ENERGY PARTNERS LTD
Form 424B3
September 28, 2007
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Filed pursuant to Rule 424(b)(3)
Registration No. 333-144323

PROSPECTUS

$450,000,000

Energy Partners, Ltd.

Exchange Offer for All Outstanding

9.75% Senior Notes due 2014

Senior Floating Rate Notes due 2013

of Energy Partners, Ltd.

The Exchange Notes

The terms of the exchange notes we are issuing will be substantially identical to the outstanding notes that we issued on April 23, 2007, except for the elimination of some transfer restrictions, registration rights and additional interest payments relating to the outstanding notes.

Maturity: The senior fixed rate notes will mature on April 15, 2014, which we refer to as the Fixed Rate Notes, and the senior floating rate notes will mature on April 15, 2013, which we refer to as the Floating Rate Notes. We refer to the Fixed Rate Notes and the Floating Rate Notes collectively as the Notes.

Interest Payments: The Fixed Rate Notes will pay interest semi-annually in cash in arrears on April 15 and October 15 of each year, beginning on October 15, 2007. The Floating Rate Notes will pay interest at a rate per annum, reset quarterly, equal to LIBOR plus 5.125%. We will pay interest on the Floating Rate Notes on January 15, April 15, July 15 and October 15 of each year. The first such payment was made on July 15, 2007.

Guarantees: The Notes will be guaranteed on a senior unsecured basis by all of our material subsidiaries.

Ranking: The Notes will be our and the guarantors senior unsecured obligations and will rank equally with all our and the guarantors existing and future senior indebtedness, senior to all of our and the guarantors existing and future subordinated indebtedness and junior to all of our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

Optional Redemption: The Notes will be redeemable, in whole or in part, prior to their maturity at the redemption prices specified under Description of the Notes Optional Redemption of Notes.

Change of Control: If we experience specific kinds of changes of control, we must offer to repurchase all of the Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

The exchange notes are expected to be eligible for trading in The Portal[SM] Market (Portal), a subsidiary of The Nasdaq Stock Market, Inc.

Material Terms of the Exchange Offer

The exchange offer expires at 12:00 midnight, New York City time, on October 29, 2007, unless extended.

The exchange offer is not conditioned on any minimum principal amount of outstanding notes being tendered.

Our completion of the exchange offer is subject to customary conditions, which we may waive.

Upon our completion of the exchange offer, all outstanding notes that are validly tendered and not withdrawn will be exchanged for an equal principal amount of exchange notes that are registered under the Securities Act of 1933.

Tenders of outstanding notes may be withdrawn at any time before the expiration of the exchange offer.

The exchange of exchange notes for outstanding notes will not be a taxable exchange for U.S. Federal income tax purposes.

We will not receive any proceeds from the exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

For a discussion of factors that you should consider before participating in this exchange offer, see Risk Factors beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved of or disapproved of these securities or passed on the adequacy or accuracy of this prospectus or the investment merits of the notes offered hereby. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 28, 2007.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document or in the documents incorporated by reference herein may only be accurate on the date of this document or such incorporated document, as applicable.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact contained in this prospectus, the documents incorporated by reference in this prospectus and other written or oral statements made by us or on our behalf are forward-looking statements. When used herein, the words anticipates, expects, believes, goals, intends, plans or projects and similar expressions are intended to identify forward-looking statements. It is impor note that forward-looking statements are based on a number of assumptions about future events and are subject to various risks, uncertainties and other factors that may cause our actual results to differ materially from the views, beliefs and estimates expressed or implied in such forward-looking statements. We refer you specifically to the section entitled Risk Factors in this prospectus as well as the disclosure contained in our latest annual report on Form 10-K and the other documents incorporated by reference herein. Although we believe that the assumptions on which any forward-looking statements in this prospectus and periodic reports filed by us are reasonable, no assurance can be given that such assumptions will prove correct. All forward-looking statements in this prospectus are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this prospectus and in the documents incorporated by reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows EPL to incorporate by reference business and financial information that is not included in or delivered with this document, which means that EPL can disclose important information to you by referring to another document filed separately with the SEC. The EPL information incorporated by reference is deemed to be part of this document, except for any information superseded by information in this document. We incorporate by

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reference the documents listed below and all documents EPL subsequently files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (other than information furnished to the SEC pursuant to Item 2.02 or Item 7.01 of Form 8-K).

This document incorporates by reference the documents set forth below:

1. Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed March 1, 2007, as amended April 30, 2007;

2. Quarterly Reports on Form 10-Q for the quarter ended March 31, 2007 filed May 3, 2007 and for the quarter ended June 30, 2007 filed August 8, 2007;

3. Current Reports on Form 8-K filed on March 12, March 14, March 26, March 27, April 6, April 18, April 26, April 30, May 9, June 5, June 8, June 18, August 6, August 8 and August 21, 2007.

4. The description of EPL common stock contained in EPL s registration statement on Form S-3 filed on March 14, 2003, as amended by EPL s amended and restated bylaws filed as Exhibit 3.1 to the current report on Form 8-K filed on April 3, 2003.

You can obtain any of the EPL documents listed above from EPL or the SEC. Documents listed above are available from EPL without charge, excluding all exhibits unless the exhibits have specifically been incorporated by reference in this document. Holders of this document may obtain documents listed above by requesting them upon written or oral request from us at the following address:

Energy Partners, Ltd.

