LORAL SPACE & COMMUNICATIONS INC.
Form SC 13D/A
March 07, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

[RULE 13D-101]

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO § 240.13d-1(a) AND

AMENDMENTS THERETO FILED PURSUANT TO § 240.13d-2(a)

(Amendment No. 25)*

Loral Space & Communications Inc.
(Name of Issuer)

Common Stock, Par Value $.01 Per Share
(Title of Class of Securities)

543881106
(CUSIP Number)

Janet Yeung

MHR Fund Management LLC

1345 Avenue of the Americas, 42nd Floor

New York, New York 10105

(212) 262-0005
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

March 4, 2016
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box ¨.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

Continued on following pages

(Page 1 of 27 Pages)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 1,133,569
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,133,569
	10	SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,133,569

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.3%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

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1	NAMES OF REPORTING PERSONS MHR CAPITAL PARTNERS MASTER ACCOUNT II LP
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x
3	SEC USE ONLY
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION Marshall Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 1,133,569
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,133,569
	10	SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,133,569

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.3%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

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1	NAMES OF REPORTING PERSONS MHR ADVISORS LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS): N/A	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 1,285,467
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,285,467
	10	SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,285,467

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

6.0%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

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1	NAMES OF REPORTING PERSONS MHR INSTITUTIONAL PARTNERS LP
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x
3	SEC USE ONLY
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 2,123,874
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 2,123,874
	10	SHARED DISPOSITIVE POWER

	0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,123,874
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 9.9%
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) PN

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1	NAMES OF REPORTING PERSONS MHR INSTITUTIONAL ADVISORS LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 2,634,891	
	8	SHARED VOTING POWER 0	
	9	SOLE DISPOSITIVE POWER 2,634,891	
	10	SHARED DISPOSITIVE POWER	

	0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,634,891
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 12.3%
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO

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1	NAMES OF REPORTING PERSONS MHR INSTITUTIONAL PARTNERS IIA LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 2,418,660
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 2,418,660
	10	SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,418,660

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.3%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

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1	NAMES OF REPORTING PERSONS MHR INSTITUTIONAL ADVISORS II LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 3,378,693	
	8	SHARED VOTING POWER 0	
	9	SOLE DISPOSITIVE POWER 3,378,693	
	10	SHARED DISPOSITIVE POWER	

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,378,693

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.8%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

OO

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1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) MHRC LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* N/A	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 1,285,467
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 1,285,467

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,285,467

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

6.0%

14 TYPE OF REPORTING PERSON*

OO

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1	NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) MHRC I LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* N/A	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 2,634,891
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 2,634,891

10	SHARED DISPOSITIVE POWER 0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 2,634,891
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 12.3%
14	TYPE OF REPORTING PERSON* OO

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1 NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

MHRC II LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) ¨ (b) x

3 SEC USE ONLY

4 SOURCE OF FUNDS*

N/A

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) ¨

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	7	SOLE VOTING POWER 3,378,693
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 3,378,693

10 SHARED DISPOSITIVE POWER

0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,378,693

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* ¨

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.8%

14 TYPE OF REPORTING PERSON*

OO

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1	NAMES OF REPORTING PERSONS MHR FUND MANAGEMENT LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨		
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 8,339,419	
	8	SHARED VOTING POWER 0	
	9	SOLE DISPOSITIVE POWER 8,339,419	
	10	SHARED DISPOSITIVE POWER	

	0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,339,419
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 38.9%
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO

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1	NAMES OF REPORTING PERSONS MHR HOLDINGS LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x	
3	SEC USE ONLY	
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 8,339,419
	8	SHARED VOTING POWER 0
	9	SOLE DISPOSITIVE POWER 8,339,419
	10	SHARED DISPOSITIVE POWER

0

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,339,419
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 38.9%
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) OO

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1	NAMES OF REPORTING PERSONS MARK H. RACHESKY, M.D.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) ¨ (b) x		
3	SEC USE ONLY		
4	SOURCE OF FUNDS (SEE INSTRUCTIONS) N/A		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) ¨		
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States of America		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**7**	SOLE VOTING POWER 8,354,419	
	8	SHARED VOTING POWER 0	
	9	SOLE DISPOSITIVE POWER 8,354,419	
	10	SHARED DISPOSITIVE POWER	

	0
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 8,354,419
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) ¨
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 39.0%
14	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IN; HC

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This statement on Schedule 13D (this Statement) amends and supplements, as Amendment No. 25, the Schedule 13D filed on November 30, 2005 (the Original Schedule 13D), which was amended on October 19, 2006 by Amendment No. 1 to the Original Schedule 13D (Amendment No. 1), on October 30, 2006 by Amendment No. 2 to the Original Schedule 13D (Amendment No. 2), on February 28, 2007 by Amendment No. 3 to the Original Schedule 13D (Amendment No. 3), on March 23, 2007 by Amendment No. 4 to the Original Schedule 13D (Amendment No. 4), on August 9, 2007 by Amendment No. 5 to the Original Schedule 13D (Amendment No. 5), on August 31, 2007 by Amendment No. 6 to the Original Schedule 13D (Amendment No. 6), on November 2, 2007 by Amendment No. 7 to the Original Schedule 13D (Amendment No. 7), on July 17, 2008 by Amendment No. 8 to the Original Schedule 13D (Amendment No. 8), on October 22, 2008 by Amendment No. 9 to the Original Schedule 13D (Amendment No. 9), on November 12, 2008 by Amendment No. 10 to the Original Schedule 13D (Amendment No. 10), on November 24, 2008 by Amendment No. 11 to the Original Schedule 13D (Amendment No. 11), on December 4, 2008 by Amendment No. 12 to the Original Schedule 13D (Amendment No. 12), on December 5, 2008 by Amendment No. 13 to the Original Schedule 13D (Amendment No. 13), on December 8, 2008 by Amendment No. 14 to the Original Schedule 13D (Amendment No. 14), on December 24, 2008 by Amendment No. 15 to the Original Schedule 13D (Amendment No. 15), on March 20, 2009 by Amendment No. 16 to the Original Schedule 13D (Amendment No. 16), on July 2, 2009 by Amendment No. 17 to the Original Schedule 13D (Amendment No. 17), on March 17, 2011 by Amendment No. 18 to the Original Schedule 13D (Amendment No. 18), on November 13, 2012 by Amendment No. 19 to the Original Schedule 13D (Amendment No. 19), on January 10, 2013 by Amendment No. 20 to the Original Schedule 13D (Amendment No. 20), on January 30, 2015 by Amendment No. 21 to the Original Schedule 13D (Amendment No. 21), on March 9, 2015 by Amendment No. 22 to the Original Schedule 13D (Amendment No. 22), on May 15, 2015 by Amendment No. 23 to the Original Schedule 13D (Amendment No. 23) and on September 4, 2015 by Amendment No. 24 to the Original Schedule 13D (Amendment No. 24 and, together with Amendment No. 1 through Amendment No. 23 and the Original Schedule 13D, the Schedule 13D) and relates to common stock, par value $0.01 per share (the Common Stock), of Loral Space & Communications Inc. (the Issuer). Except as otherwise provided, capitalized terms used in this Statement but not defined herein shall have the respective meanings given to such terms in Amendment No. 24.

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Item 3. Source and Amount of Funds or Other Consideration

Item 3 is hereby amended by adding the following paragraph:

On March 4, 2016, Master Account II Holdings, Capital Partners (100) and Institutional Partners III acquired an aggregate of 209,700 shares of Common Stock in block trades for aggregate consideration (excluding commissions) of $7,048,925.

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Item 5. Interest in Securities of the Issuer

Item 5 is hereby amended by deleting such Item in its entirety and replacing it with the following:

The percentages set forth below are calculated based on information contained in the Form 10-K for the year ended December 31, 2015, which disclosed that there were 21,427,078 shares of Common Stock outstanding as of February 16, 2016.

All references to percentage beneficial ownership in Item 1 and this Item 5(a) are calculated by reference only to the shares of Common Stock and without reference to the beneficial ownership of any shares of Non-Voting Common Stock, which are not a class of an equity security as defined by Rule 13d-1(i) of the Act. Reference to the Non-Voting Common Stock in the footnotes to this Item 5(a) are made supplementally and for informational purposes only.

(a) (i) Master Account II Holdings may be deemed the beneficial owner of 1,133,569[1] shares of Common Stock held for its own account (approximately 5.3% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3 (d)(1)(i) under the Act).

(ii) Master Account II may be deemed the beneficial owner of 1,133,569[2] shares of Common Stock (approximately 5.3% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of 1,133,569 shares of Common Stock held for the account of Master Account II Holdings.

(iii) Capital Partners (100) may be deemed the beneficial owner of 151,898[3] shares of Common Stock held for its own account (approximately 0.7% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(iv) Advisors may be deemed the beneficial owner of 1,285,467[4] shares of Common Stock (approximately 6.0% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of (A) 1,133,569 shares of Common Stock held for the account of Master Account II Holdings and (B) 151,898 shares of Common Stock held for the account of Capital Partners (100).

1 In addition, Master Account II Holdings may be deemed the beneficial owner of 1,089,120 shares of Non-Voting Common Stock held for its own account.
2 In addition, Master Account II may be deemed the beneficial owner of 1,089,120 shares of Non-Voting Common Stock held for the account of Master Account II Holdings.
3 In addition, Capital Partners (100) may be deemed the beneficial owner of 125,922 shares of Non-Voting Common Stock held for its own account.
4 In addition, Advisors may be deemed the beneficial owner of 1,215,042 shares of Non-Voting Common Stock held for the accounts of Master Account II Holdings and Capital Partners (100).

(v) Institutional Partners may be deemed the beneficial owner of 2,123,874 shares of Common Stock held for its own account (approximately 9.9% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(vi) MHRA may be deemed the beneficial owner of 205,476 shares of Common Stock held for its own account (approximately 1.0% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(vii) MHRM may be deemed the beneficial owner of 305,541 shares of Common Stock held for its own account (approximately 1.4% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(viii) Institutional Advisors may be deemed the beneficial owner of 2,634,891 shares of Common Stock (approximately 12.3% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of (A) 2,123,874 shares of Common Stock held for the account of Institutional Partners, (B) 205,476 shares of Common Stock held for the account of MHRA and (C) 305,541 shares of Common Stock held for the account of MHRM.

(ix) Institutional Partners II may be deemed the beneficial owner of 960,033[5] shares of Common Stock held for its own account (approximately 4.5% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(x) Institutional Partners IIA may be deemed the beneficial owner of 2,418,660[6] shares of Common Stock held for its own account (approximately 11.3% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act).

(xi) Institutional Advisors II may be deemed the beneficial owner of 3,378,693[7] shares of Common Stock (approximately 15.8% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of (A) 960,033 shares of Common Stock held for the account of Institutional Partners II, and (B) 2,418,660 shares of Common Stock held for the account of Institutional Partners IIA.

(xii) Institutional Partners III may be deemed the beneficial owner of 1,040,368[8] shares of Common Stock held for its own account (approximately 4.9% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3 (d)(1)(i) under the Act).

5 In addition, Institutional Partners II may be deemed the beneficial owner of 540,200 shares of Non-Voting Common Stock held for its own account.

6 In addition, Institutional Partners IIA may be deemed the beneficial owner of 1,360,934 shares of Non-Voting Common Stock held for its own account.

7 In addition, Institutional Advisors II may be deemed the beneficial owner of 1,901,134 shares of Non-Voting Common Stock held for the accounts of Institutional Partners II and Institutional Partners IIA.

8 In addition, Institutional Partners III may be deemed the beneficial owner of 6,389,497 shares of Non-Voting Common Stock held for its own account.

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(xiii) Institutional Advisors III may be deemed the beneficial owner of 1,040,368[9] shares of Common Stock (approximately 4.9% of the total number of shares of Common Stock outstanding calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of 1,040,368 shares of Common Stock held for the account of Institutional Partners III.

(xiv) MHRC may be deemed the beneficial owner of 1,285,467[10] shares of Common Stock (approximately 6.0% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of all of the shares of Common Stock otherwise described in Item 5(a)(iv) by virtue of MHRC s position as the managing member of Advisors.

(xv) MHRC I may be deemed the beneficial owner of 2,634,891 shares of Common Stock (approximately 12.3% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of all of the shares of Common Stock otherwise described in Item 5(a)(viii) by virtue of MHRC I s position as managing member of Institutional Advisors.

(xvi) MHRC II may be deemed the beneficial owner of 3,378,693[11] shares of Common Stock (approximately 15.8% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of all of the shares of Common Stock otherwise described in Item 5(a)(xi) by virtue of MHRC II s position as the managing member of Institutional Advisors II.

(xvii) Fund Management may be deemed the beneficial owner of 8,339,419[12] shares of Common Stock (approximately 38.9% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of all of the shares of Common Stock otherwise described in this Item 5(a) by virtue of Fund Management s investment management agreement with Master Account II, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III.

9 In addition, Institutional Advisors III may be deemed the beneficial owner of 6,389,497 shares of Non-Voting Common Stock held for the account of Institutional Partners III.

10 In addition, MHRC may be deemed the beneficial owner of all of the shares of Non-Voting Common Stock otherwise described in footnote 4 to this Item 5(a) by virtue of its position as the managing member of Advisors.

11 In addition, MHRC II may be deemed the beneficial owner of all of the shares of Non-Voting Common Stock otherwise described in footnote 7 to this Item 5(a) by virtue of its position as the managing member of Institutional Advisors II.

12 In addition, Fund Management may be deemed the beneficial owner of all of the shares of Non-Voting Common Stock otherwise described in the footnotes to this Item 5(a) by virtue of Fund Management s investment management agreement with Master Account II, Capital Partners (100), Institutional Partners II, Institutional Partners IIA and Institutional Partners III.

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(xviii) MHR Holdings may be deemed the beneficial owner of 8,339,419[13] shares of Common Stock (approximately 38.9% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of all of the shares of Common Stock otherwise described in this Item 5(a) by virtue of MHR Holdings position as the managing member of Fund Management.

(xix) Dr. Rachesky may be deemed the beneficial owner of 8,354,419[14] shares of Common Stock (approximately 39.0% of the total number of shares of Common Stock outstanding, calculated in accordance with Rule 13d-3(d)(1)(i) under the Act). This number consists of (a) all of the shares of Common Stock otherwise described in this Item 5(a) by virtue of Dr. Rachesky s position as the managing member of each of MHRC, MHRC II, Institutional Advisors III and MHR Holdings and as the manager of MHRC I, and (b) 15,000 shares of Common Stock held directly by Dr. Rachesky.

(b) (i) Master Account II Holdings may be deemed to have (x) the sole power to direct the disposition of 1,133,569 shares of Common Stock which may be deemed to be beneficially owned by Master Account II Holdings as described above, and (y) the sole power to direct the voting of 1,133,569 shares of Common Stock which may be deemed to be beneficially owned by Master Account II Holdings as described above.

(ii) Master Account II may be deemed to have (x) the sole power to direct the disposition of 1,133,569 shares of Common Stock which may be deemed to be beneficially owned by Master Account II as described above, and (y) the sole power to direct the voting of 1,133,569 shares of Common Stock which may be deemed to be beneficially owned by Master Account II as described above.

(iii) Capital Partners (100) may be deemed to have (x) the sole power to direct the disposition of 151,898 shares of Common Stock which may be deemed to be beneficially owned by Capital Partners (100) as described above, and (y) the sole power to direct the voting of 151,898 shares of Common Stock which may be deemed to be beneficially owned by Capital Partners (100) as described above.

(iv) Advisors may be deemed to have (x) the sole power to direct the disposition of 1,285,467 shares of Common Stock which may be deemed to be beneficially owned by Advisors as described above, and (y) the sole power to direct the voting of 1,285,467 shares of Common Stock which may be deemed to be beneficially owned by Advisors as described above.

13 In addition, MHR Holdings may be deemed the beneficial owner of all of the shares of Non-Voting Common Stock otherwise described in the footnotes to this Item 5(a) by virtue of its position as the managing member of Fund Management.

14 In addition, Dr. Rachesky may be deemed the beneficial owner of all of the shares of Non-Voting Common Stock otherwise described in the footnotes to this Item 5(a) by virtue of Dr. Rachesky s position as the managing member of each of MHRC, MHRC II, Institutional Advisors III and MHR Holdings.

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(v) Institutional Partners may be deemed to have (x) the sole power to direct the disposition of 2,123,874 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners as described above, and (y) the sole power to direct the voting of 2,123,874 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners as described above.

(vi) MHRA may be deemed to have (x) the sole power to direct the disposition of 205,476 shares of Common Stock which may be deemed to be beneficially owned by MHRA as described above, and (y) the sole power to direct the voting of 205,476 shares of Common Stock which may be deemed to be beneficially owned by MHRA as described above.

(vii) MHRM may be deemed to have (x) the sole power to direct the disposition of 305,541 shares of Common Stock which may be deemed to be beneficially owned by MHRM as described above, and (y) the sole power to direct the voting of 305,541 shares of Common Stock which may be deemed to be beneficially owned by MHRM as described above.

(viii) Institutional Advisors may be deemed to have (x) the sole power to direct the disposition of 2,634,891 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors as described above, and (y) the sole power to direct the voting of 2,634,891 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors as described above.

(ix) Institutional Partners II may be deemed to have (x) the sole power to direct the disposition of 960,033 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners II as described above, and (y) the sole power to direct the voting of 960,033 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners II as described above.

(x) Institutional Partners IIA may be deemed to have (x) the sole power to direct the disposition of 2,418,660 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners IIA as described above, and (y) the sole power to direct the voting of 2,418,660 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners IIA as described above.

