

## Energy Partners, Ltd. (EPL – 14.25) Third Quarter In Line

Making its first quarterly disclosure as a publicly held company, EPL reported third quarter EBITDAX of \$19.5 million compared to our estimate of \$18.3. Production of 12,468 barrels equivalent daily beat our estimate of 11,600 (see Table EPL –2). Using latest weekly closing prices of money and oil, our estimate of present value remains unchanged at \$525 million (see Table EPL – 1). Shares outstanding are higher than estimated previously as the underwriters exercised their overallotment provision. We believe the shares of Energy Partners, Ltd. are an attractive investment in growing oil and gas production from giant fields offshore Louisiana originally developed by major oil companies (see Stock Idea, Energy Partners, Ltd., November 3, 2000).

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**Table EPL-1**  
**Energy Partners, Ltd.**  
**Present Value**

Volume Decline (%/yr):	15	Price Escalation post 2006 (%/yr):	3.9
Volume Enhancement (%/yr):	30	Discount rate (%/yr):	7.2
Capex/Cash Flow (%):	98	U.S. TIPS Inflation (%/yr):	3.9
Variable Cost (%):	18	U.S. 10 Year Yield (%/yr):	5.8

Year	Volume		Total (mb)	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 2000 through 2014													
	30100	129100	159200	24.01	3823	355	688	1438	1342	223	1118	0.39	525
1999	5055		5055	15.51	78.4	16.9	14.1		47.4	0.0	47.4		
2000	4396	390	4786	27.23	130.3	22.2	23.5	83.0	1.7	0.0	1.7	0.97	1.6
2001	3823	3461	7283	27.75	202.1	22.2	36.4	140.7	2.9	0.5	2.4	0.90	2.2
2002	3324	5126	8450	25.46	215.2	22.2	38.7	151.2	3.1	0.5	2.6	0.84	2.2
2003	2890	6893	9783	23.19	226.9	22.2	40.8	160.6	3.3	0.5	2.7	0.79	2.1
2004	2513	8794	11307	22.41	253.4	22.2	45.6	181.9	3.7	0.6	3.1	0.73	2.3
2005	2186	10867	13052	21.63	282.3	22.2	50.8	205.1	4.2	0.7	3.5	0.68	2.4
2006	1900	13152	15053	21.04	316.7	22.2	57.0	232.7	4.7	0.8	4.0	0.64	2.5
2007	1653	15695	17348	21.85	379.0	22.2	68.2	282.8	5.8	1.0	4.8	0.60	2.9
2008	1437	13341	14778	22.69	335.3	22.2	60.4		252.7	42.1	210.6	0.56	117.0
2009	1250	11340	12590	23.56	296.6	22.2	53.4		221.0	36.8	184.2	0.52	95.5
2010	1087	9639	10726	24.47	262.5	22.2	47.2		193.0	32.2	160.8	0.48	77.8
2011	945	8193	9138	25.41	232.2	22.2	41.8		168.2	28.0	140.2	0.45	63.3
2012	822	6964	7786	26.39	205.5	22.2	37.0		146.3	24.4	121.9	0.42	51.4
2013	714	5920	6634	27.41	181.8	22.2	32.7		126.9	21.1	105.7	0.39	41.6
2014	621	5032	5653	28.46	160.9	22.2	29.0		109.7	18.3	91.4	0.37	33.5
2015	540	4277	4817	29.56	142.4	22.2	25.6		94.6	15.8	78.8	0.34	27.0

Analyses are prepared from original sources and data believed to be reliable, but no representation is made as to their accuracy or completeness. Oil and gas investment research by Kurt Wulff is available free at <http://www.mcdep.com>. Mr. Wulff may acquire, hold, or sell a position in securities mentioned.