201 St. Charles Avenue, Suite 3400

New Orleans, Louisiana 70170

Attention: Corporate Secretary

Telephone: (504) 569-1875

If you would like to request documents from EPL, please do so by October 22, 2007 to receive timely delivery of the documents before the expiration of the exchange offer.

WHERE YOU CAN FIND MORE INFORMATION

EPL files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information EPL files at the SEC s public reference room located at 100 F Street NE, Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public at the web site maintained by the SEC at http://www.sec.gov and by EPL at www.eplweb.com

EPL filed a registration statement on Form S-4 to register with the SEC the exchange of the Notes. This document is part of that registration statement and constitutes a prospectus of EPL. As allowed by SEC rules, this document does not contain all of the information you can find in the registration statement or the exhibits to the registration statement.

If you are a stockholder of EPL, you can obtain copies of our annual and quarterly reports from us or the SEC. These documents are available from us without charge, excluding all exhibits. Stockholders may obtain reports of EPL by requesting them in writing from EPL at the following address:

Energy Partners, Ltd.

201 St. Charles Avenue, Suite 3400

New Orleans, Louisiana 70170

Attention: Corporate Secretary

Telephone: (504) 569-1875

This document is dated September 28, 2007. You should not assume that the information contained in this document is accurate as of any date other than such date, and neither the mailing of this document to the holders of outstanding notes nor the issuance of exchange notes shall create any implication to the contrary.

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SUMMARY

You should read the following summary together with the more detailed information appearing elsewhere in this prospectus and the financial statements and related notes and other information included or incorporated by reference in this prospectus. In this prospectus, when we use the terms Energy Partners, the Company, we, our or us, we mean Energy Partners, Ltd. and its subsidiaries on a consolidated basis, unless otherwise indicated or the context requires otherwise. Throughout this prospectus, we use the term outstanding notes to refer to our currently outstanding 9.75% Senior Notes due 2014 and Senior Floating Rate Notes due 2013 for which the exchange notes are being offered for exchange. Unless otherwise stated or the context otherwise requires, references to senior notes refer to the outstanding notes and the exchange notes, collectively.

About Energy Partners, Ltd.

We are an independent oil and natural gas exploration and production company focused on the Gulf of Mexico Shelf, the deepwater Gulf of Mexico as well as the Gulf Coast onshore region (the Gulf of Mexico Region). We concentrate on the Gulf of Mexico Region because it provides us with favorable geologic and economic conditions, including multiple reservoir formations, regional economies of scale, extensive infrastructure and comprehensive geologic databases. We believe that this region offers a balanced and expansive array of existing and prospective exploration, exploitation and development opportunities in both established productive horizons and deeper geologic formations. In addition, we believe the Gulf of Mexico Region remains a critical basin of supply in the United States. As of December 31, 2006, we had estimated proved reserves of approximately 170.1 Bcf of natural gas and 29.9 Mmbbls of oil, or an aggregate of approximately 58.3 Mmboe, with a standardized measure of discounted future net cash flows of $893.5 million.

Since our incorporation in January 1998, we have assembled a team of geoscientists and management professionals with considerable region-specific geological, geophysical, technical and operational experience. We have grown through a combination of exploration, exploitation and development drilling and multi-year, multi-well drill-to-earn programs, as well as strategic acquisitions of oil and natural gas fields, in the Gulf of Mexico Shelf, deepwater and Gulf Coast Region. As we have grown, we have strengthened our management team, expanded our property base, reduced our geographic concentration, and moved to a more balanced oil and natural gas reserve profile. We have also expanded our technical knowledge base through the addition of highly experienced personnel and additional geophysical and geological data.

Recent Developments

On March 12, 2007, we announced that our Board of Directors had concluded its strategic alternatives process. As a result of this process, our Board of Directors, with advice from our financial advisors and management, determined to continue with the execution of our strategic plan, augmented by a self-tender offer for 8,700,000 shares of our common stock for $23.00 per share (the Equity Self-Tender Offer), the refinancing of our existing revolving credit facility and the refinancing of our 8.75% Senior Notes due 2010 through a debt tender offer (the Debt Tender Offer). We issued the outstanding notes to provide part of the financing for these transactions, which closed on April 23, 2007. In addition, our Board of Directors approved the divestment of selected properties to reduce debt under our new revolving credit facility following the completion of the Equity Self-Tender Offer. The properties offered for sale are non-strategic assets in South Louisiana and the Gulf of Mexico Shelf that, as of December 31, 2006, had proved reserves of approximately 7.0 Mmboe and net production in mid-March 2007 of approximately 4,000 Boe/day. On June 12, 2007 we completed the sale of substantially all of our onshore South Louisiana assets for $72.0 million in cash. After giving effect to closing adjustments through June 30, 2007, the net cash proceeds received totaled approximately $67.5 million. We used

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the proceeds to pay down a portion of our revolving credit facility. As of the closing date of June 12, 2007, the estimated proved reserves were approximately 1.9 million barrels of oil equivalent. We are repackaging the remaining non-strategic offshore assets proposed to be sold and are talking with interested parties, and give no assurance as to the value we may receive or the timing of any such sale or sales of the assets being so marketed. See Summary Unaudited Pro Forma Information.

