

Rating: Buy
S&P 500: 1494
Intraday

Energy Partners Ltd. Oversold

<i>Symbol</i>	EPL	<i>Ebitda Next Twelve Months ending 6/30/08 (US\$mm)</i>	306
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	62
<i>Price (US\$/sh)</i>	13.62	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/8/07	<i>Adjusted Reserves/Production NTM</i>	6.0
<i>Shares (mm)</i>	35	<i>EV/Ebitda</i>	3.5
<i>Market Capitalization (US\$mm)</i>	470	<i>PV/Ebitda</i>	6.2
<i>Debt (US\$mm)</i>	590	<i>Undeveloped Reserves (%)</i>	24
<i>Enterprise Value (EV) (US\$mm)</i>	1,060	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.90
<i>Present Value (PV) (US\$mm)</i>	1,900	<i>Present Value Proven Reserves(US\$/boe)</i>	32.60
<i>Net Present Value (US\$/share)</i>	38	<i>Present Value Proven Reserves(US\$/mcfe)</i>	5.43
<i>Debt/Present Value</i>	0.31	<i>Earnings Next Twelve Months (US\$/sh)</i>	0.06
<i>McDep Ratio - EV/PV</i>	0.56	<i>Price/Earnings Next Twelve Months</i>	247
<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\$66 a barrel and natural gas, \$11 a million btu.

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

Summary and Recommendation

Buy-recommended **Energy Partners (EPL)** offers unlevered appreciation potential of 79% to estimated net present value (NPV) of \$38 a share revised up from \$33 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported on August 8 disclosed a reassuring level of unlevered cash flow (Ebitda) considering the steep decline in stock price in advance of the report (see table [Next Twelve Months Operating and Financial Estimates](#)). At 2.8 times stock price, NPV for the large cap producer is supported by comparison to our estimates for other stocks in our coverage (see table [Functional Cash Flow and Present Value](#)). Explaining the rationale behind an announced stock repurchase authorization, Chairman Rick Bachmann declared that the “intrinsic value” of “oversold” EPL stock offered the classic “cheap oil on Wall Street”. Multiplying the McDep Ratio of 0.56 by present value of \$32.60 a barrel implies a stock market value of \$18 a barrel in the ground for EPL’s highly productive Gulf of Mexico resources. Meanwhile the delivered price of oil over the next six years, currently \$71 a barrel, continues in an uptrend (see chart [Six-Year Commodity Price Meter](#)). Some of the recent volatility in stock price can be attributed to a moderately high ratio of debt to present value now at 0.31, but down from 0.39 a few months ago.

