

ENERGY PARTNERS LTD  
Form DEF 14A  
April 28, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**SCHEDULE 14A**

**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**ENERGY PARTNERS, LTD.**

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Name of Registrant as Specified in Its Charter

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

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(3) Filing party:

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(4) Date filed:

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201 St. Charles Avenue

Suite 3400

New Orleans, Louisiana 70170

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 29, 2008**

Notice is hereby given that the 2008 Annual Meeting of Stockholders of Energy Partners, Ltd. (the *Company*), a Delaware corporation, will be held at the Hotel InterContinental New Orleans, Cabildo Room, 444 St. Charles Ave., New Orleans, Louisiana 70130, on May 29, 2008, at 9:00 a.m., Central Daylight Time, for the following purposes:

- (1) to elect eleven (11) directors to hold office until the Annual Meeting of Stockholders in the year 2009 and until their successors are duly elected and qualified;
- (2) to ratify the appointment of KPMG LLP as the Company's independent registered public accountants for the year ended December 31, 2008;
- (3) to adjourn or postpone the meeting, as necessary; and
- (4) to transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 31, 2008 (the *Record Date*) will be entitled to notice of, and to vote at, the 2008 Annual Meeting, or any adjournment thereof, notwithstanding the transfer of any stock on the books of the Company after the Record Date. A list of these stockholders will be open for examination by any stockholder for any purpose germane to the 2008 Annual Meeting for a period of ten (10) days prior to the meeting at the Company's principal executive offices at 201 St. Charles Ave., Suite 3400, New Orleans, Louisiana 70170.

By Order of the Board of Directors,

JOHN H. PEPPER

*Executive Vice President, General Counsel*

*and Corporate Secretary*

New Orleans, Louisiana

April 28, 2008

**PLEASE RETURN THE ENCLOSED PROXY CARD TODAY WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON. STOCKHOLDERS WHO ATTEND THE 2008 ANNUAL MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.**

**ENERGY PARTNERS, LTD.**

**201 St. Charles Avenue**

**Suite 3400**

**New Orleans, Louisiana 70170**

The 2007 Annual Report to Stockholders, including audited financial statements, is being mailed to stockholders, together with these proxy materials, on or about May 1, 2008.

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 29, 2008**

This Proxy Statement is furnished to the stockholders of Energy Partners, Ltd. (the *Company*) in connection with the solicitation of proxies by the Board of Directors of the Company (the *Board of Directors* or the *Board*) for use at the Annual Meeting of Stockholders of the Company to be held on May 29, 2008 at the Hotel InterContinental New Orleans, Cabildo Room, 444 St. Charles Ave., New Orleans, Louisiana 70130 at 9:00 a.m., Central Daylight Time (the *2008 Annual Meeting* or the *Meeting*), or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

**ABOUT THE 2008 ANNUAL MEETING**

**Voting Procedures**

Stockholders of record at the close of business on March 31, 2008 (the *Record Date*) will be entitled to vote at the Meeting. On the Record Date, there were outstanding and entitled to vote 31,873,406 shares of the Company's Common Stock (the *Company Shares* or the *Common Stock*). The holders of a majority of the Company Shares issued and outstanding and entitled to vote at the Meeting, present in person or represented by proxy, will constitute a quorum. The person(s) whom the Company appoints to act as inspector(s) of election will treat all Company Shares represented by a returned, properly executed proxy as present for purposes of determining the existence of a quorum at the Meeting. The Company Shares present at the meeting, in person or by proxy, that are abstained from voting will be counted as present for determining the existence of a quorum.

Each of the Company Shares will entitle the holder to one vote. Cumulative voting is not permitted. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote at the meeting. Other than with respect to the election of directors, an abstention has the effect of a vote against a matter to be presented at the Meeting. A broker non-vote is not entitled to be voted and will not affect the outcome on any proposal in the Proxy Statement. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and the broker has not received voting instructions from the beneficial owner. Votes cast at the meeting will be counted by the inspector(s) of election.

The Board of Directors is soliciting your proxy on the enclosed Proxy Card to provide you with an opportunity to vote on all matters to come before the meeting, whether or not you attend in person. If you execute and return the enclosed Proxy Card, your shares will be voted as you specify. If you make no specifications, your shares will be voted in accordance with the recommendations of the Board, as set forth below. If you submit a Proxy Card, you may subsequently revoke it by submitting a revised proxy or a written revocation at any time before your original proxy is voted. You may also attend the meeting in person and vote in person by ballot, which would cancel any proxy you previously gave.

The Board of Directors urges you to vote, and solicits your proxy, as follows:

- (1) FOR the election of eleven (11) nominees for membership on the Company's Board of Directors, Messrs. Bachmann, Bumgarner, Carlisle, Carter, Dawkins, Gershen, Herrin, Latimer, Patton and Pully and Dr. Francis, to serve until the Annual Meeting of Stockholders in the year 2009 and until their successors are duly elected and qualified;
- (2) FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accountants for the year ending December 31, 2008;
- (3) FOR the adjournment or postponement of the meeting, as necessary; and
- (4) At the discretion of the designated proxies named on the enclosed Proxy Card, on any other matter that may properly come before the 2008 Annual Meeting.

### Proxy Solicitation

Your proxy is being solicited by and on behalf of the Board of Directors of the Company. The expense of preparing, printing and mailing proxy solicitation materials will be borne by the Company. In addition to solicitation of proxies by mail, certain directors, officers, representatives and employees of the Company may solicit proxies by telephone and personal interview. Such individuals will not receive additional compensation from the Company for solicitation of proxies, but may be reimbursed by the Company for reasonable out-of-pocket expenses in connection with such solicitation. In addition, MacKenzie Partners, Inc. has been retained to aid in the solicitation at an estimated fee of \$7,500. Banks, brokers and other custodians, nominees and fiduciaries also will be reimbursed by the Company, as necessary, for their reasonable expenses for sending proxy solicitation materials to the beneficial owners of Common Stock.

### OWNERSHIP OF COMMON STOCK BY

#### MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table shows the number of shares of Common Stock beneficially owned by each director; by the Company's principal executive officer, principal financial officer, four most highly compensated other executive officers of the Company (the *Named Officers*); by all directors and executive officers as a group; and by such persons known to the Company to own beneficially more than five (5%) of the outstanding Common Stock of the Company.

