,785   927   1,019   1,141   1,233   4,320   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total (mb)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300   Total   1,212   1,213   1,213   1,214   1,213   1,214	Natural Gas (bcf)	1.48	1.49		6.00		4.26		5.05	
Oil (mb)   965   899   920   2,785   927   1,19   1,141   1,233   4,320     Oil (mbd)   5,30   9,78   10,00   7,61   10,30   11,20   12,40   13,40   11,84     Total (mbd)   1,212   1,147   1,426   3,785   1,565   1,729   1,932   2,075   7,300     Total (mbd)   6,7   12,5   15,5   10,3   17,4   19,0   21,0   22,5   20,0     Price	Natural Gas (mmcfd)	8.1	16.1	33.0	16.4	42.5	46.8	51.6	54.9	49.0
Oil (mbd)         5.30         9.78         10.00         7.61         10.30         11.20         12.40         13.40         11.84           Total (mbb)         1.212         1,147         1,426         3,785         1,729         1,932         2,075         7,300           Price         Natural Gas           Henry Hub (S/mmbtu)         0.40)         (0.29)         (0.20)         (1.07)         (0.20)	Days	182	92	92	366	90	91	92	92	365
Total (mb)	Oil (mb)	965	899	920	2,785	927	1,019	1,141	1,233	4,320
Total (mbd)         6.7         12.5         15.5         10.3         17.4         19.0         21.0         22.5         20.0           Price         Natural Gas         Henry Hub (\$\text{Mmbtu})         3.13         4.48         6.27         4.25         8.05         5.27         5.01         5.05         5.84           Differential (\$\text{Symmbtu})         (0.40)         (0.29)         (0.20)         (1.07)         (0.20)         (0.20)         (0.20)         (0.09)           EPL (\$\text{Mrcf})         3.52         4.77         6.47         5.32         8.25         5.47         5.21         5.25         5.93           Oil (\$\text{Sybl})         3.161         32.14         30.34         28.09         27.15         26.34         25.63         26.81           Differential         3.12         5.43         5.73         4.26         4.50         2.85         1.30         1.30         2.45           EPL         25.69         26.18         26.40         26.08         23.60         24.30         25.04         24.33         24.35           Total (\$\text{Sybl})         22.85         24.3         7.26         21.9         24.8         28.6         30.0         105.2 <t< td=""><td>Oil (mbd)</td><td>5.30</td><td>9.78</td><td>10.00</td><td>7.61</td><td>10.30</td><td>11.20</td><td>12.40</td><td>13.40</td><td>11.84</td></t<>	Oil (mbd)	5.30	9.78	10.00	7.61	10.30	11.20	12.40	13.40	11.84
Price   Natural Gas   Henry Hub (S/mmbtu)   3.13	Total (mb)	1,212	1,147	1,426	3,785	1,565	1,729	1,932	2,075	7,300
Natural Gas	Total (mbd)	6.7	12.5	15.5	10.3	17.4	19.0	21.0	22.5	20.0
Henry Hub (\$\text{mmbtu})	Price									
Differential (\(\septimerror)\)   Differential (\(\septimerror)\)   Differential (\(\septimerror)\)   Differential (\(\septimerror)\)   Differential   S.52   4.77   6.47   5.32   8.25   5.47   5.21   5.25   5.93	Natural Gas									
EPL (\$\mcf)         3.52         4.77         6.47         5.32         8.25         5.47         5.21         5.25         5.93           Oil (\$\shbh)         WTI Cushing         28.81         31.61         32.14         30.34         28.09         27.15         26.34         25.63         26.81           Differential         3.12         5.43         5.73         4.26         4.50         2.85         1.30         1.30         2.45           EPL         25.69         26.18         26.40         26.08         23.60         24.30         25.04         24.33         24.35           Total (\$\shbh)         25.05         26.79         30.81         27.75         34.14         27.80         27.58         27.23         28.94           Revenue (\$\smm)         Nural Gas         5.2         7.1         19.6         31.9         31.5         23.3         24.7         26.5         106.0           Oil         24.8         23.5         24.3         72.6         21.9         24.8         28.6         30.0         105.2           Other         0.3         0.1         0.3         30.1         43.9         105.0         53.4         48.1         53.3         56.5 </td <td>Henry Hub (\$/mmbtu)</td> <td>3.13</td> <td>4.48</td> <td>6.27</td> <td>4.25</td> <td>8.05</td> <td>5.27</td> <td>5.01</td> <td>5.05</td> <td>5.84</td>	Henry Hub (\$/mmbtu)	3.13	4.48	6.27	4.25	8.05	5.27	5.01	5.05	5.84
