



Rating: None
 S&P 500: 1368

Energy Partners Ltd. Discontinue Rating on Smaller Capitalization

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$mm)</i>	261
<i>Rating</i>	None	<i>North American Natural Gas/Ebitda (%)</i>	49
<i>Price (US\$/sh)</i>	10.60	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/28/08	<i>Adjusted Reserves/Production NTM</i>	7.4
<i>Shares (mm)</i>	32	<i>EV/Ebitda</i>	3.6
<i>Market Capitalization (US\$mm)</i>	340	<i>PV/Ebitda</i>	5.4
<i>Debt (US\$mm)</i>	610	<i>Undeveloped Reserves (%)</i>	15
<i>Enterprise Value (EV) (US\$mm)</i>	940	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	7.70
<i>Present Value (PV) (US\$mm)</i>	1,400	<i>Present Value Proven Reserves(US\$/boe)</i>	31.00
<i>Net Present Value (US\$/share)</i>	25	<i>Present Value Proven Reserves(US\$/mcfe)</i>	5.17
<i>Debt/Present Value</i>	0.43	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.58
<i>McDep Ratio - EV/PV</i>	0.67	<i>Price/Earnings Next Twelve Months</i>	18
<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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of EPL since 2000 see www.mcdep.com/5epl.htm			

Summary and Recommendation

As we lower estimated net present value (NPV) to \$25 a share from \$38 for **Energy Partners Ltd. (EPL)** we discontinue any buy, sell or hold rating. While the stock has unlevered appreciation potential of 52% to NPV, the company's market cap has declined to less than a fifth of the next smallest stock in our small cap producer group. Nonetheless, the decline seems overdone from a value perspective. Fourth quarter results released on February 28 met our cash flow expectations, but a reduction of 23% in year-end reserves coupled with reduced production volume expected in 2008 triggers our lower estimate of present value. Yet, lower projected volumes along with current futures prices promise a high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Lower NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). We intend to keep our coverage of EPL updated in our statistical comparisons where the McDep Ratio and related measures offer quantitative perspective.

Kurt H. Wulff, CFA



Energy Partners, Ltd.									
Next Twelve Months Operating and Financial Estimates									
	Q4	Q3	Q4	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/06	9/30/07	12/31/07	2007	3/31/08	6/30/08	9/30/08	12/31/08	12/31/08
Volume									
Natural Gas (mmcf)	106	93	74	92	57	57	57	57	57
Oil (mbd)	9.5	8.3	8.5	8.8	6.0	6.0	6.0	6.0	6.0
Total (mb)	2,491	2,180	1,914	8,781	1,411	1,411	1,426	1,426	5,673
Total (mbd)	27.1	23.7	20.8	24.1	15.5	15.5	15.5	15.5	15.5
Price									
Natural Gas									
Henry Hub (\$/mmbtu)	6.57	6.16	6.97	6.87	8.10	9.25	9.39	9.77	9.13
Differential (\$/mmbtu)	(0.07)	(0.90)	(0.10)	(0.39)	(0.11)	(0.13)	(0.13)	(0.14)	(0.13)
EPL (\$/mcf)	6.64	7.06	7.07	7.26	8.21	9.38	9.52	9.91	9.26
Oil (\$/bbl)									
WTI Cushing	59.99	75.48	90.67	72.28	95.93	98.86	97.77	96.93	97.37
Differential	6.35	4.59	6.23	5.48	6.59	6.80	6.72	6.66	6.69
EPL	53.64	70.89	84.44	66.80	89.33	92.06	91.05	90.27	90.68
Total (\$/bbl)	44.79	52.32	59.56	52.02	64.79	70.12	70.25	71.38	69.14
Revenue (\$mm)									
Natural Gas	65	60	48	244	43	49	50	52	193
Oil	47	54	66	213	49	50	50	50	199
Other	0			0					-
Total	112	114	114	457	91	99	100	102	392
Expense (\$mm)									
Lease operating	14	20	17	72	17	17	17	17	68
Production taxes	3	2	2	10	3	3	3	3	12
General and administrative	28	12	13	62	13	13	13	13	51
Total	45	35	33	144	32	33	33	33	131
Ebitda (\$mm)									
Exploration	82	23	131	213	15	15	15	15	60
Deprec., Deplet. & Amort.	60	43	36	172	31	31	31	31	125
Other non cash	(91)	(0)	14	(2)					-
Ebit (\$mm)	15	14	(101)	(71)	13	20	21	22	77
Interest	7	13	12	45	12	12	12	12	48
Ebt (\$mm)	8	1	(113)	(115)	1	8	9	10	29
Income tax	3	1	(39)	(40)	0	3	3	4	10
Net income (\$mm)	5	1	(73)	(75)	1	5	6	7	19
Per share	0.13	0.03	(2.31)	(2.37)	0.02	0.17	0.18	0.21	0.58
Shares (millions)									
Lease operating (\$/bbl)	5.66	9.10	9.02	8.24	12.00	12.00	12.00	12.00	12.00
Production taxes (%)	2.4	2.1	2.2	2.2	3.0	3.0	3.0	3.0	3.0
G & A (\$/bbl)	11.40	5.72	6.98	7.03	9.00	9.00	9.00	9.00	9.00
D., D. & A (\$/bbl)	24.21	19.65	19.01	19.62	22.00	22.00	22.00	22.00	22.00
Ebitda Margin (%)	60%	70%	71%	68%	65%	67%	67%	68%	67%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



Energy Partners, Ltd.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
North American Natural Gas	129	4.5	4.1	530	38%
Oil	133	11.8	6.6	870	62%
	261	7.4	5.4	1,400	100%
Debt (US\$mm)					610
Net Present Value (US\$mm)					790
Shares (mm)					32
Net Present Value - Standard Estimate (US\$/sh)					25
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					31

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was 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.

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