

ENERGY PARTNERS LTD

Form DEF 14A

April 05, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  **p**  
 Filed by a Party other than the Registrant  **o**

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Energy Partners, Ltd.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

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SEC 1913 (11-01)

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**201 St. Charles Avenue  
Suite 3400  
New Orleans, Louisiana 70170  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On May 4, 2006**

Notice is hereby given that the 2006 Annual Meeting of Stockholders of Energy Partners, Ltd. (the *Company*), a Delaware corporation, will be held at the Hotel InterContinental New Orleans, Vieux Carré B Room, 444 St. Charles Ave., New Orleans, Louisiana 70130, on Thursday, May 4, 2006, at 9:00 a.m., Central Daylight Time, for the following purposes:

- (1) to elect eleven (11) directors to hold office until the Annual Meeting of Stockholders in the year 2007 and until their successors are duly elected and qualified;
- (2) to approve an amendment to the Company's certificate of incorporation increasing the number of authorized shares of the Company's Common Stock from 50,000,000 to 100,000,000;
- (3) to approve the adoption of the Company's 2006 Long Term Stock Incentive Plan;
- (4) to ratify the appointment of KPMG LLP as the Company's independent registered public accountants for the year ended December 31, 2006; and
- (5) to transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Only stockholders of record at the close of business on March 8, 2006 (the *Record Date*) will be entitled to notice of, and to vote at, the 2006 Annual Meeting, or any adjournment thereof, notwithstanding the transfer of any stock on the books of the Company after the Record Date. A list of these stockholders will be open for examination by any stockholder for any purpose germane to the 2006 Annual Meeting for a period of ten (10) days prior to the meeting at the Company's principal executive offices at 201 St. Charles Ave., Suite 3400, New Orleans, Louisiana 70170.

By Order of the Board of Directors,

John H. Peper  
*Executive Vice President, General Counsel  
and Corporate Secretary*

New Orleans, Louisiana  
April 4, 2006

**PLEASE RETURN THE ENCLOSED PROXY CARD TODAY, WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON. STOCKHOLDERS WHO ATTEND THE 2006 ANNUAL MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.**

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**ENERGY PARTNERS, LTD.  
201 St. Charles Avenue  
Suite 3400  
New Orleans, Louisiana 70170**

The 2005 Annual Report to Stockholders, including audited financial statements, is being mailed to stockholders, together with these proxy materials, on or about April 4, 2006.

**PROXY STATEMENT  
FOR ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On May 4, 2006**

This Proxy Statement is furnished to the stockholders of Energy Partners, Ltd. (the *Company*) in connection with the solicitation of proxies by the Board of Directors of the Company (the *Board of Directors* or the *Board*) for use at the Annual Meeting of Stockholders of the Company to be held on Thursday, May 4, 2006 at the Hotel InterContinental New Orleans, Vieux Carré B Room, 444 St. Charles Ave., New Orleans, Louisiana 70130 at 9:00 a.m., Central Daylight Time (the *2006 Annual Meeting* or the *Meeting*), or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

**ABOUT THE 2006 ANNUAL MEETING**

**Voting Procedures**

Stockholders of record at the close of business on March 8, 2006 (the *Record Date*) will be entitled to vote at the Meeting. On the Record Date, there were outstanding and entitled to vote 38,018,014 shares of the Company's Common Stock (the *Company Shares* or the *Common Stock*). The holders of a majority of the Company Shares issued and outstanding and entitled to vote at the Meeting, present in person or represented by proxy, will constitute a quorum. The person(s) whom the Company appoints to act as inspector(s) of election will treat all Company Shares represented by a returned, properly executed proxy as present for purposes of determining the existence of a quorum at the Meeting. The Company Shares present at the meeting, in person or by proxy, that are abstained from voting will be counted as present for determining the existence of a quorum.

Each of the Company Shares will entitle the holder to one vote. Cumulative voting is not permitted. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote at the meeting, the amendment to the certificate of incorporation requires the affirmative vote of the majority of shares outstanding and the adoption of our 2006 Long Term Stock Incentive Plan requires an affirmative vote of the majority of votes present in person or represented by proxy and entitled to vote. Other than with respect to the election of directors, an abstention is counted as a vote against a matter to be presented at the Meeting. A broker non-vote is not entitled to be voted and, other than with respect to the amendment to our certificate of incorporation, will not affect the outcome on any proposal in the Proxy Statement. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and the broker has not received voting instructions from the beneficial owner. Votes cast at the meeting will be counted by the inspector(s) of election.

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

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revocation at any time before your original proxy is voted. You may also attend the meeting in person and vote in person by ballot, which would cancel any proxy you previously gave.

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

- (1) FOR the election of eleven (11) nominees for membership on the Company's Board of Directors, Messrs. Bachmann, Bumgarner, Carlisle, Carter, Dawkins, Gershen, Gobe, Herrin, Hiltz and Phillips and Dr. Francis, to serve until the Annual Meeting of Stockholders in the year 2007 and until their successors are duly elected and qualified;
- (2) FOR the amendment to the Company's certificate of incorporation increasing the number of authorized shares of the Company's Common Stock from 50,000,000 to 100,000,000;
- (3) FOR the adoption of the Company's 2006 Long Term Stock Incentive Plan;
- (4) FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accountants for the year ending December 31, 2006; and
- (5) At the discretion of the designated proxies named on the enclosed Proxy Card, on any other matter that may properly come before the 2006 Annual Meeting, and any adjournment or postponement thereof.