The information set forth below is as of March 31, 2008, except as otherwise indicated, and is based upon information supplied or confirmed by the named individuals:

Beneficial Owner	Company Shares	Percent of Company Shares (1)
Richard A. Bachmann (2)	1,795,381	5.5
John C. Bumgarner, Jr. (3)	73,018	*
Jerry D. Carlisle (4)	40,041	*
Harold D. Carter (3)	64,578	*
Enoch L. Dawkins (5)	32,002	*
Thomas D. DeBrock (6)	73,390	*
T. Rodney Dykes (7)	98,697	*
Dr. Norman C. Francis (8)	26,123	*
Robert D. Gershen (3)	68,121	*
Phillip A. Gobe (9)	195,119	*
William R. Herrin, Jr. (8)	30,147	*
William O. Hiltz (10)	109,183	*

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Beneficial Owner	Company Shares	Percent of Company Shares (1)
James R. Latimer, III		*
Joseph T. Leary	500	*
Bryant H. Patton		*
John H. Peper (11)	251,300	*
John G. Phillips (3)	57,831	*
Steven J. Pully		*
L. Keith Vincent (6)	107,188	*
All directors and executive officers as a group (19 persons)	2,924,320	8.8
Wellington Management Company, LLP (12)	3,315,400	10.4
Carlson Capital, L.P. and affiliates (13)	2,994,968	9.4
Artisan Partners Limited Partnership and affiliates (14)	2,590,266	8.1
Barclays Global Investors (Deutschland) AG and affiliates (15)	2,397,448	7.5
Farallon Capital Partners, L.P. and affiliates (16)	2,045,800	6.4
Renaissance Technologies LLC and affiliate (17)	1,902,742	6.0

\* Represents beneficial ownership of less than 1%.

- (1) Percentage ownership of a holder or class of holders is calculated by dividing (1) the number of shares of Common Stock, including restricted shares, outstanding attributed to such holder or class of holders, as the case may be, plus the total number of shares of Common Stock underlying options exercisable and restricted share units that vest within sixty days from March 31, 2008, by (2) the total number of shares of Common Stock outstanding plus the total number of shares of Common Stock underlying options exercisable and restricted share units that vest within sixty days from March 31, 2008 but not Common Stock underlying such securities held by any other person.
- (2) Includes 45,000 shares of Common Stock pledged to support obligations incurred in two separate transactions under Forward Purchase Agreements entered into with Citigroup. Mr. Bachmann retains voting rights with respect to these shares. The number of shares to be delivered commencing in August 2009 pursuant to such agreements will be based on the market price of the Company's Common Stock and will not exceed 45,000 shares. Mr. Bachmann has the right to deliver cash instead of shares of Common Stock. Also includes (i) 510,841 shares of Common Stock underlying options granted to Mr. Bachmann under our 2006 Long Term Stock Incentive Plan, which may be exercised within 60 days from March 31, 2008, (ii) 3,751 shares of Common Stock beneficially owned by Mr. Bachmann and held in trust by the Energy Partners, Ltd. 401(k) Plan, (iii) 1,648 shares beneficially owned by Mr. Bachmann's wife, and (iv) 1,128,591 shares of Common Stock pledged in a margin account held by Mr. Bachmann. The address for Mr. Bachmann is Energy Partners, Ltd., 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170.
- (3) Includes 31,500 shares of Common Stock underlying options exercisable, and 6,000 restricted share units vesting, within 60 days of March 31, 2008 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to each of Messrs. Bumgarner, Carter, Gershen and Phillips. Also includes 19,017 and 1,993 phantom shares accrued for Messrs. Bumgarner and Gershen under our Stock and Deferral Plan for Non-Employee Directors.
- (4) Includes 21,500 shares of Common Stock underlying options exercisable, and 6,000 restricted share units vesting, within 60 days of March 31, 2008 granted to Mr. Carlisle under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors. Includes 500 shares of Common Stock beneficially owned by Mr. Carlisle's wife of which Mr. Carlisle disclaims beneficial ownership.
- (5) Includes 17,500 shares of Common Stock underlying options exercisable, and 6,000 restricted share units vesting, within 60 days of March 31, 2008 granted to Mr. Dawkins under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors.
- (6) Includes 39,000 and 83,000 shares of Common Stock underlying options exercisable within 60 days of March 31, 2008 granted to Messrs. DeBrock and Vincent, respectively and 3,333 and 1,550 restricted share units vesting within 60 days of March 31, 2008 for Messrs. DeBrock and Vincent, respectively, all under

- our 2006 Long Term Stock Incentive Plan. Also includes 2,412, and 2,136 shares of Common Stock beneficially owned by Messrs. DeBrock and Vincent, respectively, and held in trust by the Energy Partners, Ltd. 401(k) Plan. Also includes 28,644 shares of Common Stock pledged in a margin account held by Mr. DeBrock.
- (7) Includes 89,973 shares of Common Stock underlying options exercisable within 60 days of March 31, 2008 granted under our 2006 Long Term Stock Incentive Plan. Also includes 2,623 shares of Common Stock beneficially owned by Mr. Dykes and held in trust by the Energy Partners, Ltd. 401(k) Plan.
  - (8) Includes 11,500 shares of Common Stock underlying options exercisable, and 6,000 restricted share units vesting, within 60 days of March 31, 2008 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to each of Dr. Francis and Mr. Herrin. Also includes 3,336 phantom shares accrued for Dr. Francis under our Stock and Deferral Plan for Non-Employee Directors.
  - (9) Includes 159,108 shares of Common Stock underlying options exercisable within 60 days of March 31, 2008 granted to Mr. Gobe under our 2006 Long Term Stock Incentive Plan.
  - (10) Includes 15,500 shares of Common Stock underlying options exercisable, and 6,000 restricted share units vesting, within 60 days of March 31, 2008 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to Mr. Hiltz, and 6,640 phantom shares accrued for Mr. Hiltz under our Stock and Deferral Plan for Non-Employee Directors.
  - (11) Includes 174,951 shares of Common Stock underlying options exercisable within 60 days of March 31, 2008 granted to Mr. Peper under our 2006 Long Term Stock Incentive Plan. Also includes 2,856 shares of Common Stock beneficially owned by Mr. Peper and held in trust by the Energy Partners, Ltd. 401(k) Plan. Also includes 62,600 shares of Common Stock pledged in a margin account held by Mr. Peper.
  - (12) Pursuant to a Schedule 13G/A filed April 10, 2008, Wellington Management Company, LLP ( *Wellington* ) reported that it had shared power to vote 1,817,200 Company Shares and shared power to dispose of 3,315,400 Company Shares. Wellington, in its capacity as an investment advisor may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 3,315,400 Company Shares held of record by clients of Wellington. Wellington's principal business address is 75 State Street, Boston, MA 02109.
  - (13) Pursuant to a Schedule 13D/A filed April 3, 2008, Carlson Capital, L.P. ( *Carlson* ), Double Black Diamond Offshore LDC ( *DBDO* ), Asgard Investment Corp. ( *Asgard* ), and Mr. Clint D. Carlson reported the following: Carlson, Asgard and Mr. Carlson each have the sole power to vote and the sole power to dispose of 2,994,968 Company Shares and DBDO has the sole power to vote and the sole power to dispose of 2,028,446 Company Shares. Carlson, as DBDO's investment manager, may, for purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the *Exchange Act* ), be deemed to beneficially own 2,028,446 Company Shares held by DBDO, and beneficially own Company Shares held by other private investment funds and managed accounts (the *Accounts* ). As Carlson's general partner, Asgard, may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 2,994,968 Company Shares. As the President of Asgard and the Chief Executive Officer of Carlson, Mr. Clint D. Carlson may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 2,994,968 Company Shares. Mr. Carlson, Asgard and Carlson disclaim any beneficial ownership of Company Shares held by DBDO and the Accounts. The business address of the reporting persons is 2100 McKinney Avenue, Suite 1600, Dallas TX 75201.
  - (14) Pursuant to a Schedule 13G filed February 13, 2008, Artisan Partners Limited Partnership ( *Artisan Partners* ), Artisan Investment Corporation ( *Artisan Corp.* ), ZFIC, Inc. ( *ZFIC* ), Andrew Ziegler, and Carlene M. Ziegler reported that all reporting persons had shared power to vote 2,314,808 Company Shares and shared power to dispose of 2,590,266 Company Shares. Company Shares have been acquired on behalf of clients of Artisan Partners. Artisan Partners, Artisan Corp. as the general partner of Artisan Partners, ZFIC as the sole stockholder of Artisan Corp., and Mr. Ziegler and Ms. Ziegler, as the principal stockholders of ZFIC, may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 2,590,266 Company Shares. The principal business address of the reporting persons is 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202.



