

Rating: Buy
S&P 500: 1502

Energy Partners Ltd.

Strategic Alternatives Disappointment

| | | | |
|---------------------------------------|--------|--|-------|
| <i>Symbol</i> | EPL | <i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i> | 352 |
| <i>Rating</i> | Buy | <i>North American Natural Gas/Ebitda (%)</i> | 60 |
| <i>Price (US\$/sh)</i> | 16.89 | <i>Natural Gas and Oil Production/Ebitda (%)</i> | 100 |
| <i>Pricing Date</i> | 5/3/07 | <i>Adjusted Reserves/Production NTM</i> | 5.4 |
| <i>Shares (mm)</i> | 31 | <i>EV/Ebitda</i> | 3.3 |
| <i>Market Capitalization (US\$mm)</i> | 530 | <i>PV/Ebitda</i> | 4.8 |
| <i>Debt (US\$mm)</i> | 650 | <i>Undeveloped Reserves (%)</i> | 24 |
| <i>Enterprise Value (EV) (US\$mm)</i> | 1,180 | <i>Natural Gas and Oil Ebitda (US\$/mcf)</i> | 6.20 |
| <i>Present Value (PV) (US\$mm)</i> | 1,680 | <i>Present Value Proven Reserves(US\$/boe)</i> | 28.80 |
| <i>Net Present Value (US\$/share)</i> | 33 | <i>Present Value Proven Reserves(US\$/mcf)</i> | 4.80 |
| <i>Debt/Present Value</i> | 0.39 | <i>Earnings Next Twelve Months (US\$/sh)</i> | 0.97 |
| <i>McDep Ratio - EV/PV</i> | 0.70 | <i>Price/Earnings Next Twelve Months</i> | 17 |
| <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

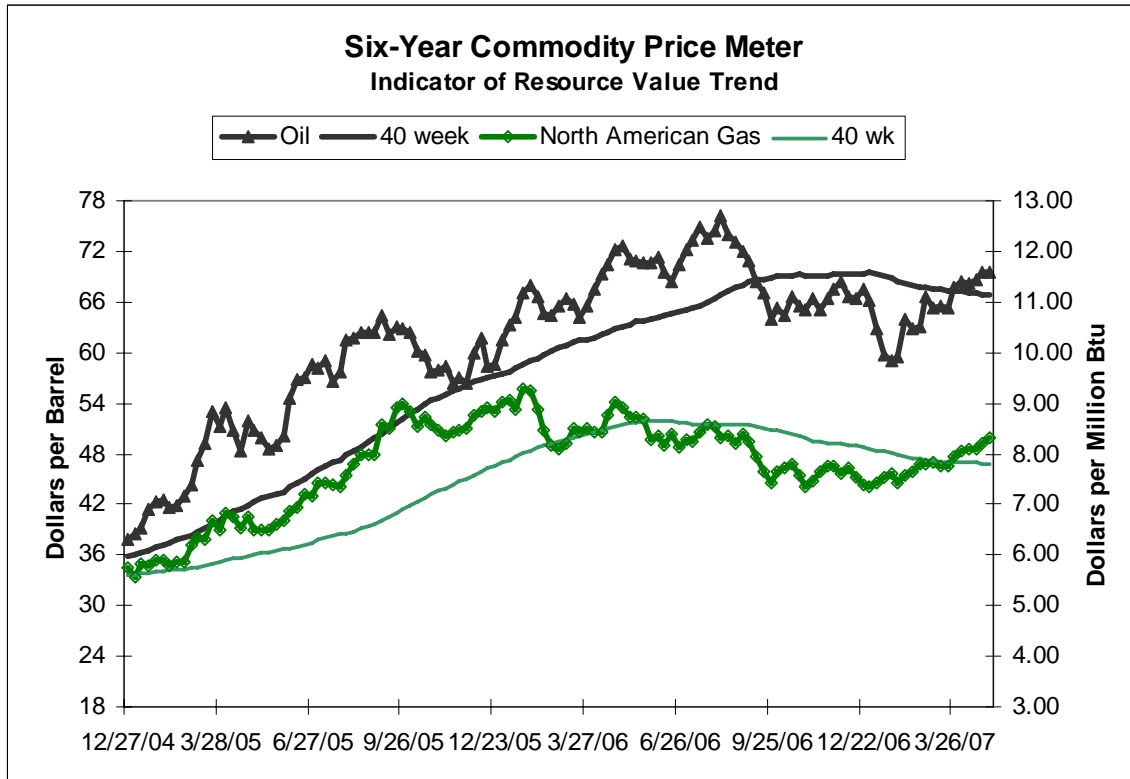
After a well-publicized strategic alternatives process failed to result in the sale of the company, stock price dropped sharply for buy-recommended **Energy Partners (EPL)**. Yet oil and gas properties have real value as we saw recently in the purchase of Dominion Resources' Gulf of Mexico properties at \$4.92 a barrel compared to our estimated present value of \$4.80 a barrel for EPL. Reported on May 3, latest quarterly operating and financial results support estimated Net Present Value (NPV) of \$33 a share (see table [Functional Cash Flow and Present Value](#)). 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. A recently completed self-tender for shares has no effect on McDep Ratio while it increases NPV and increases debt. Carried at a half unlevered weight in the illustrative McDep Energy Portfolio, EPL ought to participate in the newly resumed uptrend for long-term global natural gas and oil price (see chart [Six-Year Commodity Price Meter](#))