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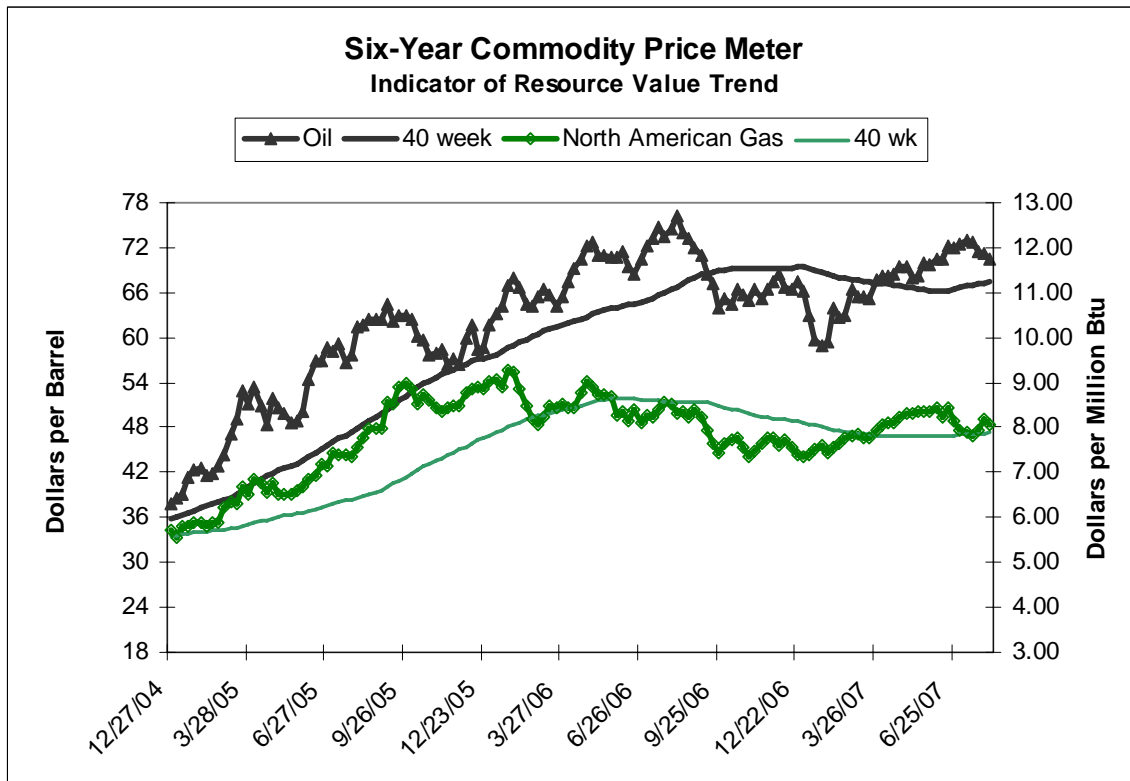
Energy Partners, Ltd.
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Q3</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>6/30/06</i>	<i>9/30/06</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>Twelve</i>
									<i>Months</i>
									<i>6/30/08</i>
Volume									
Natural Gas (mmcf)	120	104	106	100	102	100	100	101	100
Oil (mbd)	8.2	8.1	8.2	9.2	9.1	7.0	7.0	8.1	7.0
Total (mb)	2,559	2,339	9,458	2,338	2,348	2,177	2,177	9,041	8,638
Total (mbd)	28.1	25.4	25.9	26.0	26.1	23.7	23.7	24.8	23.7
Price									
Natural Gas									
Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.42	7.22	7.00	7.46
Differential (\$/mmbtu)	(0.09)	0.46	0.26	(0.28)	(0.20)	-	-	(0.12)	0.01
EPL (\$/mcf)	6.90	6.12	6.97	7.09	7.76	6.42	7.22	7.12	7.46
Oil (\$/bbl)									
WTI Cushing	70.47	70.42	66.05	58.08	64.91	73.11	71.72	66.95	71.68
Differential	8.75	4.85	6.27	4.77	5.02	5.65	5.54	5.89	5.53
EPL	61.72	65.57	59.78	53.31	59.89	67.46	66.17	61.06	66.14
Total (\$/bbl)	47.38	45.96	47.63	46.38	51.20	47.06	50.09	48.69	51.08
Revenue (\$mm)									
Natural Gas	75	59	270	64	71	59	66	261	272
Oil	46	49	180	44	49	43	43	179	169
Other	0	0	1	0				0	-
Total	121	107	450	108	120	102	109	440	441
Expense (\$mm)									
Lease operating	18	16	60	17	18	17	17	70	69
Production taxes	2	6	14	3	2	3	3	11	13
General and administrative	15	15	70	22	14	14	14	63	53
Total	35	36	144	42	34	34	34	144	135
Ebitda (\$mm)	86	71	306	66	86	68	75	296	306
Exploration	23	12	136	22	37	20	20	99	80
Deprec., Deplet.& Amort.	50	46	203	48	45	44	44	180	173
Other non cash	(11)	(8)	(122)	(16)	0			(16)	-
Ebit (\$mm)	24	21	89	12	4	5	11	32	53
Interest	5	7	23	7	13	13	13	46	50
Ebt (\$mm)	20	15	66	6	(10)	(8)	(2)	(14)	3
Income tax	7	5	23	2	(3)	(3)	(1)	(5)	1
Net income (\$mm)	13	10	42	4	(6)	(5)	(1)	(9)	2
Per share	0.31	0.25	1.06	0.09	(0.18)	(0.16)	(0.04)	(0.28)	0.06
Shares (millions)	40.6	38.4	39.8	40.5	34.6	34.6	34.6	32.7	34.6
Lease operating (\$/bbl)	6.91	6.82	6.38	7.36	7.68	8.00	8.00	7.75	8.00
Production taxes (%)	1.8	5.4	3.0	2.6	1.8	3.0	3.0	2.6	3.0
G & A (\$/bbl)	5.90	6.20	7.45	9.58	5.75	6.20	6.20	6.96	6.10
D., D. & A (\$/bbl)	19.40	19.51	21.43	20.48	19.23	20.00	20.00	19.92	20.00
Tax rate	36%	35%	36%	35%	35%	35%	35%	35%	35%

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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	189	3.9	5.0	950	50%
Oil	117	10.8	8.1	950	50%
	306	6.0	6.2	1,900	100%
Debt (US\$mm)					590
Net Present Value (US\$mm)					1,310
Shares (mm)					35
Net Present Value - Standard Estimate (US\$/sh)					38
Net Present Value - Approximation by Correlation (US\$/sh)					35



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