(xi) Institutional Advisors II may be deemed to have (x) the sole power to direct the disposition of 3,378,693 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors II as described above, and (y) the sole power to direct the voting of 3,378,693 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors II as described above.

(xii) Institutional Partners III may be deemed to have (x) the sole power to direct the disposition of 1,040,368 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners III as described above, and (y) the sole power to direct the voting of 1,040,368 shares of Common Stock which may be deemed to be beneficially owned by Institutional Partners III as described above.

(xiii) Institutional Advisors III may be deemed to have (x) the sole power to direct the disposition of 1,040,368 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors III as described above, and (y) the sole power to direct the voting of 1,040,368 shares of Common Stock which may be deemed to be beneficially owned by Institutional Advisors III as described above.

(xiv) MHRC may be deemed to have (x) the sole power to direct the disposition of 1,285,467 shares of Common Stock which may be deemed to be beneficially owned by MHRC as described above, and (y) the sole power to direct the voting of 1,285,467 shares of Common Stock which may be deemed to be beneficially owned by MHRC as described above.

(xv) MHRC I may be deemed to have (x) the sole power to direct the disposition of 2,634,891 shares of Common Stock which may be deemed to be beneficially owned by MHRC I as described above, and (y) the sole power to direct the voting of 2,634,891 shares of Common Stock which may be deemed to be beneficially owned by MHRC I as described above.

(xvi) MHRC II may be deemed to have (x) the sole power to direct the disposition of 3,378,693 shares of Common Stock which may be deemed to be beneficially owned by MHRC II as described above, and (y) the sole power to direct the voting of 3,378,693 shares of Common Stock which may be deemed to be beneficially owned by MHRC II as described above.

(xvii) Fund Management may be deemed to have (x) the sole power to direct the disposition of the 8,339,419 shares of Common Stock which may be deemed to be beneficially owned by Fund Management as described above, and (y) the sole power to direct the voting of 8,339,419 shares of Common Stock which may be deemed to be beneficially owned by Fund Management as described above.

(xviii) MHR Holdings may be deemed to have (x) the sole power to direct the disposition of the 8,339,419 shares of Common Stock which may be deemed to be beneficially owned by MHR Holdings as described above, and (y) the sole power to direct the voting of 8,339,419 shares of Common Stock which may be deemed to be beneficially owned by MHR Holdings as described above.

(xix) Dr. Rachesky may be deemed to have (x) the sole power to direct the disposition of the 8,354,419 shares of Common Stock which may be deemed to be beneficially owned by Dr. Rachesky as described above, and (y) the sole power to direct the voting of 8,354,419 shares of Common Stock which may be deemed to be beneficially owned by Dr. Rachesky as described above.

(c) See Annex A to this Statement.

(d) (i) The partners of Master Account II, including Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Master Account II Holdings in accordance with their partnership interests in Master Account II.

(ii) The partners of Capital Partners (100), including Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Capital Partners (100) in accordance with their partnership interests in Capital Partners (100).

(iii) The partners of Institutional Partners, including Institutional Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Institutional Partners in accordance with their partnership interests in Institutional Partners.

(iv) The partners of MHRA, including Institutional Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of MHRA in accordance with their partnership interests in MHRA.

(v) The partners of MHRM, including Institutional Advisors, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of MHRM in accordance with their partnership interests in MHRM.

(vi) The partners of Institutional Partners II, including Institutional Advisors II, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Institutional Partners II in accordance with their partnership interests in Institutional Partners II.

(vii) The partners of Institutional Partners IIA, including Institutional Advisors II, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Institutional Partners IIA in accordance with their partnership interests in Institutional Partners IIA.

(viii) The partners of Institutional Partners III, including Institutional Advisors III, have the right to participate in the receipt of dividends from, or proceeds from the sale of, the securities held for the account of Institutional Partners III in accordance with their partnership interests in Institutional Partners III.

(e) Not applicable.

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SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this Statement is true, complete and correct.

Date: March 7, 2016

MHR CAPITAL PARTNERS MASTER ACCOUNT II HOLDINGS LLC

By: MHR Advisors LLC,
the General Partner of its Sole Member

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR CAPITAL PARTNERS MASTER ACCOUNT II LP

By: MHR Advisors LLC,
its General Partner

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR ADVISORS LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR INSTITUTIONAL PARTNERS LP

By: MHR Institutional Advisors LLC,
its General Partner

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR INSTITUTIONAL ADVISORS LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR INSTITUTIONAL PARTNERS IIA LP

By: MHR Institutional Advisors II LLC,

its General Partner

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR INSTITUTIONAL ADVISORS II LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

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MHRC LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHRC I LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHRC II LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR FUND MANAGEMENT LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MHR HOLDINGS LLC

By: /s/ Janet Yeung
Name: Janet Yeung
Title: Authorized Signatory

MARK H. RACHESKY, M.D.

By: /s/ Janet Yeung, Attorney in Fact

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Annex A

The following table describes transactions in shares of Common Stock that were effected during the past sixty days, or since the last filing of a Schedule 13D or amendment thereto, whichever is less, by the persons named in response to paragraph (a) of Item 5.

Transaction Date	Person Named in Item 5(a)	Common Stock Acquired	Price Per Share ($)[1]	Description of Transaction
March 4, 2016	Master Account II Holdings	5,622	$ 32.75	Block Trade
March 4, 2016	Master Account II Holdings	12,600	$ 34.00	Block Trade
March 4, 2016	Capital Partners (100)	814	$ 32.75	Block Trade
March 4, 2016	Capital Partners (100)	1,825	$ 34.00	Block Trade
March 4, 2016	Institutional Partners III	58,264	$ 32.75	Block Trade
March 4, 2016	Institutional Partners III	130,575	$ 34.00	Block Trade

1 Excluding commissions.

ont-family:Times New Roman" SIZE="2">400,723 $30,653 $35,547 $181,862 $152,661

(1) Includes obligations for additions to principal on PIK Notes as a result of in-kind interest payments. See Note 10, Indebtedness, to the consolidated financial statements in Part II, Item 8 of this Annual Report for additional information regarding interest on the PIK Notes.

(2) Interest attributable to the Credit Facility was calculated using the rates in effect as of December 31, 2009. Interest attributable to the PIK Notes includes interest on additions to principal as described in (1) above.

(3) Includes discretionary amounts that we expect to spend on asset retirement activities of approximately $8.0 million, $16.4 million and $17.0 million in the less than one year period, one to three year period and three to five year period, respectively.

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Off-Balance Sheet Transactions

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources other than those disclosed above.

Derivative Instruments

Note 2 Summary of Significant Accounting Policies and Note 12 Derivative Transactions in Part II, Item 8 of this Annual Report describe our commodity price risks and the instruments we use to manage them.

We enter into derivative instruments to reduce our exposure to fluctuations in the market prices of oil and natural gas. Hedging transactions can expose us to risk of financial loss if, among other things, production is less than expected, the counterparty to the contract defaults on its obligations, or there is a change in the expected differential between the underlying price in the derivative instrument and actual price received. Derivative instruments may limit the benefit we would have otherwise received from increases in the sales prices of our oil and natural gas. Conversely, if we were not to engage in hedging transactions, we may be more adversely affected by declines in oil and natural gas prices than our competitors who do engage in hedging transactions.

Our revenues, profitability and future growth are highly dependent on prices for oil and natural gas. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow and raise additional capital. The amount we can borrow under the Credit Facility is subject to periodic redetermination based in part on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that we can economically produce. We currently sell all of our oil and natural gas production under price sensitive or market price contracts.

Discussion of Critical Accounting Policies

In preparing our financial statements in accordance with accounting principles generally accepted in the United States, management must make estimates and assumptions related to the reporting of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Application of certain of our accounting policies requires a significant number of estimates. These accounting policies are described below.

> *Reorganization and Fresh-Start Accounting* The financial statements for the period in which we were in reorganization under Chapter 11 were prepared in accordance with ASC 852, Reorganizations, (originally issued as the American Institute of Certified Public Accountant s Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code). Under ASC 852, we must, among other things, (1) identify transactions that are directly associated with the reorganization from those events that occur during the normal course of business, (2) identify pre-petition liabilities subject to compromise from those that are not subject to compromise or are post petition liabilities and (3) apply fresh-start accounting rules upon emergence from Chapter 11 reorganization.

In accordance with ASC 852, we adopted fresh-start accounting as of September 30, 2009. Fresh-start accounting is required upon a substantive change in control and requires that the reporting entity allocate the reorganization value of the Company to its assets and liabilities in relation to their fair values. Under the provisions of fresh-start accounting, a new entity has been deemed created for financial reporting purposes.

Based on financial projections that we and our advisors developed, the allocation of the reorganization value was determined using various valuation methods, including (i) comparable company analysis, which estimates the value of the Company based on the implied valuations of other similar companies; (ii) comparable asset transaction analysis, which estimates the value of a company based upon publicly

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announced transactions of assets with similar characteristics; (iii) comparable merger transaction analysis, which, much like comparable asset transaction analysis, estimates the value of a company based upon publicly announced transactions with similar characteristics, except that merger analysis analyzes public to public merger transactions rather than solely asset transactions; and (iv) discounted cash flow analysis, which estimates the value of the Company by determining the present value of estimated future cash flows. The reorganization value is based on subjective estimates and assumptions, which are inherently subject to significant uncertainties and contingencies which are beyond our control. The fair value allocated to our property and equipment should not be viewed as representative of the current value of our oil and natural gas reserves or the current value of the Company. The reorganization value of the Company was estimated to be approximately $603 million.

In order to reflect the reorganization and application of ASC 852, we adjusted the book values of the Predecessor Company s assets and liabilities to reflect the estimated fair values of the Successor Company s assets and liabilities, on a net basis. These adjustments reduced our net loss by $57.1 million. The restructuring of the Company s capital and resulting discharge of the Predecessor Company Notes and related accrued interest resulted in a loss of $2.7 million. The adjustments for the revaluation of the assets and liabilities and the loss on the discharge of pre-petition debt are recorded in Fresh-start adjustments and Loss on discharge of debt, respectively, in the consolidated statement of operations for the period from January 1, 2009 through September 30, 2009.

Successful-Efforts Method of Accounting Oil and natural gas exploration and production companies choose from two acceptable methods of accounting for oil and gas properties, the successful-efforts method, which is the method we use, and the full cost method. The most significant difference between the two methods relates to the accounting treatment of drilling costs incurred on unsuccessful exploratory wells (dry holes) and exploration costs. Under the successful efforts method of accounting for oil and natural gas producing activities, costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Exploratory drilling costs are initially capitalized, but charged to expense if and when the well is determined not to have found reserves in commercial quantities. We may capitalize exploratory well costs beyond one year if (a) we found a sufficient quantity of reserves to justify its completion as a producing well and (b) we are making sufficient progress assessing the reserves and the economic and operating viability of the project; otherwise, these costs are expensed. Geological and geophysical costs are charged to expense as incurred. We allocate the capitalized cost of producing oil and gas properties to earnings through DD&A on a field-by-field basis as production occurs. Entities that follow the full cost method capitalize drilling and exploratory costs, including dry hole costs, into one or more large pools of oil and natural gas property costs. Under the full cost method, the capitalized costs for each pool are allocated to earnings through DD&A based on the production of each pool. Additionally, under the successful efforts method, we measure impairments of our oil and natural gas properties based on the estimated fair value of oil and natural gas properties on a field-by-field basis based on the requirements of ASC Topic 360, Property, Plant and Equipment. In estimating fair value, we make assumptions about factors that have a high degree of uncertainty, including expected future sales prices for oil and natural gas, expected future costs of production, development and abandonment, and the appropriate rate at which we discount future cash flows. Under the full cost method, impairments are measured based on criteria determined by the SEC, which differs from the application of ASC Topic 360.

We believe that companies with active exploratory drilling programs typically incur dry hole costs. To the extent that we incur significant amounts of exploratory drilling costs in the future, we expect to continue to incur dry hole costs in the future. We expect our dry hole costs will vary depending on our success rate in finding productive oil and natural gas reserves as well as the amount of our capital expenditures that are dedicated to exploration activities.

Proved Reserve Estimates We use our oil and natural gas proved reserve estimates to calculate our DD&A. We allocate the capitalized cost of our producing oil and natural gas properties to earnings

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through DD&A based on Boe units produced during the period as a percentage of total estimated Boe reserves. We also use reserve estimates, which may include (on a risk adjusted basis) reserves that are not proved reserves, to assess our productive oil and natural gas properties for impairment. Proved reserves are the estimated quantities of crude oil, natural gas and NGLs that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, estimated prices and costs as of the date the reserve estimates are made are held constant for the life of the reserves.

Independent reserve engineers prepare our oil and natural gas reserve estimates using guidelines established by the SEC and U.S. generally accepted accounting principles (GAAP). In December 2008, the SEC issued a final rule, Modernization of Oil and Gas Reporting, which amended its oil and gas reserves estimation and disclosure requirements. The new requirements were codified into ASC 932 in January 2010 and had the effect of, among other things: permitting the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserve volumes; modifying the prices used to estimate reserves for SEC disclosure purposes to an average price based upon the prior twelve month period rather than the year-end price; and allowing the optional disclosure of probable and possible reserves to investors. The revised rule was effective January 1, 2010 for reporting December 31, 2009 annual oil and natural gas reserve information. We have adopted the provisions of the final rule in connection with the filing of this Annual Report. The quality and quantity of data, the interpretation of data, the accuracy of economic assumptions, and judgments and estimates regarding uncertain events and circumstances by us and our independent reserve engineers affect the accuracy of reserve estimates. We may materially revise our reserve estimates in subsequent periods due to drilling or production results or other data obtained after the date of the estimate.

As of December 31, 2009, proved oil and natural gas reserves were 31.2 Mmboe. Approximately 34% of our proved reserves is classified as proved developed producing reserves while 45% of our proved reserves is classified as proved developed non-producing reserves. Most of our proved developed non-producing reserves are classified as behind pipe and will be produced after depletion of another productive zone in the same well. Approximately 21% of total proved reserves are categorized as proved undeveloped reserves.

The present value of the future net cash flow disclosed in this Annual Report is not intended to reflect the market value of the oil and natural gas reserves. In accordance with ASC 932, we use prices based on the simple average of the closing price on the first day of each of the twelve months during the fiscal year, and costs determined on the date of the estimate held constant for the life of the reserves and a 10% discount rate to determine the present value of future net cash flow. Actual costs incurred and prices received in the future may vary significantly and the discount rate may not accurately reflect economic conditions.

As of December 31, 2009, the computation of the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves was based on prices of $3.96 per Mcf for natural gas and $57.70 per barrel for crude computed by applying the use of physical pricing based on the simple average of the closing price on the first day of each of the twelve months during the fiscal year (as required by ASC 932), applying historical adjustments, including transportation, quality differentials, and purchaser bonuses, on an individual property basis, to the year end quantities of estimated proved reserves. The historical adjustments applied to the computed prices are determined by comparing our historical realized price experience with the comparable historical market, or posted, price. These adjustments can vary significantly over time both in amount and as a percentage of the posted price, especially related to our oil prices during periods when the market price for oil varies widely. The price adjustments reflected in our computed reserve prices may not represent the amount of price adjustments we may actually obtain in the future when we sell our production. We estimated the costs based primarily on our actual historical costs incurred for appropriate periods of time for individual properties. Where a particular property does not have production during the year, we apply pricing adjustments based on the most similar property.

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Depletion, Depreciation and Amortization of Oil and Natural Gas Properties We calculate DD&A using the estimates of proved oil and natural gas reserves previously discussed in these critical accounting policies. We segregate the capitalized costs and record DD&A for capitalized property costs separately using the units-of-production method. The units-of- production method is based on the ratio of (1) actual volumes produced to (2) total proved developed reserves (those proved reserves recoverable through existing wells with existing equipment and operating methods), or total proved reserves in the case of leasehold costs (the DD&A rate). Each period, this ratio is applied to the applicable capitalized asset cost category, resulting in allocation of the cost of our oil and natural gas properties over the periods during which they produce revenues. As previously discussed, material revisions to proved reserves may occur as a result of unforeseen factors and may materially impact the DD&A rate.

In 2009, we had negative revisions of 0.6 Mmboe, representing 2% of our total proved reserves of 36.8 Mmboe as of December 31, 2008. In 2008, we had negative revisions of 5.5 Mmboe, representing 12% of our total proved reserves of 45.3 Mmboe as of December 31, 2007. The negative revisions in 2008 resulted from a combination of price decreases in both oil and natural gas (3.5 Mmboe) and performance (2.0 Mmboe). Our past revisions have had minimal impact on our DD&A rates because they have been relatively low as a percentage of our reserve base and/or related to fields with little cumulative production. Historical revisions are not necessarily indicative of potential future revisions.

Impairment of Oil and Natural Gas Properties We evaluate our capitalized oil and natural gas property costs for potential impairment when circumstances indicate that the carrying value may not be recoverable. Because we accumulate capitalized costs separately, property by property (generally analogous to a field or a lease), for our proved oil and natural gas properties under the successful-efforts method of accounting, we perform impairment assessments on a property by property basis. The need to test a property for impairment can be based on several factors, including a significant reduction in sales prices for oil and/or natural gas, unfavorable adjustments to reserve volumes, or other changes to contracts or environmental regulations. In general, we do not view temporarily low oil or natural gas prices as a triggering event for conducting impairment tests. Historically, our sales price for oil and natural gas has varied significantly. Although our sales prices may rise and fall quickly over short periods of time, we believe sales prices over the long-term are primarily based on supply and demand factors. Accordingly, our impairment tests make use of long-term sales price assumptions for oil and natural gas. A significant amount of judgment and uncertainty is involved in performing impairment evaluations because major inputs to the computation are based on our estimates of future events, including projections of future oil and natural gas sales prices, amounts of recoverable oil and natural gas reserves, timing of future production, future costs to develop and produce our oil and natural gas and discount factors.

