

Buy/Sell Rating: 2 - Buy

Energy Partners, Ltd.
Revise to Buy from Strong Buy on Price

Symbol	Price	Shares	Market Cap (\$mm)	Net		McDep Ratio	EV/Sales 2001E	EV/Ebitda NTM	P/E NTM	Div'd NTM (%)	PV/Ebitda NTM
	(\$/sh) 29-Jun 2001			Present Value (\$/sh)	Debt/ Present Value						
EPL	13.41	27	360	18.40	0.04	0.73	2.2	3.6	18.4	-	5.0

McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses

EV = Enterprise Value = Market Cap and Debt: \$mm 380

Ebitda = Earnings before interest, tax, depreciation and amortization: \$mm 104

NTM = Next Twelve Months Ended June 30, 2002; P/E = Stock Price to Earnings

PV = Present Value of oil and gas: \$mm 517

Summary and Recommendation

We continue to recommend current purchase of the common stock of Energy Partners, but with less urgency in view of recent strong relative stock price performance. Some favorable temporary factors may be contributing to current stock price action. The stock was listed on June 22 as a possible addition to the Russell 2000 index on July 1. The stock also received favorable comment in the June 25 issue of *Barron's* and a research analyst for one of the company's investment bankers upgraded the stock to Strong Buy on June 11. Meanwhile most of the conclusions supporting investment in EPL remain valid (see *Stock Idea, Energy Partners, Ltd. - Small Cap Oil and Gas Finder - Strong Buy*, April 27, 2001). Now, enterprise value to next twelve months estimated cash flow (EV/Ebitda NTM) is still at a low 3.6 times up from a remarkably low 2.3 times. Present value at \$18.40 per share remains in the \$17.70 to \$21.20 range of our weekly estimates in 2001. Finally a 28% gain in two months justified the Strong Buy emphasis.

Kurt H. Wulff, CFA

McDep Associates

Stock Idea

July 2, 2001

Table EPL-1
Energy Partners, Ltd.
Present Value

Volume Decline (%/yr):	16	Price Escalation post 2006 (%/yr):	1.9
Volume Enhancement (%/yr):	34	Discount rate (%/yr):	6.8
Capex/Cash Flow (%):	100	U.S. TIPS Inflation (%/yr):	1.9
Variable Cost (%):	16	U.S. 10 Year Yield (%/yr):	5.4
PV/Volume (\$/bbl):	3.30	PV/EBITDA 2002:	5.0
PV/Share (\$):	18.40		

Year	Volume			Price (\$/bbl)	Revenue (\$mm)	Fixed Cost (\$mm)	Var Cost (\$mm)	Cap Ex (\$mm)	Pre- Tax (\$mm)	Income Tax (\$mm)	Cash Flow (\$mm)	Disc Factor	Present Value (\$mm)
	Basic (mb)	Enhanced (mb)	Total (mb)										
Total 2001 through 2020													
	46300	109100	155400	22.57	3507	746	561	1090	1111	159	952	0.47	517
2002	7688	0	7688	21.98	169	39	27	103	0	0	0	0.97	0
2003	6458	2614	9072	22.74	206	39	33	134	0	0	0	0.91	0
2004	5425	5280	10705	22.01	236	39	38	159	0	0	0	0.85	0
2005	4557	8075	12631	21.54	272	39	44	189	0	0	0	0.79	0
2006	3828	11078	14905	21.54	321	39	51	230	0	0	0	0.74	0
2007	3215	14373	17588	21.24	374	39	60	275	0	0	0	0.70	0
2008	2701	12073	14774	21.65	320	39	51		229	33	197	0.65	128
2009	2269	10141	12410	22.07	274	39	44		191	27	164	0.61	100
2010	1906	8519	10424	22.50	235	39	38		158	23	135	0.57	77
2011	1601	7156	8757	22.94	201	39	32		129	18	111	0.54	59
2012	1345	6011	7356	23.38	172	39	28		105	15	90	0.50	45
2013	1129	5049	6179	23.84	147	39	24		84	12	72	0.47	34
2014	949	4241	5190	24.30	126	39	20		67	10	57	0.44	25
2015	797	3563	4360	24.77	108	39	17		51	7	44	0.41	18
2016	669	2993	3662	25.25	92	39	15		38	5	33	0.39	13
2017	562	2514	3076	25.74	79	39	13		27	4	23	0.36	8
2018	472	2112	2584	26.24	68	39	11		18	3	15	0.34	5
2019	397	1774	2171	26.75	58	39	9		10	1	8	0.32	3
2020	333	1490	1823	27.27	50	39	8		3	0	2	0.30	1

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Table EPL-2
Energy Partners, Ltd.
Cash Flow