- (15) Pursuant to a Schedule 13G filed January 25, 2008, Barclays Global Investors, NA.; Barclays Global Fund Advisors; Barclays Global Investors, Ltd.; Barclays Global Investors Japan Trust and Banking Company Limited; Barclays Global Investors Japan Limited; Barclays Global Investors Canada Limited; Barclays Global Investors Australia Limited; and Barclays Global Investors (Deutschland) AG ( *BGIDAG* ) reported the following: Barclays Global Investors, NA. has the sole power to vote 1,794,038 Company Shares and the sole power to dispose of 1,914,912 Company Shares, Barclays Global Fund Advisors has the sole power to vote and the sole power to dispose of 482,536 Company Shares, and BGIDAG has the sole power to vote 2,276,574 Company Shares and the sole power to dispose of 2,397,448 Company Shares. Barclays Global Investors, NA., Barclays Global Fund Advisors and BGIDAG may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 1,914,912 Company Shares, 482,536 Company Shares, and 2,397,448 Company Shares, respectively. All of the above mentioned entities disclaim group attribution. The principal business office of Barclays Global Investors, NA. and Barclays Global Fund Advisors is 45 Fremont Street, San Francisco, CA 94105. The principal business office of Barclays Global Investors, Ltd. is 1 Royal Mint Court, London, EC3N 4HH. The principal business office of Barclays Global Investors Japan Trust and Banking Company Limited and Barclays Global Investors Japan Limited is Ebisu Prime Square Tower 8th Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-0012 Japan. The principal business office of Barclays Global Investors Canada Limited is Brookfield Place 161 Bay Street, Suite 2500, PO Box 614, Toronto, Canada Ontario M5J 2S1. The principal business office of Barclays Global Investors Australia Limited is Level 43, Grosvenor Place, 225 George Street, PO Box N43, Sydney Australia NSW 1220. The principal business office of BGIDAG is Apianstrauss 6 D-85774, Unterföhring, Germany.
- (16) Pursuant to a Schedule 13G/A filed January 9, 2008 Farallon Capital Partners, L.P.; Farallon Capital Institutional Partners, L.P.; Farallon Capital Institutional Partners II, L.P.; Farallon Capital Institutional Partners III, L.P.; Tincum Partners, L.P.; Farallon Capital Offshore Investors II, L.P. (such partnerships being the *Farallon Partnerships* ); Farallon Capital Management, L.L.C. ( *FPM* ); Farallon Partners, L.L.C. ( *FPLLC* ); William F. Duhamel; Richard B. Fried; Monica R. Landry; Douglas M. MacMahon; William F. Mellin; Stephen L. Millham; Jason E. Moment; Ashish H. Pant; Rajiv A. Patel; Derek C. Schrier; Andrew J. M. Spokes; Thomas F. Steyer; and Mark C. Wehrly (together, the *Farallon Managing Members* ); and Chun R. Ding reported the following:

Beneficial Owner	Number of Company Shares over which Beneficial Owner Claims Shared Voting Power and Shared Dispositive Power
Farallon Capital Partners, L.P.	493,353
Farallon Capital Institutional Partners, L.P.	170,803
Farallon Capital Institutional Partners II, L.P.	33,053
Farallon Capital Institutional Partners III, L.P.	13,243
Tincum Partners, L.P.	11,425
Farallon Capital Offshore Investors II, L.P.	352,868
Farallon Capital Management, L.L.C.	1,039,055
Farallon Partners, L.L.C.	1,006,745
Farallon Managing Members	2,045,800
Farallon Senior Managing Member	2,045,800

As the general partner of the Farallon Partnerships, FPLLC may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 1,006,745 Company Shares held by the Farallon Partnerships. As the manager of a certain account ( *the Managed Account* ), FCM may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 1,039,055 Company Shares held by the Managed Account. As the managing members of FPLLC and FCM, each of William F. Duhamel, Richard B. Fried, Monica R. Landry, Douglas M. MacMahon, William F. Mellin, Stephen L. Millham, Jason E. Moment, Ashish H. Pant, Rajiv A. Patel, Derek C. Schrier, Andrew J. M. Spokes, Thomas F. Steyer, and Mark C. Wehrly (together, the *Farallon Managing Members* ) and as senior managing member of FPLLC and FCM, Thomas F. Steyer (the *Farallon Senior Managing Member* ) may, for purposes of Rule 13d-3 under

the Exchange Act, be deemed to own beneficially 2,045,800 Company Shares held by the Farallon Partnerships and the Managed Account. Each of FPLLC, FCM, the Farallon Managing Members and the Farallon Senior Managing Member disclaim any beneficial ownership of such Company Shares. All of the above-mentioned entities and persons disclaim group attribution. The principal business office of the Farallon Partnerships, FPLLC, FCM, Farallon Managing Members, and the Farallon Senior Managing Member is One Maritime Plaza, Suite 2100, San Francisco, CA 94111.