In June 2007 we met with representatives of the U.S. Attorney for the Eastern District of Louisiana in New Orleans, the U.S. Environmental Protection Agency and the U.S. Coast Guard and were informed that they are conducting an investigation into possible criminal violations arising out of on-site inspections in our East Bay field in November 2005 and February 2006. We intend to cooperate fully with the government s investigation and operations in the field remain unaffected by the investigation. We do not expect the outcome to have a material adverse effect on our financial position, results of operations or liquidity.

Corporate and Stockholder Information

We are a publicly traded company with our common stock listed on the NYSE under the symbol EPL.

Our principal executive offices are located at 201 St. Charles Avenue, Suite 3400, New Orleans, Louisiana 70170. Our telephone number is (504) 569-1875. We also maintain a web site at www.eplweb.com which contains information about us. Our web site and the information contained in it and connected to it will not be deemed incorporated by reference into this prospectus.

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Summary of the Terms of the Exchange Offer

On April 23, 2007, Energy Partners Ltd. completed the private offering of the outstanding notes. In this prospectus, the term outstanding notes refers to the 9.75% Senior Notes due 2014 and the Senior Floating Rate Notes due 2013, all issued in the private offering. The term exchange notes refers to 9.75% Senior Notes due 2014 and the Senior Floating Rate Notes due 2013, all as registered under the Securities Act of 1933, as amended (the Securities Act).

The following is a brief summary of the material terms of this exchange offer. For a more complete description of the terms of the exchange offer, see The Exchange Offer in this prospectus.

The Exchange Offer	Energy Partners is offering to exchange up to: $300 million in aggregate principal amount of our 9.75% Senior Notes due 2014 that have been registered under the Securities Act for an equal aggregate principal amount of our outstanding unregistered 9.75% Senior Notes due 2014. $150 million in aggregate principal amount of our Senior Floating Rate Notes due 2013 that have been registered under the Securities Act for an equal aggregate principal amount of our outstanding unregistered Senior Floating Rate Notes due 2013. The form and terms of the exchange notes are substantially the same as the form and terms of the outstanding notes, except that the exchange notes have been registered under the Securities Act and will not bear legends restricting their transfer. We issued the outstanding notes under an indenture which grants you a number of rights. The exchange notes also will be issued under that indenture and you will have the same rights under the indenture as the holders of the outstanding notes. See Description of Exchange Notes. You may only exchange outstanding notes in denominations of $2,000 and any integral multiples of $1,000.
Accrued Interest on the Exchange Notes	Interest on the exchange notes will accrue from the last interest payment date on which interest was paid on the outstanding notes or, if no interest was paid on the outstanding notes, from the date of issuance of the outstanding notes, which was April 23, 2007. Holders whose outstanding notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the outstanding notes.
No Minimum Condition	We are not conditioning the exchange offer on the tender of any minimum principal amount of outstanding notes.
Expiration Date	The exchange offer will expire at 12:00 midnight, New York City time, on October 29, 2007 unless we decide to extend the exchange offer.
Withdrawal Rights	You may withdraw your tender at any time before the exchange offer expires.

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Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which we may waive. We currently anticipate that each of the conditions will be satisfied and that we will not need to waive any conditions. We reserve the right to terminate or amend the exchange offer at any time before the expiration date if any of the conditions occurs. See The Exchange Offer Certain Conditions to the Exchange Offer.

Procedures for Tendering Outstanding Notes

If you are a holder of outstanding notes who wishes to accept the exchange offer, you must:

- complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your outstanding notes, to the exchange agent at the address provided in the section The Exchange Offer Exchange Agent ; or
- arrange for The Depository Trust Company to transmit certain required information, including an agent s message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, to the exchange agent in connection with a book-entry transfer.

Resale Without Further Registration

We believe that you may resell or otherwise transfer the exchange notes that you receive in the exchange offer without complying with the registration and prospectus delivery provisions of the Securities Act so long as you are not a broker-dealer and you meet the following conditions:

- you are not an affiliate of ours within the meaning of Rule 405 of the Securities Act;
- you are acquiring the exchange notes issued in the exchange offer in the ordinary course of your business; and
- you have no arrangement or understanding with any person to participate in the distribution of the exchange notes.

By signing the letter of transmittal and tendering your outstanding notes or making arrangements with The Depository Trust Company as described above, you will be making representations to this effect. You may incur liability under the Securities Act if:

- any of the representations listed above are not true; and
- you transfer any exchange note issued to you in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act, unless the transfer otherwise meets an exemption from the registration requirements under the Securities Act.

We do not assume, or indemnify you against, liability under these circumstances, which means that we will not protect you from any loss you incur as a result of this liability.