**Proxy Solicitation**

Your proxy is being solicited by and on behalf of the Board of Directors of the Company. The expense of preparing, printing and mailing proxy solicitation materials will be borne by the Company. In addition to solicitation of proxies by mail, certain directors, officers, representatives and employees of the Company may solicit proxies by telephone and personal interview. Such individuals will not receive additional compensation from the Company for solicitation of proxies, but may be reimbursed by the Company for reasonable out-of-pocket expenses in connection with such solicitation. In addition, D.F. King & Co. has been retained to aid in the solicitation at an estimated fee of \$8,000. Banks, brokers and other custodians, nominees and fiduciaries also will be reimbursed by the Company, as necessary, for their reasonable expenses for sending proxy solicitation materials to the beneficial owners of Common Stock.

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MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

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

The information set forth below is as of the Record Date and is based upon information supplied or confirmed by the named individuals:

Beneficial Owner	Common Shares	Percent of Common Shares(1)
Richard A. Bachmann(2)	2,906,935	7.6
John C. Bumgarner, Jr.(3)	56,699	*
Jerry D. Carlisle(4)	22,011	*
Harold D. Carter(3)	47,025	*
Enoch L. Dawkins(5)	14,686	*
T. Rodney Dykes(6)	52,479	*
Dr. Norman C. Francis(7)	7,892	*
Robert D. Gershen(3)	49,086	*
Phillip A. Gobe(8)	32,315	*
William R. Herrin, Jr.(7)	8,112	*
William O. Hiltz(9)	114,105	*
David R. Looney(8)	16,226	*
John H. Peper(10)	259,605	*
John G. Phillips(3)	44,583	*
All directors and executive officers as a group (14 persons)	3,631,760	9.4
FMR Corp., 82 Devonshire Street, Boston, MA 02109(11)	2,493,600	6.6

\* Represents beneficial ownership of less than 1%.

- (1) Percentage ownership of a holder or class of holders is calculated by dividing (1) the number of shares of Common Stock, including restricted shares, outstanding attributed to such holder or class of holders, as the case may be, *plus* the total number of shares of Common Stock underlying options exercisable and restricted share units that vest within sixty days from March 8, 2006 and warrants held by such holder or class of holders, as the case may be, by (2) the total number of shares of Common Stock outstanding *plus* the total number of shares of Common Stock underlying options exercisable and restricted share units that vest within sixty days from March 8, 2006 and warrants held by such holder or class of holders, as the case may be, but not Common Stock underlying such securities held by any other person.
- (2) Based on an amended Schedule 13G and ownership reports filed with the Securities and Exchange Commission. Includes 885,898 shares of Common Stock pledged to support obligations incurred in three separate transactions under a Forward Purchase Agreement. Mr. Bachmann retains voting rights with respect to these shares. The number of shares to be delivered commencing in June 2007 pursuant to such agreement will be based on the market price of the Company's Common Stock and will not exceed 885,898 shares. Mr. Bachmann has the right to deliver cash instead of shares of Common Stock. Also includes (i) 327,335 shares of Common Stock underlying options granted to Mr. Bachmann under our Amended and Restated 2000 Long Term Stock



Incentive Plan, which may be exercised within 60 days from March 8, 2006, (ii) 1,543 shares of Common Stock beneficially owned by Mr. Bachmann and held in trust by the Energy Partners, Ltd. 401(k) Plan and (iii) 1,000 shares beneficially owned by

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Mr. Bachmann's wife. The address for Mr. Bachmann is Energy Partners, Ltd., 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170.

- (3) Includes 24,932 shares of Common Stock underlying options exercisable, and 1,973 restricted share units vesting, within 60 days of March 8, 2006 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to each of Messrs. Bumgarner, Carter, Gershen and Phillips. Also includes 14,149 and 1,993 phantom shares accrued for Messrs. Bumgarner and Gershen under our Stock and Deferral Plan for Non-Employee Directors.
- (4) Includes 14,932 shares of Common Stock underlying options exercisable, and 1,973 restricted share units vesting, within 60 days of March 8, 2006 granted to Mr. Carlisle under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors. Includes 500 shares of Common Stock beneficially owned by Mr. Carlisle's wife of which Mr. Carlisle disclaims beneficial ownership.
- (5) Includes 10,932 shares of Common Stock underlying options exercisable, and 1,973 restricted share units vesting, within 60 days of March 8, 2006 granted to Mr. Dawkins under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors.
- (6) Includes 45,334 shares of Common Stock underlying options exercisable within 60 days of March 8, 2006 granted to Mr. Dykes under our Amended and Restated 2000 Long Term Stock Incentive Plan. Also includes 1,242 shares of Common Stock beneficially owned by Mr. Dykes and held in trust by the Energy Partners, Ltd. 401(k) Plan.
- (7) Includes 4,932 shares of Common Stock underlying options exercisable, and 1,973 restricted share units vesting, within 60 days of March 8, 2006 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to each of Dr. Francis and Mr. Herrin. Also includes 988 phantom shares accrued for Mr. Herrin under our Stock and Deferral Plan for Non-Employee Directors.
- (8) Includes 31,834 and 15,800 shares of Common Stock underlying options exercisable within 60 days of March 8, 2006 granted to Messrs. Gobe and Looney under our Amended and Restated 2000 Long Term Stock Incentive Plan. Also includes 481 and 426 shares of Common Stock beneficially owned by Messrs. Gobe and Looney and held in trust by the Energy Partners, Ltd. 401(k) Plan.
- (9) Includes 8,932 shares of Common Stock underlying options exercisable, and 1,973 restricted share units vesting, within 60 days of March 8, 2006 granted under our Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors to Mr. Hiltz, and 3,201 phantom shares accrued for Mr. Hiltz under our Stock and Deferral Plan for Non-Employee Directors.
- (10) Includes 118,300 shares of Common Stock underlying options exercisable, and 15,000 restricted shares vesting, within 60 days of March 8, 2006 granted to under our Amended and Restated 2000 Long Term Stock Incentive Plan, and 116,713 warrants granted in the acquisition of Hall-Houston Oil Company in 2002, which are currently exercisable. Also includes 1,016 shares of Common Stock beneficially owned by Mr. Peper and held in trust by the Energy Partners, Ltd. 401(k) Plan.
- (11) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2006, for shares held by FMR Corp. FMR Corp. has sole voting power with respect to 202,500 of the shares and sole investment power with respect to 2,493,600 of the shares. The address for FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