- (17) Pursuant to a Schedule 13G filed February 13, 2008, Renaissance Technologies LLC ( *RTC* ) and James H. Simons reported the following: RTC has the sole power to vote 1,699,721 Company Shares and the sole power to dispose of 1,902,742 Company Shares, and Dr. Simons as the control person of RTC may, for purposes of Rule 13d-3 under the Exchange Act, be deemed to own beneficially 1,902,742 Company Shares and has the sole power to vote 1,699,721 Company Shares and the sole power to dispose of 1,902,742 Company Shares. The principal business address of the reporting persons is 800 Third Avenue, New York, NY 10022.

**MATTERS TO BE PRESENTED TO THE STOCKHOLDERS**

**AT THE 2008 ANNUAL MEETING**

**Item 1 Election of Directors**

At the 2008 Annual Meeting, eleven (11) directors are to be elected, each of whom will serve until the Annual Meeting of Stockholders in the year 2009 and until their respective successors are duly elected and qualified. The persons named as proxies on the enclosed Proxy Card intend to vote FOR the election of each of the eleven (11) nominees listed below, unless otherwise directed.

The Board has nominated, and the proxies will vote to elect, the following individuals as members of the Board of Directors to serve for a period of one (1) year and until their respective successors are duly elected and qualified: Richard A. Bachmann, John C. Bumgarner, Jerry D. Carlisle, Harold D. Carter, Enoch L. Dawkins, Dr. Norman C. Francis, Robert D. Gershen, William R. Herrin, James R. Latimer, III, Bryant H. Patton, and Steven J. Pully. Each nominee has consented to be nominated and to serve, if elected.

Under the Company's Corporate Governance Guidelines, a majority of the Board must be comprised of directors who are independent under the rules of the New York Stock Exchange ( *NYSE* ). No director will be deemed to be independent unless the Board affirmatively determines that the director has no material relationship with the Company, either directly or as an officer, stockholder or partner of an organization that has a relationship with the Company. The Board observes all criteria established by the NYSE and other governing laws and regulations. In its review of director independence, the Board of Directors considers all relevant facts and circumstances, including without limitation, all commercial, banking, consulting, legal, accounting, charitable or other business relationships any director may have with the Company. The Board has adopted categorical standards to assist it in making determinations of independence for directors, a copy of which is attached as Annex I to this Proxy Statement.

The Board has determined that each of Messrs. Bumgarner, Carlisle, Carter, Gershen, Herrin, Latimer, Patton and Pully and Dr. Francis is independent. Mr. Bachmann was determined to be not independent because he is the Company's chief executive officer. Mr. Dawkins was determined to be not independent because one of his immediate family members (as defined in the NYSE rules) is a consulting principal of KPMG LLP, the Company's independent registered public accountant.

Carlson Capital, L.P. and its affiliates have agreed to vote all of their shares in favor of the nominees. Please see Certain Relationships and Related Transactions .

**The Board of Directors recommends that you vote FOR the election of the eleven (11) nominees: Messrs. Bachmann, Bumgarner, Carlisle, Carter, Dawkins, Gershen, Herrin, Latimer, Patton and Pully and Dr. Francis.**

**Information About the Nominees**

*Richard A. Bachmann*, age 63, has been chief executive officer of the Company and chairman of its Board of Directors since the Company's incorporation in January 1998. Mr. Bachmann began organizing the Company in February 1997 and served as the Company's president until November 2005. From 1995 to January 1997, he served as director, president and chief operating officer of The Louisiana Land and Exploration Company ( *LL&E* ), an independent oil and gas exploration company. From 1982 to 1995, Mr. Bachmann held various positions with LL&E, including director, executive vice president, chief financial officer and senior vice president of finance and administration. From 1978 to 1981, Mr. Bachmann was the treasurer of Iteq Corporation. Prior to 1978, Mr. Bachmann served with Exxon International, Esso Central America, Esso InterAmerica and Standard Oil of New Jersey. He is also a director of Trico Marine Services, Inc.

*John C. Bumgarner, Jr.*, age 65, has been a director since January 2000. Mr. Bumgarner is currently serving as managing member of Utica Plaza Management Company, a family-owned real estate company. Mr. Bumgarner was chief operating officer and president of strategic investments for Williams Communications Group, Inc., a high technology company, from May 2001 to November 2002. Williams Communications Group, Inc. filed a Plan of Reorganization with the U.S. Bankruptcy Court for the Southern District of New York in August 2002. Mr. Bumgarner joined The Williams Companies, Inc. in 1977 and served as senior vice president of Williams Corporate Development and Planning and then also served as president of Williams International Company prior to joining Williams Communications Group, Inc. Mr. Bumgarner is also a director of Management Planning Systems, Inc. Mr. Bumgarner is a former treasurer of Skelly Oil.

*Jerry D. Carlisle*, age 62, has been a director since March 2003. Mr. Carlisle has been vice president and director of DarC Marketing, Inc., a family-owned marketing company, since 1997. From 1983 to 1997, Mr. Carlisle was vice president, controller and chief accounting officer of LL&E and, from 1979 to 1983, he held various management positions at LL&E. Mr. Carlisle has a masters of business administration from Loyola University, is a certified public accountant, and serves as a trustee of the Mississippi State University Business School.

*Harold D. Carter*, age 69, has been a director since May 1998. Since 1995, Mr. Carter has been an independent oil and natural gas consultant and investment advisor. Mr. Carter is a director of Brigham Exploration Company and Abraxas Petroleum Corp., public oil and gas companies, a director of Longview Energy Company, a privately held oil and gas company, and former president of Sabine Corporation, an independent oil and gas exploration company.

*Enoch L. Dawkins*, age 70, has been a director since January 2004. Mr. Dawkins retired from Murphy Exploration and Production Co., where he served as president from 1991 until 2003. From 1964 until 1991, Mr. Dawkins held various operational, marketing and managerial positions at Ocean Drilling and Exploration Company, including president from 1989 until its acquisition by Murphy Oil Corporation in 1991. He is also a director of Superior Energy Services, Inc.

*Dr. Norman C. Francis*, age 77, has been a director since May 2005. Dr. Francis has served as the President of Xavier University of Louisiana since 1968. Dr. Francis is the chairman of the board for the Southern Education Foundation and for Liberty Bank and Trust, a member of the board of directors of the American Council on Education and a Fellow of The American Academy of Arts and Sciences (inducted 1993).