Oil (\$\shb{)}         Zes.81         31.61         32.14         30.34         28.09         27.15         26.34         25.63         26.81           Differential         3.12         5.43         5.73         4.26         4.50         2.85         1.30         1.30         2.45           EPL         25.69         26.18         26.40         26.08         23.60         22.50         22.50         24.33         24.35           Total (\$\shb{)}\$         25.05         26.79         30.81         27.75         34.14         27.80         27.58         27.23         28.94           Revenue (\$mm)         Natural Gas         5.2         7.1         19.6         31.9         31.5         23.3         24.7         26.5         106.0           Oil         24.8         23.5         24.3         72.6         21.9         24.8         28.6         30.0         105.2           Other         0.3         0.1         30.4         30.7         43.9         105.0         53.4         48.1         53.3         56.5         211.3           Cost (\$mm)         1         2.0         5.5         2.7         2.4         8.0         8.0         8.0         8.0         <	Differential (\$/mmbtu)	(0.40)	(0.29)	(0.20)	(1.07)	(0.20)	(0.20)	(0.20)	(0.20)	(0.09)
WTI Cushing   28.81   31.61   32.14   30.34   28.09   27.15   26.34   25.63   26.81   Differential   3.12   5.43   5.73   4.26   4.50   2.85   1.30   1.30   2.45   EPL   25.69   26.18   26.40   26.08   23.60   24.30   25.04   24.33   24.35   Total (\$\shible)   25.05   26.79   30.81   27.75   34.14   27.80   27.58   27.23   28.94   Revenue (\$\shims   \)  Natural Gas   5.2   7.1   19.6   31.9   31.5   23.3   24.7   26.5   106.0   Oil   24.8   23.5   24.3   72.6   21.9   24.8   28.6   30.0   105.2   Other   0.3   0.1   Total   30.4   30.7   43.9   105.0   53.4   48.1   53.3   56.5   211.3   Cost (\$\shims   \)  Cost (\$\shims   \)  Lease operating   6.4   6.4   8.0   20.9   8.0   8.0   8.0   8.0   8.0   32.0   Production taxes   1.5   1.7   2.2   5.5   2.7   2.4   2.7   2.8   10.6   General and administrative   4.3   3.0   3.0   10.4   3.0   3.0   3.0   3.0   3.0   12.0   Total   12.3   11.2   13.2   36.7   13.7   13.4   13.7   13.8   54.6   EBITDAX (\$\shims   \) 15.4   17.2   29.7   62.3   39.4   34.4   39.3   42.4   155.5   Exploration   0.8   0.3   2.3   3.3   3.5   1.5   1.5   1.5   8.0   Deprec., Deplet.,& Amort.   8.3   7.5   9.3   25.1   10.2   11.3   12.6   13.6   47.7   Amort. Financing Cost   0.3   0.5   0.8   0.3   0.3   0.3   0.3   0.3   0.3   1.2   0.10   0.0	EPL (\$/mcf)	3.52	4.77	6.47	5.32	8.25	5.47	5.21	5.25	5.93
WTI Cushing   28.81   31.61   32.14   30.34   28.09   27.15   26.34   25.63   26.81   Differential   3.12   5.43   5.73   4.26   4.50   2.85   1.30   1.30   2.45   EPL   25.69   26.18   26.40   26.08   23.60   24.30   25.04   24.33   24.35   Total (\$\shible)   25.05   26.79   30.81   27.75   34.14   27.80   27.58   27.23   28.94   Revenue (\$\shims   \)  Natural Gas   5.2   7.1   19.6   31.9   31.5   23.3   24.7   26.5   106.0   Oil   24.8   23.5   24.3   72.6   21.9   24.8   28.6   30.0   105.2   Other   0.3   0.1   Total   30.4   30.7   43.9   105.0   53.4   48.1   53.3   56.5   211.3   Cost (\$\shims   \)  Cost (\$\shims   \)  Lease operating   6.4   6.4   8.0   20.9   8.0   8.0   8.0   8.0   8.0   32.0   Production taxes   1.5   1.7   2.2   5.5   2.7   2.4   2.7   2.8   10.6   General and administrative   4.3   3.0   3.0   10.4   3.0   3.0   3.0   3.0   3.0   12.0   Total   12.3   11.2   13.2   36.7   13.7   13.4   13.7   13.8   54.6   EBITDAX (\$\shims   \) 15.4   17.2   29.7   62.3   39.4   34.4   39.3   42.4   155.5   Exploration   0.8   0.3   2.3   3.3   3.5   1.5   1.5   1.5   8.0   Deprec., Deplet.,& Amort.   