Our assessment of possible impairment of proved oil and natural gas properties is based on our best estimate of future prices, costs and expected net future cash flows by property. An impairment loss is indicated if undiscounted net future cash flows are less than the carrying value of a property. The impairment expense is measured as the shortfall between the net book value of the property and its estimated fair value measured based on the discounted net future cash flows from the property. Actual prices, costs, and net future cash flows may vary from our estimates. Our discount rate may not accurately reflect economic conditions. We recognized impairment expense of $8.5 million, $8.1 million and $110.4 million in the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008, respectively.

For individual unevaluated properties (those with no corresponding proved reserves) with capitalized cost below a threshold amount, we allocate capitalized costs to earnings generally over the primary lease terms. We believe this method provides a reasonable estimate of the amount of capitalized costs of unevaluated properties which will prove unproductive over the primary lease terms. Properties that are subject to amortization and those with capitalized costs greater than the threshold amount are

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assessed for impairment periodically. If we find oil and natural gas reserves sufficient to justify development of the property, we transfer the net capitalized cost of the unproved property to proved properties and DD&A is recorded on the units-of-production basis described above. If our efforts do not result in proved oil and natural gas reserves, the related net capitalized costs are charged to earnings as impairment expense.

Asset Retirement Obligations (AROs) We have material obligations to plug and abandon oil and natural gas wells and to decommission related platforms, pipelines and equipment as well as to dismantle and abandon facilities when they are no longer being used for the production of oil and natural gas. We record a liability for the estimated fair value of a material ARO in the period when we identify or incur the obligation. When the liability is initially recorded, we capitalize the cost by increasing the carrying amount of the related asset, which is allocated to expense through DD&A on the units-of-production basis. Accretion increases the ARO liability over time, using the effective interest method.

Numerous estimates, assumptions and judgments are inherent in the calculation of ARO including ultimate settlement amounts, timing of settlements, technological changes, future inflation rates, the credit adjusted risk-free rate of interest, and changes in legal, regulatory, environmental and political environments. We revise our estimates of the fair value of ARO as information about material changes to the liability become known. Revisions are recorded as an adjustment to existing ARO liabilities and to the carrying amount of the related assets. Revisions occurring at or near the end of an asset s useful life may result in a material positive or negative impact on earnings.

Derivative Instruments and Hedging Activities We enter into hedging transactions for our oil and natural gas production to reduce our exposure to fluctuations in the price of oil and natural gas. Historically, our hedging instruments consisted primarily of financially-settled swaps and collars. We record our hedging instruments at fair market value as either assets or liabilities in our consolidated balance sheet. We estimate the fair value of hedging instruments based on estimated future commodity prices. The fair market value may differ from actual settlements if market prices change, the other party to the contract defaults on its obligations, or there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received.

Share-Based Compensation We measure compensation expense for all share-based payment awards based on their grant-date fair values. We use the Black-Scholes option pricing model to estimate fair values of share-based awards. Option pricing models, including the Black-Scholes model, require the use of input estimates and assumptions, including expected volatility, expected life, expected dividend rate, and expected risk-free rate of return. The assumptions for expected volatility and expected life most significantly affect the grant-date fair value. Our estimate of the forfeiture rate of our stock-based awards also impacts the amount of expense recorded over the expected life of the award. See Note 15, Employee Benefit Plans, in Part II, Item 8 of this Annual Report for a description of methods used to determine our assumptions. If we determined that another method used to estimate expected volatility or expected life was more reasonable than our current methods, or if another method for calculating these input assumptions was prescribed by authoritative guidance, the fair value calculated for share-based awards could change significantly. Higher volatility and longer expected lives result in increases to share-based compensation determined at the date of grant.

Deferred Tax Asset Valuation Allowance We are required to assess whether it is more likely than not that we will be able to realize some or all of our deferred tax assets. If we cannot determine that deferred tax assets are more likely than not recoverable, we are required to provide a valuation allowance against those assets. This assessment takes into account factors including: (a) the nature, frequency, and severity of current and cumulative financial reporting losses; (b) sources of estimated future taxable income; and (c) tax planning strategies. A pattern of recent financial reporting losses is heavily weighted as a source of negative evidence when determining the realizability of deferred tax assets. Projections of estimated future taxable income exclusive of reversing temporary differences are a source of positive evidence only when the projections are combined with a history of recent

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profitable operations and can be reasonably estimated. Otherwise, projections are considered inherently subjective and generally will not be sufficient to overcome negative evidence that includes cumulative losses in recent years. If necessary and available, tax planning strategies would be implemented to accelerate taxable amounts to utilize expiring carryforwards. These strategies would be a source of additional positive evidence supporting the realizability of deferred tax assets.

See Note 14 Income Taxes in Part II, Item 8 of this Annual Report for more information regarding our deferred taxes.

Changes in estimates and assumptions described in these critical accounting policies may result in material changes to our net income or loss from period to period.

New Accounting Pronouncements

For information regarding new accounting pronouncements, see the information in Note 18 New Accounting Pronouncements in the consolidated financial statements in Part II, Item 8 of this Annual Report.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term market risk refers to the risk of loss arising from adverse changes in oil and gas prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view our ongoing market-risk exposure.

Interest Rate Risk

We are exposed to changes in interest rates which affect the interest earned on our interest-bearing deposits and the interest paid on borrowings under our Credit Facility. Currently, we do not use interest rate derivative instruments to manage exposure to interest rate changes. At December 31, 2009, we had total indebtedness outstanding of $77.3 million (net of unamortized original issue discount of $5.9 million), of which $58.5 million, or approximately 76%, bears interest at fixed rates. The remaining $18.8 million of indebtedness bears interest at floating rates and consists of borrowings outstanding under the Credit Facility. At December 31, 2009, the weighted average interest rate under the Credit Facility was approximately 6.5%. If market interest rates were to average 1% higher in the first quarter of 2010, interest expense for the period on floating rate debt would be expected to increase by approximately $40,000.

Commodity Price Risk

Our revenues, profitability and future growth depend substantially on prevailing prices for oil and natural gas. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow and raise additional capital. The amount we can borrow under our Credit Facility is subject to periodic redetermination based in part on changing expectations of future prices. Lower prices may reduce the amount of oil and natural gas that we can economically produce. We currently sell all of our oil and natural gas production under price sensitive or market price contracts.

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Historically, we have used commodity derivative instruments to manage commodity price risks associated with future oil and natural gas production. As a result of our liquidity challenges that led to our filing for reorganization under Chapter 11, we had settled all of our outstanding derivative contracts during March and May of 2009. In compliance with requirements contained in the Credit Facility, we have entered into the following derivative instruments, which were outstanding as of December 31, 2009:

Oil Contracts

	Fixed-Price Swaps				Puts			
Remaining Contract Term	**Daily Average Volume (Bbls)**	**Volume (Bbls)**	**Average Swap Price ($/Bbl)**	**Fair Value**	**Daily Average Volume (Bbls)**	**Volume (Bbls)**	**Floor Price ($/Bbl)**	**Fair Value**
January 2010 July 2010	3,053	647,250	$ 67.34	$ (8,749,821)	502	106,500	$ 60.00	$ 93,363
August 2010 November 2010	625	76,200	$ 69.65	$ (1,011,766)	1,673	204,150	$ 60.00	$ 507,141
December 2010	1,200	37,200	$ 70.37	$ (494,097)	1,302	40,350	$ 60.00	$ 119,700
January 2011 July 2011	2,261	479,250	$ 71.13	$ (6,347,287)	502	106,500	$ 60.00	$ 384,093
August 2011 November 2011	502	61,200	$ 72.18	$ (795,908)	1,301	158,700	$ 60.00	$ 670,113
December 2011	948	29,400	$ 72.64	$ (376,067)	1,302	40,350	$ 60.00	$ 172,593

Natural Gas Contracts

	Puts			
Remaining Contract Term	**Daily Average Volume (Mmbtu)**	**Volume (Mmbtu)**	**Floor Price ($/Mmbtu)**	**Fair Value**
January 2010	24,000	744,000	$ 4.00	$
February 2010	25,000	700,000	$ 4.00	$ 3,205
March 2010	25,000	775,000	$ 4.00	$ 24,570
April 2010	25,000	750,000	$ 4.00	$ 53,608
May 2010	23,000	713,000	$ 4.00	$ 55,839
June 2010	22,000	660,000	$ 4.00	$ 56,441

All of our commodity derivative instruments are with one counterparty that is a lender under our Credit Facility.

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Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Energy Partners, Ltd.:

We have audited Energy Partners, Ltd. s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Energy Partners, Ltd. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Energy Partners, Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Energy Partners, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for the period from October 1, 2009 through December 31, 2009 (Successor Company), for the period from January 1, 2009 through September 30, 2009 (Predecessor Company), and the year ended December 31, 2008 (Predecessor Company), and our report dated March 10, 2010, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New Orleans, Louisiana

March 10, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Energy Partners, Ltd.:

We have audited the accompanying consolidated balance sheets of Energy Partners, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for the period from October 1, 2009 through December 31, 2009 (Successor Company), for the period from January 1, 2009 through September 30, 2009 (Predecessor Company), and the year ended December 31, 2008 (Predecessor Company). These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energy Partners, Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the period from October 1, 2009 through December 31, 2009 (Successor Company), for the period from January 1, 2009 through September 30, 2009 (Predecessor Company), and for the year ended December 31, 2008 (Predecessor Company), in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 and note 3 to the consolidated financial statements, the Company filed a petition for reorganization under Chapter 11 of the United State Bankruptcy Code on May 1, 2009. The Company s plan of reorganization became effective, and the Company emerged from bankruptcy protection on September 21, 2009. In connection with its emergence from bankruptcy, the Successor Company Energy Partners, Ltd. and subsidiaries adopted fresh-start reporting in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852 (ASC 852), *Reorganizations*. Accordingly, the Successor Company s consolidated financial statements prior to September 30, 2009 are not comparable to its consolidated financial statements for periods on or after September 30, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Energy Partners, Ltd. s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2010 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

New Orleans, Louisiana

March 10, 2010

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

(In thousands, except share data)

	SUCCESSOR COMPANY 2009	PREDESESSOR COMPANY 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,745	$ 1,991
Trade accounts receivable	27,958	29,264
Receivables from insurance	5,464	4,230
Fair value of commodity derivative instruments	914	5,415
Deferred tax assets	5,768	
Prepaid expenses	2,940	4,522
Total current assets	69,789	45,422
Property and equipment, under the successful efforts method of accounting for oil and natural gas properties	648,517	1,646,805
Less accumulated depreciation, depletion and amortization	(37,535)	(958,438)
Net property and equipment	610,982	688,367
Restricted cash	22,147	21,271
Other assets	3,647	3,350
Deferred financing costs net of accumulated amortization of $325 and $3,780 at December 31, 2009 and 2008, respectively	2,663	8,356
	$ 709,228	$ 766,766
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 14,047	$ 39,517
Accrued expenses	32,541	54,467
Accrued interest on indebtedness	281	9,506
Asset retirement obligations	10,830	18,181
Current portion of long-term debt	18,750	497,501
Fair value of commodity derivative instruments	10,256	28
Deferred tax liabilities		1,580
Total current liabilities	86,705	620,780
Long-term debt	58,590	
Asset retirement obligations	59,150	87,506
Deferred tax liabilities	16,953	
Fair value of commodity derivative instruments	7,519	55
Other	224	1,306
Commitments and contingencies		
	229,141	709,647
Stockholders equity:		

Preferred stock: Successor Company $0.001 par value per share; authorized 1,000,000 shares; no shares issued and outstanding at December 31, 2009. Predecessor Company $1 par value per share; authorized 1,700,000 shares; no shares issued and outstanding at December 31, 2008		
Successor Company Common stock, par value $0.001 per share; authorized 75,000,000 shares; issued and outstanding: 40,021,770 shares at December 31, 2009	40	
Predecessor Company Common stock, par value $0.01 per share; authorized 100,000,000 shares; 44,323,293 shares issued at December 31, 2008; 32,083,307 outstanding, net of treasury shares, at December 31, 2008		444
Additional paid-in capital	501,059	382,232
Accumulated deficit	(21,012)	(67,201)
Treasury stock, at cost, 12,239,986 shares at December 31, 2008		(258,356)
Total stockholders equity	480,087	57,119
	$ 709,228	$ 766,766

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Period from October 1, 2009 through December 31, 2009 and for the Period from January 1, 2009 through September 30, 2009 and the Year Ended December 31, 2008

(In thousands, except per share data)

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	Period from October 1, 2009 through December 31, 2009	Period from January 1, 2009 through September 30, 2009	Year Ended December 31, 2008
Revenue:			
Oil and natural gas	$ 56,708	$ 134,583	$ 356,022
Other	42	302	230
	56,750	134,885	356,252
Costs and expenses:			
Lease operating	13,410	46,296	71,931
Transportation	315	699	1,089
Exploration expenditures and dry hole costs	453	1,650	30,199
Impairments	8,514	8,082	110,403
Depreciation, depletion and amortization	28,448	95,944	103,318
Accretion of liability for asset retirement obligations	3,024	5,536	4,370
General and administrative	4,537	19,493	37,308
Taxes, other than on earnings	2,083	5,987	11,245
Gain on sale of assets			(5,527)
Loss on abandonment activities	493	3,732	21,695
Other	(4)	(26)	
Total costs and expenses	61,273	187,393	386,031
Business interruption recovery		1,185	4,248
Loss from operations	(4,523)	(51,323)	(25,531)
Other income (expense):			
Interest income	3	47	784
Interest expense (contractual interest of $34,076 for the period from January 1, 2009 through September 30, 2009)	(4,322)	(17,813)	(46,533)
Gain (loss) on derivative instruments	(22,705)	2,728	2,053
	(27,024)	(15,038)	(43,696)
Loss before reorganization items, loss on discharge of debt, fresh-start adjustments and income taxes	(31,547)	(66,361)	(69,227)
Reorganization items (Note 4)	(865)	(24,198)	
Loss on discharge of debt (Note 3)		(2,666)	
Fresh-start adjustments (Note 3)		57,111	

Loss before income taxes	(32,412)	(36,114)	(69,227)
Income tax benefit	11,400		17,015
Net loss	(21,012)	(36,114)	(52,212)
Basic and diluted loss per share	$ (0.53)	$ (1.12)	$ (1.63)
Weighted average common shares used in computing earnings per share:			
Basic and diluted	40,020	32,200	31,988

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

For the Period from October 1, 2009 through December 31, 2009 and for the Period from January 1, 2009 through September 30, 2009 and the

Year Ended December 31, 2008

(In thousands)

	Treasury Stock Shares	Treasury Stock	Predecessor Company Common Stock Shares	Predecessor Company Common Stock	Successor Company Common Stock Shares	Successor Company Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
Balance, December 31, 2007 Successor Company	12,240	$ (258,356)	43,981	$ 441		$	$ 374,874	$	$ (14,989)	$ 101,970
Stock purchase, compensation and incentive plans, net			116	1			4,789			4,790
Exercise of common stock options			79	1			749			750
Comprehensive loss:										
Net loss									(52,212)	(52,212)
Comprehensive loss										(52,212)
Other			147	1			1,820			1,821
Balance, December 31, 2008 Predecessor Company	12,240	(258,356)	44,323	444			382,232		(67,201)	57,119
Stock purchase, compensation and incentive plans, net			297	2			3,420			3,422
Comprehensive loss:										
Net loss									(36,114)	(36,114)
Comprehensive loss										(36,114)
Other			54	1			616			617
Reorganization Adjustments	(12,240)	258,356	(44,674)	(447)	40,000	40	114,566		103,315	475,830
Stock issued to Directors pursuant to 2009 LTIP					18					
Balance, September 30, 2009 Successor Company		$		$	40,018	$ 40	$ 500,834	$	$	$ 500,874
Stock compensation and incentive plan awards pursuant to 2009 LTIP							243			243

Comprehensive loss:								
Net loss							(21,012)	(21,012)
Comprehensive loss								(21,012)
Other			4		(18)			(18)
Balance, December 31, 2009 Successor Company	$	$	40,022	$ 40	$ 501,059	$	$ (21,012)	$ 480,087

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Period from October 1, 2009 through December 31, 2009 and for the Period from January 1, 2009 through September 30, 2009 and the Year Ended December 31, 2008

(In thousands)

	SUCCESSOR COMPANY	PREDECESSOR COMPANY	
	Period from October 1, 2009 through December 31, 2009	Period from January 1, 2009 through September 30, 2009	Year Ended December 31, 2008
Cash flows from operating activities:			
Net loss	$ (21,012)	$ (36,114)	$ (52,212)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	28,448	95,944	103,318
Accretion of liability for asset retirement obligations	3,024	5,536	4,370
Loss on discharge of debt		2,666	
Fresh-start adjustments		(57,111)	
Unrealized (gain) loss on derivative contracts	21,739		(19,058)
Non cash compensation	417	3,689	6,108
In-kind interest on PIK Notes	3,395		
Deferred income taxes	(11,400)		(17,015)
Gain on disposal of assets and other			(5,827)
Exploration expenditures	163	126	21,796
Impairments	8,514	8,082	110,403
Amortization of deferred financing costs and discount on debt	524	8,356	1,834
Loss on abandonment activities	493	3,732	21,695
Other		3	879
Changes in operating assets and liabilities:			
Trade accounts receivable	(3,501)	4,807	21,655
Other receivables	(1,428)	194	(4,249)
Prepaid expenses	1,505	677	2,276
Other assets	(1,570)	(641)	(5,819)
Accounts payable and accrued expenses	(10,806)	(2,414)	22,045
Asset retirement obligations	(1,637)	(22,374)	(26,915)
Other liabilities		(792)	(674)
Net cash provided by operating activities	16,868	14,366	184,610
Cash flows used in investing activities:			
Property acquisitions	(54)	(31)	(20,925)
Exploration and development expenditures	(2,731)	(29,723)	(199,157)
Other property and equipment additions	(23)	(147)	(724)
Proceeds from sale of oil and gas assets		150	15,576
Net cash used in investing activities	(2,808)	(29,751)	(205,230)
Cash flows provided by (used in) financing activities:			
Deferred financing costs		(798)	(5)
Repayments of indebtedness	(31,250)	(55,001)	(120,000)

Proceeds from indebtedness		113,128	133,000
Exercise of stock options and warrants			752
Net cash provided by (used in) financing	(31,250)	57,329	13,747
Net increase (decrease) in cash and cash equivalents	(17,190)	41,944	(6,873)
Cash and cash equivalents at beginning of period	43,935	1,991	8,864
Cash and cash equivalents at end of year	$ 26,745	$ 43,935	$ 1,991
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Non-cash financing information:			
Discharge of Senior Unsecured Notes, including accrued interest of $18,663		$ 473,164	
Issuance of equity in Successor Company		500,874	
Debt incurred to repay secured bank credit facility, including accrued interest of $1,085		29,084	
Debt incurred to pay deferred financing costs and surety bond premium		2,790	
Debt incurred to pay interest on PIK Notes	3,395		
Cash paid during the period for:			
Interest	552	5,614	46,875
Income taxes			

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Organization

The Company was incorporated as a Delaware corporation on January 29, 1998. We operate as an independent oil and natural gas exploration and production company. Our current operations are concentrated in the shallow to moderate depth waters in the Gulf of Mexico focusing on the areas of offshore Louisiana as well as the deepwater Gulf of Mexico in depths less than 5,000 feet.