*Robert D. Gershen*, age 54, has been a director since May 1998. Mr. Gershen is president of Associated Energy Managers, LLC, an investment management firm specializing in private equity investments in the energy sector. In addition, Mr. Gershen serves as the President of Longview Energy Company, a privately held oil and gas company. Since 1989, Mr. Gershen has managed, through Associated Energy Managers, LLC, three funds that invest in energy companies in the United States.

*William R. Herrin, Jr.*, age 73, has been a director since May 2005. Mr. Herrin served in a number of capacities for Chevron Corporation, most recently as Vice President and General Manager, Gulf of Mexico Production Business Unit, Chevron U.S.A. Production Co. from July 1992 until his retirement in 1998.

*James R. Latimer, III*, age 62, is standing for election to the Board for the first time at the 2008 Annual Meeting. Mr. Latimer is head of The Latimer Companies, a private oil and gas exploration and development company. He is also partner of Blackhill Partners/Blackhill Advisors, a financial advisory and merchant banking firm, primarily in energy and technology industries, which he founded in 2000. Mr. Latimer currently serves as a director of NGP Capital Resources Company.

*Bryant H. Patton*, age 49, is standing for election to the Board for the first time at the 2008 Annual Meeting. Mr. Patton is the president of BRYCAP Investments, Inc., a merchant banking firm specializing in energy related companies that he founded in 1989. In 2000, he also co-founded Camden Resources, Inc., a private oil and gas exploration and production company, and served as executive vice president until the company was acquired at the end of 2007. Mr. Patton also served as senior vice president of Associated Energy Managers, LLC, an investment management firm specializing in private equity investments in the energy sector, from 1991 to 1998. Mr. Patton also is a director of the general partner of Abraxas Energy Partners, L.P.

*Steven J. Pully*, age 48, is standing for election to the Board for the first time at the 2008 Annual Meeting. Mr. Pully is a consultant in the asset management industry and acts as a consultant to Carlson Capital, L.P. From December 2001 to October 2007, Mr. Pully worked for Newcastle Capital Management, L.P., an investment partnership, where he served as president from January 2003 through October 2007. He served as chief executive officer of New Century Equity Holdings Corp. from June 2004 through October 2007. Prior to joining Newcastle Capital Management, he was an investment banker with a primary focus on the energy sector. Mr. Pully is also a director of Peerless Systems Corporation and New Century Equity Holdings Corp.

#### **Director Emeritus**

Mr. John G. Phillips, age 85, has been a director since May 1998 and will step down at the 2008 Annual Meeting. Thereafter, he will serve as Director Emeritus. Since 1995, Mr. Phillips has been an independent financial consultant. Mr. Phillips is former chairman, president and chief executive officer of LL&E and, since 1972, continues to serve as a director of the Whitney National Bank and Whitney Holding Corporation. Mr. Phillips retired from LL&E in 1985.

As a Director Emeritus, Mr. Phillips is entitled to attend Board meetings and committee meetings and participate in discussion of matters that come before the Board or its committees, although he is not entitled to vote upon any such matters.

#### **Item 2 Ratification of Appointment of Independent Registered Public Accountants**

The Audit Committee of the Board of Directors is required by law and applicable NYSE rules to be directly responsible for the appointment, compensation and retention of the Company's independent registered public accountants. The Audit Committee has appointed KPMG LLP as the independent registered public accountants for the year ending December 31, 2008. While stockholder ratification is not required by the Company's Amended and Restated Bylaws or otherwise, the Board of Directors is submitting the selection of KPMG LLP to the stockholders for ratification as part of good corporate governance practices. If the stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain KPMG LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent registered public accountants at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

The Board of Directors recommends a vote FOR the proposal to ratify the selection of KPMG LLP as the Company's independent registered public accountants to audit the Company's consolidated financial statements for the year ending December 31, 2008. The persons designated as proxies will vote FOR the ratification of KPMG LLP as the Company's independent registered public accountants, unless otherwise directed. Representatives of KPMG LLP are expected to be present at the 2008 Annual Meeting, with the opportunity to make a statement should they choose to do so, and to be available to respond to questions, as appropriate.

**Item 3 *Adjournment or Postponement of the 2008 Annual Meeting, as Necessary***

An adjournment or postponement of the 2008 Annual Meeting may be necessary for the Company to conduct the business of the Company that is before the meeting or may properly come before the meeting.

The Board of Directors recommends a vote FOR the proposal to adjourn or postpone the 2008 Annual Meeting, as necessary. The persons designated as proxies will vote FOR the adjournment or postponement of the 2008 Annual Meeting, as necessary, unless otherwise directed.

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**CORPORATE GOVERNANCE**

**The Board of Directors**

The directors hold regular meetings, attend special meetings as required and spend such time on the affairs of the Company as their duties require. The Company's Corporate Governance Guidelines provide that directors are expected to attend regular Board meetings and the Annual Meeting of Stockholders in person and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. During calendar year 2007, the Board of Directors held a total of 13 meetings, regular and special. All directors of the Company attended at least seventy-five percent (75%) of the meetings of the Board of Directors and of the committees on which they served during the period. All of the Company's then current directors who were standing for reelection at the meeting attended the annual meeting of stockholders in 2007, except Messrs. Bumgarner and Dawkins.

The non-management directors meet in executive sessions at least semi-annually and our independent directors meet at least annually, to discuss such matters as they deem appropriate. At least once a year, our non-management directors meet to review the Compensation Committee's annual review of the chief executive officer. These executive sessions are chaired by the Chairman of the Nominating & Governance Committee. Stockholders may communicate with the non-management directors, or the chair of our executive sessions, by following the procedures under Communications with Board of Directors.

**Committees of the Board**

*The Audit Committee*

The Board of Directors has a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, the current members of which are Messrs. Bumgarner, Carlisle (Chairman), Carter and Phillips. The Board of Directors has determined that each of the members of the Audit Committee is independent as defined by NYSE listing standards and the rules of the SEC applicable to audit committee members, and that Mr. Carlisle qualifies as an audit committee financial expert as described in Item 401(h) of Regulation S-K. The Audit Committee has a charter under which its primary purpose is to assist the Board in overseeing (1) the integrity of the Company's financial statements, (2) the independent registered public accountants' qualifications and independence, (3) the performance of the Company's internal audit function and independent registered public accountants and (4) the compliance by the Company with legal and regulatory requirements. The Audit Committee is directly responsible for the appointment and compensation of the independent registered public accountants. During fiscal year 2007, the Audit Committee held eight (8) meetings.