**MATTERS TO BE PRESENTED TO THE STOCKHOLDERS AT THE 2006 ANNUAL MEETING**

**Item 1 *Election of Directors***

At the 2006 Annual Meeting, eleven (11) directors are to be elected, each of whom will serve until the Annual Meeting of Stockholders in the year 2007 and until their respective successors are duly elected and qualified. The persons named as proxies on the enclosed Proxy Card intend to vote FOR the election of each of the eleven (11) nominees listed below, unless otherwise directed.

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

Under the Company's Corporate Governance Guidelines, a majority of the Board must be comprised of directors who are independent under the rules of the New York Stock Exchange. The Board has adopted categorical standards to assist it in making determinations of independence for directors. The standards are attached as Annex A to this Proxy Statement.

The Board has determined that each of Messrs. Bumgarner, Carlisle, Carter, Gershen, Herrin, Hiltz and Phillips and Dr. Francis is independent. Mr. Bachmann was determined to be not independent because he is our chief executive officer. Mr. Gobe was determined to be not independent because he is our president and chief operating officer. Mr. Dawkins was determined to be not independent because one of his immediate family members (as defined in the New York Stock Exchange rules) is a consulting principal of KPMG LLP, our independent registered public accountant. We have been advised by the New York Stock Exchange that Mr. Dawkins was eligible to remain a member of our Compensation Committee until our annual meeting in 2006 under the Exchange's director independence transition rules.

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

**Information About the Nominees**

*Richard A. Bachmann*, age 61, has been chief executive officer of the Company and chairman of its Board of Directors since the Company's incorporation in January 1998. Mr. Bachmann began organizing the Company in February 1997 and served as the Company's president until November 2005. From 1995 to January 1997, he served as director, president and chief operating officer of The Louisiana Land and Exploration Company ( *LL&E* ), an independent oil and gas exploration company. From 1982 to 1995, Mr. Bachmann held various positions with LL&E, including director, executive vice president, chief financial officer and senior vice president of finance and administration. From 1978 to 1981, Mr. Bachmann was the treasurer of ITEL Corporation. Prior to 1978, Mr. Bachmann served with Exxon International, Esso Central America, Esso InterAmerica and Standard Oil of New Jersey. He is also a director of Trico Marine Services, Inc.

*John C. Bumgarner, Jr.*, age 63, has been a director since January 2000. Mr. Bumgarner is currently serving as managing member of Utica Plaza Management Company, a family-owned real estate company. Mr. Bumgarner was chief operating officer and president of strategic investments for Williams Communications Group, Inc., a high technology company, from May 2001 to November 2002. Williams Communications Group, Inc. filed a Plan of Reorganization with the U.S. Bankruptcy Court for the Southern District of New York in August 2002. Mr. Bumgarner joined The Williams Companies, Inc. in 1977 and served as senior vice president of Williams Corporate Development and Planning and then also served as president of Williams International Company prior to joining Williams Communications Group, Inc. Mr. Bumgarner is also a director of Management Planning Systems, Inc. and Sirenza Microdevices, Inc. Mr. Bumgarner is a former treasurer of Skelly Oil.

*Jerry D. Carlisle*, age 60, has been a director since March 2003. Mr. Carlisle has been vice president and director of DarC Marketing, Inc., a family-owned marketing company, since 1997. From 1983 to 1997, Mr. Carlisle was vice president, controller and chief accounting officer of LL&E and, from 1979 to 1983, he held various management positions at LL&E. Mr. Carlisle has a masters of business administration from Loyola University, is a certified public accountant, and serves as a trustee of the Mississippi State University Business School.

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*Harold D. Carter*, age 67, has been a director since May 1998. Since 1995, Mr. Carter has been an independent oil and natural gas consultant and investment advisor. Mr. Carter is a director of Brigham Exploration Company and Abraxas Petroleum Corp., public oil and gas companies, a director of Longview Energy Company, a privately held oil and gas company, and former president of Sabine Corporation, an independent oil and gas exploration company.

*Enoch L. Dawkins*, age 68, has been a director since January 2004. Mr. Dawkins retired from Murphy Exploration and Production Co., where he served as president from 1991 until 2003. From 1964 until 1991, Mr. Dawkins held various operational, marketing and managerial positions at Ocean Drilling and Exploration Company, including president from 1989 until its acquisition by Murphy Oil Corporation in 1991. He is also a director of Superior Energy Services, Inc.

*Dr. Norman C. Francis*, age 74, has been a director since May 2005. Dr. Francis has served as the President of Xavier University of Louisiana since 1968. Dr. Francis is the chairman of the board for the Southern Education Foundation and for Liberty Bank and Trust, a member of the board of directors of the American Council on Education and a Fellow of The American Academy of Arts and Sciences (inducted 1993).

*Robert D. Gershen*, age 52, has been a director since May 1998. Mr. Gershen is president of Associated Energy Managers, LLC, an investment management firm specializing in private equity investments in the energy sector. He is also a managing director of the general partner of Energy Income Fund, an investment fund. In addition, Mr. Gershen serves as the President of Longview Energy Company, a privately held oil and gas company. Since 1989, Mr. Gershen has managed, through Associated Energy Managers, LLC, three funds that invest in energy companies in the United States.