On May 1, 2009 (the Petition Date), we and certain of our subsidiaries filed voluntary petitions (In re: Energy Partners, Ltd., et. al., Case No. 09-32957) for reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as amended (Chapter 11), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the Bankruptcy Court).

We continued to manage our properties and operate our business as debtors-in-possession while under the jurisdiction of the Bankruptcy Court. On September 21, 2009, we emerged from Chapter 11 reorganization (the Exit Date) pursuant to the plan of reorganization confirmed by the Bankruptcy Court (the Plan). On the Exit Date, we consummated certain transactions contemplated by the Plan, including entering into a senior secured credit facility consisting of a $125 million revolving credit facility with an initial borrowing base of $45 million (the Revolver) and a $25 million one-year amortizing term loan facility (together with the Revolver, the Credit Facility). We also issued 20% Senior Subordinated Secured PIK Notes due 2014 in an aggregate principal amount of $61.1 million (the PIK Notes). The PIK Notes were issued with original issue discount, and the note proceeds after this discount were $55.0 million. As of September 28, 2009, we had satisfied the hedging requirements under the Credit Facility and had delivered to the Minerals Management Service (the MMS) the financial support related to abandonment obligations on certain federal leases in the Gulf of Mexico. The Chapter 11 filings and related matters are addressed in Note 3, Reorganization and Fresh-Start Accounting.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and include the accounts of Energy Partners, Ltd. and our wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. Our interests in oil and natural gas exploration and production ventures and partnerships are proportionately consolidated.

The financial statements for the period in which the Company was in reorganization under Chapter 11 were prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852 (ASC 852), Reorganizations, (originally issued as the American Institute of Certified Public Accountant s Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code). Under ASC 852, we must, among other things, (1) identify transactions that are directly associated with the reorganization from those events that occur during the normal course of business, (2) identify pre-petition liabilities subject to compromise from those that are not subject to compromise or are post petition liabilities and (3) apply fresh-start accounting rules upon emergence from Chapter 11 reorganization (see Note 3). In accordance with the Plan, only the Company s 9.75% Senior Unsecured Notes due 2014 (the Fixed Rate Notes), its Senior Floating Rate Notes due 2013 (the Floating Rate Notes and together with the Fixed Rate Notes, the Senior Unsecured Notes) and its 8.75% Senior Notes due 2010 (collectively with the Senior Unsecured Notes, the Predecessor Company Notes) and the related accrued interest were discharged in the reorganization. As a result, we discontinued accruing interest on the Predecessor Company Notes as of the Petition Date.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with Topic 852, we adopted fresh-start accounting as of September 30, 2009. Fresh-start accounting is required upon a substantive change in control and requires that the reporting entity allocate the reorganization value of the Company to its assets and liabilities in relation to their fair values. Under the provisions of fresh-start accounting, a new entity has been deemed created for financial reporting purposes. References to the Predecessor Company refer to reporting dates of the Company through September 30, 2009, including the effect of the reorganization and application of fresh-start accounting; subsequent thereto, the Company is referred to as the Successor Company in the consolidated financial statements and the notes thereto. The financial statements for the year ended December 31, 2008 do not reflect the effect of any changes in the Company s capital structure or changes in fair values of assets and liabilities as a result of fresh-start accounting. For further information on fresh-start accounting, see Note 3.

(b) Property and Equipment

We use the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip development wells are capitalized. Exploratory drilling costs are initially capitalized, but charged to expense if and when the well is determined not to have found reserves in commercial quantities. We may capitalize exploratory well costs beyond one year if (a) we found a sufficient quantity of reserves to justify its completion as a producing well and (b) we are making sufficient progress assessing the reserves and the economic and operating viability of the project; otherwise, these costs are expensed. Geological and geophysical costs are charged to expense as incurred.

Leasehold acquisition costs are capitalized. If proved reserves are found on an undeveloped property, leasehold costs are transferred to proved properties. For individual unevaluated properties with capitalized cost below a threshold amount, we allocate capitalized costs to earnings generally over the primary lease terms. Properties that are subject to amortization and those with capitalized costs greater than the threshold amount are assessed for impairment periodically. Capitalized costs of producing oil and natural gas properties are depreciated and depleted by the units-of-production method.

We evaluate our capitalized costs of proved oil and natural gas properties for potential impairment when circumstances indicate that the carrying values may not be recoverable. The need to test a property for impairment can be based on several factors, including a significant reduction in sales prices for oil and/or natural gas, unfavorable adjustments to reserve volumes, or other changes to contracts, environmental regulations or tax laws. The calculation is performed on a field-by-field basis, utilizing our current estimates of future revenues and operating expenses. In the event net undiscounted cash flow is less than the carrying value, an impairment loss is recorded based on the present value of expected future net cash flows over the economic lives of the reserves.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depletion, depreciation and amortization are eliminated from the property accounts, along with the related asset retirement obligations, unless retained by us, and the resulting gain or loss is recognized in earnings.

(c) Asset Retirement Obligations

We record our obligations associated with the retirement of tangible long-lived assets at their fair values in the period incurred. The fair value of the obligation is also recorded to the related asset s carrying amount. Accretion of the liability is recognized as an operating expense and the capitalized cost is amortized using the units-of-production method. Our asset retirement obligations relate primarily to the plugging and abandonment of our oil and natural gas wellbores and to decommissioning related pipelines, facilities and structures.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Income Taxes

We account for income taxes under the asset and liability method, which requires that we recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis amounts. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We recognize the effect on deferred tax assets and liabilities of a change in the tax rates in income in the period that includes the enactment date.

We follow the provisions of ASC Topic 740, Income Taxes, which apply to the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These provisions also contain guidance on de-recognition, classification, interest and penalties. Interest, if any, is classified as a component of interest expense, and statutory penalties, if any, are classified as a component of general and administrative expense.

(e) Deferred Financing Costs

We defer costs incurred to obtain debt financing and then amortize such costs as additional interest expense over the maturity period of the related debt.

(f) Earnings Per Share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional common shares that could have been outstanding assuming the exercise of stock option awards and warrants and the potential shares associated with restricted share units and performance shares that would have a dilutive effect on earnings per share.

(g) Revenue Recognition

We record revenues from the sales of oil and natural gas when the product is delivered at a determinable price, title has transferred and collectability is reasonably assured. When we have an interest with other producers in properties from which natural gas is produced, we use the entitlement method for recording natural gas sales revenue. Under this method of accounting, revenue is recorded based on our net revenue interest in production. Deliveries of natural gas in excess of our revenue interest are recorded as liabilities and under-deliveries are recorded as receivables. We had natural gas imbalance receivables of $0.1 million at December 31, 2008, and had liabilities of $2.5 million and $2.3 million at December 31, 2009 and 2008, respectively.

(h) Cash and Cash Equivalents

We include in cash and cash equivalents our highly-liquid investments with original maturities of three months or less. At December 31, 2009 and 2008, cash and cash equivalents includes investments in overnight interest-bearing deposits of $27.2 million and $4.1 million, respectively. These amounts are reduced by overdraft balances on other operating accounts with legal right of offset in the same banking institution to arrive at the cash and cash equivalent balances reported in our consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(i) Derivative Activities

Derivative instruments, including certain derivative instruments embedded in other contracts, are recorded at fair market value and included as either assets or liabilities in the balance sheet. The accounting for changes in fair value depends on the intended use of the derivative and the resulting designation, which is established at the inception of the derivative. We do not elect to designate derivative instruments as hedges. Unrealized gains and losses resulting from changes in the fair value of derivative instruments are recorded in other income (expense). Realized gains and losses related to contract settlements are also recognized in other income (expense).

(j) Stock-Based Compensation

We recognize stock-based compensation expense based on the estimated grant-date fair value of all stock-based awards, net of an estimated forfeiture rate, over the requisite service period of the awards, which is generally equivalent to the vesting term. We record stock-based compensation expense only for those awards expected to vest. We periodically revise our estimated forfeiture rate if actual forfeitures differ from our estimates.

We are required to report excess tax benefits from the exercise of stock options as financing cash flows. No stock options were exercised during 2009. For the year ended December 31, 2008, no excess tax benefits were reported in the statement of cash flows as we are in a net operating loss carryforward position. See Note 15 for additional disclosures.

(k) Allowance for Doubtful Accounts

We routinely assess the recoverability of all material trade and other receivables to determine their collectability. Our crude oil and natural gas revenue receivables are typically collected within two months. We may have the ability to withhold future revenue disbursements to recover any non-payment of joint interest receivables on properties where we are the operator. When we believe collection of the full amount of our accounts receivable is in doubt, we record an allowance to reflect accounts receivable at the net realizable value, which may be reflected in earnings or as an increase to the net book value of our oil and natural gas properties depending on the nature of the transaction that created the receivable. The nature of the transaction resulting in the receivable balance determines whether the allowance, when recorded, impacts our earnings (ordinarily through LOE) or our property and equipment balances. As of December 31, 2009, our allowance for doubtful accounts was $2.0 million, of which $0.1 million and $0.8 million was recorded as a reduction in earnings in the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 31, 2009, respectively. As of December 31, 2008 our allowance for doubtful accounts was $1.1 million, $0.9 million of which was recorded as a reduction in earnings in 2008.

(l) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We use historical experience and various other assumptions that are believed to be reasonable under the circumstances to form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates and assumptions used in preparation of our

ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial statements. Significant estimates with regard to these financial statements and related unaudited disclosures include the estimated fair values of assets and liabilities used in the application of fresh-start accounting as described in Note 3 and the estimate of proved oil and natural gas reserve quantities and the related present value of estimated future net cash flows therefrom disclosed in Note 19.

(m) Reclassifications

Certain reclassifications have been made to the prior period financial statements in order to conform to the classification adopted for the most recent reporting period. Specifically, we have reported the cost of certain insurance coverages applicable to proved properties and wells and related equipment and facilities in lease operating expenses in the consolidated statement of operations for all periods reported. We previously reported the cost of these insurance coverages in general and administrative expenses.

(3) Reorganization and Fresh-Start Accounting

We reflected the reorganization and application of ASC 852 as of September 30, 2009. Fresh-start accounting is required upon a substantive change in control and requires that the reporting entity allocate the reorganization value of the Successor Company to its assets and liabilities in relation to their fair values. Based on financial projections that we and our advisors developed, the allocation of the reorganization value was determined using various valuation methods, including (i) comparable company analysis, which estimates the value of the Company based on the implied valuations of other similar companies; (ii) comparable asset transaction analysis, which estimates the value of a company based upon publicly announced transactions of assets with similar characteristics; (iii) comparable merger transaction analysis, which, much like comparable asset transaction analysis, estimates the value of a company based upon publicly announced transactions with similar characteristics, except that merger analysis analyzes public to public merger transactions rather than solely asset transactions; and (iv) discounted cash flow analysis, which estimates the value of the Company by determining the present value of estimated future cash flows. The reorganization value is based on subjective estimates and assumptions, which are inherently subject to significant uncertainties and contingencies which are beyond our control. The fair value allocated to our property and equipment should not be viewed as representative of the current value of our oil and natural gas reserves or the current value of the Company. The reorganization value of the Company was estimated to be approximately $603 million.

In order to reflect the reorganization and application of ASC 852, we adjusted the book values of the Predecessor Company s assets and liabilities to reflect the estimated fair values of the Successor Company s assets and liabilities, on a net basis. These adjustments increased net income by $57.1 million. The restructuring of the Company s capital (see Note 5) and resulting discharge of the Predecessor Company Notes and related accrued interest resulted in a loss of $2.7 million. The adjustments for the revaluation of the assets and liabilities and the loss on the discharge of pre-petition debt are recorded in Fresh-start adjustments and Loss on discharge of debt, respectively, in the condensed consolidated statement of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reflects the reorganization and application of ASC 852 on our condensed consolidated balance sheet as of September 30, 2009:

(In thousands)	Predecessor Company as of September 30, 2009	Reorganization Adjustments (1)	Fresh-Start Adjustments (2)	Successor Company as of September 30, 2009
ASSETS				
Current assets:				
Cash and cash equivalents	$ 43,935	$	$	$ 43,935
Trade accounts receivable	24,457			24,457
Receivables from insurance	4,036			4,036
Fair value of commodity derivative instruments		2,379		2,379
Prepaid expenses	4,445			4,445
Total current assets	76,873	2,379		79,252
Property and equipment	1,645,651		(1,026,377)	619,274
Less accumulated depreciation, depletion and amortization	(1,057,701)		1,057,701	
Net property and equipment	587,950		31,324	619,274
Restricted cash	22,148			22,148
Other assets	1,712	2,863		4,575
Deferred financing costs		2,988		2,988
	$ 688,683	$ 8,230	$ 31,324	$ 728,237
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$ 23,487	$ (6,320)	$	$ 17,167
Accrued expenses	43,739	(6,366)		37,373
Accrued interest on indebtedness	1,516	(1,085)		431
Asset retirement obligations	9,308			9,308
Secured bank credit facility	83,000	(83,000)		
Secured bank credit facility term loan		25,000		25,000
Total current liabilities	161,050	(71,771)		89,279
Liabilities subject to compromise:				
Senior unsecured debt	454,501	(454,501)		
Accrued interest on senior unsecured debt	18,663	(18,663)		
Long-term debt		80,001		80,001
Asset retirement obligations	83,679		(25,787)	57,892
Other liabilities	191			191
	718,084	(464,934)	(25,787)	227,363
Stockholders equity:				
Preferred stock				
Common stock	447	(407)		40

Additional paid-in capital	386,268	114,566		500,834
Accumulated deficit	(157,760)	100,649	57,111	
Treasury stock	(258,356)	258,356		
Total stockholders equity	(29,401)	473,164	57,111	500,874
	$ 688,683	$ 8,230	$ 31,324	$ 728,237

(1) To record the discharge of liabilities subject to compromise, the conversion of the Predecessor Company s common stock into new common stock of the Successor Company and to reduce the Predecessor Company s accumulated deficit to zero. This column also reflects the following:

payment of pre-petition vendor claims totaling $6.3 million;

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

premiums of $5.2 million associated with hedging requirements under the Credit Facility;

payment of Predecessor Company secured bank credit facility and related accrued interest;

payments totaling approximately $9.4 million for financing costs and certain reorganization items; and

loss on discharge of debt of $2.7 million reflected in accumulated deficit.

(2) To adjust assets and liabilities to fair values.

The fair value assigned to our proved oil and natural gas properties as of September 30, 2009 was estimated by adjusting the pre-tax future cash flows from our proved reserves as set forth in our reserve reports prepared by our independent reservoir engineers as of December 31, 2008 to reflect the production for the period from December 31, 2008 through September 30, 2009 and to reflect other revisions of reserve quantities identified during 2009, which revisions were not significant. We used the NYMEX forward price curve of oil and natural gas as of September 30, 2009 to estimate the future selling price of our reserves, which we escalated at a 2.5% inflation rate for periods beyond the limits of the NYMEX forward price curve. The weighted average prices of oil and natural gas reflected in our estimate of the fair value of proved reserves were $83.88 per barrel of oil and $6.98 per mcf of natural gas. Proved reserve volumes were risk-adjusted by reference to the Society of Petroleum Engineers 28th Annual Survey of Economic Parameters (June 2009) (SPEE Survey) based on the reserve category as follows: (i) proved developed producing 100%; (ii) proved non-producing 80%; (iii) proved behind pipe 80%; (iv) proved undeveloped 65%. Probable and possible reserves were risk-adjusted at 35% and 10%, respectively, by reference to the SPEE Survey. Estimated income taxes were deducted from future cash flows at a rate of 8.6%, which reflects the estimated rate of payment of cash taxes with reference to comparable companies. Net estimated future cash flows after estimated operating costs were discounted at 14.4% per year by reference to the SPEE Survey.