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Restrictions on Resale by Broker-Dealers	Each broker-dealer that has received exchange notes for its own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer may use this prospectus in connection with any resale for a period of 180 days after the end of the exchange offer.
Special Procedures for Beneficial Owners	If you beneficially own outstanding notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct it to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either arrange to have your outstanding notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your outstanding notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedures for book-entry transfer cannot be completed on time, you may tender your outstanding notes according to the guaranteed delivery procedures described in the section The Exchange Offer Procedures for Tendering Outstanding Notes.
Acceptance of Outstanding Notes and Delivery of Exchange Notes	We will accept for exchange all outstanding notes which are properly tendered in the exchange offer prior to 12:00 midnight, New York City time, on the expiration date. The exchange notes issued in the exchange offer will be delivered promptly following the expiration date. See The Exchange Offer Acceptance of Outstanding Notes for Exchange; Delivery of Exchange Notes.
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We will pay for our expenses incident to the exchange offer.
Federal Income Tax	The exchange of exchange notes for outstanding notes in the exchange offer will not be a taxable event for federal income tax purposes. See Certain Material U.S. Federal Income Tax Considerations.
Effect on Holders of Outstanding Notes	As a result of this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement dated as of April 23, 2007 by and among Energy Partners, Ltd., each subsidiary guarantor and each of the initial purchasers named in the agreement and

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accordingly, there will be no increase in the interest rate on the outstanding notes. If you do not tender your outstanding notes in the exchange offer:

- you will continue to hold the outstanding notes and will be entitled to all the rights and limitations applicable to the outstanding notes under the indenture governing the notes, except for any rights under the registration rights agreement that terminate as a result of the completion of the exchange offer; and

- you generally will not have any further registration or exchange rights and your outstanding notes will continue to be subject to restrictions on transfer. Accordingly, the trading market for untendered outstanding notes could be adversely affected.

Exchange Agent

U.S. Bank National Association is serving as exchange agent in connection with the exchange offer.

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The Exchange Notes

Issuer	Energy Partners, Ltd.
Exchange Notes Offered	Up to $300,000,000 aggregate principal amount of 9.75% Senior Notes due 2014 and $150,000,000 aggregate principal amount of Senior Floating Rate Notes due 2013. The form and terms of the exchange notes will be the same as the form and terms of the outstanding notes, except that: • the exchange notes will have been registered under the Securities Act, will not contain transfer restrictions and will not bear legends restricting their transfer; • the exchange notes will not contain terms providing for the payment of additional interest under circumstances relating to our obligation to file and cause to be effective a registration statement; • the exchange notes will be represented by one or more global notes in book-entry form; and • the exchange notes will be issuable in denominations of $2,000 and any integral multiples of $1,000.
Maturity Date	The Fixed Rate Notes will mature on April 15, 2014 and the Floating Rate Notes will mature on April 15, 2013.
Interest	The Fixed Rate Notes will bear interest at a rate of 9.75% per annum, accruing from April 23, 2007, the issue date of the Notes. The Floating Rate Notes will bear interest at a rate per annum, reset quarterly, equal to LIBOR plus 5.125%. Interest on the Fixed Rate Notes will be payable on April 15 and October 15 of each year, beginning on October 15, 2007. Interest on the Floating Rate Notes will be payable on January 15, April 15, July 15 and October 15 of each year. The first such payment was made on July 15, 2007.
Optional Redemption	We may redeem the exchange notes, in whole or in part, prior to their maturity at the redemption prices described in this prospectus. See Description of the Exchange Notes Optional Redemption. The exchange notes will not be subject to any sinking fund provision.
Change of Control	

	If a change of control occurs, subject to certain conditions, we must give holders of the exchange notes an opportunity to sell us the exchange notes at a purchase price of 101% of the principal amount of the exchange notes, plus accrued and unpaid interest to the date of the purchase. See Description of Exchange Notes Change of Control.
Subsidiary Guarantees	The payment of the principal, premium and interest on the exchange notes will be fully and unconditionally guaranteed on a senior unsecured basis by all of our material subsidiaries. See Description of Exchange Notes Subsidiary Guarantees.

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Ranking

The exchange notes and the guarantees will be our and the guarantors senior unsecured obligations and will:

- rank equally in right of payment with all our and the guarantors existing and future senior indebtedness;
- rank senior in right of payment to all our and the guarantors existing and future subordinated indebtedness; and
- be effectively junior in right of payment to all our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness.

As of June 30, 2007, secured indebtedness was $20.0 million and we had $180.0 million of borrowing capacity under our new revolving credit facility, all of which would constitute secured indebtedness. Substantially all of our oil and natural gas properties, and the oil and natural gas properties of our subsidiaries, are mortgaged and pledged to secure obligations under the new revolving credit facility, which would be secured indebtedness effectively ranking senior to the exchange notes. See Description of Exchange Notes Ranking.

Restrictive Covenants

The indenture governing the exchange notes contains covenants that limit our ability and certain of our subsidiaries ability to:

- incur additional debt or issue certain types of preferred stock;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated debt;
- create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- transfer or sell assets or shares of stock of our subsidiaries;
- engage in transactions with our affiliates;
- create liens on our assets;
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries; and

engage in business other than the oil and natural gas business.

These covenants are subject to important exceptions and qualifications, which are described under the caption Description of Exchange Notes Certain Covenants.

Use of Proceeds

We will not receive any cash proceeds from the exchange offer.

Trading

We expect the exchange notes to be eligible for trading in The Portal[SM] Market, a subsidiary of The Nasdaq Stock Market, Inc. See Plan of Distribution.

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Other	The exchange notes and any outstanding notes not exchanged for the exchange notes will constitute a single series of senior notes under the indenture and will therefore vote together as a single class for purposes of determining whether the holders of the requisite percentage in outstanding principal amount have taken certain actions or exercised certain rights under the indenture.