*The Compensation Committee*

The Board of Directors has a standing Compensation Committee, the current members of which are Messrs. Bumgarner (Chairman), Gershen, Herrin and Phillips. The Compensation Committee has a charter under which its responsibilities and authorities include reviewing the Company's compensation strategy, reviewing the performance of and approving the compensation for the senior management (other than the chief executive officer), evaluating the chief executive officer's performance and, either as a committee or together with the other independent directors, determining and approving the chief executive officer's compensation level. In addition, the committee approves and administers employee benefit plans and takes such other action as may be appropriate or as directed by the Board of Directors to ensure that the compensation policies of the Company are reasonable and fair. The Board of Directors has determined that each member of the Compensation Committee is independent as defined by NYSE listing standards. During fiscal year 2007, the Compensation Committee held six (6) meetings.

***The Nominating & Governance Committee***

The Board of Directors also has a standing Nominating & Governance Committee, the current members of which are Dr. Francis (Chairman) and Messrs. Carter and Herrin. The Nominating & Governance Committee has a charter under which its responsibilities and authorities include identifying director candidates and recommending director nominees for the next annual meeting of stockholders or for any vacancy on the Board of Directors and recommending members of the Board of Directors to serve on the various committees. In addition, the Nominating & Governance Committee develops and recommends to the Board of Directors the Corporate Governance Guidelines of the Company and is responsible for the oversight of the evaluation of the Board of Directors and management. The Board of Directors has determined that each member of the Nominating & Governance Committee is independent as defined by NYSE listing standards. During fiscal year 2007, the Nominating & Governance Committee held two (2) meetings.

***Nominee Qualifications***

When seeking candidates for director, the Nominating & Governance Committee may solicit suggestions from incumbent directors, management, stockholders or others. While the Nominating & Governance Committee has authority under its charter to retain a search firm for this purpose, no such firm was utilized in 2007. After conducting an initial evaluation of a potential candidate, the Nominating & Governance Committee will interview that candidate if it believes such candidate might be suitable to be a director. The Nominating & Governance Committee may also ask the candidate to meet with management. If the Nominating & Governance Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

The Nominating & Governance Committee selects each nominee based on the nominee's skills, achievements and experience. The Nominating & Governance Committee considers a variety of factors in selecting candidates, including, but not limited to the following: independence, wisdom, integrity, an understanding and general acceptance of the Company's corporate philosophy, valid business or professional knowledge and experience, a proven record of accomplishment with excellent organizations, an inquiring mind, a willingness to speak one's mind, an ability to challenge and stimulate management and a willingness to commit time and energy.

This year, Messrs. Latimer, Patton and Pully are standing for election by the stockholders for the first time. Messrs. Latimer, Patton and Pully were recommended to the Board by Carlson Capital, L.P., a 9.4% holder of the Company's Common Stock. Please see Certain Relationships and Related Transactions .

***Communications with Board of Directors***

The Nominating & Governance Committee, on behalf of the Board, reviews letters from stockholders concerning the Company's annual general meeting and governance process and makes recommendations to the Board based on such communications. Stockholders can send communications to the Board and to the non-management directors by mail in care of the Corporate Secretary at 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170, and should specify the intended recipient or recipients. All such communications, other than unsolicited commercial solicitations or communications, will be forwarded to the appropriate director or directors for review. Any such unsolicited commercial solicitation or communication not forwarded to the appropriate director or directors will be available to any non-management director who wishes to review it.

***Website Access to Corporate Governance Documents***

Copies of the charters for the Audit Committee, the Compensation Committee and the Nominating & Governance Committee, as well as the Company's Corporate Governance Guidelines and Code of Business

Conduct and Ethics (the *Code*) that applies, among others, to the Company's principal executive officer, principal financial officer and controller, are available free of charge on the Company's website at [www.eplweb.com](http://www.eplweb.com) or by writing to Investor Relations, Energy Partners, Ltd., 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170. The Company will also post on its website any amendment to the Code and any waiver of the Code granted to any of its directors or executive officers to the extent required by applicable rules.

## Compensation of Directors

### Fiscal 2007 Director Compensation

The table below sets forth cash and equity compensation paid to our non-employee directors in Fiscal 2007.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option Awards \$(2)	Total (\$)
John C. Bumgarner, Jr.	45,000	147,267	21,272	213,538
Jerry D. Carlisle	65,500	121,433	21,272	208,205
Harold D. Carter	63,500	116,433	21,272	201,205
Enoch L. Dawkins	46,000	113,933	21,272	181,205
Dr. Norman C. Francis	49,000	123,600	21,272	193,871
Robert D. Gershen	39,000	132,267	21,272	192,538
William R. Herrin, Jr.	42,000	132,267	21,272	195,538
William O. Hiltz	28,000	132,267	21,272	181,538
John G. Phillips	67,500	116,433	21,272	205,205

- (1) Amounts reflect compensation cost recorded in the 2007 consolidated financial statements for each named individual and include grants made in previous years for which compensation expense is required to be recognized in accordance with Statement of Financial Standards No. 123 (R) Share-Based Payment (*Statement 123R*). As of December 31, 2007 outstanding stock awards were 6,000 restricted share units for each director granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors. Messrs. Bumgarner, Gershen and Hiltz and Dr. Francis, respectively, also have 19,017, 1,993, 6,640 and 3,336 phantom shares accrued for under our Stock and Deferral Plan for Non-Employee Directors. The grant date fair value of restricted share unit awards made to all directors in 2007 was \$17.20 per share as computed in accordance with Statement 123R. Please refer to footnotes 2(j) and 14 in the Company's consolidated financial statements filed on Form 10-K for the year ended December 31, 2007 for a discussion of the assumptions used in computing the grant date fair value of stock based compensation awards. These amounts reflect the Company's accounting expense for these awards and do not correspond to the actual value that might be realized by the named individuals.
- (2) Amounts reflect compensation cost recorded in the 2007 consolidated financial statements for each named individual and include grants made in previous years for which compensation expense is required to be recognized in accordance with Statement 123R. As of December 31, 2007 there were 31,500 shares of Common Stock underlying options granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to each of Messrs. Bumgarner, Carter, Gershen and Phillips, respectively, 21,500 to Mr. Carlisle, 11,500 to each of Dr. Francis and Mr. Herrin, 15,500 to Mr. Hiltz and 17,500 to Mr. Dawkins. There were no grants of stock option awards to directors in 2007. The amounts reflected in the table represent the 2007 expense related to the 2006 option awards. Please refer to footnotes 2(j) and 14 in our consolidated financial statements filed on Form 10-K for the year ended December 31, 2007 for a discussion of the assumptions used in computing the grant date fair value of stock based compensation awards. These amounts reflect the Company's accounting expense for these awards and do not correspond to the actual value that might be realized by the named individuals. Non-employee directors receive an annual retainer of \$40,000 (which will be reduced to \$20,000 commencing with the 2008 Annual Meeting) and meeting fees of \$2,000 for each Board meeting, and \$1,500 for