*Phillip A. Gobe*, age 53, is standing for election for the first time at the 2006 Annual Meeting. Mr. Gobe was appointed a director by the Board in November 2005. Mr. Gobe joined the Company in December 2004 as chief operating officer and became president in May 2005. Mr. Gobe has over 28 years of energy industry experience and was with Nuevo Energy Company as chief operating officer from February 2001 until its acquisition by Plains Exploration & Production Company in May 2004. Mr. Gobe's primary responsibilities were managing Nuevo's domestic and international exploitation and exploration operations. Prior to his position with Nuevo, Mr. Gobe had been the Senior Vice President of Production for Vastar Resources, Inc. since 1997. From 1976 to 1997, Mr. Gobe worked for Atlantic Richfield Company and its subsidiaries in positions of increasing responsibility, primarily in the Gulf of Mexico and Alaska.

*William R. Herrin, Jr.*, age 71, has been a director since May 2005. Mr. Herrin served in a number of capacities for Chevron Corporation, most recently as Vice President and General Manager, Gulf of Mexico Production Business Unit, Chevron U.S.A. Production Co. from July 1992 until his retirement in 1998.

*William O. Hiltz*, age 54, has been a director since November 2000. Mr. Hiltz is a senior managing director of Evercore Partners and has been since joining that firm in October 2000. From April 1995 until October 2000, Mr. Hiltz was a managing director and head of the global energy group for UBS Warburg LLC and its predecessor firms, SBC Warburg Dillon Read and Dillon, Read & Co. Inc.

*John G. Phillips*, age 83, has been a director since May 1998. Since 1995, Mr. Phillips has been an independent financial consultant. Mr. Phillips is former chairman, president and chief executive officer of LL&E and, since 1972, continues to serve as a director of the Whitney National Bank and Whitney Holding Corporation. Mr. Phillips retired from LL&E in 1985.

**Item 2 Amendment to the Company's Certificate of Incorporation**

The Company's Certificate of Incorporation, as currently in effect, authorizes the Company to issue up to 50,000,000 shares of Common Stock, par value \$0.01 per share, and up to 1,700,000 shares of Preferred Stock, par value \$1.00 per share. The Board has proposed an increase in the number of authorized shares of the Common Stock of the Company. Upon the approval by the stockholders and then the filing with the Delaware Secretary of State of an amendment to the Certificate of Incorporation, a copy of which is attached as Annex B to this Proxy Statement, the Company will be authorized to issue 100,000,000 shares of Common

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Stock, \$0.01 par value per share. The amendment will become effective on the date it is filed with the Delaware Secretary of State.

On the Record Date, the Company had 38,018,014 shares of Common Stock outstanding and 6,999,359 shares reserved for possible future issuance under two stock incentive plans and outstanding warrants of the Company. The additional Common Stock would be available for issuance from time to time as determined by the Board for any proper corporate purpose, and will allow the Company greater flexibility to consider future acquisitions and financings involving stock, as well as stock splits and similar transactions. The Board has no immediate plans, understandings, agreements or commitments to issue additional shares of Common Stock for any purpose in a transaction in which the Company's stockholders would not have an opportunity to vote upon the transaction. However, the increase in the number of authorized shares of Common Stock would enable the Company to promptly take advantage of market conditions and the availability of favorable opportunities without the delay and expense associated with holding a special meeting of stockholders at that time. Any future issuances will remain subject to separate stockholder approval if required under Delaware corporate law and/or the New York Stock Exchange listing standards.

In addition to the corporate purposes discussed above, the authorization of additional capital stock, under certain circumstances, may have an anti-takeover effect, although this is not the intent of the Board. For example, it may be possible for the Board to delay or impede a takeover or transfer of control of the Company by causing such additional authorized shares to be issued to holders who might side with the Board in opposing a takeover bid that the Board determines is not in the best interests of the Company and our stockholders. However, the Board is not aware of any attempt to take control of the Company and the Board did not propose the increase in the Company's authorized capital stock with the intent that it be utilized as a type of anti-takeover device.

The relative voting and other rights of holders of the Common Stock will not be altered by the authorization of additional shares of Common Stock. Each share of Common Stock will continue to entitle its owner to one vote. As a result of the increased authorization, the potential number of shares of Common Stock outstanding will be increased.

The amendment to the Certificate of Incorporation requires the affirmative vote of the holders of the majority of the outstanding shares of Common Stock.

**The Board of Directors unanimously recommends that you vote FOR the amendment to the Company's Certificate of Incorporation.**

**Item 3 *Adoption of the 2006 Long Term Stock Incentive Plan***

The 2006 Long Term Stock Incentive Plan (the "2006 Plan") is designed to enable qualified employees and consultants of the Company to acquire or increase their ownership of Common Stock on reasonable terms. The purposes of the 2006 Plan are to advance the interests of Energy Partners, Ltd. and its stockholders by providing a means to attract, retain, and motivate employees of the Company, its subsidiaries and affiliates upon whose judgment, initiative and efforts the continued success, growth and development of the Company is dependent. As of March 31, 2006, 104,414 shares remained available for grant under the Amended and Restated 2000 Long Term Stock Incentive Plan (the "Prior Plan"). Also as of March 31, 2006, 285,000 shares remained available for grant under the Amended and Restated 2000 Stock Incentive Plan for Non-Employee Directors, and there were outstanding 2,112,572 stock options with an average exercise price of \$17.02 and an average remaining term of 7.77 years, 347,590 performance shares and 767,466 restricted shares and restricted stock units.

The Board has reserved 2,500,000 shares of Common Stock, plus any shares available for grant under the Prior Plan on the effective date of the 2006 Plan and as may be increased as described under "Adjustments" below, for grant pursuant to the 2006 Plan. The terms and conditions of any option or stock grant would be determined by the Compensation Committee of the Board of Directors. The Board and the Compensation Committee have granted an aggregate of 42,309 restricted stock units to our executive officers, subject to stockholder approval of the 2006 Plan.