Kurt H. Wulff, CFA

Please see disclosures on the final page.

Energy Partners, Ltd.
Functional Cash Flow and Present Value

| | <i>NTM Ebitda</i> <i>(US\$mm)</i> | <i>Adjusted</i> <i>R/P</i> | <i>PV/</i> <i>Ebitda</i> | <i>Present</i> <i>Value</i> <i>(US\$mm)</i> | |
|--|--------------------------------------|-------------------------------|-----------------------------|---|------|
| North American Natural Gas | 211 | 3.9 | 4.3 | 900 | 54% |
| Oil | 141 | 8.2 | 5.5 | 780 | 46% |
| | 352 | 5.4 | 4.8 | 1,680 | 100% |
| Debt (US\$mm) | | | | 650 | |
| Net Present Value (US\$mm) | | | | 1,030 | |
| Shares (mm) | | | | 31 | |
| Net Present Value - Standard Estimate (US\$/sh) | | | | 33 | |
| Net Present Value - Approximation by Correlation (US\$/sh) | | | | 36 | |



Please see disclosures on the final page.

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

| | <i>Q1</i> | <i>Q4</i> | <i>Year</i> | <i>Q1</i> | <i>Q2E</i> | <i>Q3E</i> | <i>Q4E</i> | <i>Year</i> | <i>Next Twelve Months</i> |
|----------------------------|----------------|-----------------|--------------|----------------|----------------|----------------|-----------------|---------------|-----------------------------------|
| | <i>3/31/06</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>2007E</i> | <i>3/31/08</i> |
| Volume | | | | | | | | | |
| Natural Gas (mmcf) | 95 | 106 | 106 | 100 | 100 | 100 | 100 | 100 | 100 |
| Oil (mbd) | 7.2 | 9.5 | 8.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 |
| Total (mb) | 2,069 | 2,491 | 9,458 | 2,338 | 2,364 | 2,390 | 2,390 | 9,483 | 9,483 |
| Total (mbd) | 23.0 | 27.1 | 25.9 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| Price | | | | | | | | | |
| Natural Gas | | | | | | | | | |
| Henry Hub (\$/mmbtu) | 8.97 | 6.57 | 7.23 | 6.81 | 7.66 | 8.11 | 8.98 | 7.89 | 8.66 |
| Differential (\$/mmbtu) | 0.56 | (0.07) | 0.26 | (0.28) | - | - | - | (0.08) | 0.00 |
| EPL (\$/mcf) | 8.41 | 6.64 | 6.97 | 7.09 | 7.66 | 8.11 | 8.98 | 7.97 | 8.66 |
| Oil (\$/bbl) | | | | | | | | | |
| WTI Cushing | 63.33 | 59.99 | 66.05 | 58.08 | 65.13 | 68.03 | 69.72 | 65.24 | 68.39 |
| Differential | 4.17 | 6.35 | 6.27 | 4.77 | 5.35 | 5.58 | 5.72 | 5.32 | 5.62 |
| EPL | 59.16 | 53.64 | 59.78 | 53.31 | 59.79 | 62.44 | 64.00 | 59.92 | 62.77 |
| Total (\$/bbl) | 53.22 | 44.79 | 47.63 | 46.38 | 50.88 | 53.58 | 57.48 | 52.12 | 55.81 |
| Revenue (\$mm) | | | | | | | | | |
| Natural Gas | 72 | 65 | 270 | 64 | 70 | 75 | 83 | 292 | 317 |
