

Rating: Buy
S&P 500: 1288

Energy Partners Ltd. Lower NPV to \$32 a Share

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	377
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	61
<i>Price (US\$/sh)</i>	24.79	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/24/06	<i>Adjusted Reserves/Production NTM</i>	5.2
<i>Shares (mm)</i>	41	<i>EV/Ebitda</i>	3.5
<i>Market Capitalization (US\$mm)</i>	1,010	<i>PV/Ebitda</i>	4.3
<i>Debt (US\$mm)</i>	320	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	1,330	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.50
<i>Present Value (PV) (US\$mm)</i>	1,630	<i>Present Value Proven Reserves(US\$/boe)</i>	27.70
<i>Net Present Value (US\$/share)</i>	32	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.62
<i>Debt/Present Value</i>	0.20	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.09
<i>McDep Ratio - EV/PV</i>	0.82	<i>Price/Earnings Next Twelve Months</i>	23
<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.

Summary and Recommendation

Buy-recommended **Energy Partners (EPL)** offers 29% appreciation potential to estimated net present value of \$32 a share, lowered from \$38. Year-end reserves just disclosed included a downward revision that contributes to a reduction in adjusted reserve life index to 5.2 years from 5.7. Considering that production lost as a result of damage caused by last year's hurricanes is still not fully restored, we also need to be cautious in our expectations for the next twelve months. After disappointing exploration results last year, the company is drilling fewer wells in 2006, but with larger targets. A well drilling to test part of the high-potential Denali prospect in the Gulf of Mexico near the mouth of the Mississippi River may reach total depth in April. In a major strategic change, EPL is entering deep water exploration through an agreement with Noble Energy that includes participation in two wells this year.

Kurt H. Wulff, CFA

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	228	3.7	3.9	900	55%
Oil	149	7.8	4.9	730	45%
	377	5.2	4.3	1,630	100%
Debt (US\$mm)				320	
Net Present Value (US\$mm)				1,310	
Shares (mm)				41	
Net Present Value - Standard Estimate (US\$/sh)				32	
Net Present Value - Approximation by Correlation (US\$/sh)				32	

Please see disclosures on the final page.

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

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>2006E</i>	<i>3/31/07</i>
Volume									
Natural Gas (mmcf)	78	76	82	88	90	100	100	98	100
Oil (mbd)	9.3	6.6	4.9	8.0	9.0	10.0	10.0	9.8	10.0
Total (mb)	2,058	1,775	1,710	8,294	2,160	2,427	2,453	9,493	9,733
Total (mbd)	22.4	19.3	18.6	22.7	24.0	26.7	26.7	26.0	26.7
Price									
Natural Gas									
Henry Hub (\$/mmbtu)	7.10	8.56	13.00	8.65	9.08	7.70	8.05	8.51	8.94
Differential (\$/mmbtu)	0.35	(0.29)	0.58	0.14	0.41	0.35	0.36	0.40	0.41
EPL (\$/mcf)	6.75	8.85	12.42	8.50	8.68	7.35	7.69	8.12	8.53
Oil (\$/bbl)									
WTI Cushing	48.31	62.52	60.02	56.31	62.50	61.89	64.39	63.59	64.55
Differential	1.78	7.21	8.36	6.71	8.70	8.62	8.97	8.82	8.99
EPL	46.53	55.31	51.66	49.60	53.79	53.27	55.43	54.77	55.56
Total (\$/bbl)	40.11	51.86	62.20	48.47	52.71	47.54	49.62	50.97	52.84
Revenue (\$mm)									
Natural Gas	49	62	94	274	70	67	71	289	311
Oil	40	34	23	145	44	48	51	195	203
Other	(6)	(4)	(11)	(17)				-	-
Total	83	92	106	402	114	115	122	484	514
Expense (\$mm)									
Lease operating	10	14	10	52	15	17	17	66	68
Production taxes	3	3	2	10	5	5	5	19	21
General and administrative	8	10	13	41	11	12	12	47	49
Total	21	28	25	103	30	34	34	133	137
Ebitda (\$mm)	61	65	81	299	83	82	87	351	377
Exploration	9	23	30	83	30	30	30	108	96
Deprec., Deplet.& Amort.	28	26	24	104	35	39	39	152	156
Other non cash	(2)	(0)	(21)	(20)	9	7	8	34	37
Ebit (\$mm)	26	15	49	133	10	5	10	57	89
Interest	4	5	5	17	5	5	5	18	18
Ebt (\$mm)	23	10	44	115	5	1	6	39	71
Income tax	8	4	16	42	2	0	2	14	26
Net income (\$mm)	15	7	28	74	3	1	4	24	44
Per share	0.37	0.16	0.69	1.81	0.08	0.01	0.09	0.59	1.09
Shares (millions)	39.4	40.9	40.9	40.6	40.9	40.9	40.9	40.9	40.9
Lease operating (\$/bbl)	5.05	8.14	5.85	6.21	7.00	7.00	7.00	7.00	7.00
Production taxes (%)	3.2	3.0	1.8	2.5	4.0	4.0	4.0	4.0	4.0
G & A (\$/bbl)	3.89	5.76	7.55	4.98	5.00	5.00	5.00	5.00	5.00
D., D. & A (\$/bbl)	13.65	14.81	14.16	12.49	16.00	16.00	16.00	16.00	16.00
Tax rate	36%	36%	36%	36%	37%	37%	37%	37%	37%

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.