8.3   7.5   9.3   25.1   10.2   11.3   12.6   13.6   47.7   Amort. Financing Cost   0.3   0.5   0.8   0.3   0.3   0.3   0.3   0.3   0.3   1.2   0.10   0.0	Oil (\$/bbl)									
EPL Total (\$/bbl)         25.69 26.18 26.79 26.79 30.81 27.75 34.14 27.80 27.58 27.23 28.94           Revenue (\$mm)           Natural Gas         5.2 7.1 19.6 31.9 24.3 72.6 21.9 24.8 28.6 30.0 105.2 0ther         31.5 23.3 24.7 26.5 30.0 105.2 0ther         30.4 30.7 43.9 105.0 53.4 48.1 53.3 56.5 211.3         21.9 24.8 28.6 30.0 105.2 0ther         30.0 10.2 24.8 23.5 24.3 72.6 21.9 24.8 28.6 30.0 105.2 0ther         30.4 30.7 43.9 105.0 53.4 48.1 53.3 56.5 211.3         20.5 20.0 20.0 20.0 20.0 20.0 20.0 20.0		28.81	31.61	32.14	30.34	28.09	27.15	26.34	25.63	26.81
Total (\$/bbl)   25.05   26.79   30.81   27.75   34.14   27.80   27.58   27.23   28.94	•	3.12	5.43	5.73	4.26	4.50	2.85	1.30	1.30	2.45
Total (\$/bbl)   25.05   26.79   30.81   27.75   34.14   27.80   27.58   27.23   28.94	EPL	25.69	26.18	26.40	26.08	23.60	24.30	25.04	24.33	24.35
Natural Gas   5.2   7.1   19.6   31.9   31.5   23.3   24.7   26.5   106.0	Total (\$/bbl)	25.05	26.79	30.81						
Natural Gas										
Oil Other         24.8         23.5         24.3         72.6         21.9         24.8         28.6         30.0         105.2           Other         0.3         0.1         30.4         30.7         43.9         105.0         53.4         48.1         53.3         56.5         211.3           Cost (\$mm)           Lease operating         6.4         6.4         8.0         20.9         8.0         8.0         8.0         8.0         9.0         9.0         9.0         9.0         8.0         8.0         8.0         8.0         9.0         9.0         9.0         8.0         8.0         8.0         8.0         9.0         9.0         9.0         9.0         9.0         8.0         8.0         8.0         8.0         9.0	, ,	5.2	7.1	19.6	31.9	31.5	23.3	24.7	26.5	106.0
Other Total         30.4         30.7         43.9         105.0         53.4         48.1         53.3         56.5         211.3           Cost (\$mm)         Lease operating         6.4         6.4         8.0         20.9         8.0         8.0         8.0         8.0         32.0           Production taxes         1.5         1.7         2.2         5.5         2.7         2.4         2.7         2.8         10.6           General and administrative         4.3         3.0         3.0         10.4         3.0         3.0         3.0         12.0           Total         12.3         11.2         13.2         36.7         13.7         13.4         13.7         13.8         54.6           EBITDAX (\$mm)         18.0         19.5         30.7         68.3         39.7         34.7         39.6         42.7         156.7           Net interest         2.6         2.4         1.0         6.0         0.3         0.3         0.3         0.3         1.2           Cash Flow (\$mm)         15.4         17.2         29.7         62.3         39.4         34.4         39.3         42.4         155.5           Exploration         0.8										
Total         30.4         30.7         43.9         105.0         53.4         48.1         53.3         56.5         211.3           Cost (\$mm)         Lease operating         6.4         6.4         8.0         20.9         8.0         8.0         8.0         8.0         32.0           Production taxes         1.5         1.7         2.2         5.5         2.7         2.4         2.7         2.8         10.6           General and administrative         4.3         3.0         3.0         10.4         3.0<										