| Oil | 38 | 47 | 180 | 44 | 50 | 53 | 54 | 202 | 212 |
| Other | 0 | 0 | 1 | 0 | | | | 0 | - |
| Total | 110 | 112 | 450 | 108 | 120 | 128 | 137 | 494 | 529 |
| Expense (\$mm) | | | | | | | | | |
| Lease operating | 13 | 14 | 60 | 17 | 19 | 19 | 19 | 74 | 76 |
| Production taxes | 3 | 3 | 14 | 3 | 4 | 4 | 4 | 14 | 16 |
| General and administrative | 13 | 28 | 70 | 22 | 21 | 22 | 22 | 87 | 85 |
| Total | 28 | 45 | 144 | 42 | 44 | 44 | 45 | 176 | 177 |
| Ebitda (\$mm) | | | | | | | | | |
| Exploration | 82 | 66 | 306 | 66 | 77 | 84 | 93 | 319 | 352 |
| Deprec., Deplet. & Amort. | 20 | 82 | 136 | 22 | 19 | 19 | 19 | 79 | 76 |
| Other non cash | 47 | 60 | 203 | 48 | 47 | 48 | 48 | 191 | 190 |
| | (13) | (91) | (122) | (16) | | | | (16) | - |
| Ebit (\$mm) | | | | | | | | | |
| Interest | 28 | 15 | 89 | 12 | 10 | 17 | 26 | 65 | 86 |
| | 5 | 7 | 23 | 7 | 10 | 10 | 10 | 37 | 40 |
| Ebt (\$mm) | | | | | | | | | |
| Income tax | 23 | 8 | 66 | 6 | 0 | 7 | 16 | 28 | 46 |
| | 8 | 3 | 23 | 2 | 0 | 2 | 6 | 10 | 16 |
| Net income (\$mm) | | | | | | | | | |
| Per share | 15 | 5 | 42 | 4 | 0 | 4 | 10 | 18 | 30 |
| | 0.37 | 0.13 | 1.06 | 0.09 | 0.00 | 0.14 | 0.33 | 0.56 | 0.97 |
| Shares (millions) | | | | | | | | | |
| Lease operating (\$/bbl) | 40.4 | 38.9 | 39.8 | 40.5 | 31.3 | 31.3 | 31.3 | 32.8 | 31.3 |
| Production taxes (%) | 6.09 | 5.66 | 6.38 | 7.36 | 8.00 | 8.00 | 8.00 | 7.84 | 8.00 |
| G & A (\$/bbl) | 2.7 | 2.4 | 3.0 | 2.6 | 3.0 | 3.0 | 3.0 | 2.9 | 3.0 |
| D., D. & A (\$/bbl) | 6.04 | 11.40 | 7.45 | 9.58 | 9.00 | 9.00 | 9.00 | 9.14 | 9.00 |
| Tax rate | 22.76 | 24.21 | 21.43 | 20.48 | 20.00 | 20.00 | 20.00 | 20.12 | 20.00 |
| | 36% | 35% | 36% | 35% | 35% | 35% | 35% | 35% | 35% |

Please see disclosures on the final page.

Disclaimer: This analysis was prepared by Kurt Wulff 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.

McDep does no investment banking business. McDep is not paid by covered companies including revenue from advertising, trading, consulting, subscriptions or research service. McDep shall not own more than 1% of outstanding stock in a covered company. No one at McDep is on the Board of Directors at a covered company nor is anyone at a covered company on the Board of Directors of McDep.

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep Associates is an independent research originator focused on oil and gas stocks exclusively. The firm applies the thirty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.