	<i>H1</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>6/30/00</i>	<i>9/30/00</i>	<i>12/31/00</i>	<i>2000</i>	<i>3/31/01</i>	<i>6/30/01</i>	<i>9/30/01</i>	<i>12/31/01</i>	<i>2001E</i>	<i>3/31/02</i>	<i>6/30/02</i>	<i>6/30/02</i>
Highlights												
Revenue (\$mm)	30.4	30.7	42.0	103.1	49.9	38.6	36.3	42.7	167.6	44.9	45.1	169.0
EBITDAX (\$mm)	18.0	19.5	24.1	61.6	35.2	22.9	20.7	26.4	105.2	28.8	28.4	104.3
Cash Flow (\$mm)	15.4	17.2	23.1	55.7	35.1	22.5	20.3	26.0	104.0	28.4	28.0	102.7
Per share (\$)		0.95	1.21		1.30	0.84	0.75	0.96	3.86	1.05	1.04	3.81
Net Income (\$mm)	2.3	5.2	(32.9)	(25.4)	14.0	4.5	2.5	5.1	26.2	6.4	5.6	19.7
Per share		0.29	(1.73)		0.52	0.17	0.09	0.19	0.97	0.24	0.21	0.73
Shares (millions)		18.1	19.0		27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Volume												
Natural Gas (bcf)	1.48	1.49	2.81	5.78	3.01	3.65	4.14	4.60	15.41	4.68	4.91	18.33
Natural Gas (mmcf)	8.1	16.1	30.6	15.8	33.5	40.2	45.0	50.0	42.2	52.0	54.0	50.2
Days	182	92	92	366	90	91	92	92	365	90	91	365
Oil (mb)	965	899	925	2,790	964	975	1,012	1,146	4,098	1,200	1,274	4,632
Oil (mbd)	5.30	9.78	10.05	7.62	10.72	10.72	11.00	12.46	11.23	13.33	14.00	12.69
Total (mb)	1,212	1,147	1,394	3,752	1,466	1,584	1,702	1,913	6,666	1,980	2,093	7,688
Total (mbd)	6.7	12.5	15.1	10.3	16.3	17.4	18.5	20.8	18.3	22.0	23.0	21.1
Price												
Natural Gas												
Henry Hub (\$/mmbtu)	3.13	4.48	6.52	4.31	6.31	4.36	3.07	3.54	4.32	3.77	3.38	3.44
Differential (\$/mmbtu)	(0.40)	(0.29)	0.67	(0.66)	(1.24)	0.44	0.31	0.35	0.22	0.38	0.34	0.34
EPL (\$/mcf)	3.52	4.77	5.85	4.98	7.55	3.92	2.77	3.18	4.10	3.40	3.04	3.11
Oil (\$/bbl)												
WTI Cushing	28.81	31.61	32.00	30.31	28.81	27.90	26.19	26.06	27.24	25.77	25.26	25.82
Differential	3.12	5.43	6.46	4.51	4.52	3.00	1.60	1.60	2.68	1.60	1.60	1.63
EPL	25.69	26.18	25.54	25.80	24.29	24.90	24.59	24.46	24.56	24.17	23.66	24.19
Total (\$/bbl)	25.05	26.79	30.13	27.47	31.48	24.38	21.35	22.31	25.14	22.68	21.54	21.98
Revenue (\$mm)												
Natural Gas	5.2	7.1	16.4	28.7	22.7	14.3	11.5	14.6	63.2	15.9	14.9	56.9
Oil	24.8	23.5	23.6	72.0	23.4	24.3	24.9	28.0	100.6	29.0	30.1	112.1
Other	0.3	0.1	1.9	2.4	3.8				3.8			-
Total	30.4	30.7	42.0	103.1	49.9	38.6	36.3	42.7	167.6	44.9	45.1	169.0
Cost (\$mm)												
Lease operating	6.1	6.4	11.5	24.1	9.0	9.5	9.5	9.9	38.0	9.6	10.2	39.2
Production taxes	1.9	1.7	2.7	6.3	1.8	1.9	1.8	2.1	7.7	2.2	2.3	8.5
General and administrative	4.3	3.0	3.7	11.1	3.9	4.3	4.3	4.3	16.7	4.3	4.3	17.0
Total	12.3	11.2	17.9	41.5	14.7	15.7	15.6	16.3	62.3	16.1	16.7	64.7
EBITDAX (\$mm)	18.0	19.5	24.1	61.6	35.2	22.9	20.7	26.4	105.2	28.8	28.4	104.3
Other cash incl. int, tax	2.6	2.4	1.0	5.9	0.1	0.4	0.4	0.4	1.3	0.4	0.4	1.6
Cash Flow (\$mm)	15.4	17.2	23.1	55.7	35.1	22.5	20.3	26.0	104.0	28.4	28.0	102.7
Exploration	0.8	0.3	0.6	1.7	1.4	3.0	3.0	3.0	10.4	3.0	3.0	12.0
Deprec., Deplet., & Amort.	8.3	7.5	9.8	25.6	10.7	11.7	12.6	14.2	49.2	14.7	15.5	56.9
Amort. Financing Cost	0.3	0.3	0.5	1.1	0.2	0.3	0.3	0.3	1.1	0.3	0.3	1.2
Other non cash	(0.7)	0.7	41.7	41.7	0.7	0.3	0.3	0.3	1.6	0.3	0.3	1.2
Income before income tax	6.8	8.4	(29.6)	(14.5)	22.1	7.2	4.1	8.2	41.6	10.1	8.9	31.4
Deferred income tax	4.5	3.2	3.3	10.9	8.0	2.7	1.6	3.1	15.4	3.8	3.3	11.7
Net income (\$mm)	2.3	5.2	(32.9)	(25.4)	14.0	4.5	2.5	5.1	26.2	6.4	5.6	19.7
Costs (\$/bbl)												
Lease operating	5.03	5.61	8.28	6.41	6.13	6.00	5.60	5.20	5.70	4.85	4.85	5.10
Production taxes	1.57	1.52	1.94	1.69	1.23	1.22	1.07	1.12	1.15	1.13	1.08	1.10
General and administrative	3.57	2.65	2.65	2.95	2.68	2.68	2.50	2.22	2.50	2.15	2.03	2.21
Deprec., Deplet., & Amort.	6.84	6.54	7.04	6.82	7.33	7.40	7.40	7.40	7.38	7.40	7.40	7.40
Tax rate		38%			36%	37%	39%	37%	37%	37%	37%	37%