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A summary of the 2006 Plan is set forth below. This summary is qualified in its entirety by the full text of the 2006 Plan, which is attached to this Proxy Statement as Annex C.

**Summary of the Plan**

***Administration***

The 2006 Plan will be administered by the Compensation Committee of the Board of Directors. All of the members of the Compensation Committee are (i) Non-Employee Directors as defined in Rule 16b-3 adopted pursuant to the Exchange Act, (ii) outside directors within the meaning of Section 162(m) of the Internal Revenue Code and (iii) independent under the rules of the New York Stock Exchange (provided, however, that the mere fact that the Compensation Committee fails to meet one of these requirements will not invalidate an award otherwise made under the 2006 Plan).

The Compensation Committee will have the authority to designate participants, designate affiliates, determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof; establish, adopt or revise any rules and regulations as it may deem advisable to administer the 2006 Plan; accelerate the exercisability or vesting of any award; extend the period during which an award is exercisable; and make all other decisions and determinations that may be required under the 2006 Plan.

***Eligibility***

The Compensation Committee may select as a participant in the 2006 Plan any employees and consultants including any director who is an employee or consultant to EPL, any subsidiary or an affiliate. A Director who is not an employee is not eligible to receive awards under the 2006 Plan. Awards may be made to employees whether or not they have received prior awards under the 2006 Plan or under any other plan, and whether or not they are participants in our other benefit plans. An award may be granted to an employee or consultant in connection with his or her hiring or retention provided that the award may not become vested or exercisable prior to the date such person first provides services.

***Permissible Awards***

The 2006 Plan authorizes the granting of awards in any of the following forms:

***Stock Options.*** A stock option ( Option ) is the right to purchase, in the future, shares of common stock at a set price. Under the 2006 Plan, an Option may be (i) an Incentive Stock Option ( ISO ), which is any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code; or (ii) a Non-Qualified Stock Option ( NQSO ), which is any Option that is not an ISO. The purchase price of shares subject to any Option must not be less than the fair market value of a share on the date of the grant of the Option. Fair market value is defined as the closing price of the common stock on the date the grant is made.

The maximum term of any Option is ten years from the date the Option was granted except in the event of death or disability. The Compensation Committee can fix a shorter period, and can impose such other terms and conditions on the grant of Options as it chooses, consistent with applicable laws and regulations.

Except for certain antidilution adjustments, the 2006 Plan prohibits (1) amendments to lower the exercise price of outstanding Options and Share Appreciation Rights ( SARs ), (2) exchanges of Options or SARs for other Options or SARs with lower exercise prices, and (3) exchanges of Options or SARs with an exercise price in excess of then fair market value for cash or another award, in each case unless stockholder approval is obtained.

***Share Appreciation Rights.*** A SAR is the right to receive upon the exercise of each share the excess of (1) the closing price of one share of common stock on the date of the exercise over (2) the exercise price per share of the SAR, as determined by the Committee as of the date of the grant of the SAR (which shall not be less than the fair market value of the share on the date of the grant of the SAR).

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The maximum term of any SAR is ten years from the date the SAR was granted except in the event of death or disability. The Compensation Committee can fix a shorter period, and can impose such other terms and conditions on the grant of SARs as it chooses, consistent with applicable laws and regulations.

*Performance Shares and Performance Units.* Performance Shares and Performance Units are the right to receive shares, cash or a combination of shares and cash upon the achievement of pre-established performance goals as specified by the Compensation Committee. The performance goal or goals that may be selected by the Compensation Committee are described below under the heading Performance Awards. Except as otherwise determined by the Compensation Committee, upon the termination of the participant's employment or consulting services with EPL, its subsidiaries and its affiliates during the performance period, Performance Shares and Performance Units for which the performance period was prescribed will be forfeited.

*Restricted Shares.* A Restricted Share is an award of a share of common stock subject to certain restrictions and conditions imposed by the Compensation Committee, which may include the attainment of specified performance goals. Restricted Shares restrict transfer of the shares received and affect the timing of the realization of tax consequences on the transaction. Except as otherwise determined by the Compensation Committee, participants receiving Restricted Shares shall have all of the rights of a stockholder, including the right to vote Restricted Shares and receive dividends thereon. Except as otherwise determined by the Compensation Committee, upon the termination of the participant's employment or consulting services with EPL, its subsidiaries and its affiliates during the applicable restriction period, Restricted Shares and any accrued but unpaid dividends (see below) will be forfeited.

Dividends paid on Restricted Shares shall be either paid at the dividend payment date, or deferred (with or without the crediting of interest or earnings equivalents thereon as determined by the Compensation Committee) for payment to such date as determined by the Compensation Committee, and may be subject to such forfeiture conditions as the Compensation Committee may prescribe.

*Restricted Share Units.* A Restricted Share Unit is the right to receive shares or cash at the end of a specified deferral period. In addition, Restricted Share Units are subject to such restrictions as the Compensation Committee may impose, which may include the attainment of specified performance goals, which restrictions may lapse at the expiration of the deferral period or at earlier or later specified times, as the Compensation Committee may determine. Except as otherwise determined by the Compensation Committee, upon the termination of the participant's employment or consulting services with EPL, its subsidiaries and its affiliates during the applicable deferral period or upon failure to satisfy any other conditions precedent to the delivery of the shares, Restricted Share Units that are at that time subject to deferral or restriction will be forfeited.

Unless otherwise determined by the Compensation Committee, Dividend Equivalents (see below) on the specified number of shares covered by a Restricted Share Unit shall be either paid at the dividend payment date, or deferred with respect to such Restricted Share Unit and the amount or value thereof automatically deemed reinvested in additional Restricted Share Units or other awards, as determined by the Compensation Committee.