Our asset retirement obligations changed as a result of the application of ASC 852 because the discount rate and inflation rate applied to the estimated future abandonment costs in order to determine the fair value as of September 30, 2009 differed from the discount rates and inflation rates used to establish asset retirement obligations in prior periods under ASC Topic 410, Asset Retirement and Environmental Obligations (originally issued as Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations).

(4) Reorganization Items

Under ASC 852, certain costs and income items resulting from the reorganization and restructuring of the business are reported separately as reorganization items classified as non-operating expenses. Our reorganization items were as follows:

(In thousands)	Successor Company Period from October 1, 2009 through December 31, 2009	Predecessor Company Period from January 1, 2009 through September 30, 2009
Amortization of deferred financing costs	$	$ 6,838
Professional fees	785	14,462
Directors and officers insurance premium		1,573
Provision for rejected/renegotiated contracts	80	1,300
Employee agreements		25

Total reorganization items	$	865	$	24,198

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred financing costs as of the Petition Date associated with the Predecessor Company Notes were written off in accordance with the provisions of ASC 852. We also wrote off the remaining balance of deferred financing costs associated with the Predecessor Company s bank credit facility which was repaid in connection with our emergence from Chapter 11 reorganization.

We retained advisors to assist in our reorganization under Chapter 11 and incurred significant costs associated with the restructuring. Professional fees primarily relate to fees paid to our financial and legal advisors, the advisors to our creditors that we were obligated to pay under certain agreements and the advisors to the official committees appointed during our Chapter 11 proceedings. During the nine months ended September 30, 2009, we made cash payments for these professional fees, including retainers, totaling approximately $9.0 million which are included in our cash flows from operating activities for the period. In addition to monthly fees, as of September 30, 2009, we had accrued a success fee of $3.4 million that we were obligated to pay to our financial advisor under our agreement with that firm, which is included in professional fees in the table above. This fee was paid during the period from October 1, 2009 through December 31, 2009.

Prior to our filing for reorganization under Chapter 11, we purchased a six-year extension to our directors and officers insurance coverage (commonly referred to as a tail policy). The premium amount of $1.6 million was recorded and paid in cash during the nine months ended September 30, 2009.

During September, 2009, with the approval of the Bankruptcy Court, we renegotiated the lease for our corporate office in Louisiana and rejected the lease for our office in Texas and recorded $1.4 million in associated costs, $0.9 million of which was paid during the period from October 1, 2009 through December 31, 2009. Approximately $0.5 million was paid in 2010, representing the final payment due on our lease renegotiations.

In June 2009, we executed retention agreements with all of our non-officer, non-field employees, which called for payments of one-half of the retention amounts upon execution of the agreements and the remaining one-half upon exit from our Chapter 11 reorganization. Our field employees also received payments under this program. We also executed agreements with all of our officers (except for two executive officers who had individual change of control severance agreements with the Company) that called for payments of the entire retention amount upon exit from our Chapter 11 reorganization. During the period from January 1, 2009 through September 30, 2009, we recorded approximately $2.0 million for cash payments under these agreements. In addition, the remaining two executive officers terminated their written change of control severance agreements with the Company in exchange for receiving an unsecured claim for rejection damages in the Chapter 11 reorganization. In connection with these retention agreements, non-field employees and officers were required to waive and release the Company from any and all potential claims with respect to certain incentive and retention plans and agreements as provided for in the retention agreements. During the period from January 1, 2009 through September 30, 2009, we reduced previously established accruals totaling approximately $2.0 million for the various incentive and retention plans and agreements that were waived and released.

(5) Common Stock

In connection with our emergence from Chapter 11 reorganization, we converted the Predecessor Company Notes and outstanding Predecessor Company common stock into shares of our new common stock as of the Exit Date. In accordance with the terms of the Plan, the Predecessor Company Notes and related indentures, as well as the Predecessor Company s outstanding common shares, were cancelled. Each holder of these notes received, in exchange for such holder s respective claim (including principal and accrued interest), such holder s pro rata portion of approximately 95% of the common stock in the Successor Company, or 38 million shares. Each holder of the Predecessor Company s common stock received, in full satisfaction of and in exchange for such holder s

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

respective common stock interests, such holder s pro rata portion of approximately 5% of the common stock in the Successor Company, or approximately 2 million shares. The shares of treasury stock held by the Predecessor Company were not allocated any portion of the newly issued common stock. In each case, the common stock of the Successor Company issued pursuant to the Plan is subject to dilution by the issuance of shares of common stock issuable under the Successor Company s 2009 Long-Term Incentive Plan. We have reserved up to 1,237,000 shares of common stock for the issuance of restricted shares and option shares under the 2009 Long-Term Incentive Plan. See Note 15, Employee Benefit Plans for information regarding the 2009 Long-Term Incentive Plan.

Covenants in the Credit Facility and the indenture related to our PIK Notes place certain restrictions and conditions on our ability to pay dividends on our common stock.

(6) Mergers, Acquisitions and Dispositions

In March 2008, we completed the sale of two Gulf of Mexico Shelf properties located in our Western offshore area for $15.0 million after giving effect to preliminary closing adjustments. We recorded a gain on the sale of $7.1 million.

(7) Property and Equipment

The following is a summary of property and equipment at December 31, 2009 and 2008:

	Successor Company 2009	Predecessor Company 2008
	(In thousands)	
Proved oil and natural gas properties	$ 618,508	$ 1,601,748
Unproved oil and natural gas properties	28,606	36,274
Other	1,403	8,783
	$ 648,517	$ 1,646,805

Substantially all of our oil and natural gas properties serve as collateral under our Credit Facility and the PIK Notes.

We recognized impairment expense of $8.5 million, $8.1 million, and $110.4 million in the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009, and the year ending December 31, 2008, respectively.

Impairment expense for the period from January 1, 2009 through September 30, 2009 was primarily related to two producing fields which were determined to have future net cash flows less than their carrying values due to commodity price declines and reservoir performance. Impairment expense recorded by the Successor Company in the quarter ended December 31, 2009 is primarily related to two wells in our Western offshore area, one of which was unsuccessfully recompleted in 2010; the other was determined to be mechanically unable to produce a behind-pipe reservoir.

During 2008, we recorded impairments of oil and natural gas properties totaling $110.4 million. The impairment expense was primarily related to certain deepwater prospects ($47.5 million), producing fields

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(primarily five) which were determined to have future net cash flows less than their carrying values due primarily to commodity price declines and reservoir performance resulting in the write down of these properties to their estimated fair values as of December 31, 2008 ($39.3 million) and certain undeveloped properties ($20.8 million).

We capitalize exploratory well costs until we determine that the well has found proved reserves or is deemed noncommercial, in which case the well costs are charged to exploration expense. Changes in exploratory well costs that were capitalized for a period of greater than one year, excluding amounts that were capitalized and subsequently expensed in the same period, are as follows:

	Year Ended December 31, 2008 (In thousands)
Capitalized exploratory well costs, beginning of period	$ 32,612
Additions to capitalized exploratory well costs pending determination of proved reserves	
Capitalized exploratory well costs charged to expense	(32,612)
Capitalized exploratory well costs, end of period	$

At December 31, 2009 and 2008, we did not have any projects that were suspended for a period greater than one year.

(8) Tropical Weather

In late August and early September 2008 Hurricanes Gustav and Ike traversed the Gulf of Mexico and adjacent land areas. As a result of these two hurricanes, nearly all of our production was shut-in at one time or another during the third and fourth quarters of 2008. For these occurrences, we previously maintained business interruption insurance on a portion of our lost revenue on our South Timbalier 41, 42 and 46 properties. Recovery of lost revenue from these properties began accruing during the fourth quarter of 2008 when the no claim period provided for under the policy elapsed. Through December 31, 2008, the total business interruption claim on these fields was $4.2 million, all of which was recorded in other receivables at December 31, 2008. All of these amounts were collected in 2009. During the periods from October 1, 2009 through December 31, 2009 and from January 1, 2009 through September 30, 2009, we recorded reductions to lease operating expenses for property damage claims totaling approximately $4.1 million and $1.4 million, respectively, all of which is recorded in receivables from insurance at December 31, 2009. In order to mitigate the higher cost of insurance coverages in 2009, we negotiated higher deductibles for property damage due to windstorms (such as hurricanes) with a deductible of $20 million per occurrence and significantly lower aggregates for property damage due to windstorms with an aggregate annual limit of $55 million. Due to limited availability of insurance coverage at commercially acceptable rates, we no longer maintain business interruption insurance.

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(9) Asset Retirement Obligations

We record the fair value of a liability for an asset retirement obligation (ARO) in the period in which it is incurred, along with a corresponding increase in the carrying amount of the related long-lived asset. The following table reconciles the beginning and ending aggregate recorded amount of our asset retirement obligations:

	Successor Company	Predecessor Company	
	Period from October 1, 2009 through December 31, 2009	Period from January 1, 2009 through September 30, 2009	Year Ended December 31, 2008
		(in thousands)	
Beginning of period total	$ 67,200	$ 105,687	$ 77,898
Accretion expense	3,024	5,536	4,370
Sale of properties			(1,821)
Revisions	1,384	3,765	36,444
Liabilities incurred			13,385
Liabilities settled	(1,628)	(22,001)	(24,589)
End of period total	69,980	92,987	105,687
Less: End of period current portion	(10,830)	(9,308)	(18,181)
End of the period noncurrent portion	$ 59,150	$ 83,679	$ 87,506

Our asset retirement obligations were reduced by approximately $25.8 million as a result of the application of ASC 852 because the discount rate and inflation rate applied to the estimated future abandonment costs in order to determine the fair value as of September 30, 2009 differed from the discount rates and inflation rates used to establish asset retirement obligations in prior periods.

During 2008, we began to plug and abandon a significant number of wellbores and began decommissioning associated with platforms, structures, pipelines and facilities on leases in the Gulf of Mexico that are no longer producing and were required, in most instances, to be performed during that period under MMS requirements. The level of abandonment activity we performed in 2008 was significantly higher than in any past period and was performed at a high pricing point in the market for such services with equipment, in some cases, that exceeded the capability of less costly equipment capable of performing such operations. Further, because we performed this work at a suboptimal time of the year, we were significantly impacted by weather delays. We experienced costs significantly in excess of our recorded ARO for this work. As a result of this experience, and our cost experience on other 2008 abandonment activities, as well as our efforts to estimate our planned work for 2009, we revised our estimated abandonment costs where appropriate to reflect recent experience in determining the estimated fair value of our abandonment obligations at December 31, 2008. The total impact on earnings of our revisions to ARO for 2008 was a loss on abandonment of $21.7 million. Revisions to ARO that did not result in an impact to 2008 earnings were recorded as additions to our oil and natural gas properties and are amortized over remaining units-of-production.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Indebtedness

Total indebtedness was as follows:

(In thousands)	SUCCESSOR COMPANY December 31, 2009	PREDECESSOR COMPANY December 31, 2008
Term loan component of Credit Facility, interest rate of 6.5% on December 31, 2009 based on base rate plus a floating spread, payable September 21, 2010	$ 18,750	$
Revolving credit component of Credit Facility, interest rate of 6.5% on December 31, 2009 based on LIBOR plus a floating spread, payable September 21, 2012		
PIK Notes, face amount of $61.1 million, interest rate of 20%, payable September 21, 2014 (net of $5.9 million of unamortized original issue discount)	55,195	
In-kind interest on PIK Notes (new notes issued January 1, 2010), face amount of $3.4 million, interest rate of 20%, payable September 21, 2014	3,395	
Fixed Rate Notes, interest rate of 9.75%, payable May 15, 2014		300,000
Floating Rate Notes, with weighted average interest of 9.94% on December 31, 2008, payable April 15, 2013		150,000
Senior Notes, annual interest of 8.75%, payable August 1, 2010		4,501
Pre-Reorganization Credit Agreement, interest rate based on LIBOR borrowing rates plus a floating spread payable April 23, 2011, with weighted average interest on December 31, 2008 of 2.57%		43,000
Total indebtedness	77,340	497,501
Current portion of indebtedness	18,750	497,501
Noncurrent portion of indebtedness	$ 58,590	$

Credit Facility

On September 21, 2009, we entered into the Credit Facility with General Electric Capital Corporation, as administrative agent (the Agent) and the lender parties thereto (the Lenders). The Credit Facility provides for senior secured borrowings consisting of (a) a one-year, $25 million term loan and (b) a three-year revolving credit facility that may be used for revolving credit loans and letters of credit from time to time up to a maximum principal amount of $125 million, including the $25 million term loan, subject to limitations described below in this paragraph. The maximum amount of letters of credit that may be outstanding at any one time is $20 million and the amount available under the revolving credit facility is limited by the borrowing base. The initial borrowing base at closing was $70 million, including the $25 million term loan. At December 31, 2009, the borrowing base was $63.8 million, including the $18.8 million remaining balance on the term loan. The borrowing base is subject to semi-annual redeterminations based on the proved reserves of the oil and gas properties that serve as collateral for the Credit Facility. We were subject to our first borrowing base redetermination beginning in December 2009, and our borrowing base has been reaffirmed at $45 million plus the remaining balance on the term loan. Monthly scheduled repayments of the $25 million term loan, each in the amount of $2.1 million, reduce the borrowing base by the principal amount of each such repayment. Our obligations under the Credit Facility and under derivative contracts with the Lenders are guaranteed by our material subsidiaries and secured by our real property assets and the oil and gas properties to which 90% of the present value of our proved reserves is attributable (the Collateral).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Credit Facility permits both base rate based borrowings and LIBOR borrowings, in each case plus a floating spread. The spread will float up or down based on our utilization under the credit facilities (the Utilization Level). The spread can range from 3.00% to 3.50% for base rate borrowings and 4.00% to 4.50% for LIBOR borrowings. The credit agreement includes a LIBOR floor of 2.00%. We incur a commitment fee on the unused portion of the borrowing base at a rate ranging from 0.75% to 1.00% based upon the Utilization Level.

The term loan must be repaid in twelve installments of approximately $2.1 million each month beginning October 21, 2009, with any remaining principal balance due on September 21, 2010. The revolving credit facility matures on September 21, 2012. With respect to base rate borrowings, accrued interest must be paid on the last day of each fiscal quarter and, with respect to LIBOR borrowings, accrued interest must be paid on (a) the last day of any applicable interest period and (b) if an interest period is six months in length, on the date that is approximately three months after such interest period begins.

The Credit Facility contains customary negative covenants and customary events of default. As described in the Credit Facility, we must maintain, for each period for which a covenant certification is required, (a) a current ratio (as defined in the credit facility) of 1.0 to 1.0, (b) an interest coverage ratio of not less than 2.50 to 1.0, (c) a leverage ratio less than or equal to 1.50 to 1.0, and (d) a coverage ratio, as defined in the credit agreement, with respect to plugging and abandonment obligations. We are also required to maintain a commodities hedging program that is in compliance with the requirements set forth in the Credit Facility. The determination of our borrowing base under the Credit Facility is based on our proved reserves using the Lenders pricing assumptions, and includes the impact of our commodity derivative instruments. The Credit Facility also places restrictions on the maximum estimated future production volumes that can be subject to commodity derivative instruments. In order to meet our objectives in establishing the Credit Facility borrowing base and to conform to the Credit Facility terms, we entered into certain commodity derivative instruments upon our emergence from Chapter 11 reorganization in connection with executing the Credit Facility. See Note 12, Derivative Transactions, for more information regarding outstanding commodity derivative instruments.

PIK Notes

On September 21, 2009, we issued the PIK Notes due 2014 in an aggregate principal amount of $61.1 million pursuant to an indenture dated September 21, 2009 (the Indenture). The PIK Notes were issued with original issue discount, and the note proceeds after this discount were $55.0 million. The PIK Notes allow, or require, as specified in the Indenture, for payment of interest in-kind in the form of newly issued notes having the same terms as the PIK Notes. Interest on the PIK Notes and newly issued PIK Notes issued for payment of periodic interest is payable in additional PIK Notes or in cash subject to the limitations described below and in the Indenture.

Until the first interest payment date that occurs 91 days after the repayment in full of all amounts outstanding under the Credit Facility and the termination of the Lenders commitments under the Credit Facility (such date being, the Credit Facility Termination Date), interest on the PIK Notes will be payable in-kind, semi-annually in arrears on January 1 and July 1 of each year, beginning on January 1, 2010. At December 31, 2009, our total indebtedness related to the PIK Notes includes $3.4 million of accrued interest in-kind for which new notes were issued on January 1, 2010. After the Credit Facility Termination Date, interest on the original PIK Notes and any additional PIK Notes issued for in-kind interest payments, will be payable quarterly in cash in arrears on January 1, April 1, July 1 and October 1 of each year. All of the PIK Notes mature on September 21, 2014 along with all accrued but unpaid interest and the outstanding PIK Note principal balances. We may redeem all or part of the PIK Notes upon not less than 10 days and no more than 60 days notice to each holder of the PIK Notes to be redeemed at a redemption price equal to 100% of the principal amount of the PIK Notes to be redeemed plus accrued and unpaid interest to the date of redemption.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The PIK Notes are (a) subordinated in right of payment to the Credit Facility, (b) guaranteed by our material subsidiaries and (c) (i) prior to the Credit Facility Termination Date, secured by the Collateral or (ii) after the Credit Facility Termination Date, secured by the Collateral plus certain additional real property collateral as may be required under the Indenture. The security interests granted for the benefit of the holders of the PIK Notes are subordinated to those granted in favor of the Lenders.

The Indenture imposes customary negative covenants, which are based on such covenants contained in the Credit Facility, and contains customary events of default, except that there are no financial performance covenants contained in the Indenture.