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RISK FACTORS

You should consider carefully each of the risks described below and under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, in addition to the other information contained or incorporated by reference in this prospectus, before deciding to invest in the exchange notes. Realization of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Relating to Our Indebtedness and the Exchange Notes

Our substantial indebtedness and increased interest expense could impair our financial condition and our ability to fulfill our debt obligations, including our obligations under the notes.

We will have substantial indebtedness. As of June 30, 2007, we had total indebtedness of $474.5 million, of which $20.0 million under our new revolving credit facility was senior secured indebtedness. A significant portion of our indebtedness has a floating rate of interest, which may increase over time.

Our indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the exchange notes and our other indebtedness, which could in turn result in an event of default on such other indebtedness or the exchange notes;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- reduce our ability to withstand a downturn in our business or the economy generally;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have proportionately less debt.

If we are unable to meet our debt service obligations, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

In addition to our current indebtedness, we may be able to incur substantially more debt. This could exacerbate the risks described above.

Together with our subsidiaries, we may be able to incur substantially more debt in the future. Although the indenture governing the exchange notes contains restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness. As of June 30, 2007, we had $180.0 million of borrowing capacity available under our new revolving credit facility. To the extent new debt is added to our current levels, the risks described above could substantially increase.

The exchange notes are not secured by our assets nor those of our subsidiary guarantors.

The exchange notes will be our general unsecured obligations and will be effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness.

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If we become insolvent or are liquidated, our assets which serve as collateral under our secured indebtedness would be made available to satisfy our obligations under any secured debt before any payments are made on the exchange notes. Our obligations under our revolving credit facility are secured by substantially all of our assets. As of June 30, 2007, our secured indebtedness was $20.0 million and we had $180.0 million of borrowing capacity under our new revolving credit facility, all of which would be secured indebtedness. Although the indenture will contain limitations on the amount of indebtedness that we may incur, under certain circumstances the amount of such indebtedness could be substantial and, in any case, such indebtedness may be secured indebtedness. See Description of the Exchange Notes Certain Covenants Limitation on Indebtedness and Limitation on Liens.

A subsidiary guarantee could be voided if it constitutes a fraudulent transfer under U.S. bankruptcy or similar state law, which would prevent the holders of the exchange notes from relying on that subsidiary to satisfy claims.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, or claims under the guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee or, in some states, when payments become due under the guarantee, received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee and:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
- intended in incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

A guarantee may also be voided, without regard to the above factors, if a court found that the guarantor entered into the guarantee with the actual intent to hinder, delay or defraud its creditors.

A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee if the guarantor did not substantially benefit directly or indirectly from the issuance of the exchange notes. If a court were to void a guarantee, you would no longer have a claim against the guarantor. Sufficient funds to repay the exchange notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the subsidiary guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Each subsidiary guarantee will contain a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect the subsidiary guarantees from being voided under fraudulent transfer law.

If we experience a change of control, we may be unable to repurchase the exchange notes as required under the indenture.

In the event of a change of control, you will have the right to require us, subject to various conditions, to repurchase the exchange notes. We may not have sufficient financial resources to pay the repurchase price for the

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exchange notes, or may be prohibited from doing so under our credit facility or other debt agreements. In addition, before we can purchase any exchange notes, we may be required to:

repay our bank debt; or

obtain a consent from lenders of our revolving credit facility to repurchase the exchange notes.

If a change of control occurs and we are prohibited from repurchasing the exchange notes, our failure to do so would cause us to default under the indenture, which in turn is likely to be a default under our revolving credit facility and any future debt. Any other default under our revolving credit facility or other debt would also likely prohibit our repurchasing the exchange notes.

You cannot be sure that an active trading market will develop for the exchange notes.

The exchange notes will constitute a new issue of securities for which there is no established trading market. We do not intend to list the outstanding notes, or any exchange notes that may be issued under this exchange offer on any national securities exchange or seek the admission of the exchange notes or any exchange notes for quotation through the National Association of Securities Dealers Automated Quotation System. We have been informed by some of the initial purchasers of the outstanding notes that they intend to make a market in the exchange notes. However, the initial purchasers are not obligated to do so and may cease their market-making activities at any time. In addition, the liquidity of the trading market in the outstanding notes or any exchange notes, and the market price quoted for the outstanding notes or exchange notes, may be adversely affected by changes in the overall market for high-yield securities and by changes in our financial performance or prospects or in the financial performance or prospects of companies in our industry generally. As a result, we cannot assure you that an active trading market will develop or be maintained for the outstanding notes or any exchange notes. If an active market does not develop or is not maintained, the market price and liquidity of the outstanding notes or any exchange notes may be adversely affected.

Risks Relating to Our Company and Our Industry

A significant part of the value of our production and reserves is concentrated in two areas. Because of this concentration, any production problems or inaccuracies in reserve estimates related to these areas could impact our business adversely.

During 2006, 41% of our net daily production came from our Greater Bay Marchand area and approximately 42% of our proved reserves were located in the fields that comprise this area. In addition, 15% of our net daily production came from our East Bay field and approximately 30% of our proved reserves were located on this property. If mechanical problems, storms or other events were to curtail a substantial portion of this production, our cash flow could be affected adversely. If the actual reserves associated with these properties are less than our estimated reserves, our business, financial condition or results of operations could be adversely affected.