Cost (\$mm)         Lease operating         6.4         6.4         8.0         20.9         8.0         8.0         8.0         32.0           Production taxes         1.5         1.7         2.2         5.5         2.7         2.4         2.7         2.8         10.6           General and administrative         4.3         3.0         3.0         10.4         3.0				43.9	105.0	53.4	48 1	53.3	56.5	211.3
Lease operating		50	2017		100.0	00	.0.1	00.0	50.5	211.0
Production taxes         1.5         1.7         2.2         5.5         2.7         2.4         2.7         2.8         10.6           General and administrative         4.3         3.0         3.0         10.4         3.0         3.0         3.0         3.0         12.0           Total         12.3         11.2         13.2         36.7         13.7         13.4         13.7         13.8         54.6           EBITDAX (\$mm)         18.0         19.5         30.7         68.3         39.7         34.7         39.6         42.7         156.7           Net interest         2.6         2.4         1.0         6.0         0.3         0.3         0.3         0.3         1.2           Cash Flow (\$mm)         15.4         17.2         29.7         62.3         39.4         34.4         39.3         42.4         155.5           Exploration         0.8         0.3         2.3         3.3         3.5         1.5         1.5         1.5         8.0           Deprec., Deplet.,& Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3		6.4	6.4	8.0	20.9	8.0	8.0	8.0	8.0	32.0
General and administrative         4.3         3.0         3.0         10.4         3.0<										
Total 12.3 11.2 13.2 36.7 13.7 13.4 13.7 13.8 54.6 EBITDAX (\$mm) 18.0 19.5 30.7 68.3 39.7 34.7 39.6 42.7 156.7 Net interest 2.6 2.4 1.0 6.0 0.3 0.3 0.3 0.3 0.3 1.2 Cash Flow (\$mm) 15.4 17.2 29.7 62.3 39.4 34.4 39.3 42.4 155.5 Exploration 0.8 0.3 2.3 3.3 3.5 1.5 1.5 1.5 1.5 8.0 Deprec., Deplet., & Amort. 8.3 7.5 9.3 25.1 10.2 11.3 12.6 13.6 47.7 Amort. Financing Cost 0.3 0.5 0.8 0.3 0.3 0.3 0.3 1.2 Other non cash (5.6) 1.0 41.0 36.4 1.0 1.0 1.0 1.0 1.0 4.0 Income before income tax 12.7 8.4 (23.3) (2.3) 24.4 20.3 23.9 26.0 94.5 Income tax 4.5 3.2 (8.9) (1.2) 9.3 7.7 9.1 9.9 35.9 Net income (\$mm) 8.3 5.2 (14.5) (1.0) 15.1 12.6 14.8 16.1 58.6 Costs (\$\shib{l})  Lease operating 5.32 5.61 5.61 5.52 5.11 4.63 4.14 3.86 4.38 Production taxes 1.27 1.52 1.54 1.45 1.71 1.39 1.38 1.36 1.45 General and administrative 3.57 2.65 2.10 2.74 1.92 1.74 1.55 1.45 1.64 Deprec., Deplet., & Amort. 6.84 6.54 6.54 6.54 6.54 6.54 6.54 6.54										
EBITDAX (\$mm)         18.0         19.5         30.7         68.3         39.7         34.7         39.6         42.7         156.7           Net interest         2.6         2.4         1.0         6.0         0.3         0.3         0.3         0.3         1.2           Cash Flow (\$mm)         15.4         17.2         29.7         62.3         39.4         34.4         39.3         42.4         155.5           Exploration         0.8         0.3         2.3         3.3         3.5         1.5         1.5         1.5         8.0           Deprec., Deplet., & Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3         0.5         0.8         0.3         0.3         0.3         0.3         1.2           Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         1.0         4.0           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14										