Predecessor Indebtedness

In April 2007, the Predecessor Company refinanced an existing bank credit facility with a credit agreement, which had availability and a borrowing base of $200 million and was secured by substantially all of our assets (the Pre-Reorganization Credit Agreement). The borrowing base under the Pre-Reorganization Credit Agreement was subject to redetermination based on the proved reserves of the oil and natural gas properties that served as collateral as set out in the reserve report delivered to the banks in April and October each year. In November 2008, the Pre-Reorganization Credit Agreement was redetermined with a borrowing base of $150 million. At December 31, 2008, we had $43 million outstanding under the Pre-Reorganization Credit Agreement. In March 2009, the Pre-Reorganization Credit Agreement was redetermined with a new borrowing base of $45 million. The Predecessor Company had $83 million outstanding under the Pre-Reorganization Credit Agreement, resulting in a deficiency of $38 million and a demand for repayment of the borrowing base deficiency.

While we were not in default under our Pre-Reorganization Credit Agreement as of December 31, 2008, we subsequently failed to timely satisfy a number of Pre-Reorganization Credit Agreement covenants, including those requiring the delivery of our December 31, 2008 debt compliance certificate in April 2009 and providing our December 31, 2008 financial results at that time. On September 21, 2009, outstanding borrowings under the Pre-Reorganization Credit Agreement of $83 million were repaid using proceeds from the Credit Facility and the PIK Notes.

Prior to the redetermination of our borrowing base under the Pre-Reorganization Credit Agreement in March 2009 and the commencement of our filing for reorganization under Chapter 11, the Pre-Reorganization Credit Agreement permitted both prime rate borrowings and LIBOR borrowings plus a floating spread. The spread floated up or down based on utilization of the Pre-Reorganization Credit Agreement. Under the terms of the Pre-Reorganization Credit Agreement, the interest rate spread ranged from 1.00% to 2.5% above LIBOR and 0% to 0.50% above prime. In addition we paid an annual fee on the unused portion of the facility, ranging between 0.25% to 0.50% based on utilization. The Pre-Reorganization Credit Agreement contained customary events of default and various financial covenants, which required us to maintain: (1) a minimum current ratio, as defined by the Pre-Reorganization Credit Agreement, of 1.0x, (2) a minimum Consolidated EBITDAX to interest ratio, as defined by the Pre-Reorganization Credit Agreement, of 2.5x, and (3) a ratio of long-term debt to Consolidated EBITDAX below 3.0. Our failure to cure the borrowing base deficiency by May 1, 2009 constituted an event of default under our Pre-Reorganization Credit Agreement. Subsequent to such date, we were paying interest at the foregoing rates plus 2.00% per annum (the default rate).

The current ratio, as defined by the Pre-Reorganization Credit Agreement, included (among other terms) in current assets our unused availability on the Pre-Reorganization Credit Agreement for purposes of satisfying the minimum current ratio covenant. As a result, for purposes of complying with the minimum current ratio covenant at each quarterly compliance reporting date, our working capital deficit, as adjusted by the terms of the Pre-Reorganization Credit Agreement, reduced the amount available for borrowings under the Pre-Reorganization Credit Agreement.

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In April 2007, the Predecessor Company also completed an offering of the Senior Unsecured Notes, consisting of $300 million aggregate principal amount of the Fixed Rate Notes, with interest payable semi-annually on April 15 and October 15 beginning on October 15, 2007, and $150 million aggregate principal amount of the Floating Rate Notes. Interest on the Floating Rate Notes was payable quarterly on January 15, April 15, July 15 and October 15, beginning in July of 2007. In May 2007, the Predecessor Company completed a cash tender offer for the $150 million 8.75% Senior Notes due 2010. Approximately $145.5 million of the 8.75% Senior Notes due 2010 were repurchased.

As described in Note 3, Reorganization and Fresh-Start Accounting, the Predecessor Company Notes and the related indentures were cancelled in connection with the reorganization, resulting in a loss on debt discharge of $2.7 million during the period from January 1, 2009 through September 30, 2009. In addition, the outstanding borrowings under the Pre-Reorganization Credit Agreement and related accrued interest were repaid.

Principal maturities of the Successor Company s indebtedness outstanding as of December 31, 2009, based on the contractual terms, are as follows (in thousands):

2010	$ 18,750
2011	
2012	
2013	
2014	64,507

(11) Significant Customers

We had oil and natural gas sales to three customers accounting for 36%, 19% and 14%, respectively, of total oil and natural gas revenues, excluding the effects of hedging activities, for the period from October 1, 2009 through December 31, 2009. We had oil and natural gas sales to three customers accounting for 30%, 27% and 21%, respectively, of total oil and natural gas revenues, excluding the effects of hedging activities, for the period from January 1, 2009 through September 30, 2009. We had oil and natural gas sales to three customers accounting for 38%, 24% and 23%, respectively, of total oil and natural gas revenues, excluding the effects of hedging activities, for the year ended December 31, 2008.

(12) Derivative Transactions

We enter into derivative transactions to reduce exposure to fluctuations in the price of oil and natural gas for a portion of our production. Our put contracts limit our exposure to declines in the sales price of oil for a limited amount of our production. Our fixed-price swaps fix the sales price for a limited amount of our production and, for the contracted volumes, eliminate our ability to benefit from increases in the sales price of the production. Derivative contracts are carried at their fair value on the consolidated balance sheets as Fair value of commodity derivative instruments and all unrealized and realized gains and losses are recorded in Gain (loss) on derivative instruments in Other income (expense) in the consolidated statements of operations.

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As of December 31, 2009, the following derivative instruments were outstanding:

Oil Contracts

	Fixed-Price Swaps			Puts		
Remaining Contract Term	**Daily Average Volume (Bbls)**	**Volumes (Bbls)**	**Average Swap Price ($/Bbl)**	**Daily Average Volume (Bbls)**	**Volume (Bbls)**	**Floor Price ($/Bbl)**
January 2010 July 2010	3,053	647,250	$ 67.34	502	106,500	$ 60.00
August 2010 November 2010	625	76,200	$ 69.65	1,673	204,150	$ 60.00
December 2010	1,200	37,200	$ 70.37	1,302	40,350	$ 60.00
January 2011 July 2011	2,261	479,250	$ 71.13	502	106,500	$ 60.00
August 2011 November 2011	502	61,200	$ 72.18	1,301	158,700	$ 60.00
December 2011	948	29,400	$ 72.64	1,302	40,350	$ 60.00

Natural Gas Contracts

	Puts		
Remaining Contract Term	**Daily Average Volume (Mmbtu)**	**Volume (Mmbtu)**	**Floor Price ($/Mmbtu)**
January 2010	24,000	744,000	$ 4.00
February 2010	25,000	700,000	$ 4.00
March 2010	25,000	775,000	$ 4.00
April 2010	25,000	750,000	$ 4.00
May 2010	23,000	713,000	$ 4.00
June 2010	22,000	660,000	$ 4.00

During the period from January 1, 2009 through September 30, 2009, we had agreed to termination of our derivative contracts as requested by our lenders or as required by the terms of our agreements with them. The following table presents information about the components of gain (loss) on derivative instruments:

	Successor	Predecessor Company	
(In thousands)	**Company Period from October 1, 2009 through December 31, 2009**	**Period from January 1, 2009 through September 30, 2009**	**Year Ended December 31, 2008**
Derivative contracts:			
Unrealized gain (loss) due to change in fair market value	$ (21,739)	$	$ 19,057
Realized gain (loss) on settlement	(966)	2,728	(17,004)
Total gain (loss) on derivative instruments	$ (22,705)	$ 2,728	$ 2,053

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(13) Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy with three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, defined as inputs such as unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2009 and 2008, we held certain financial assets and liabilities that are required to be measured at fair value on a recurring basis, primarily our commodity derivative instruments. At December 31, 2009 and 2008, the fair values of derivative instruments were estimated using similar, observable NYMEX published settlements and are included within the Level 2 fair value hierarchy. The following tables present our assets and liabilities that are measured at fair value on a recurring basis:

	Successor Company As of December 31, 2009				
			Fair Value Measurements Using:		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets (Liabilities) (in thousands):					
Derivative instruments	$ 2,141	$ 2,141	$	$ 2,141	$
Derivative instruments	$ (17,775)	$ (17,775)	$	$ (17,775)	$

	Predecessor Company As of December 31, 2008				
			Fair Value Measurements Using:		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets (Liabilities) (in thousands):					
Derivative instruments	$ 5,415	$ 5,415	$	$ 5,415	$
Derivative instruments	$ (83)	$ (83)	$	$ (83)	$

The fair value of cash and cash equivalents, accounts receivable, accounts payable (including income taxes payable and accrued expenses) and our variable rate debt approximated the carrying amount at December 31, 2009 and 2008. As of December 31, 2009, we estimated that the fair value of our PIK Notes approximated the carrying amount of $58.6 million. We based this estimate on the assumption that the PIK Notes were negotiated during the reorganization proceedings and their terms reflected fair value at the time of our emergence from Chapter 11 reorganization and continue to reflect fair value since our financial condition and market conditions have not changed significantly since that date. The PIK Notes are not traded and therefore quoted prices were not available. As of December 31, 2008, the fair value and carrying value of the Predecessor Company Notes were $454.5 million and $148.3 million, respectively. We estimated the fair value of these debt instruments based on prices reflected by trades which occurred near December 31, 2008 as obtained through financial information services.

In January 2009, we adopted ASC 820 for our non-financial assets and non-financial liabilities that are remeasured at fair value on a non-recurring basis. As described in Note 2, we evaluate our capitalized costs of proved oil and natural gas properties for potential impairment when circumstances indicate that the carrying values may not be recoverable. Our assessment of possible impairment of proved oil and natural gas properties is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on our best estimate of future prices, costs and expected net future cash flows by property. An impairment loss is indicated if undiscounted net future cash flows are less than the carrying value of a property. The impairment expense is measured as the shortfall between the net book value of the property and its estimated fair value measured based on the discounted net future cash flows from the property.

As addressed in Note 3, Reorganization and Fresh-Start Accounting, we have applied fair value concepts in allocating the reorganization value of the Company to our assets and liabilities as a result of the reorganization and application of ASC 852. The inputs to the fair values of our more significant assets and liabilities are addressed in Note 3.

(14) Income Taxes

Components of income tax benefit for the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 30, 2009 and the year ended December 31, 2008 are as follows:

	Successor Company	Predecessor Company	
	October 1, 2009 through December 31, 2009	January 1, 2009 through September 30, 2009	2008
	(In thousands)		
Current:			
Federal	$	$	$
State			
	$	$	$
Deferred:			
Federal	$ 11,076	$	$ 16,542
State	324		473
	$ 11,400	$	$ 17,015
Total:			
Federal	$ 11,076	$	$ 16,542
State	324		473
	$ 11,400	$	$ 17,015

The reasons for the differences between the effective tax rates and the expected corporate federal income tax rate are as follows:

	Percentage of Pretax Earnings		
	Successor Company	Predecessor Company	
	October 1, 2009 through	January 1, 2009 through September 30,	2008

	December 31, 2009	2009	
Expected tax rate	35.0%	35.0%	35.0%
State taxes	1.0	1.0	1.0
Valuation allowance		(41.0)	(10.8)
Other	(0.8)	5.0	(0.6)
	35.2%	0%	24.6%

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The tax effects of temporary differences that give rise to significant portions of the current tax asset and net deferred tax liability at December 31, 2009 and 2008 are presented below:

	Successor Company 2009	Predecessor Company 2008
	(In thousands)	
Current deferred tax assets (liabilities):		
Fair value of commodity derivative instruments	$ 3,363	$ (1,636)
Other	2,405	56
Net current deferred tax asset (liability)	$ 5,768	$ (1,580)
Non-current deferred tax assets:		
Restricted stock awards and options	$	$ 6,268
Federal and state net operating loss carryforwards	47,952	65,953
Fair market value of commodity derivative instruments	2,265	24
Other	4,048	741
Valuation allowance		(7,465)
Non-current deferred tax asset	54,265	65,521
Non-current deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation	(71,219)	(63,941)
Net non-current deferred tax asset (liability)	$ (16,954)	$ 1,580

Under the applicable income tax rules and regulations, we would not be required to recognize taxable income resulting from the discharge of indebtedness (described in Note 3, Reorganization and Fresh-Start Accounting) that may result under the application of the tax rules and regulations to the discharge of debt in a Chapter 11 proceeding. Generally, the income, represented for tax purposes as the excess of the principal and accrued interest on the debt discharged over the fair value of the stock of the reorganized company received in exchange for the discharged obligations, as defined by Internal Revenue Code (the IRC) Section 108 (IRC 108), would reduce our tax attribute carryovers (net operating loss carryforwards (NOLs), other deduction carryforwards, and credit carryforwards) or reduce the tax basis in certain assets (collectively, Tax Attribute Reduction), immediately following the end of 2009, unless we elect to defer the income at the time we file our federal tax return. For purposes of applying the tax rules and regulations, we estimate that the principal of, and accrued interest on, the discharged debt exceeds the value of the common stock received by the former holders and, as a result, we expect to recognize Tax Attribute Reduction. In the accompanying consolidated financial statements, we have recognized the estimated Tax Attribute Reduction as a reduction of our NOLs as of December 31, 2009, resulting in a reduction of our non-current deferred tax asset related to NOLs. Our estimated NOLs at December 31, 2009, after application of the estimated Tax Attribute Reduction, are approximately $133 million.

Prior to December 31, 2009, our net deferred tax position had changed from a net deferred tax liability position to a net deferred tax asset position, before consideration of the valuation allowance. We were not able to conclude that it was more likely than not that our net deferred tax assets would be realized through future earnings and reversal of taxable temporary differences, primarily due to the existence of cumulative book losses for the three year period ended December 31, 2008. As a result, we had previously provided a valuation allowance of $7.5 million as of December 31, 2008, which reduced our net deferred tax asset to zero. The Tax Attribute Reduction changed our net deferred tax position, before consideration of the valuation allowance, from

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

a net deferred tax asset to a net deferred tax liability, which eliminated the need for the valuation allowance; thus, we reversed all of the previously established valuation allowance as of December 31, 2009.

The Company s Chapter 11 reorganization caused a change in ownership of the Company within the meaning of IRC Section 382 and related regulations (IRC 382). As a result, the annual usage of our tax attribute carryforwards generally would be limited under IRC 382 (the Section 382 Limitation), to the federal long-term tax exempt rate times the value of the Company s stock immediately after the change in ownership. Based on our estimates regarding the value of the Company s stock and the application of relevant regulatory provisions, we believe the Section 382 Limitation will be approximately $20 million.

Our NOLs as of December 31, 2009 are available to reduce future federal taxable income subject to the limitations and estimates described above and the application of the tax rules and regulations. The NOLs begin expiring in the years 2018 through 2029. We believe that we have net unrealized built-in gains that will be recognized under IRC 382 that would sufficiently add to the Section 382 Limitation, making it more likely than not that a valuation allowance is not needed against the NOLs and other tax attributes.

As of January 1, 2010, our 2006-2008 income tax years remain subject to examination by the Internal Revenue Service, as well as the Louisiana Department of Revenue. In addition, Texas Franchise Tax calendar years 2006-2008 remain subject to examination.

(15) Employee Benefit Plans

Stock-Based Compensation Plans

The Board of Directors of the Successor Company adopted the Energy Partners, Ltd. 2009 Long Term Incentive Plan (the 2009 LTIP). The purpose of the 2009 LTIP is to provide a means to enhance our profitable growth by attracting and retaining directors, officers and other key employees through affording such individuals a means to acquire and maintain stock ownership or awards the value of which is tied to the performance of our common stock. All directors, officers and other key employees providing services to the Company are potentially eligible to participate in the 2009 LTIP. The 2009 LTIP provides for grants of (i) incentive stock options qualified as such under income tax rules and regulations, (ii) stock options that do not qualify as incentive stock options, (iii) restricted stock awards, (iv) restricted stock units, (v) stock appreciation rights, (vi) bonus stock and awards in lieu of Company obligations, (vii) dividend equivalents in connection with other awards, (viii) deferred shares, (ix) performance units or shares, or (x) any combination of such awards (collectively referred to as Awards). The Plan is administered by a committee of our Board of Directors.

The maximum aggregate number of shares of our common stock that may be issued pursuant to any and all Awards under the 2009 LTIP is limited to 1,237,000 shares, subject to adjustment due to recapitalization or reorganization, or related to forfeitures or the expiration of Awards, as provided under the 2009 LTIP. As of December 31, 2009, 1,121,258 shares remain available for future grants.

Without stockholder or participant approval, the Board of Directors may amend, alter, suspend, discontinue or terminate the 2009 LTIP or the Committee s authority to grant Awards under the 2009 LTIP, except that any amendment or alteration of the 2009 LTIP, including any increase in any share limitation, shall be subject to the approval of the stockholders not later than the next annual meeting if stockholder approval is required by any state or federal law or regulation or the rules of any stock exchange or automated quotation system on which the common stock may then be listed or quoted.

Pursuant to an employment agreement and the 2009 LTIP, on September 30, 2009, our new chief executive officer was granted an option to purchase 68,116 shares of Successor Company common stock, which was

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memorialized in an option award agreement dated as of October 1, 2009 (the Option Agreement). The terms of the Option Agreement provide for an exercise price equal to $10.00 per share. The closing price of our common stock on the NYSE on September 30, 2009 was $7.46 per share. The option vests ratably on a monthly basis over a 36-month period from the date of grant; provided, however, that the vesting for the first six months of the vesting period (the Initial Period) is deferred until the end of the Initial Period and any remaining unvested portion vests ratably on a monthly basis over the remainder of the 36-month vesting period, subject to the executive remaining continuously employed. Vested stock options under the Option Agreement expire 30 months following the applicable vesting date of such stock options. Upon a change in control as defined in the 2009 LTIP, all remaining unvested stock options under the Option Agreement automatically vest and remain exercisable for a period of not less than 30 months following the change in control.