Relatively short production life for Gulf of Mexico and Gulf Coast onshore region properties subjects us to higher reserve replacement needs.

Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. High production rates generally result in recovery of a relatively higher percentage of reserves from properties during the initial few years of production. All of our operations are presently in the Gulf of Mexico and Gulf Coast onshore regions. Production from reservoirs in the Gulf of Mexico region generally declines more rapidly than from reservoirs in many other producing regions of the world. As of December 31, 2006, our independent petroleum engineers estimate, on average, 67% of our total proved reserves will be produced within 5 years. As a result, our reserve replacement needs from new investments are relatively greater than those of producers who recover lower percentages of their reserves over a similar time period, such as producers who have a portion of their reserves outside the Gulf of Mexico Region. We may not be able to develop, exploit, find or acquire additional reserves to sustain our current production

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levels or to grow. There can be no assurance that we will be able to grow production at rates we have experienced in the past. Our future oil and natural gas reserves and production, and, therefore, our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute, on a timely basis, our exploration and development plans within our budget.

All of our operations are in the Gulf of Mexico and Gulf Coast onshore regions. Shortages and the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our exploration and development plans, which could have a material adverse effect on our business, financial condition or results of operations. Periodically, as a result of increased drilling activity or a decrease in the supply of equipment, materials and services, we have experienced increases in associated costs, including those related to drilling rigs, equipment, supplies and personnel and the services and products of other vendors to the industry. Increased drilling activity in the Gulf of Mexico and in other offshore areas around the world also decreases the availability of offshore rigs in the Gulf of Mexico. We cannot offer assurance that costs will not increase again or that necessary equipment and services will be available to us at economical prices.

Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our Company, which could adversely affect the price of our common stock.

The existence of some provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our Company, which could adversely affect the price of our common stock. The provisions in our certificate of incorporation and bylaws that could delay or prevent an unsolicited change in control of our Company include:

- the board of directors ability to issue shares of preferred stock and determine the terms of the preferred stock without approval of common stockholders; and
- a prohibition on the right of stockholders to call meetings and a limitation on the right of stockholders to present proposals or make nominations at stockholder meetings.

In addition, Delaware law imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock.

The loss of key personnel could adversely affect us.

To a large extent, we depend on the services of our chairman and chief executive officer, Richard A. Bachmann, and other senior management personnel. The loss of the services of Mr. Bachmann or other senior management personnel could have an adverse effect on our operations. We do not maintain any insurance against the loss of any of these individuals.

The exploration and production business is highly competitive, and our success will depend largely on our ability to attract and retain experienced geoscientists and other professional staff.

Competition in the oil and natural gas industry is intense, which may adversely affect us.

We operate in a highly competitive environment for acquiring oil and natural gas properties, marketing oil and natural gas and securing trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in Gulf of Mexico and Gulf Coast onshore activities. Those companies may be able to pay more for productive oil and natural gas properties and exploratory prospects and to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit. Our ability to acquire additional prospects and to

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discover reserves in the future will depend on our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. Also, there is substantial competition for capital available for investment in the oil and natural gas industry. We cannot make assurances that we will be able to compete successfully in the future in acquiring prospective reserves, developing reserves, marketing hydrocarbons, attracting and retaining quality personnel and raising additional capital. If we are unable to compete successfully in these areas in the future, our future revenues and growth may be diminished or restricted.

Exploring for and producing oil and natural gas are high-risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our future success will depend on the success of our exploration and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Our cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling activity, including the following:

- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions, such as hurricanes and tropical storms;
- reductions in oil and natural gas prices;
- title problems;
- limitations in the market for oil and natural gas; and
- cost of services to drill wells.

We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations.

Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;

abnormally pressured formations;

mechanical difficulties;

fires and explosions;

personal injuries and death; and

natural disasters, especially hurricanes and tropical storms in the Gulf of Mexico Region.

Offshore operations are also subject to a variety of operating risks peculiar to the marine environment, such as capsizing, collisions and damage or loss from hurricanes, tropical storms or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt production.

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Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to our Company. We maintain insurance at levels that we believe are consistent with industry practices and our particular needs, but we are not fully insured against all risks. We may elect not to obtain insurance for certain risks or to limit levels of coverage if we believe that the cost of available insurance is excessive relative to the risks involved. In this regard, the cost of available coverage has increased significantly as a result of losses experienced by third-party insurers in the 2005 hurricane season in the Gulf of Mexico, in particular those resulting from Hurricanes Katrina and Rita. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could adversely affect our cash flow and net income and could reduce or eliminate the funds available for exploration, exploitation and acquisitions or result in loss of equipment and properties.

Actual or alleged violations of environmental laws and regulations could result in restrictions on our operations or civil or criminal liability.

Our exploration, development and production operations, our activities in connection with storage and transportation of oil and other hydrocarbons and our use of facilities for treating, processing or otherwise handling hydrocarbons and related wastes are subject to regulation under various federal, state and local laws and regulations governing the protection of the environment. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal fines and penalties or the imposition of injunctive relief. Changes in environmental rules and regulations occur regularly, and any changes that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could materially affect our operations and financial position, as well as those in the oil and natural gas industry in general.

