

Rating: Buy
S&P 500: 1403

Energy Partners Ltd.

Another Tough Year in 2006

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	336
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	60
<i>Price (US\$/sh)</i>	19.96	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	3/1/07	<i>Adjusted Reserves/Production NTM</i>	5.2
<i>Shares (mm)</i>	40	<i>EV/Ebitda</i>	3.7
<i>Market Capitalization (US\$mm)</i>	790	<i>PV/Ebitda</i>	5.0
<i>Debt (US\$mm)</i>	440	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (US\$mm)</i>	1,230	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.70
<i>Present Value (PV) (US\$mm)</i>	1,670	<i>Present Value Proven Reserves(US\$/boe)</i>	28.60
<i>Net Present Value (US\$/share)</i>	31	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.77
<i>Debt/Present Value</i>	0.26	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.83
<i>McDep Ratio - EV/PV</i>	0.74	<i>Price/Earnings Next Twelve Months</i>	24
<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\$60 a barrel and natural gas, \$10 a million btu.

For historical analysis of EPL since 2000 see www.mcdep.com/5epl.htm

Summary and Recommendation

Net present value (NPV) of \$31 a share exceeds stock price for buy-recommended **Energy Partners (EPL)**, but shareholders have seen no real growth in value for two years running. Fourth quarter results reported on March 1 indicated that proven reserves declined slightly in 2006, while the company reinvested about 140% of discretionary cash flow. Because the company pays no dividend, NPV has to grow for shareholders to earn a long-term return. Chairman Rick Bachmann and his team are redirecting efforts in 2007 to emphasize development around existing discoveries including the promising South Timbalier area as well as resources discovered last year, but not yet booked as proven reserves. Meanwhile the well-publicized strategic alternatives process will get the full attention of the board of directors during the week of March 5. While the decline in EPL stock price since the process started last year suggests skepticism, investors are looking for better news to counter asset writedowns and takeover legal fees.

Kurt H. Wulff, CFA

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>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
Volume									
Natural Gas (mmcf)	82	104	106	106	103	106	106	106	105
Oil (mbd)	4.9	8.1	9.5	8.2	9.3	9.5	9.5	9.5	9.5
Total (mb)	1,710	2,339	2,491	9,458	2,382	2,472	2,499	2,499	9,853
Total (mbd)	18.6	25.4	27.1	25.9	26.5	27.2	27.2	27.2	27.0
Price									
Natural Gas									
Henry Hub (\$/mmbtu)	13.00	6.58	6.57	7.23	6.70	7.40	7.72	8.45	7.57
Differential (\$/mmbtu)	0.58	0.46	(0.07)	0.26	(0.07)	(0.08)	-	-	(0.05)
EPL (\$/mcf)	12.42	6.12	6.64	6.97	6.78	7.49	7.72	8.45	7.62
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	66.05	58.54	63.08	65.34	66.60	63.39
Differential	8.36	4.85	6.35	6.27	6.20	6.68	6.92	7.05	6.67
EPL	51.66	65.57	53.64	59.78	52.34	56.40	58.42	59.55	56.72
Total (\$/bbl)	62.20	45.96	44.79	47.63	44.77	48.94	50.54	53.78	49.56
Revenue (\$mm)									
Natural Gas	94	59	65	270	63	72	75	82	293
Oil	23	49	47	180	44	49	51	52	196
Other	(11)	0	0	1					-
Total	106	107	112	450	107	121	126	134	488
Expense (\$mm)									
Lease operating	10	16	14	60	19	20	20	20	79
Production taxes	2	6	3	14	3	4	4	4	15
General and administrative	13	15	28	70	14	15	15	15	59
Total	25	36	45	144	37	38	39	39	153
Ebitda (\$mm)	81	71	66	306	70	83	88	95	336
Exploration	30	12	82	136	15	15	15	15	60
Deprec., Deplet. & Amort.	24	46	60	203	48	49	50	50	197
Other non cash	(21)	(8)	(91)	(122)					-
Ebit (\$mm)	49	21	15	89	7	18	23	30	79
Interest	5	7	7	23	7	7	7	7	28
Ebt (\$mm)	44	15	8	66	0	11	16	23	51
Income tax	16	5	3	23	0	4	5	8	18
Net income (\$mm)	28	10	5	42	0	7	10	15	33
Per share	0.69	0.25	0.13	1.06	0.01	0.19	0.26	0.37	0.83
Shares (millions)	40.9	38.4	38.9	39.8	38.9	38.9	38.9	40.6	39.7
Lease operating (\$/bbl)	5.85	6.82	5.66	6.38	8.00	8.00	8.00	8.00	8.00
Production taxes (%)	1.8	5.4	2.4	3.0	3.0	3.0	3.0	3.0	3.0
G & A (\$/bbl)	7.55	6.20	11.40	7.45	6.00	6.00	6.00	6.00	6.00
D., D. & A (\$/bbl)	14.16	19.51	24.21	21.43	20.00	20.00	20.00	20.00	20.00
Tax rate	36%	35%	35%	36%	35%	35%	35%	35%	35%

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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	201	3.7	4.5	900	54%
Oil	135	8.0	5.7	770	46%
	336	5.2	5.0	1,670	100%
Debt (US\$mm)					440
Net Present Value (US\$mm)					1,230
Shares (mm)					40
Net Present Value - Standard Estimate (US\$/sh)					31
Net Present Value - Approximation by Correlation (US\$/sh)					36

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