Net interest         2.6         2.4         1.0         6.0         0.3         0.3         0.3         0.3         1.2           Cash Flow (\$mm)         15.4         17.2         29.7         62.3         39.4         34.4         39.3         42.4         155.5           Exploration         0.8         0.3         2.3         3.3         3.5         1.5         1.5         1.5         8.0           Deprec., Deplet., & Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3         0.5         0.8         0.3         0.3         0.3         0.3         1.2           Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         1.0         4.0           Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2										
Cash Flow (\$mm)         15.4         17.2         29.7         62.3         39.4         34.4         39.3         42.4         155.5           Exploration         0.8         0.3         2.3         3.3         3.5         1.5         1.5         1.5         8.0           Deprec., Deplet., & Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3         0.5         0.8         0.3         0.3         0.3         0.3         1.2           Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         4.0           Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)           Lease operat	` '									
Exploration         0.8         0.3         2.3         3.3         3.5         1.5         1.5         1.5         8.0           Deprec., Deplet., & Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3         0.5         0.8         0.3         0.3         0.3         0.3         1.2           Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         1.0         4.0           Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)         Lease operating         5.32         5.61         5.61         5.52         5.11         4.63         4.14         3.86         4.38           Production										
Deprec., Deplet., & Amort.         8.3         7.5         9.3         25.1         10.2         11.3         12.6         13.6         47.7           Amort. Financing Cost         0.3         0.5         0.8         0.3         0.3         0.3         0.3         1.2           Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         1.0         4.0           Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)         Lease operating         5.32         5.61         5.61         5.52         5.11         4.63         4.14         3.86         4.38           Production taxes         1.27         1.52         1.54         1.45         1.71         1.39         1.38         1.36         1.45           <	· · /									
Amort. Financing Cost 0.3 0.5 0.8 0.3 0.3 0.3 0.3 1.2 Other non cash (5.6) 1.0 41.0 36.4 1.0 1.0 1.0 1.0 4.0 Income before income tax 12.7 8.4 (23.3) (2.3) 24.4 20.3 23.9 26.0 94.5 Income tax 4.5 3.2 (8.9) (1.2) 9.3 7.7 9.1 9.9 35.9 Net income (\$mm) 8.3 5.2 (14.5) (1.0) 15.1 12.6 14.8 16.1 58.6 Costs (\$/bbl)  Lease operating 5.32 5.61 5.61 5.52 5.11 4.63 4.14 3.86 4.38 Production taxes 1.27 1.52 1.54 1.45 1.71 1.39 1.38 1.36 1.45 General and administrative 3.57 2.65 2.10 2.74 1.92 1.74 1.55 1.45 1.64 Deprec., Deplet.,& Amort. 6.84 6.54 6.54 6.54 6.54 6.54 6.54	*									
Other non cash         (5.6)         1.0         41.0         36.4         1.0         1.0         1.0         1.0         4.0           Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)               4.38		0.3								
Income before income tax         12.7         8.4         (23.3)         (2.3)         24.4         20.3         23.9         26.0         94.5           Income tax         4.5         3.2         (8.9)         (1.2)         9.3         7.7         9.1         9.9         35.9           Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)         Lease operating         5.32         5.61         5.61         5.52         5.11         4.63         4.14         3.86         4.38           Production taxes         1.27         1.52         1.54         1.45         1.71         1.39         1.38         1.36         1.45           General and administrative         3.57         2.65         2.10         2.74         1.92         1.74         1.55         1.45         1.64           Deprec., Deplet., & Amort.         6.84         6.54         6.54         6.63         6.54         6.54         6.54         6.54         6.54	_	(5.6)								