*Dividend Equivalents.* A Dividend Equivalent is the right to receive cash, shares, or other property equal in value to dividends paid with respect to a specified number of shares. Dividend Equivalents may be awarded on a free-standing basis or in connection with another award, and may be paid currently or on a deferred basis.

*Other Share-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant such other share-based awards as deemed to be consistent with the purposes of the Plan.

***Performance Awards***

If the Compensation Committee determines that an award of Performance Shares, Performance Units, Restricted Shares, Restricted Share Units or other Share-Based Awards should qualify under the performance-based exception to the \$1.0 million cap on deductibility under Section 162(m) of the Code, the grant, vesting, exercise and/or settlement shall be contingent upon the achievement of pre-established performance



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goals as specified by the Compensation Committee. These pre-established performance goals are based on one or more of the following business criteria for the Company and/or for specified subsidiaries or affiliates or other business units or lines of business of the Company: (1) total stockholder return; (2) earnings; (3) earnings per share; (4) reserve replacement, which may include acquisitions; (5) increase in value of proved reserves and other reserve-based measures; (6) operating income; (7) net income; (8) pro forma net income; (9) return on stockholders' equity; (10) return on designated assets; (11) net asset value; (12) economic value added; (13) revenues; (14) expenses; (15) operating profit margin; (16) operating cash flow; (17) cash flow per share; (18) production growth; (19) finding and development costs, which may include results from acquisitions; (20) lease operating expense per barrel of oil equivalent, which may be adjusted for inflation; (21) stock price performance; (22) return on investment; and (23) net profit margin. Achievement of performance goals in respect of such awards shall be measured over a performance period, as specified by the Compensation Committee, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

***Shares Available for Awards***

The maximum number of shares of common stock which may be used in connection with awards under the 2006 Plan is 2,500,000, plus any shares available for grant under the Prior Plan on the effective date of the 2006 Plan, as may be increased as described under *Adjustments* below; provided that any shares granted as Options or SARs shall be counted against the number of shares reserved and available as one (1) share for each one (1) share granted, regardless of the number of actual shares issued in settlement of SARs at the time of exercise, and any shares granted as awards other than Options or SARs shall be counted against this number as one and one half (1.5) shares for every one (1) share granted.

Awards granted by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any subsidiary or with which the Company or any subsidiary combines shall not reduce the shares authorized for grant under the 2006 Plan or authorized for grant to a participant in any period. Subject to meeting certain conditions, in the event that a company acquired by the Company or any subsidiary or with which the Company or any subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan may be used for awards under the 2006 Plan and shall not reduce the shares authorized for grant under the 2006 Plan.

The maximum number of shares with respect to which Options or SARs may be granted during any 36 month period to any participant under the 2006 Plan shall be 1,000,000 shares. The maximum number of shares reserved for issuance in connection with ISOs shall be limited to 2,500,000 shares. The maximum number of shares that may be granted during any 36 month period to any participant in connection with stock-based awards other than stock options and SARs intended to qualify as performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code shall be limited to 1,000,000 shares or the equivalent.

The maximum amount payable upon settlement of cash-based awards designed to qualify under the performance-based compensation exception under Section 162(m) of the Code granted under the 2006 Plan for any calendar year to any participant shall not exceed \$5,000,000.

The Company established a policy limiting our average annual *burn rate* with respect to equity awards under the 2006 Plan to no more than 2.5% of our shares outstanding. This policy will be applied to grants made in the 2006, 2007 and 2008 calendar years. The burn rate will be calculated by dividing the number of Stock Options, Restricted Shares, Restricted Share Units and stock-settled SARs granted, and performance shares and stock-settled performance units paid, during each fiscal year by the number of basic shares outstanding at the end of the fiscal year. SARs settled in cash will not be included in the calculation of burn rate. For the purposes of the calculation, one full value share equals two option shares.

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***Adjustments***

In the event of a stock split, stock dividend, reverse split, reorganization, merger, spin-off, repurchase, share exchange, extraordinary distribution, recapitalization, combination or consolidation or other similar corporate transaction affecting shares of the Company, the Compensation Committee may make such equitable adjustments as it deems appropriate in the share authorization limits and in outstanding awards.

If any awards under the 2006 Plan or the Prior Plan are forfeited, canceled, terminated, exchanged or surrendered, any shares counted against the number of shares reserved and available under the 2006 Plan with respect to such award shall, to the extent of any such forfeiture, settlement, termination, cancellation, exchange or surrender, again be available for awards under the 2006 Plan.

***Change of Control***

The Compensation Committee may include in awards under the 2006 Plan provisions governing the effect of a change of control of the Company (as defined by the Compensation Committee in the award) on the award, which effect may occur by reason of the change of control alone or may require also the occurrence of another event (such as a termination of employment under specified circumstances).

***Termination, Suspension and Modification***

The Board of Directors may, at any time, terminate, suspend, alter or amend the 2006 Plan. Any amendment or modification of the 2006 Plan for which stockholder approval is required by applicable rule or regulation of any governmental regulatory body, or under the rules of any stock exchange in which the shares are listed, shall be subject to the approval of our stockholders. No termination, suspension or modification of the 2006 Plan may adversely affect any award previously granted under the 2006 Plan without the written consent of the participant. No awards may be granted under the 2006 Plan after May 4, 2016.

***Withholding Taxes***

The Company may withhold, or require a participant to remit to the Company, an amount sufficient to satisfy any federal, state or local withholding tax requirements associated with awards under the 2006 Plan.