each committee meeting, attended (even if held on the same date). The Board determined that a larger portion of non-employee director compensation should be at risk and reduced the annual retainer by \$20,000 and increased the value of stock options by an equal amount. Commencing with the 2008 Annual Meeting, Mr. John G. Phillips will be a Director Emeritus of the Company and will be paid \$146,000 for his services. The Chairman of the Audit Committee receives an additional \$15,000 per year, each other Audit Committee member receives an additional \$5,000 per year and the Chairman of each of the Compensation Committee and the Nominating & Governance Committee receives an additional \$10,000 per year. Meeting fees are paid in cash. Retainer fees are paid in shares of Common Stock (valued at fair market value); provided that a director may elect to receive up to 50% of such retainer fees in cash. Directors may defer all or a portion of their retainer and meeting fees. Our Stock and Deferral Plan for Non-Employee Directors governs the payment of retainer and meeting fees and the terms of any deferrals of such fees. The Statement 123R charge for deferrals of retainer and meeting fees that are invested in phantom shares of the Company's Common Stock is included in the stock awards column in the above table. Directors are also reimbursed for their reasonable expenses in connection with attending Board of Director meetings and other Company events.

Our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors provides for grants of stock options and restricted share units to members of the Board of Directors who are not employees of the Company or any subsidiary. The size of any grants of stock options and restricted share units to non-employee directors, including to new directors, will be determined annually, based on the analysis of an independent compensation consultant. Based on such analysis, in April 2008 the Compensation Committee recommended, and the Board approved, the grant of 6,000 restricted share units to each non-employee director, and stock options with a binomial value of \$20,000, on the date of the 2008 Annual Meeting. Restricted share units and stock options become 100% vested on the first anniversary of the date of grant provided the eligible director continues as a director of the Company throughout that one-year period. Prior to the first anniversary of the date of grant, an eligible director shall be vested in the pro rata number of restricted share units and stock options based on the number of days during that year that the eligible director served. The total number of shares of our Common Stock that may be issued under the plan is 500,000, subject to adjustment in the case of certain corporate transactions and events.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Board and the Compensation Committee ( *Committee* ) believe that the Company's compensation program should motivate employees to achieve the Company's annual, long-term and strategic goals, while aligning employee and stockholder interests. The Company's compensation objectives are to attract and retain the best available talent and foster its corporate culture of teamwork to achieve its business objectives while rewarding individual contributions, all in order to achieve a superior rate of return over time. The Company's compensation philosophy is designed so that a substantial component of each employee's potential annual compensation is dependent upon measurable improvement to stockholder value.

Decisions with respect to the compensation of the Company's executive officers are made by the Committee. The compensation of non-executive officers and other employees is determined by the executive officers. The compensation of the Chief Executive Officer is recommended by the Committee and approved by the independent members of the Board of Directors.

The Committee based its decisions with respect to performance-measured compensation of our executive officers for services rendered in 2007 upon these principles and its assessment of each officer's potential to enhance long-term stockholder value. The Committee also considered each executive officer's current salary and prior year compensation, as well as compensation paid to the executive officer's peers. The Committee engages Frederic W. Cook & Co., Inc. and Towers Perrin as consultants to assist it in determining appropriate types and levels of compensation. Towers Perrin assists the Committee with its evaluation of base salary, and Frederic W.

Cook & Co., Inc. assists with all other compensation matters. Neither firm performs services for the Company other than its work for the Committee. The Committee expects recommendations from the Company's Chief Executive Officer but exercises its own judgment and makes its own determination.

### *Types of Compensation*

The Company provides two main types of compensation to executive officers:

- (1) annual compensation, consisting of a base salary and an incentive bonus on the attainment of corporate objectives and individual performance; and
- (2) long-term compensation, consisting of restricted share units (settled in shares or cash) and stock options and share appreciation rights (settled in shares or cash), the value of which is directly linked to the value of a share of the Company's Common Stock.

### *Annual Compensation*

At least once each year, the Committee reviews the Company's executive officers' base salary. This review is conducted with the assistance of Towers Perrin. The consultant's analysis includes an assessment of the Company's executive officers' compensation levels compared to other executive officers in similar positions in the Company's industry sector. The annual base salary of each executive is determined by an analysis of the compensation paid to other executive officers in similar positions in the Company's peer group and market data derived from a combination of sources, including published salary survey data of other exploration and production companies purchased from third parties. The Committee reviewed the following data in late 2006 in connection with making its determination for establishing base salaries for 2007: (1) published surveys of compensation consulting firms, which target exploration and production companies, and (2) a peer group of companies including ATP Oil & Gas Corp., Berry Petroleum Company, Bois d'Arc Energy Inc., Cabot Oil & Gas Corp., Cimarex Energy Co., Comstock Resources Inc., Encore Acquisition Company, Forest Oil Corporation, Houston Exploration Company, Meridian Resource Corp., Newfield Exploration Company, Range Resources Corporation, St. Mary Land & Exploration Company, Stone Energy Corp. and Swift Energy Company.

The data from the published surveys cannot be identified by specific companies, but is based upon data submitted by companies with revenues ranging from \$100 million to \$700 million. The Committee uses these different analyses to ensure it is getting a broad perspective on the marketplace data on which to base its decisions. The Committee targets the median to 75th percentile of its peer group for base salary. A competitive base salary is consistent with the Company's long-term objectives of attracting and retaining highly qualified, competent executives.

The incentive bonus is particularly aligned with the interests of the Company's stockholders. Incentive bonuses are based on quantitative and qualitative factors that the Committee may deem appropriate and the Committee's assessment of the individual's performance. While the Committee does not apply a completely formulaic approach, in 2007 the quantitative factors considered consisted of predetermined targets of production growth, reserve replacement, reserve replacement cost relative to the peer group, cash costs (lease operating expenses, general and administrative expense and taxes other than on earnings, excluding the Company's merger and acquisition expenses) per barrel of oil equivalent (Cash Costs/Boe) relative to the peer group, and the increase in value of the Company's Common Stock relative to the peer group. The Committee weighted each of these factors equally, and the Named Officers can receive up to a maximum of 200% of each quantitative target for specified performance exceeding the Company's objectives. The Committee has in the past adjusted targets for extraordinary events such as significant tropical storms. The Committee also compares the Company's results against the results of its peer group. The Committee does not set individual performance goals for the Company's executives. The peer group used for incentive bonus comparisons, which was formulated in late Summer of 2007, is comprised of ATP Oil & Gas Corp., Bois d'Arc Energy, Inc., Callon Petroleum Company, Mariner Energy, Inc., McMoRan Exploration Co., Meridian Resource Corp., Stone Energy Corp. and W & T Offshore, Inc.

