

Rating: Buy  
 S&P 500: 1288

## Energy Partners Ltd. Deep Water Success on First Well

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$mm)</i>	359
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	58
<i>Price (US\$/sh)</i>	24.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/12/06	<i>Adjusted Reserves/Production NTM</i>	5.7
<i>Shares (mm)</i>	41	<i>EV/Ebitda</i>	3.7
<i>Market Capitalization (US\$mm)</i>	1,020	<i>PV/Ebitda</i>	4.2
<i>Debt (US\$mm)</i>	320	<i>Undeveloped Reserves (%)</i>	26
<i>Enterprise Value (EV) (US\$mm)</i>	1,340	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.60
<i>Present Value (PV) (US\$mm)</i>	1,500	<i>Present Value Proven Reserves(US\$/boe)</i>	25.50
<i>Net Present Value (US\$/share)</i>	29	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.25
<i>Debt/Present Value</i>	0.21	<i>Earnings Next Twelve Months (US\$/sh)</i>	1.01
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	25
<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)** is a 25% participant in a deep water drilling success announced on April 12 by Noble Energy (NBL). Like an investor seeing a stock go up immediately after purchase, management sees a new strategic move rewarded on the first well. Philip Gobe, president of EPL, rejoins his former boss from the successful Gulf of Mexico explorer Vastar, Charles Davidson, Chairman of Noble, in 23 acreage blocks. The success at "Redrock" may lead to a field with about 20 millions barrels equivalent for EPL or about a third of the company's total proven reserves. Meanwhile new production of about 6,000 barrels equivalent daily from six new sources is estimated to come on stream by mid-July adding more than 25% to first quarter volume before normal decline. A decided turn to more positive news is more than welcome at the New Orleans explorer hit hard by last year's hurricanes, an onshore reserve writedown and lack of definitive success in its much discussed Denali project. The stock has appreciation potential to estimated net present value of \$29 a share tied to a long-term oil price of \$50 a barrel.

#### 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	206	4.0	4.1	850	56%
Oil	152	8.4	4.3	660	44%
	359	5.7	4.2	1,510	100%
Debt (US\$mm)					320
Net Present Value (US\$mm)					1,190
Shares (mm)					41
Net Present Value - Standard Estimate (US\$/sh)					29
Net Present Value - Approximation by Correlation (US\$/sh)					31

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

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/05</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>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	96	82	<b>88</b>	85	90	90	90	<b>89</b>	<b>92</b>
Oil (mbd)	10.0	4.9	<b>8.0</b>	8.5	9.0	9.0	9.0	<b>8.9</b>	<b>9.2</b>
Total (mb)	2,341	1,710	<b>8,294</b>	2,040	2,184	2,208	2,208	<b>8,640</b>	<b>9,000</b>
Total (mbd)	26.0	18.6	<b>22.7</b>	22.7	24.0	24.0	24.0	<b>23.7</b>	<b>24.7</b>
<b>Price</b>									
Natural Gas									
Henry Hub (\$/mmbtu)	6.27	13.00	<b>8.65</b>	8.97	7.07	7.47	9.05	<b>8.14</b>	<b>8.62</b>
Differential (\$/mmbtu)	(0.25)	0.58	<b>0.14</b>	0.40	0.32	0.33	0.41	<b>0.38</b>	<b>0.34</b>
EPL (\$/mcf)	6.52	12.42	<b>8.50</b>	8.57	6.75	7.13	8.64	<b>7.76</b>	<b>8.29</b>
Oil (\$/bbl)									
WTI Cushing	49.65	60.02	<b>56.31</b>	63.33	69.20	71.27	71.83	<b>68.91</b>	<b>71.06</b>
Differential	2.80	8.36	<b>6.71</b>	8.82	9.63	9.92	10.00	<b>9.50</b>	<b>9.87</b>
EPL	46.85	51.66	<b>49.60</b>	54.51	59.56	61.35	61.83	<b>59.41</b>	<b>61.18</b>
Total (\$/bbl)	41.64	62.20	<b>48.47</b>	52.58	47.66	49.75	55.58	<b>51.38</b>	<b>54.02</b>
<b>Revenue (\$mm)</b>									
Natural Gas	56	94	<b>274</b>	66	55	59	72	<b>251</b>	<b>280</b>
Oil	42	23	<b>145</b>	42	49	51	51	<b>192</b>	<b>206</b>
Other	(1)	(11)	<b>(17)</b>					<b>-</b>	<b>-</b>
Total	97	106	<b>402</b>	107	104	110	123	<b>444</b>	<b>486</b>
<b>Expense (\$mm)</b>									
Lease operating	13	10	<b>52</b>	14	15	15	15	<b>60</b>	<b>63</b>
Production taxes	3	2	<b>10</b>	4	4	4	5	<b>18</b>	<b>19</b>
General and administrative	10	13	<b>41</b>	10	11	11	11	<b>43</b>	<b>45</b>
Total	25	25	<b>103</b>	29	30	31	31	<b>121</b>	<b>127</b>
<b>Ebitda (\$mm)</b>	72	81	<b>299</b>	78	74	79	91	<b>322</b>	<b>359</b>
Exploration	11	30	<b>83</b>	30	30	30	18	<b>108</b>	<b>96</b>
Deprec., Deplet. & Amort.	26	24	<b>104</b>	33	35	35	35	<b>138</b>	<b>144</b>
Other non cash	(0)	(21)	<b>(20)</b>	9	7	7	9	<b>32</b>	<b>35</b>
<b>Ebit (\$mm)</b>	36	49	<b>133</b>	7	2	7	29	<b>44</b>	<b>84</b>
Interest	4	5	<b>17</b>	5	5	5	5	<b>18</b>	<b>18</b>
<b>Ebt (\$mm)</b>	32	44	<b>115</b>	2	(2)	2	24	<b>26</b>	<b>66</b>
Income tax	12	16	<b>42</b>	1	(1)	1	9	<b>10</b>	<b>24</b>
<b>Net income (\$mm)</b>	21	28	<b>74</b>	1	(1)	1	15	<b>16</b>	<b>41</b>
Per share	0.51	0.69	<b>1.81</b>	0.03	(0.03)	0.03	0.37	<b>0.40</b>	<b>1.01</b>
<b>Shares (millions)</b>	40.3	40.9	<b>40.6</b>	40.9	40.9	40.9	40.9	<b>40.9</b>	<b>40.9</b>
Lease operating (\$/bbl)	5.38	5.85	<b>6.21</b>	7.00	7.00	7.00	7.00	<b>7.00</b>	<b>7.00</b>
Production taxes (%)	2.8	1.8	<b>2.5</b>	4.0	4.0	4.0	4.0	<b>4.0</b>	<b>4.0</b>
G & A (\$/bbl)	4.23	7.55	<b>4.98</b>	5.00	5.00	5.00	5.00	<b>5.00</b>	<b>5.00</b>
D., D. & A (\$/bbl)	10.89	14.16	<b>12.49</b>	16.00	16.00	16.00	16.00	<b>16.00</b>	<b>16.00</b>
Tax rate	36%	36%	<b>36%</b>	37%	37%	37%	37%	<b>37%</b>	<b>37%</b>

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