# McDep Associates

## Stock Idea

November 22, 2000

**Table EPL-2**  
**Energy Partners, Ltd.**  
**Cash Flow**

	<i>H1</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>
	<i>6/30/00</i>	<i>9/30/00</i>	<i>12/31/00</i>	<i>2000E</i>	<i>3/31/01</i>	<i>6/30/01</i>	<i>9/30/01</i>	<i>12/31/01</i>	<i>2001E</i>
<b>Highlights</b>									
Revenue (\$mm)	30.4	30.7	43.3	104.4	46.8	46.8	52.6	55.9	202.1
EBITDAX (\$mm)	18.0	19.5	30.5	68.0	31.8	31.8	37.4	40.5	141.5
Cash Flow (\$mm)	15.4	17.2	29.5	62.1	31.8	31.8	37.4	40.5	141.5
Per share (\$)			1.54		1.17	1.17	1.38	1.49	5.22
Net Income (\$mm)	8.3	5.2	(15.0)	(1.6)	8.1	10.4	13.2	14.4	46.1
Per share	0.46	0.29	(0.79)		0.30	0.39	0.49	0.53	1.70
Shares (millions)		18.1	19.1		27.1	27.1	27.1	27.1	27.1
<b>Volume</b>									
Natural Gas (bcf)	1.48	1.49	2.67	5.63	2.93	3.28	3.68	3.68	13.56
Natural Gas (mmcf/d)	8.1	16.1	29.0	15.4	32.5	36.0	40.0	40.0	37.2
Days	182	92	92	366	90	91	92	92	365
Oil (mb)	965	899	1,030	2,895	1,080	1,183	1,288	1,472	5,023
Oil (mbd)	5.30	9.78	11.20	7.91	12.00	13.00	14.00	16.00	13.76
Total (mb)	1,212	1,147	1,475	3,834	1,568	1,729	1,901	2,085	7,283
Total (mbd)	6.7	12.5	16.0	10.5	17.4	19.0	20.7	22.7	20.0
<b>Price</b>									
Natural Gas									
Henry Hub (\$/mmbtu)	3.13	4.48	5.48	4.05	5.67	4.57	4.47	4.54	4.81
Differential (\$/mmbtu)	(0.40)	(0.29)		(0.73)					0.04
EPL (\$/mcf)	3.52	4.77	5.48	4.78	5.67	4.57	4.47	4.54	4.77
Oil (\$/bbl)									
WTI Cushing	28.81	31.61	34.30	30.88	34.07	31.25	29.09	27.61	30.50
Differential	3.12	5.43	6.45	4.27	6.08	4.36	1.00	1.00	3.15
EPL	25.69	26.18	27.85	26.61	27.98	26.89	28.09	26.61	27.35
Total (\$/bbl)	25.05	26.79	29.36	27.23	29.86	27.06	27.69	26.79	27.75
<b>Revenue (\$mm)</b>									
Natural Gas	5.2	7.1	14.6	26.9	16.6	15.0	16.5	16.7	64.7
Oil	24.8	23.5	28.7	77.0	30.2	31.8	36.2	39.2	137.4
Other	0.3	0.1							
Total	30.4	30.7	43.3	104.4	46.8	46.8	52.6	55.9	202.1
<b>Cost (\$mm)</b>									
Lease operating	6.4	6.4	8.0	20.9	9.0	9.0	9.0	9.0	36.0
Production taxes	1.5	1.7	1.8	5.1	2.0	2.0	2.2	2.4	8.6
General and administrative	4.3	3.0	3.0	10.4	4.0	4.0	4.0	4.0	16.0
Total	12.3	11.2	12.8	36.4	15.0	15.0	15.2	15.4	60.6
<b>EBITDAX (\$mm)</b>	18.0	19.5	30.5	68.0	31.8	31.8	37.4	40.5	141.5
Net interest	2.6	2.4	1.0	6.0					-
<b>Cash Flow (\$mm)</b>	15.4	17.2	29.5	62.1	31.8	31.8	37.4	40.5	141.5
Exploration	0.8	0.3	2.0	3.1	3.5	1.5	1.5	1.5	8.0
Deprec., Deplet., & Amort.	8.3	7.5	9.6	25.4	10.4	11.5	12.6	13.8	48.3
Other non cash	(5.6)	1.3	42.0	37.7	2.0	2.0	2.0	2.0	8.0
Income before income tax	12.7	8.4	(24.2)	(3.1)	15.9	16.8	21.3	23.2	77.2
Income tax	4.5	3.2	(9.2)	(1.5)	7.8	6.4	8.1	8.8	31.1
<b>Net income (\$mm)</b>	8.3	5.2	(15.0)	(1.6)	8.1	10.4	13.2	14.4	46.1
<i>Costs (\$/bbl)</i>									
Lease operating	5.32	5.61	5.42	5.45	5.74	5.21	4.73	4.32	4.94
Production taxes	1.27	1.52	1.25	1.34	1.27	1.15	1.18	1.14	1.18
General and administrative	3.57	2.65	2.03	2.70	2.55	2.31	2.10	1.92	2.20
Deprec., Deplet., & Amort.	6.84	6.54	6.54	6.63	6.63	6.63	6.63	6.63	6.63
<i>EBITDAX margin</i>	59%	64%	70%	65%	68%	68%	71%	72%	70%
<i>Tax rate</i>	35%	38%	38%	49%	38%	38%	38%	38%	40%

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