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Mid Cap and Small Cap Energy Companies Rank by McDep Ratio: Market Cap and Debt to Present Value

		Price (\$/sh)		Market	Net	Debt/	McDep	
	Symbol/ Rating	29-Jun 2001	Shares (mm)	Cap (\$mm)	Present Value (\$/sh)	Present Value	Ratio	
Power								
	Constellation Energy Group	CEG	42.60	152	6,500	37.10	0.45	1.08
	CMS Energy Corporation	CMS	27.85	128	3,600	19.80	0.80	1.08
	Sempra Energy	SRE	27.34	203	5,600	23.10	0.65	1.07
	<i>Total or Median</i>				15,700		0.65	1.08
Natural Gas and Oil								
	TEPPCO Partners, L.P.	TPP	29.35	38	1,120	13.20	0.65	1.43
	Triton Energy Limited	OIL	32.75	59	1,900	24.50	0.24	1.26
	Unocal Corporation	UCL	34.15	256	8,700	51.90	0.27	0.75
	PanCanadian Pete (15%)(US\$)	PCP.TO	30.60	38	1,170	41.80	0.07	0.75
	USX-Marathon Group	MRO 1	29.51	309	9,100	44.80	0.23	0.74
	Valero Energy Corp.(with UDS)	VLO	36.78	112	4,100	70.70	0.42	0.72
	Devon Energy Corporation	DVN	52.50	135	7,100	80.10	0.16	0.71
	Petro-Canada	PCZ	23.89	272	6,500	35.20	0.09	0.71
	Norsk Hydro ASA (49%)	NHY	42.70	128	5,500	65.90	0.15	0.70
	PetroChina Company Ltd (10%)	PTR 2	20.40	176	3,600	32.50	0.15	0.69
	<i>Total or Median</i>				48,800		0.20	0.73
Small Cap								
	Dorchester Hugoton, Ltd.*	DHULZ	13.31	10.7	143	12.30	-	1.08
	Cross Timbers Royalty Tr*	CRT	15.37	6.0	92	16.70	-	0.92
	San Juan Basin Royalty Tr*	SJT	12.69	46.6	590	15.00	-	0.85
	Hugoton RoyaltyTrust*	HGT	12.56	40.0	500	15.60	-	0.80
	Encore Acquisition Corporation	EAC	11.50	30.0	350	16.40	0.15	0.75
	Energy Partners Ltd.*	EPL 2	13.41	27.0	360	18.40	0.04	0.74
	<i>Total or Median</i>				2,040		-	0.82
Micro Cap								
	Purcell Energy, Ltd. (US\$)	PEL.TO	2.60	26.0	68	3.70	0.07	0.74

Buy/Sell rating after symbol: 1 - Strong Buy, 2 - Buy

McDep Ratio = **Market cap** and **Debt** to **present value** of oil and gas and other businesses

* For small cap stocks marked with asterisk, estimated present value recalculated weekly.

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