Income tax       4.5       3.2       (8.9)       (1.2)       9.3       7.7       9.1       9.9       35.9         Net income (\$mm)       8.3       5.2       (14.5)       (1.0)       15.1       12.6       14.8       16.1       58.6         Costs (\$/bbl)       Lease operating       5.32       5.61       5.61       5.52       5.11       4.63       4.14       3.86       4.38         Production taxes       1.27       1.52       1.54       1.45       1.71       1.39       1.38       1.36       1.45         General and administrative       3.57       2.65       2.10       2.74       1.92       1.74       1.55       1.45       1.64         Deprec., Deplet.,& Amort.       6.84       6.54       6.54       6.63       6.54       6.54       6.54       6.54										
Net income (\$mm)         8.3         5.2         (14.5)         (1.0)         15.1         12.6         14.8         16.1         58.6           Costs (\$/bbl)         Lease operating         5.32         5.61         5.61         5.52         5.11         4.63         4.14         3.86         4.38           Production taxes         1.27         1.52         1.54         1.45         1.71         1.39         1.38         1.36         1.45           General and administrative         3.57         2.65         2.10         2.74         1.92         1.74         1.55         1.45         1.64           Deprec., Deplet.,& Amort.         6.84         6.54         6.54         6.63         6.54         6.54         6.54         6.54         6.54										
Costs (\$/bbl)       Lease operating     5.32     5.61     5.61     5.52     5.11     4.63     4.14     3.86     4.38       Production taxes     1.27     1.52     1.54     1.45     1.71     1.39     1.38     1.36     1.45       General and administrative     3.57     2.65     2.10     2.74     1.92     1.74     1.55     1.45     1.64       Deprec., Deplet., & Amort.     6.84     6.54     6.54     6.63     6.54     6.54     6.54     6.54     6.54										
Lease operating     5.32     5.61     5.61     5.52     5.11     4.63     4.14     3.86     4.38       Production taxes     1.27     1.52     1.54     1.45     1.71     1.39     1.38     1.36     1.45       General and administrative     3.57     2.65     2.10     2.74     1.92     1.74     1.55     1.45     1.64       Deprec., Deplet., & Amort.     6.84     6.54     6.54     6.63     6.54     6.54     6.54     6.54	Net income (\$mm)	6.3	3.2	(14.5)	(1.0)	13.1	12.0	14.6	16.1	36.0
Production taxes     1.27     1.52     1.54     1.45     1.71     1.39     1.38     1.36     1.45       General and administrative     3.57     2.65     2.10     2.74     1.92     1.74     1.55     1.45     1.64       Deprec., Deplet., & Amort.     6.84     6.54     6.54     6.63     6.54     6.54     6.54     6.54										
General and administrative 3.57 2.65 2.10 2.74 1.92 1.74 1.55 1.45 1.64 Deprec., Deplet., & Amort. 6.84 6.54 6.54 6.54 6.54 6.54 6.54 6.54 6.5	Lease operating	5.32	5.61	5.61	5.52	5.11	4.63	4.14	3.86	4.38
Deprec., Deplet., & Amort. 6.84 6.54 6.54 6.54 6.54 6.54 6.54 6.54 6.5	Production taxes	1.27	1.52	1.54	1.45	1.71	1.39	1.38	1.36	1.45
	General and administrative	3.57	2.65	2.10	2.74	1.92	1.74	1.55	1.45	1.64
Tax rate 35% 38% 38% 38% 38% 38% 38% 38% 38%	Deprec., Deplet.,& Amort.	6.84	6.54	6.54	6.63	6.54	6.54	6.54	6.54	6.54
	Tax rate	35%	38%	38%		38%	38%	38%	38%	38%

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