In connection with the appointment of the five members of the Board of Directors of the Successor Company and pursuant to the 2009 LTIP, the five directors were awarded, in the aggregate, a total of 43,460 shares of restricted stock, of which one-half vested immediately (in the case of four of the directors) and one-half will vest on the day immediately preceding the date of the 2010 Annual Meeting of Stockholders. In the case of the fifth director, he had deferred the receipt of his 2009 stock award until he ceases to serve on our Board of Directors under an election made while he was also a director of the Predecessor Company.

Prior to the reorganization, the Predecessor Company had two stock-based compensation plans, which are more fully described below. Pursuant to the Plan, all stock option or other equity awards outstanding under these plans became fully vested and were deemed exercised or were cancelled. The number of shares of Predecessor Company common stock that were issued as a result of accelerated vesting of prior restricted stock grants totaled 147,372 shares, which shares were converted into 9,103 shares of Successor Company common stock upon emergence from Chapter 11 reorganization. All Predecessor Company stock and incentive plans for employees were deemed cancelled under the Plan.

The 2006 Long Term Stock Incentive Plan provided for the grant of stock options for which the exercise price, set at the time of the grant, was not less than the fair market value per share at the date of grant. The outstanding options had a term of 10 years and generally vested over three years with grants to a limited group of people that cliff vested at the end of five years.

The Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors (the Director Plan) was adopted by the Board of Directors in March 2005 and approved by our stockholders in May 2005. The Director Plan permitted the use of restricted share units in addition to stock options to provide flexibility to adjust grants to maintain a competitive equity component for non-employee directors. The option exercise price for an option granted under the Director Plan was the fair market value of the shares covered by the option at the time the option was granted. Options became fully exercisable on the first anniversary of the date of the grant. Prior to the one-year anniversary, the options were exercisable as to a number of shares covered by the option determined by pro-rating the number of shares covered by the option based on the number of days elapsed since the date of the grant. Any portion of an option that had not become exercisable prior to the cessation of the optionee s service as a director for any reason would not thereafter become exercisable. Each option was to expire on the earlier of (1) 10 years from the date of the granting thereof, or (2) 36 months after the date the optionee ceased to be a director of the Company for any reason. Each restricted share unit represented the right to receive one share of Common Stock upon the earlier to occur of: (1) the cessation of the eligible director s service as a director of the Company for any reason, or (2) the occurrence of a change of control of the Company. An eligible director became 100% vested in a grant of restricted share units on the first anniversary of the date of grant.

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A summary of option share activity for the year ended December 31, 2009 is as follows:

	Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on December 31, 2008	2,339,919	$ 16.12		
Granted	68,116	10.00		
Forfeited/Cancelled	(2,339,919)	16.12		
Outstanding on December 31, 2009	68,116	$ 10.00	3.8	$
Exercisable on December 31, 2009		$		$

The fair value of each share option award was estimated on the date of grant using the Black-Scholes option valuation model with the weighted average assumptions in the table below for the period from January 1, 2009 through September 30, 2009 and for the year ended December 31, 2008. No share option awards were granted during the period from October 1, 2009 through December 31, 2009.

	January 1, 2009 through September 30, 2009	Year Ended December 31, 2008
Black-Scholes option pricing model assumptions:		
Risk free interest rate	1.9%	4.5%
Expected life (years)	4.0	4.95
Expected volatility	52%	38%
Dividend yield		

Expected volatility is generally based on the historical volatility of our stock over the period of time equivalent to the expected term of the options granted. As a result of our reorganization for purposes of determining expected volatility in 2009, we have included consideration of the historical volatility of the share prices of our peers over the relevant time period in addition to our historical volatility before, during and after our reorganization. We disregarded our share price for the periods during which our stock price was impacted by factors leading up to the Chapter 11 filing and during the period of the Chapter 11 reorganization proceedings because we do not expect these events to reoccur during the expected term of the options. The expected term of options granted is generally derived from historical exercise patterns over a period of time, with consideration of expected term of unvested options. However, due to the unique vesting schedule of the option award to our new chief executive officer during 2009, we have based the expected term assumption on the weighted average contractual term of the option shares, taking into account the vesting schedule and other factors, including expected exercise and post-vesting employment termination behavior. The risk-free interest rate is based on the interest rate on constant maturity bonds published by the Federal Reserve with a maturity commensurate with the expected term of the options granted.

The weighted-average grant-date fair value of option shares granted during the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008 was $2.48 and $4.53, respectively. No option shares were exercised during the period from January 1, 2009 through September 30, 2009 or from October 1, 2009 through December 31, 2009. The aggregate intrinsic value of option shares (the amount by which the market price of the stock on the date of exercise exceeded the market price of the stock on the date of grant) exercised during the year ended December 31, 2008 was $0.4 million.

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A summary of the activity related to our non-vested share awards for the year ended December 31, 2009 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested share awards outstanding at December 31, 2008	433,700	$ 20.22
Granted	43,460	7.67
Vested	(394,158)	19.78
Forfeited/Cancelled	(61,272)	18.55
Non-vested share awards outstanding at December 31, 2009	21,730	$ 7.67

The fair value of non-vested share awards equals the market value of the underlying stock on the date of grant. The weighted-average grant-date fair value of the non-vested share awards granted during the period from October 1, 2009 through December 31, 2009 and the year ended December 31, 2008 was $7.67 per share and $12.50 per share, respectively. No non-vested share awards were granted during the period from January 1, 2009 through September 30, 2009. The total fair value of non-vested share awards that vested during the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008 was $0.2 million, $0.1 million and $2.4 million, respectively.

The following table reports stock-based compensation expense and related tax benefits recognized for the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 30, 2009 and the year ended December 31, 2008:

	Successor Company	Predecessor Company	
	October 1, 2009 through December 31, 2009	January 1, 2009 through September 30, 2009	2008
		(in thousands)	
Compensation Expense (Benefit):			
Option shares	$ 14	$ 1,001	$ 2,127
Non-vested share awards	229	2,688	4,274
Employee bonus share awards	174		
Performance share awards			(293)
Deferred Income Tax Benefit	150	1,328	2,199

As of December 31, 2009, $0.2 million of total unrecognized compensation expense related to outstanding option shares was expected to be recognized over a weighted-average period of 2.7 years. As of December 31, 2009, $0.1 million of total unrecognized compensation expense related to non-vested share awards was expected to be recognized over a weighted-average period of approximately five months.

We also have a 401(k) Plan that covers all employees. We match 100% of each individual participant s contribution not to exceed 6% of the participant s compensation. Our matching contributions were made in common stock of EPL until 2009. During 2009, our 401(k) Plan was amended to require matching contributions to be made in cash. During the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 30, 2009, we made matching contributions in cash to the 401(K) Plan of approximately $0.2 million and $0.5 million, respectively. During 2008, we made matching contributions to the 401(k) Plan of 266,365 shares of common stock valued at approximately $0.9 million.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employee Retention Plans

In June 2009, we executed retention agreements with all of our non-officer, non-field employees, which called for payments of one-half of the retention amounts upon execution of the agreements and the remaining one-half upon exit from our Chapter 11 reorganization. Our field employees also received payments under this program. We also executed agreements with all of our officers (except for two executive officers who had individual change of control severance agreements with the Company) that called for payments of the entire retention amount upon exit from our Chapter 11 reorganization. During the period from January 1, 2009 through September 30, 2009, we recorded approximately $2.0 million for cash payments under these agreements. In addition, the remaining two executive officers terminated their written change of control severance agreements with the Company in exchange for receiving an unsecured claim for rejection damages in the Chapter 11 reorganization. In connection with these retention agreements, non-field employees and officers were required to waive and release the Company from any and all potential claims with respect to certain incentive and retention plans and agreements as provided for in the retention agreements. During the period from January 1 through September 30, 2009, we reduced previously established accruals totaling approximately $2.0 million for the various incentive and retention plans and agreements that were waived and released.

The Company has two plans under which, in the event of termination of employment in connection with a change of control of our company, our officers and employees are entitled to receive a multiple of their salaries and bonuses (typically up to one or two times such amount) and certain other benefits in a lump sum cash payment. Additionally, all options, restricted stock, restricted share units and other similar awards would become fully vested.

Other

In November 2008, we discontinued a plan that was designed to fund post-employment benefits to a limited group of key non-executive employees through whole life insurance policies, while providing life insurance coverage for the participants during the participation period. The cash surrender value of the cancelled whole life insurance policies distributed to the participants in January 2009 was $0.2 million.

(16) Commitments and Contingencies

As described in Notes 1 and 3, on May 1, 2009, we and certain of our subsidiaries filed for reorganization under Chapter 11.

We have operating leases for office space and equipment, which expire on various dates through 2016. Future minimum commitments as of December 31, 2009 under these operating obligations are as follows (in thousands):

2010	$ 559
2011	622
2012	629
2013	633
2014	616
Thereafter	1,035
	$ 4,094

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expense relating to operating obligations for the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 30, 2009 and the year ended December 31, 2008 was $0.7 million, $1.9 million and $5.4 million, respectively.

We maintain restricted escrow funds in a trust for future abandonment costs at our East Bay property. The trust was originally funded with $15 million and, with accumulated interest, increased to $16.7 million at December 31, 2008. We may draw from the trust upon completion of qualifying abandonment activities at our East Bay field. At December 31, 2009, we had $13.3 million remaining in restricted escrow funds for decommissioning work in our East Bay field, $7.3 million of which will be available for draw currently upon completion of certain decommissioning activities as that work progresses; the remaining $6.0 million will remain restricted until substantially all required decommissioning in the East Bay field is complete. Through December 31, 2009, we had made draws of $3.4 million. Amounts on deposit in the trust account are reflected in restricted cash on our consolidated balance sheets.

On February 21, 2008, we entered into a plea agreement with the United States Department of Justice under which we pled guilty on that same date to one strict liability, misdemeanor violation of the River and Harbors Act in the United States District Court for the Eastern Division of Louisiana. The plea concludes the investigation announced in June 2007 into possible environmental violations at our East Bay properties in late 2005 and early 2006. Under the plea agreement, in 2008 we paid a fine of $75,000 and made a community service payment of $25,000 to a Louisiana state agency. As a part of the plea agreement, we were subject to inactive probation for one year. The foregoing actions represent the final resolution of this matter with all federal agencies involved with the investigation.

We generate liabilities related to production that is delivered to us in excess of our interest in certain properties, often referred to as production imbalances. Additionally, we may, from time to time, receive cash in excess of amounts that we estimate are due to us for our interest in production, which amounts may be subject to further review, may require more information to resolve or may be in dispute. During 2008, we reduced revenue by $4.4 million reflecting our estimate of amounts that, based on information available to us, may be subject to claim by one purchaser of our production. During the periods from October 1, 2009 through December 31, 2009 and January 1, 2009 through September 30, 2009, we reduced revenue by $0.1 million and $0.5 million, respectively, increasing our estimate to $5.0 million as of December 31, 2009. As of December 31, 2009 and 2008, this amount is included in accrued expenses.

In the ordinary course of business, we are a defendant in various other legal proceedings. We do not expect our exposure in these other proceedings, individually or in the aggregate, to have a material adverse effect on our financial position, results of operations or liquidity.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Interim Financial Information (Unaudited)

The following is a summary of consolidated unaudited interim financial information for the years ended December 31, 2009 and 2008:

	Predecessor Company Three Months Ended			Successor Company Three Months Ended
	March 31 (1)	June 30	September 30	December 31
	(In thousands, except per share data)			
2009				
Revenues	$ 42,700	$ 46,076	$ 46,109	$ 56,750
Costs and expenses	66,804	62,625	57,964	61,273
Business interruption recovery	1,185			
Loss from operations	(22,919)	(16,549)	(11,855)	(4,523)
Net income (loss) (2)	(31,871)	(33,661)	29,418	(21,012)
Earnings (loss) per share:				
Basic	$ (0.99)	$ (1.05)	$ 0.91	$ (0.53)
Diluted	(0.99)	(1.05)	0.91	(0.53)

(1) Costs and expenses and loss from operations exclude reorganization items totaling $0.9 million which were reclassified due to the application of ASC 852 as a result of our filing for reorganization under Chapter 11. See Note 4 for additional information regarding reorganization items.

(2) Included in net income (loss) for the three months ended March 31, June 30, September 30 and December 31 are reorganization items totaling $0.9 million, $11.7 million, $11.6 million and $0.9 million, respectively.

	Predecessor Company Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
2008				
Revenues	$ 97,496	$ 125,688	$ 94,672	$ 38,396
Costs and expenses	73,863	71,466	57,738	182,964
Business interruption recovery				4,248
Income (loss) from operations	23,633	54,222	36,934	(140,320)
Net income (loss)	2,315	3,996	34,445	(92,968)
Earnings (loss) per share:				
Basic	$ 0.07	$ 0.13	$ 1.07	$ (2.90)
Diluted	0.07	0.12	1.07	(2.90)

(18) New Accounting Pronouncements

Effective for our financial statements as of September 30, 2009, the ASC is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The ASC superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the ASC is no longer authoritative. While the ASC does not change GAAP, it introduces a new structure that reorganizes the GAAP pronouncements into accounting topics. All content of the ASC carries the same level of authority.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In January 2010, the FASB issued Accounting Standards Update No. 2010-03 (ASU 2010-03), Oil and Gas Reserve Estimation and Disclosures, which amends the oil and gas reserve estimation and disclosure requirements of ASC Topic 932, Extractive Industries Oil and Gas (ASC 932) in order to align its requirements with the requirements in the SEC s final rule, Modernization of the Oil and Gas Reporting Requirements, which are described in Note 19 below. ASU 2010-03 is first effective for this Annual Report.

(19) Supplementary Oil and Natural Gas Disclosures (Unaudited)

In December 2008, the SEC issued a final rule, Modernization of Oil and Gas Reporting, which amended its oil and gas reserves estimation and disclosure requirements. The new requirements were codified into the ASC as part of ASC 932 in January 2010, and had the effect of, among other things: permitting the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserve volumes; modifying the prices used to estimate reserves for SEC disclosure purposes to an average price based upon the prior twelve month period rather than the year-end price; allowing the optional disclosure of probable and possible reserves to investors; allowing reserves to be classified as proved undeveloped if there is a high degree of confidence that the quantities will be recovered and they are scheduled to be drilled within the next five years (unless the specific circumstances justify a longer time); requiring disclosure regarding the qualifications of the chief technical person who oversees the reserves estimation process; requiring a general discussion of our internal controls used to ensure the objectivity of the reserves estimation process; and requiring that, if a third party is primarily responsible for preparing or auditing the reserve estimates, the company make disclosures relating to the independence and qualifications of the third party, including filing as an exhibit any report received from the third party. The revised rule was effective January 1, 2010 for reporting December 31, 2009 annual oil and natural gas reserve information. We have adopted the provisions of the final rule in connection with the filing of this Annual Report.

Our estimates of proved reserves are based on reserve reports prepared as of December 31, 2009 by independent petroleum engineering firms Netherland, Sewell & Associates, Inc. and Ryder Scott Company, L.P. Users of this information should be aware that the process of estimating quantities of proved and proved-developed natural gas and crude oil reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions to existing reserve estimates occur from time to time. Although every reasonable effort is made to ensure that reserve estimates reported represent the most accurate assessments possible, the significance of the subjective decisions required and variances in available data for various reservoirs make these estimates generally less precise than other estimates presented in connection with financial statement disclosures. Proved reserves are estimated quantities of natural gas, crude oil and condensate that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved-developed reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the changes in our estimated net proved reserves and proved-developed reserves:

	Crude Oil (Mbbls)	Natural Gas (Mmcf)	Barrels of Oil Equivalent (Mboe)
Estimated Proved Reserves:			
December 31, 2007	28,123	103,118	45,309
Sales of reserves in place	(265)	(1,819)	(568)
Extensions, discoveries and other additions (a)	956	8,482	2,370
Revisions (b)	(5,125)	(2,477)	(5,538)
Production	(2,052)	(16,496)	(4,802)
December 31, 2008	21,637	90,808	36,771
Extensions, discoveries and other additions	70	2,203	437
Revisions	176	(4,765)	(617)
Production	(1,960)	(20,868)	(5,438)
December 31, 2009	19,923	67,378	31,153
Proved-developed reserves:			
December 31, 2008	17,052	79,413	30,288
December 31, 2009	15,026	57,139	24,549

(a) Includes approximately 1.2 Mmboe associated with discoveries in Greater Bay Marchand and approximately 0.4 Mmboe associated with discoveries at our East Bay field.

(b) Comprised of approximately 3.5 Mmboe of negative revisions associated with price decreases in both oil and natural gas and approximately 2.0 Mmboe of negative revisions associated with underperformance of wells.

Capitalized costs for oil and natural gas producing activities consist of the following:

	2009	2008
	(In thousands)	
Proved properties	$ 618,508	$ 1,601,748
Unproved properties	28,606	36,274
Accumulated depreciation, depletion and amortization	(37,419)	(951,316)
Net capitalized costs	$ 609,695	$ 686,706

Costs incurred for oil and natural gas property acquisition, exploration and development activities for the years ended December 31, 2009 and 2008 are as follows:

	Years Ended December 31, 2009	2008

	(In thousands)	
Acquisitions		
-Proved	$	$
-Unproved	85	20,925
Exploration	2,477	56,202
Development (1)	8,815	127,948
Costs incurred	$ 11,377	$ 205,075

ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Includes asset retirement obligations incurred associated with finding, acquiring and developing our proved oil and natural gas reserves of $13.4 million during the year ended December 31, 2008. No asset retirement obligations were incurred associated with finding, acquiring and developing our proved oil and natural gas reserves during the year ended December 31, 2009.