***Foreign Employees***

The Compensation Committee may grant awards to eligible persons who are foreign nationals, who are located outside the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the 2006 Plan as may, in the judgment of the Compensation Committee, be necessary or desirable to foster and promote achievement of the purposes of the 2006 Plan, and, in furtherance of such purposes, the Compensation Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

***Federal Income Tax Consequences***

The following discussion summarizes the material federal income tax consequences of participation in the 2006 Plan. This discussion is general in nature and does not address issues related to the tax circumstances of any particular employee or director. The discussion is based on federal income tax laws in effect on the date hereof and is, therefore, subject to possible future changes in law. This discussion does not address state, local and foreign tax consequences.

***Stock Options***

In general, the grant of an option will not be a taxable event to the recipient and it will not result in a deduction to the Company. The tax consequences associated with the exercise of an option and the subsequent

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disposition of shares of Common Stock acquired on the exercise of such option depend on whether the option is an NQSO or an ISO.

Upon the exercise of an NQSO, the participant will recognize ordinary taxable income equal to the excess of the fair market value of the shares of Common Stock received upon exercise over the exercise price. The Company will generally be able to claim a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the shares of Common Stock will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of Common Stock.

Generally, a participant will not recognize ordinary taxable income at the time of exercise of an ISO and no deduction will be available to the Company, provided the option is exercised while the participant is an employee or within three months following termination of employment (longer, in the case of disability or death). If an ISO granted under the Plan is exercised after these periods, the exercise will be treated for federal income tax purposes as the exercise of an NQSO. Also, an ISO granted under the Plan will be treated as an NQSO to the extent it (together with other ISOs granted to the participant by the Company) first becomes exercisable in any calendar year for shares of Common Stock having a fair market value, determined as of the date of grant, in excess of \$100,000.

If shares of Common Stock acquired upon exercise of an ISO are sold or exchanged more than one year after the date of exercise and more than two years after the date of grant of the option, any gain or loss will be long-term capital gain or loss. If shares of Common Stock acquired upon exercise of an ISO are disposed of prior to the expiration of these one-year or two-year holding periods (a Disqualifying Disposition), the participant will recognize ordinary income at the time of disposition, and the Company will generally be entitled to a deduction, in an amount equal to the excess of the fair market value of the shares of Common Stock at the date of exercise over the exercise price. Any additional gain will be treated as capital gain, long-term or short-term, depending on how long the shares of Common Stock have been held. Where shares of Common Stock are sold or exchanged in a Disqualifying Disposition (other than certain related party transactions) for an amount less than their fair market value at the date of exercise, any ordinary income recognized in connection with the Disqualifying Disposition will be limited to the amount of gain, if any, recognized in the sale or exchange, and any loss will be a long-term or short-term capital loss, depending on how long the shares of Common Stock have been held.

If an option is exercised through the use of shares of Common Stock previously owned by the participant, such exercise generally will not be considered a taxable disposition of the previously owned shares and, thus, no gain or loss will be recognized with respect to such previously owned shares upon such exercise. The amount of any built-in gain on the previously owned shares generally will not be recognized until the new shares acquired on the option exercise are disposed of in a sale or other taxable transaction.

Although the exercise of an ISO as described above would not produce ordinary taxable income to the participant, it would result in an increase in the participant's alternative minimum taxable income and may result in an alternative minimum tax liability.

*Restricted Shares*

A participant who receives Restricted Shares will generally recognize ordinary income at the time that they vest, *i.e.*, when they are not subject to a substantial risk of forfeiture. The amount of ordinary income so recognized will generally be the fair market value of the Common Stock at the time the shares vest, less the amount, if any, paid for the shares. This amount is generally deductible for federal income tax purposes by the Company. Dividends paid with respect to Common Stock that is nonvested will be ordinary compensation income to the participant (and generally deductible by the Company). Any gain or loss upon a subsequent sale or exchange of the shares of Common Stock, measured by the difference between the sale price and the fair market value on the date the shares vest, will be capital gain or loss, long-term or short-term, depending on the holding period for the shares of Common Stock. The holding period for this purpose will begin on the date following the date the shares vest.

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In lieu of the treatment described above, a participant may elect immediate recognition of income under Section 83(b) of the Code. In such event, the participant will recognize as income the fair market value of the Restricted Shares at the time of grant (determined without regard to any restrictions other than restrictions which by their terms will never lapse), and the Company will generally be entitled to a corresponding deduction. Dividends paid with respect to shares as to which a proper Section 83(b) election has been made will not be deductible to the Company. If a Section 83(b) election is made and the Restricted Shares are subsequently forfeited, the participant will not be entitled to any offsetting tax deduction.

*Share Appreciation Rights and Other Awards*

With respect to SARs, Restricted Share Units, Performance Shares, Performance Units, Dividend Equivalents and other awards under the 2006 Plan not described above, generally, when a participant receives payment with respect to any such award granted to him or her under the 2006 Plan, the amount of cash and the fair market value of any other property received will be ordinary income to such participant and will be allowed as a deduction for federal income tax purposes to the Company.

**New Plan Benefits**

For services rendered during fiscal 2005 and for employment agreements entered into during 2005, our current executive officers as a group received an aggregate of 681,863 stock options and 72,309 restricted share units (42,309 of which have been granted subject to stockholder approval of the 2006 Plan), and all employees including officers but excluding current executive officers received 10,000 stock options and 144,995 restricted share units. Information regarding grants to the named executive officers can be found under Executive Compensation and Other Matters.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information as of December 31, 2005, with respect to compensation plans under which our equity securities are authorized for issuance.

	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights(1)</b>	<b>Weighted Average Exercise Price of Outstanding Options(2)</b>	<b>Number of Securities Remaining Available for Future Grant Under Equity Compensation Plans</b>
Equity compensation plans approved by stockholders(3)	2,997,662	\$ 16.13	666,357
Equity compensation plans not approved by stockholders			

- (1) Comprised of 1,828,109 shares subject to issuance upon the exercise of options, 512,924 shares reserved for issuance as performance shares and 656,629 shares to be issued upon the lapsing of restrictions associated with restricted share units.
- (2) Restricted share units and performance shares do not have an exercise price; therefore this only reflects the option exercise price.
- (3) Shares authorized for issuance under the Amended and Restated 2000 Long Term Stock Incentive Plan.