In June 2007 we met with representatives of the U.S. Attorney for the Eastern District of Louisiana in New Orleans, the U.S. Environmental Protection Agency and the U.S. Coast Guard and were informed that they are conducting an investigation into possible criminal violations arising out of on-site inspections in our East Bay field in November 2005 and February 2006.

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure requirements and financial commitments.

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, cash flow, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, depend on numerous factors beyond our control. These factors include:

- changes in the global supply, demand and inventories of oil;
- domestic natural gas supply, demand and inventories;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of foreign imports of oil;
- the price and availability of liquefied natural gas imports;
- political conditions, including embargoes, in or affecting other oil-producing countries;
- economic and energy infrastructure disruptions caused by actual or threatened acts of war, or terrorist activities, or national security measures deployed to protect the United States from such actual or threatened acts or activities;

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economic stability of major oil and natural gas companies and the interdependence of oil and natural gas and energy trading companies;

the level of worldwide oil and natural gas exploration and production activity;

weather conditions, including energy infrastructure disruptions resulting from those conditions;

technological advances affecting energy consumption; and

the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis, but also may reduce the amount of oil and natural gas that we can produce economically. A substantial or extended decline in oil and natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity, ability to finance planned capital expenditures or ability to pursue acquisitions. Further, oil prices and natural gas prices do not necessarily move together.

Reserve estimates depend on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in the Company s Form 10-K for the year ended December 31, 2006.

In order to assist in the preparation of our estimates, we must project production rates and timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of the data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates.

It cannot be assumed that the present value of future net revenues from our proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flows from our proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present-value estimate.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends, in substantial part, on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could harm our business. We may be required to shut in wells for lack of a market or because of inadequacy or unavailability of oil or natural gas pipeline or gathering system capacity. If that were to occur, we would be unable to realize revenue from those wells until production arrangements were made to deliver the production to market.

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USE OF PROCEEDS

We will not receive any proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer.

On March 26, 2007, we commenced the Equity Self-Tender Offer, subject to certain conditions, for up to 8,700,000 shares of our common stock, at a purchase price of $23.00 per share, without interest. Concurrently, we commenced the Debt Tender Offer, subject to certain conditions, for any and all of the $150 million outstanding principal amount of our 8.75% Senior Notes due 2010, at a cash purchase price determined based on a fixed spread of 50 basis points over the yield of the relevant U.S. Treasury Note to the earliest redemption date of the Notes.

We have used the aggregate net proceeds of offering of the outstanding notes, together with borrowings under a new senior secured revolving credit facility and proceeds from the onshore South Louisiana asset sale, to (i) purchase the shares in our Equity Self-Tender Offer, (ii) fund the Debt Tender Offer, (iii) refinance our existing revolving credit facility, (iv) pay borrowings under our new revolving credit facility and (v) pay related fees and expenses.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2007:

You should read this table in conjunction with our consolidated financial statements and the notes to those financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus and in our Form 10-K for the year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, which is incorporated by reference in this prospectus.

	As of June 30, 2007 (In thousands)
Cash and cash equivalents	$ 7,837
Bank facility(1)	20,000
8.75% senior notes due 2010	4,501
Notes offered hereby:	
Floating Rate	150,000
Fixed Rate	300,000
Total debt	474,501
Common stock	440
Additional paid-in capital	369,973
Accumulated other comprehensive loss	(995)
Retained earnings	62,393
Treasury stock	(257,540)
Total stockholders equity	174,271
Total capitalization	$ 648,772

(1) At August 21, 2007 we had $45.0 million outstanding under our existing revolving credit facility.

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SELECTED FINANCIAL DATA

The following table contains our selected consolidated financial data as of and for the five years ended December 31, 2006 and as of and for the six months ended June 30, 2007 and 2006. We have prepared this information from audited consolidated financial statements for the years ended December 31, 2002 through December 31, 2006 and from unaudited consolidated financial statements for the six months ended June 30, 2007 and 2006. In our opinion, the information for the six months ended June 30, 2007 and 2006 reflects all adjustments consisting only of normal recurring adjustments, necessary to fairly present the results of operations and financial condition. Results for interim periods should not be considered indicative of results for any other periods or for the year. The data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes in our Form 10-K for the year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, incorporated by reference in this prospectus.

