

Rating: Buy  
S&P 500: 1380

## Energy Partners Ltd. Buyers Looking

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	325
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	63
<i>Price (US\$/sh)</i>	24.84	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/6/06	<i>Adjusted Reserves/Production NTM</i>	5.0
<i>Shares (mm)</i>	41	<i>EV/Ebitda</i>	4.4
<i>Market Capitalization (US\$mm)</i>	1,010	<i>PV/Ebitda</i>	5.2
<i>Debt (US\$mm)</i>	420	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	1,430	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.30
<i>Present Value (PV) (US\$mm)</i>	1,680	<i>Present Value Proven Reserves(US\$/boe)</i>	28.60
<i>Net Present Value (US\$/share)</i>	31	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.77
<i>Debt/Present Value</i>	0.25	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.30
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	83
<i>Dividend Yield (%/year)</i>	0.0	<i>Indicated Annual Dividend (US\$/sh)</i>	0.00

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of EPL since 2000 see [www.mcdep.com/5epl.htm](http://www.mcdep.com/5epl.htm)

### Summary and Recommendation

Buy-recommended **Energy Partners (EPL)** at a McDep Ratio of 0.8 offers unlevered appreciation potential of 18% to estimated present value. Net Present Value appears amply exceeded by that from correlating the rate of production relative to reserves with present value as a multiple of cash flow for some thirty natural gas and oil producers (see table [Functional Cash Flow and Present Value](#)). Reported on November 6, third quarter results were overshadowed by management's response to the Woodside takeover bid. At least six potential buyers are involved in signing confidentiality agreements to examine EPL in preparation for possible offers that exceed the \$23 a share Woodside has proposed. Woodside would also like access to confidential information while management wants to be sure there is time for all bidders to evaluate the data. Woodside could regain the initiative if it were to raise its bid without the benefit of confidential information and in turn give shareholders more reason to respond to Woodside's solicitation of consent to take control.

Kurt H. Wulff, CFA

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**Energy Partners, Ltd.**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/05</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>9/30/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	76	120	104	120	<b>110</b>	120	120	120	<b>120</b>
Oil (mbd)	6.6	8.2	8.1	8.2	<b>7.9</b>	8.2	8.2	8.2	<b>8.2</b>
Total (mb)	1,775	2,559	2,339	2,587	<b>9,553</b>	2,531	2,559	2,587	<b>10,263</b>
Total (mbd)	19.3	28.1	25.4	28.1	<b>26.2</b>	28.1	28.1	28.1	<b>28.1</b>
<b>Price</b>									
Natural Gas									
Henry Hub (\$/mmbtu)	8.56	6.81	6.58	6.29	<b>7.16</b>	8.01	7.54	7.75	<b>7.40</b>
Differential (\$/mmbtu)	(0.29)	(0.09)	0.46	0.44	<b>0.42</b>	0.56	0.53	-	<b>0.39</b>
EPL (\$/mcf)	8.85	6.90	6.12	5.84	<b>6.75</b>	7.44	7.01	7.75	<b>7.01</b>
Oil (\$/bbl)									
WTI Cushing	62.52	70.47	70.42	59.63	<b>65.96</b>	62.91	65.38	66.80	<b>63.68</b>
Differential	7.21	8.75	4.85	4.11	<b>5.44</b>	4.33	4.50	4.60	<b>4.39</b>
EPL	55.31	61.72	65.57	55.52	<b>60.52</b>	58.57	60.88	62.20	<b>59.29</b>
Total (\$/bbl)	51.86	47.38	45.96	41.02	<b>46.58</b>	48.70	47.55	51.09	<b>47.08</b>
<b>Revenue (\$mm)</b>									
Natural Gas	62	75	59	64	<b>270</b>	80	76	85	<b>306</b>
Oil	34	46	49	42	<b>175</b>	43	45	47	<b>177</b>
Other	(4)	0	0		<b>0</b>				<b>-</b>
Total	92	121	107	106	<b>445</b>	123	122	132	<b>483</b>
<b>Expense (\$mm)</b>									
Lease operating	14	18	16	21	<b>67</b>	20	20	21	<b>82</b>
Production taxes	3	2	6	3	<b>14</b>	4	4	4	<b>14</b>
General and administrative	10	15	15	16	<b>58</b>	15	15	16	<b>62</b>
Total	28	35	36	39	<b>139</b>	39	39	40	<b>158</b>
<b>Ebitda (\$mm)</b>	65	86	71	67	<b>306</b>	84	82	92	<b>325</b>
Exploration	23	23	12	20	<b>74</b>	20	20	20	<b>80</b>
Deprec., Deplet.& Amort.	26	50	46	50	<b>192</b>	50	50	50	<b>200</b>
Other non cash	(0)	(11)	(8)		<b>(31)</b>				<b>-</b>
<b>Ebit (\$mm)</b>	15	24	21	(3)	<b>71</b>	14	12	22	<b>45</b>
Interest	5	5	7	7	<b>23</b>	7	7	7	<b>26</b>
<b>Ebt (\$mm)</b>	10	20	15	(10)	<b>48</b>	8	6	15	<b>19</b>
Income tax	4	7	5	(3)	<b>17</b>	3	2	5	<b>7</b>
<b>Net income (\$mm)</b>	7	13	10	(6)	<b>31</b>	5	4	10	<b>12</b>
Per share	0.16	0.31	0.25	(0.16)	<b>0.77</b>	0.12	0.09	0.25	<b>0.30</b>
<b>Shares (millions)</b>									
Lease operating (\$/bbl)	8.14	6.91	6.82	8.00	<b>7.01</b>	8.00	8.00	8.00	<b>8.00</b>
Production taxes (%)	3.0	1.8	5.4	3.0	<b>3.2</b>	3.0	3.0	3.0	<b>3.0</b>
G & A (\$/bbl)	5.76	5.90	6.20	6.00	<b>6.03</b>	6.00	6.00	6.00	<b>6.00</b>
D., D. & A (\$/bbl)	14.81	19.40	19.51	19.33	<b>20.14</b>	19.76	19.54	19.33	<b>19.49</b>
Tax rate	36%	36%	35%	35%	<b>36%</b>	35%	35%	35%	<b>35%</b>

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**Energy Partners, Ltd.**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
				<i>(US\$mm)</i>	
North American Natural Gas	206	3.1	4.4	900	54%
Oil	119	9.5	6.5	780	46%
	325	5.0	5.2	1,680	100%
Debt (US\$mm)					420
Net Present Value (US\$mm)					1,260
Shares (mm)					41
Net Present Value - Standard Estimate (US\$/sh)					31
Net Present Value - Approximation by Correlation (US\$/sh)					38

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