**The Board of Directors unanimously recommends that you vote FOR the adoption of the 2006 Long Term Stock Incentive Plan.**

**Item 4 *Ratification of Appointment of Independent Registered Public Accountants***

The Audit Committee of the Board of Directors is required by law and applicable New York Stock Exchange rules to be directly responsible for the appointment, compensation and retention of the Company's independent registered public accountants. The Audit Committee has appointed KPMG LLP as the independent registered public accountants for the year ending December 31, 2006. While stockholder

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ratification is not required by the Company's By-laws or otherwise, the Board of Directors is submitting the selection of KPMG LLP to the stockholders for ratification as part of good corporate governance practices. If the stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain KPMG LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent registered public accountants at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

The Board of Directors recommends a vote FOR the proposal to ratify the selection of KPMG LLP as the Company's independent registered public accountants to audit the Company's consolidated financial statements for the year ending December 31, 2006. The persons designated as proxies will vote FOR the ratification of KPMG LLP as the Company's independent registered public accountants, unless otherwise directed. Representatives of KPMG LLP are expected to be present at the 2006 Annual Meeting, with the opportunity to make a statement should they choose to do so, and to be available to respond to questions, as appropriate.

**CORPORATE GOVERNANCE**

**The Board of Directors**

The directors hold regular meetings, attend special meetings as required and spend such time on the affairs of the Company as their duties require. The Company's Corporate Governance Guidelines provide that directors are expected to attend regular Board meetings and the Annual Meeting of Stockholders in person and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. During calendar year 2005, the Board of Directors held a total of nine (9) meetings, regular and special. All directors of the Company attended at least seventy-five percent (75%) of the meetings of the Board of Directors and of the committees on which they served during the period. All of the Company's then current directors who were standing for reelection at the meeting attended the annual meeting of stockholders in 2005.

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

**Committees of the Board**

***The Audit Committee***

The Board of Directors has a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, the current members of which are Messrs. Bumgarner, Carlisle (Chairman), Carter and Phillips. The Board of Directors has determined that each of the members of the Audit Committee is independent as defined by New York Stock Exchange ( NYSE ) listing standards and the rules of the SEC applicable to audit committee members, and that Mr. Carlisle qualifies as an audit committee financial expert as described in Item 401(h) of Regulation S-K. The Audit Committee has a charter under which its primary purpose is to assist the Board in overseeing (1) the integrity of the Company's financial statements, (2) the independent registered public accountants qualifications and independence, (3) the performance of the Company's internal audit function and independent registered public accountants and (4) the compliance by the Company with legal and regulatory requirements. The Audit Committee is directly responsible for the appointment and compensation of the independent registered public accountants. During fiscal year 2005, the Audit Committee held eight (8) meetings.

**Table of Contents*****The Compensation Committee***

The Board of Directors has a standing Compensation Committee, the current members of which are Messrs. Bumgarner (Chairman), Gershen, Herrin and Phillips. The Compensation Committee has a charter under which its responsibilities and authorities include reviewing the Company's compensation strategy, reviewing the performance of and approving the compensation for the senior management (other than the chief executive officer), evaluating the chief executive officer's performance and, either as a committee or together with the other independent directors, determining and approving the chief executive officer's compensation level. In addition, the committee approves and administers employee benefit plans and takes such other action as may be appropriate or as directed by the Board of Directors to ensure that the compensation policies of the Company are reasonable and fair. The Board of Directors has determined that each member of the Compensation Committee is independent as defined by NYSE listing standards. During fiscal year 2005, the Compensation Committee held three (3) meetings.

***The Nominating & Governance Committee***

The Board of Directors also has a standing Nominating & Governance Committee, the current members of which are Dr. Francis (Chairman) and Messrs. Carter, Herrin and Hiltz. The Nominating & Governance Committee has a charter under which its responsibilities and authorities include identifying director candidates and recommending director nominees for the next annual meeting of stockholders or for any vacancy on the Board of Directors and recommending members of the Board of Directors to serve on the various committees. In addition, the Nominating & Governance Committee develops and recommends to the Board of Directors the Corporate Governance Guidelines of the Company and is responsible for the oversight of the evaluation of the Board of Directors and management. The Board of Directors has determined that each member of the Nominating & Governance Committee is independent as defined by NYSE listing standards. During fiscal year 2005, the Nominating & Governance Committee held two (2) meetings.

***Nominee Qualifications***

When seeking candidates for director, the Nominating & Governance Committee may solicit suggestions from incumbent directors, management, stockholders or others. While the Nominating & Governance Committee has authority under its charter to retain a search firm for this purpose, no such firm was utilized in 2005. After conducting an initial evaluation of a potential candidate, the Nominating & Governance Committee will interview that candidate if it believes such candidate might be suitable to be a director. The Nominating & Governance Committee may also ask the candidate to meet with management. If the Nominating & Governance Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

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

***Communications with Board of Directors***

The Nominating & Governance Committee, on behalf of the Board, reviews letters from stockholders concerning the Company's annual general meeting and governance process and makes recommendations to the Board based on such communications. Stockholders can send communications to the Board by mail in care of the Corporate Secretary at 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170, and should specify the intended recipient or recipients. All such communications, other than unsolicited commercial solicitations or communications, will be forwarded to the appropriate director or directors for

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review. Any such unsolicited commercial solicitation or communication not forwarded to the appropriate director or directors will be available to any non-management director who wishes to review it.

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

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