A target bonus percentage of base salary is predetermined and periodically reviewed for each executive on the basis of market practices, although actual bonus payments can be significantly affected by the Committee's assessment of individual performance. The target bonus percentages for the current Named Officers set forth in the Summary Compensation Table are as follows: Mr. Bachmann, 100%; Mr. Peper, 55%; Mr. Leary, 55%; Mr. DeBrock, 50%; and Mr. Vincent, 50%. The Committee targets the 75th percentile for the combination of base salary and incentive bonus when results warrant. In reviewing quantitative factors, the Committee will determine each year whether a threshold level of performance below the Company's objectives is deserving of any bonus percentage, taking into account external factors beyond the control of the executives.

For 2007, the Committee determined that the Company did not meet its targets for production growth (actual of 7%, adjusted for the 2007 sale of assets, with a target of 10%), stock price performance (from the market close on December 30, 2006 to December 31, 2007, the Company was in the bottom quartile of its peer group), reserve replacement (target of 130%, with an actual performance of a negative 31%), Cash Costs/Boe (an indexed target based on peer performance, with an actual of \$15.28, after adjusting to exclude the Company's merger and acquisition related expenses in 2007) or reserve replacement cost (an indexed target based on peer performance, which was not calculable due to the negative reserve replacement). Based on these results, the Committee determined that no bonuses in accordance with the Company's quantitative factors were warranted. The Committee expects to determine shortly whether to modify the corporate targets that are to serve as the quantitative factors used in determining incentive bonuses for 2008 performance.

### ***Long-Term Compensation***

In determining the appropriate levels of incentive compensation, the Committee reviews comparable compensation, as well as historical share usage and dilution analyses and the fair value of long-term compensation as a percentage of market capitalization, of its peer group. It also reviews the mix of equity forms used by exploration and production companies of similar size and revenues in compensating executive officers.

Last year the Committee used a combination of stock options and cash-settled restricted share units to provide equity compensation to the executive officers. These equity forms create an alignment of interests with the Company's stockholders. Stock options have an exercise price equal to the fair market value on the date of grant, and have a ten-year term, vesting in one-third increments on the first three anniversaries of the date of grant. If any grantee voluntarily leaves the Company other than by reason of retirement, unvested options are forfeited and vested options must be exercised within 30 days. Unvested options will become immediately exercisable upon a change of control (as defined) of the Company. If any grantee leaves the Company, unvested cash-settled restricted share units are forfeited. Unvested cash-settled restricted share units will become fully vested upon a change of control (as defined) of the Company. Each cash-settled restricted share unit vests in one-third increments on the first three anniversaries of the date of grant for annual awards, but could vest differently if used as an employment or other special award, as determined by the Committee.

The Committee has historically targeted the 75th percentile for long-term compensation. In 2007, the desired dollar value of long-term compensation was divided between stock options (25%) and cash-settled restricted share units (75%) based on the binomial value of the stock options with FAS 123R assumptions and the market price of Common Stock at grant for cash-settled restricted share units. The Committee approved awards for the executive officers in late Spring of 2007 based upon the 75th percentile, consistent with the Committee's compensation philosophy. The peer group used to make this determination, which was formulated in early 2007, consisted of: ATP Oil & Gas Corp., Cabot Oil & Gas Corp., Comstock Resources Inc., Denbury Resources Inc., Houston Exploration Company, Meridian Resources Corp., Newfield Exploration Company, St. Mary Land & Exploration Company and Stone Energy Corp. The awards are set forth under "Grants of Plan-Based Awards". The Committee reviews its compensation philosophy periodically, and reserves the right to change the method of awarding long-term equity compensation.

The Committee also reviewed data relating to the 2005-2007 performance cycle, which was based on three year production growth, three year proved reserve growth and three year return on investment targets, in

each case compared to peer groups determined annually. Each factor is weighted equally, and Named Officers can receive up to a maximum of 200% of each quantitative factor. The Committee determined that the Company partially met the production growth and reserve growth criteria compared to its peer group in 2005, the first year of the three year award cycle. In accordance with the terms of the performance share award, the Committee vested 16.7% of the performance shares, or 6,749 shares. The Committee did not grant any new performance shares in 2007.

In April 2008, the Committee made long-term equity awards to the Named Officers. Except for the award to Mr. Bachmann described below, the Committee used a combination of stock options, restricted share units, and cash-settled restricted share units to provide long-term equity compensation.

***Compensation of the Chief Executive Officer***

The Committee based its recommendations to the independent members of the Board with respect to compensation of our Chief Executive Officer, Richard A. Bachmann, for services rendered in 2007 on the factors discussed above and our assessment of his potential to enhance long-term stockholder value. The Committee also considered Mr. Bachmann's current salary and prior year compensation, as well as compensation paid to his peers. The Committee used its outside compensation consultants to assist it in determining appropriate types and levels of compensation. The independent members of the Board accepted the Committee's recommendations.

Mr. Bachmann's base salary of \$500,000 for 2007 was commensurate with the median to 75th percentile of base salaries for chief executive officers of the various data analyses presented to the Committee, as described above. For 2008, Mr. Bachmann's base salary was increased to \$525,000. Mr. Bachmann's bonus target is 100%. Mr. Bachmann was not awarded a bonus for 2007. Mr. Bachmann's 2007 long-term incentive awards are set forth under Grants of Plan-Based Awards.

In April 2008, in order to better align the interests of the Chief Executive Officer with stockholders and to place him more at risk, the Committee recommended, and the independent directors approved, long-term equity compensation for Mr. Bachmann in the form of an award of 500,000 cash-settled share appreciation rights. The share appreciation rights have an exercise price equal to fair market value on the date of grant, have a ten-year term and vest in one-third increments on the first three anniversaries of the date of grant. This award, and related charges, will be shown in the tables below for the 2009 Annual Meeting of Stockholders.

***Policy on Deductibility of Compensation***

Section 162(m) of the Internal Revenue Code of 1986 limits the deductibility for federal income taxes of compensation in excess of \$1 million paid to a publicly held company's chief executive officer and any of the other four highest-paid executives.