

Rating: Buy  
S&P 500: 1403

## **Energy Partners Ltd.**

### **Hostile Bidder Withdraws**

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	331
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	64
<i>Price (US\$/sh)</i>	23.99	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/20/06	<i>Adjusted Reserves/Production NTM</i>	5.0
<i>Shares (mm)</i>	41	<i>EV/Ebitda</i>	4.2
<i>Market Capitalization (US\$mm)</i>	970	<i>PV/Ebitda</i>	5.1
<i>Debt (US\$mm)</i>	420	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	1,390	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.40
<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>	0.40
<i>McDep Ratio - EV/PV</i>	0.83	<i>Price/Earnings Next Twelve Months</i>	60
<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)

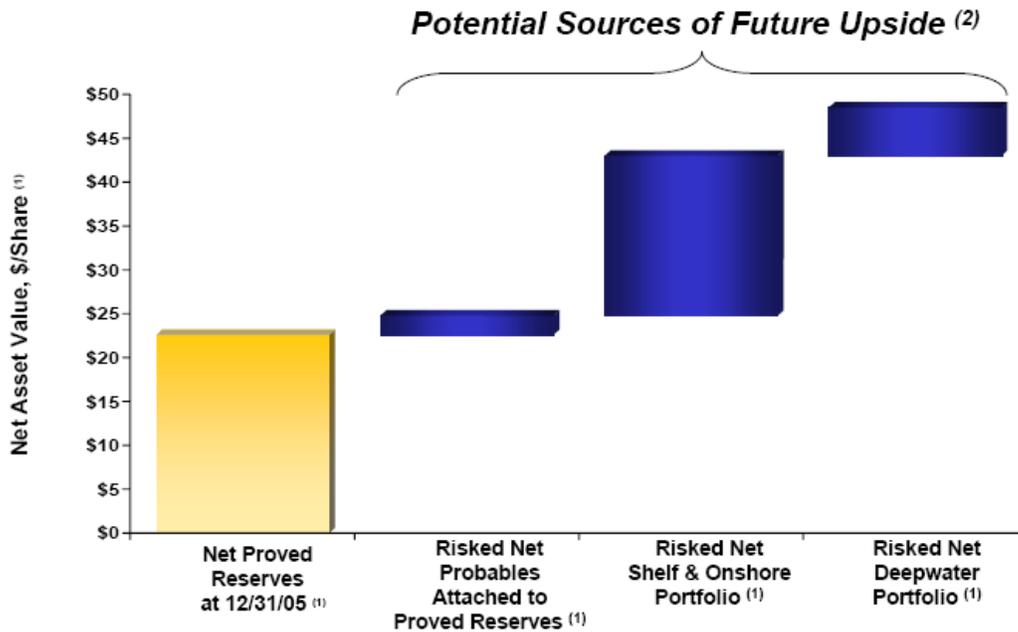
### **Summary and Recommendation**

Unwilling to raise its minimal bid of \$23 a share for buy-recommended **Energy Partners (EPL)**, Australian natural gas producer Woodside (WOPEY) let both a tender offer and a proxy solicitation expire on Friday, November 17. After attracting attention with a bold move, Woodside appeared to lose confidence since all it had to do to be successful, as it appeared to us on the basis of public information, was to raise its bid enough for recent purchasers to show a modest profit. Meanwhile, management of EPL recommitted to its process of exploring sale to a third party among other options. In a presentation to investors on November 17, management detailed the complete case for a valuation of its stock up to \$50 a share (see graphic [Potential Value Creation](#)). Our estimate of net present value of \$31 a share is an indication of how much prospective acquirers of EPL may be willing to pay after reviewing confidential information.

Kurt H. Wulff, CFA

**Please see disclosures on the final page.**

**Potential Value Creation from Non-Proved Sources (1,3)**



(1) See APPENDIX for definitions, discussion, and cautionary statements concerning certain terms used on this slide  
 (2) Using NYMEX pricing as of 10/20/2006  
 (3) This represents one methodology that could be used to value a company which could materially differ from alternative valuation methodologies



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

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
North American Natural Gas	213	3.1	4.2	900	54%
Oil	118	9.5	6.6	780	46%
	331	5.0	5.1	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	

**Please see disclosures on the final page.**

**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	6.42	<b>7.20</b>	8.33	7.77	7.96	<b>7.62</b>
Differential (\$/mmbtu)	(0.29)	(0.09)	0.46	0.45	<b>0.42</b>	0.59	0.55	-	<b>0.40</b>
EPL (\$/mcf)	8.85	6.90	6.12	5.97	<b>6.78</b>	7.74	7.23	7.96	<b>7.22</b>
Oil (\$/bbl)									
WTI Cushing	62.52	70.47	70.42	58.78	<b>65.75</b>	61.89	64.36	65.69	<b>62.68</b>
Differential	7.21	8.75	4.85	4.05	<b>5.43</b>	4.26	4.43	4.52	<b>4.32</b>
EPL	55.31	61.72	65.57	54.73	<b>60.32</b>	57.63	59.93	61.17	<b>58.36</b>
Total (\$/bbl)	51.86	47.38	45.96	41.32	<b>46.66</b>	49.70	48.18	51.68	<b>47.71</b>
<b>Revenue (\$mm)</b>									
Natural Gas	62	75	59	66	<b>271</b>	83	79	88	<b>315</b>
Oil	34	46	49	41	<b>174</b>	42	45	46	<b>174</b>
Other	(4)	0	0		<b>0</b>				<b>-</b>
Total	92	121	107	107	<b>446</b>	126	123	134	<b>490</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>15</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	40	40	<b>158</b>
<b>Ebitda (\$mm)</b>	65	86	71	67	<b>307</b>	87	84	93	<b>331</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>	17	14	23	<b>51</b>
Interest	5	5	7	7	<b>23</b>	7	7	7	<b>26</b>
<b>Ebt (\$mm)</b>	10	20	15	(9)	<b>49</b>	10	7	17	<b>25</b>
Income tax	4	7	5	(3)	<b>17</b>	3	3	6	<b>9</b>
<b>Net income (\$mm)</b>	7	13	10	(6)	<b>31</b>	6	5	11	<b>16</b>
Per share	0.16	0.31	0.25	(0.15)	<b>0.78</b>	0.16	0.11	0.27	<b>0.40</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>

Please see disclosures on the final page.

**Disclaimer:** This analysis was prepared by Kurt Wulff doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

**Certification:** I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

**Research Methodology/Ratings Description:** McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.