Expenditures incurred for exploratory dry holes are excluded from operating cash flows and included in investing activities in the consolidated statements of cash flows.

Standardized Measure of Discounted Future Net Cash Flows Relating to Reserves

The following information has been developed utilizing procedures prescribed by ASC 932. It may be useful for certain comparative purposes, but should not be solely relied upon in evaluating our performance. Further, information contained in the following table should not be considered as representative of realistic assessments of future cash flows, nor should the Standardized Measure of Discounted Future Net Cash Flows be viewed as representative of the current value of our oil and natural gas reserves or the current value of the Company.

We believe that the following factors should be taken into account in reviewing the following information: (1) future costs and sales prices are likely to differ materially from those required to be used in these calculations; (2) due to future market conditions, governmental regulations and other factors, actual rates of production achieved in future years may vary significantly from the rate of production assumed in the calculations; (3) the use of a 10% discount rate, while mandated under ASC 932, is arbitrary and may not be reasonable as a measure of the relative risk inherent in realizing future net oil and gas revenues; and (4) future net revenues may be subject to different rates of income taxation.

The Standardized Measure of Discounted Future Net Cash Flows uses future cash inflows estimated using oil and natural gas prices computed by applying the use of physical pricing based on the simple average of the closing price on the first day of each of the twelve months during the fiscal year (as required by ASC 932) and by applying historical adjustments, including transportation, quality differentials, and purchaser bonuses, on an individual property basis, to the year end quantities of estimated proved reserves. The historical adjustments applied to the computed prices are determined by comparing our historical realized price experience with the comparable historical market, or posted, price. These adjustments can vary significantly over time both in amount and as a percentage of the posted price, especially related to our oil prices during periods when the market price for oil varies widely. The price adjustments reflected in our computed reserve prices may not represent the amount of price adjustments we may actually obtain in the future when we sell our production. Future cash inflows were reduced by estimated future development, abandonment and production costs based on period-end costs with the assumption of the continuation of existing economic conditions in order to arrive at net cash flows before tax. Future income tax expense has been computed by applying period-end statutory tax rates to aggregate future net cash flows, reduced by the tax basis of the properties involved and tax carryforwards. Use of a 10% annual discount rate in computing Standardized Measure of Discounted Future Net Cash Flows is required by ASC 932.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves is as follows:

	2009	2008
	(In thousands)	
Future cash inflows	$ 1,416,474	$ 1,517,701
Future production costs	(543,328)	(612,934)
Future development costs	(338,375)	(347,107)
Future income tax expense	(2,964)	(15,176)
Future net cash flows after income taxes	531,807	542,484
10% annual discount for estimated timing of cash flows	(138,005)	(126,313)
Standardized measure of discounted future net cash flows	$ 393,802	$ 416,171

A summary of the changes in the standardized measure of discounted future net cash flows applicable to proved oil and natural gas reserves for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
	(In thousands)	
Beginning of the period	$ 416,171	$ 1,092,935
Sales and transfers of oil and natural gas produced, net of production costs	(133,096)	(277,493)
Net changes in prices and production costs	82,280	(749,426)
Extensions, discoveries and improved recoveries, net of future production costs	9,045	28,437
Revision of quantity estimates	(13,246)	(117,355)
Previously estimated development costs incurred during the period	18,425	27,932
Purchase and sales of reserves in place, net		(21,514)
Changes in estimated future development costs	(6,622)	(46,956)
Changes in production rates (timing) and other	(28,561)	(35,692)
Accretion of discount	42,525	147,029
Net change in income taxes	6,881	368,274
Net decrease	(22,369)	(676,764)
End of period	$ 393,802	$ 416,171

At December 31, 2009 and 2008, the computation of the standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves was based on the following computed prices:

	2009	2008
per Mcf for natural gas	$ 3.96	$ 6.05
per barrel for oil	$ 57.70	$ 44.77

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Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. This information is also accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the most recent fiscal quarter reported on herein. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2009.

Because of their inherent limitations, disclosure controls and procedures may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that such controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the controls or procedures may deteriorate. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

(b) Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. In connection with our annual evaluation of internal control over financial reporting, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, assessed the effectiveness as of December 31, 2009, of our internal control over financial reporting based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management s evaluation included an assessment of the design of our internal control over financial reporting and testing of the operating effectiveness of our internal control over financial reporting. Based on that evaluation, our principal executive officer and principal financial officer concluded that our internal controls over financial reporting were effective as of December 31, 2009.

Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance of achieving their control objectives.

KPMG LLP, an independent registered public accounting firm, has issued a report concerning the effectiveness of our internal control over financial reporting as of December 31, 2009. See Report of Independent Registered Public Accounting Firm in Part II, Item 8 of this Annual Report.

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(c) Changes in Internal Control Over Financial Reporting

There were no changes in our system of internal control over financial reporting during the three months ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as described below.

Since the date of our last Annual Report, we completed the implementation of our previously disclosed remediation action plan, which involved: (1) hiring adequate accounting resources with appropriate accounting expertise; and (2) enhancing existing financial reporting policies and procedures.

During the fourth quarter of 2009, we implemented the following actions which we believe remediate the weaknesses we previously identified: (1) we retained additional resources within the accounting department with sufficient expertise to assist in the preparation of our financial statements and disclosures in accordance with GAAP; and (2) we enhanced and strengthened our written accounting and reporting policies and trained our accounting department employees with respect to the new policies.

Item 9B. ***Other Information***

None.

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PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Except as set forth below, for information required by Item 10 regarding our directors and executive officers, see the definitive Proxy Statement of Energy Partners, Ltd. for the Annual Meeting of Stockholders to be held on May 20, 2010, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

Code of Ethics

We have adopted a Corporate Code of Business Conduct and Ethics that applies to all directors and employees, including our chief executive officer, chief financial officer and controller. A copy of the code is available on our website at www.eplweb.com. A copy of the code is also available, at no cost, by writing to our Corporate Secretary at 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana, 70170. We will post on our website any waiver of the code granted to any of our directors or executive officers promptly following the date of the amendment or waiver. No such waiver has ever been sought or granted.

Item 11. ***Executive Compensation***

For information required by Item 11, see the definitive Proxy Statement of Energy Partners, Ltd. for the Annual Meeting of Stockholders to be held on May 20, 2010, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Except as set forth below, for information required by Item 12, see the definitive Proxy Statement of Energy Partners, Ltd. for the Annual Meeting of Stockholders to be held on May 20, 2010, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The information contained in Part II, Item 5, Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities of this Annual Report is incorporated by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

For information required by Item 13, see the definitive Proxy Statement of Energy Partners, Ltd. for the Annual Meeting of Stockholders to be held on May 20, 2010, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

For information required by Item 14, see the definitive Proxy Statement of Energy Partners, Ltd. for the Annual Meeting of Stockholders to be held on May 20, 2010, which will be filed with the Securities and Exchange Commission and is incorporated herein by reference.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) *Documents to be filed as part of this Annual Report*

1. Financial Statements

The following items are included in Part II, Item 8 this Annual Report:

Independent Registered Public Accounting Firm s Report

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Operations for the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008

Consolidated Statements of Changes in Stockholders Equity for the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008

Consolidated Statements of Cash Flows for the period from October 1, 2009 through December 31, 2009, the period from January 1, 2009 through September 30, 2009 and the year ended December 31, 2008

Notes to the Consolidated Financial Statements

2. Financial Statement Schedules

All schedules have been omitted because the information is not required or not in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits

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EXHIBITS

The exhibits marked with the cross symbol ( ) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
2.0	Second Amended Joint Plan of Reorganization of Energy Partners, Ltd. and certain of its Subsidiaries Under Chapter 11 of the Bankruptcy Code, as Modified as of July 31, 2009	8-K	001-16179	99.1	08/04/2009	
3.1	Amended and Restated Certificate of Incorporation of Energy Partners, Ltd. dated as of September 21, 2009	8-K/A	001-16179	3.1	09/21/2009	
3.2	Second Amended and Restated Bylaws of Energy Partners, Ltd.	8-K/A	001-16179	3.2	09/21/2009	
4.1	Indenture by and among Energy Partners, Ltd., as Issuer, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A. as Trustee dated September 21, 2009	8-K	001-16179	10.2	09/25/2009	
10.1	Note Purchase Agreement by and among Energy Partners, Ltd., the Guarantors named therein and the purchasers named therein dated September 21, 2009	8-K	001-16179	10.3	09/25/2009	
10.2	Credit Agreement by and among Energy Partners, Ltd., as Borrower, General Electric Capital Corporation, as Administrative Agent, and certain financial institutions, as Lenders dated September 21, 2009	8-K	001-16179	10.1	09/25/2009	
10.3	Exchange Agreement between Energy Partners, Ltd. and Mellon Investor Services LLC (operating with the service name BNY Mellon Shareowner Services), as Agent dated September 15, 2009	8-K	001-16179	10.4	09/25/2009	
10.4	Change of Control Severance Plan effective as of March 24, 2005	8-K	001-16179	10.2	03/30/2005	
10.5	First Amendment to Change of Control Severance Plan effective as of September 13, 2006	8-K	001-16179	10.3	09/14/2006	
10.6	Second Amendment to Change of Control Severance Plan effective as of April 16, 2008	8-K	001-16179	10.3	05/08/2008	
10.7	Third Amendment to Change of Control Severance Plan dated November 13, 2008	8-K	001-16179	10.2	11/14/2008	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
10.8	Fourth Amendment to Change of Control Severance Plan					X
10.9	Term sheet with the United States Department of the Interior, Minerals Management Service dated April 30, 2009	10-K	001-16179	10.6	08/05/2009	
10.10	Engagement Letter dated March 15, 2008 by and between Energy Partners, Ltd. and Alan Bell (This letter agreement was inadvertently dated March 15, 2008, but the actual effective date is March 15, 2009.)					X
10.11	Senior Management Settlement Agreement dated as of June 30, 2009 by and between Energy Partners, Ltd. and Thomas DeBrock	10-K	001-16179	10.42	08/05/2009	
10.12	Settlement Agreement dated as of June 23, 2009 by and between Energy Partners, Ltd. and Stephen D. Longon	10-K	001-16179	10.50	08/05/2009	
10.13	Settlement Agreement dated as of June 23, 2009 by and between Energy Partners, Ltd. and John H. Peper	10-K	001-16179	10.51	08/05/2009	
10.14	Energy Partners, Ltd. 2009 Long Term Incentive Plan	S-8	333-162185	4.5	09/29/2009	
10.15	Form of 2009 Long Term Incentive Plan Option Award Agreement	8-K	001-16179	10.5	09/25/2009	
10.16	Form of 2009 Long Term Incentive Plan Restricted Stock Agreement	8-K	001-16179	10.6	09/25/2009	
10.17	Form of Indemnification Agreement for Directors	8-K	001-16179	10.1	11/24/2009	
10.18	Form of Indemnification Agreement for Officers	8-K	001-16179	10.2	11/24/2009	
10.19	Energy Partners, Ltd. Board Compensation Program	8-K	001-16179	10.1	11/12/2009	
10.20	Second Amended and Restated Stock and Deferral Plan for Non-Employee Directors, dated as of November 6, 2009	8-K	001-16179	10.2	11/12/2009	
10.21	Form of Director Deferred Share Agreement	8-K	001-16179	10.3	11/12/2009	
21.1	Subsidiaries of Energy Partners, Ltd.					X
23.1	Consent of KPMG LLP.					X
23.2	Consent of Netherland, Sewell & Associates, Inc.					X
23.3	Consent of Ryder Scott Company, L.P.					X

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
31.1	Certification of Principal Executive Officer of Energy Partners, Ltd. pursuant to Section 302 of the Sarbanes Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer of Energy Partners, Ltd. pursuant to Section 302 of the Sarbanes Oxley Act of 2002.					X
32.1	Section 1350 Certification of Principal Executive Officer of Energy Partners, Ltd. pursuant to Section 906 of the Sarbanes Oxley Act of 2002.					X
32.2	Section 1350 Certification of Principal Financial Officer of Energy Partners, Ltd. pursuant to Section 906 of the Sarbanes Oxley Act of 2002.					X
99.1	Report of Independent Petroleum Engineers (Netherland Sewell & Associates, Inc.) dated as of February 24, 2010					X
99.2	Report of Independent Petroleum Engineers (Ryder Scott Company, L.P.) dated as of February 24, 2010					X

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GLOSSARY OF OIL AND NATURAL GAS TERMS

Bbl One stock tank barrel, or 42 U.S. gallons liquid volume, used in this Annual Report in reference to oil and other liquid hydrocarbons.

Boe Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.

Bcf One billion cubic feet.

Bcfe One billion cubic feet equivalent, with one barrel of oil being equivalent to six thousand cubic feet of natural gas.

completion The installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

LOE Lease operating expenditures.

Mbbls One thousand barrels of oil or other liquid hydrocarbons.

Mboe One thousand barrels of oil equivalent.

Mcf One thousand cubic feet of natural gas.

Mmbbls One million barrels of oil or other liquid hydrocarbons.

Mmboe One million barrels of oil equivalent.

Mmbtu One million British Thermal Units.

Mmcf One million cubic feet of natural gas.

plugging and abandonment Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Federal regulations and regulations of many states require plugging of abandoned wells.

proved undeveloped reserves Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

reservoir A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

working interest The interest in an oil and natural gas property (normally a leasehold interest) that gives the owner the right to drill, produce and conduct operations on the property and a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 11, 2010

ENERGY PARTNERS, LTD.

By: /s/ GARY C. HANNA
Gary C. Hanna
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GARY C. HANNA **Gary C. Hanna**	Chief Executive Officer	March 11, 2010
/s/ TIFFANY J. THOM **Tiffany J. Thom**	Senior Vice President, Treasurer and Investor Relations (Principal Financial Officer)	March 11, 2010
/s/ DAVID P. CEDRO **David P. Cedro**	Senior Vice President, Controller (Principal Accounting Officer)	March 11, 2010
/s/ CHARLES O. BUCKNER **Charles O. Buckner**	Director	March 11, 2010
/s/ SCOTT A. GRIFFITHS **Scott A. Griffiths**	Director	March 11, 2010
/s/ MARC MCCARTHY **Marc McCarthy**	Director	March 11, 2010
/s/ STEVEN J. PULLY **Steven J. Pully**	Director	March 11, 2010
/s/ JOHN F. SCHWARZ **John F. Schwarz**	Director	March 11, 2010

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INDEX TO EXHIBITS

The exhibits marked with the cross symbol ( ) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
2.0	Second Amended Joint Plan of Reorganization of Energy Partners, Ltd. and certain of its Subsidiaries Under Chapter 11 of the Bankruptcy Code, as Modified as of July 31, 2009	8-K	001-16179	99.1	08/04/2009	
3.1	Amended and Restated Certificate of Incorporation of Energy Partners, Ltd. dated as of September 21, 2009	8-K/A	001-16179	3.1	09/21/2009	
3.2	Second Amended and Restated Bylaws of Energy Partners, Ltd.	8-K/A	001-16179	3.2	09/21/2009	
4.1	Indenture by and among Energy Partners, Ltd., as Issuer, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A. as Trustee dated September 21, 2009	8-K	001-16179	10.2	09/25/2009	
10.1	Note Purchase Agreement by and among Energy Partners, Ltd., the Guarantors named therein and the purchasers named therein dated September 21, 2009	8-K	001-16179	10.3	09/25/2009	
10.2	Credit Agreement by and among Energy Partners, Ltd., as Borrower, General Electric Capital Corporation, as Administrative Agent, and certain financial institutions, as Lenders dated September 21, 2009	8-K	001-16179	10.1	09/25/2009	
10.3	Exchange Agreement between Energy Partners, Ltd. and Mellon Investor Services LLC (operating with the service name BNY Mellon Shareowner Services), as Agent dated September 15, 2009	8-K	001-16179	10.4	09/25/2009	
10.4	Change of Control Severance Plan effective as of March 24, 2005	8-K	001-16179	10.2	03/30/2005	
10.5	First Amendment to Change of Control Severance Plan effective as of September 13, 2006	8-K	001-16179	10.3	09/14/2006	
10.6	Second Amendment to Change of Control Severance Plan effective as of April 16, 2008	8-K	001-16179	10.3	05/08/2008	
10.7	Third Amendment to Change of Control Severance Plan dated November 13, 2008	8-K	001-16179	10.2	11/14/2008	
10.8	Fourth Amendment to Change of Control Severance Plan					X

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	SEC File Number	Exhibit	Filing Date	Filed/ Furnished Herewith
10.9	Term sheet with the United States Department of the Interior, Minerals Management Service dated April 30, 2009	10-K	001-16179	10.6	08/05/2009	
10.10	Engagement Letter dated March 15, 2008 by and between Energy Partners, Ltd. and Alan Bell (This letter agreement was inadvertently dated March 15, 2008, but the actual effective date is March 15, 2009.)					X
10.11	Senior Management Settlement Agreement dated as of June 30, 2009 by and between Energy Partners, Ltd. and Thomas DeBrock	10-K	001-16179	10.42	08/05/2009	
10.12	Settlement Agreement dated as of June 23, 2009 by and between Energy Partners, Ltd. and Stephen D. Longon	10-K	001-16179	10.50	08/05/2009	
10.13	Settlement Agreement dated as of June 23, 2009 by and between Energy Partners, Ltd. and John H. Peper	10-K	001-16179	10.51	08/05/2009	
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