	Six Months Ended June 30,		Years Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
				(In thousands)			
Statement of Operations Data:							
Revenue	$ 230,129	$ 230,425	$ 449,550	$ 402,947	$ 295,447	$ 230,187	$ 134,544
Costs and expenses:							
Lease operating	34,186	29,486	58,808	50,431	40,328	36,656	34,048
Transportation expense	1,065	811	2,028	1,051	289	37	352
Taxes, other than on earnings	5,069	5,186	13,632	10,372	9,263	7,650	6,572
Exploration expenditures, dry hole costs and impairments	59,176	42,379	136,425	82,844	35,935	17,353	10,735
Depreciation, depletion and amortization	91,973	95,719	198,162	99,524	88,784	79,964	64,513
Accretion expense	2,203	1,058	4,572	4,125	3,569	1,963	
General and administrative	35,902	24,737	120,113	43,205	30,974	28,004	24,168
Gain on insurance recoveries	(8,084)						
(Gain) loss on sale of assets	(7,020)	419					
Other (income) expense	(8)	1,458	4,022		237		756
Total costs and expenses	214,462	201,253	537,762	291,552	209,379	171,627	141,144
Business interruption recovery	9,084	23,283	32,869	20,632			
Income (loss) from operations	24,751	52,455	(55,343)	132,027	86,068	58,560	(6,600)
Other income (expense):							
Interest income	570	752	1,428	781	1,219	380	107
Interest expense	(20,386)	(10,283)	(24,570)	(18,121)	(14,355)	(10,174)	(6,988)
Unrealized gain on derivative instruments	1,907						
Loss on early extinguishment of debt	(10,838)						
	(28,747)	(9,531)	(23,142)	(17,340)	(13,136)	(9,794)	(6,881)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(3,996)	42,924	(78,485)	114,687	72,932	48,766	(13,481)
Income taxes	1,422	(15,536)	28,085	(41,592)	(26,516)	(17,784)	4,682
Net income (loss) before cumulative effect of change in accounting principle	(2,574)	27,388	(50,400)	73,095	46,416	30,982	(8,799)
Cumulative effect of change in accounting principle, net of income taxes of $1,276						2,268	
Net income (loss)	(2,574)	27,388	(50,400)	73,095	46,416	32,250	(8,799)

Less dividends earned on preferred stock and accretion of discount				(944)	(3,399)	(3,545)	(3,330)
Net income (loss) available to common stockholders	$ (2,574)	$ 27,388	$ (50,400)	$ 72,151	$ 43,017	$ 29,705	$ (12,129)

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	Six Months Ended June 30,		Years Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
				(In thousands)			
Other Financial Data:							
Capital expenditures	$ 183,386	$ 251,230	$ 358,253	$ 448,878	$ 176,736	$ 110,028	$ 55,562
Net cash provided by operating activities	167,304	174,930	272,074	269,969	165,074	136,702	25,417
Net cash used in investing activities	(109,966)	(204,961)	(358,780)	(449,159)	(176,713)	(110,057)	(54,380)
Net cash provided by (used in) financing activities	(52,715)	36,121	83,131	92,442	784	77,631	29,079
Ratio of earnings to fixed charges(1)		5.0x		7.1x	4.7x	4.0x	
Pro forma ratio of earnings to fixed charges(2)							

	As of June 30,		As of December 31,				
	2007	2006	2006	2005	2004	2003	2002
				(In thousands)			
Balance Sheet Data:							
Total assets	$ 925,316	$ 1,077,728	$ 1,003,845	$ 931,285	$ 647,678	$ 544,181	$ 384,220
Long-term debt, including current maturities	474,501	270,000	317,000	235,109	150,217	150,416	103,779
Stockholders equity	174,271	439,071	372,270	394,593	315,049	261,485	191,922

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of income from operations before income taxes and the cumulative effect of change in accounting method, interest expense and the portion of the rent expense deemed to represent interest. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest. For the six months ended June 30, 2007 and the years ended December 31, 2006 and 2002, the ratio of earnings to fixed charges was less than a one-to-one coverage due to a deficiency of $4.0 million, $78.5 million and $17.5 million, respectively.

(2) Gives effect to this offering and the application of the net proceeds to repay indebtedness as described under Use of Proceeds and Unaudited Condensed Consolidated Pro Forma Financial Statements as if such transactions had occurred at the beginning of the period. For the six months ended June 30, 2007 and the year ended December 31, 2006, the pro forma ratio of earnings to fixed charges was less than a one-to-one coverage due to a deficiency of $6.8 million and $74.3 million, respectively.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements of Energy Partners, Ltd. (the Company) adjust the historical consolidated financial statements of the Company to give effect to i) the disposition of substantially all of its onshore South Louisiana assets, which closed on June 12, 2007, to Castex Energy 2007, L.P. for approximately $72.0 million in cash after preliminary closing adjustments, and ii) the Company s tender offer to purchase 8,700,000 shares of its common stock at $23.00 per share, the refinancing of its existing revolving credit facility and the refinancing of its 8.75% Senior Notes due 2010 completed in April 2007 (collectively, the Transactions).

The unaudited pro forma condensed consolidated financial information is based on the Company s historical consolidated financial information for the year ended December 31, 2006 and the six months ended June 30, 2007 and gives effect to the foregoing transactions as if they were completed on January 1, 2006 for the purposes of the consolidated statements of operations information.

The unaudited pro forma condensed consolidated statements presented do not purport to represent what the results of operations or financial position of the Company would actually have been had the Transactions occurred on the dates noted above, or to project the results of operations or financial position of the Company for any future periods. The pro forma adjustments are based on available information and certain assumptions that management believes are reasonable. The adjustments are directly attributable to the Transactions and are expected to have a continuing impact on the financial position and results of operations of the Company. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed consolidated financial information have been made.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2006 and the Quarterly Report filed on Form 10-Q for the quarter ended June 30, 2007.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2006

(In thousands, except per share data)

	Historical	Refinancing Adjustments	Divestiture Adjustments	Pro Forma
Revenue:				
Oil and natural gas	$ 449,186		(74,827)(f)	$ 374,359
Other	364			364
	449,550			374,723
Costs and expenses:				
Lease operating	60,836		(3,446)(f)	57,390
Taxes, other than on earnings	13,632		(3,633)(f)	9,999
Exploration expenditures, dry hole costs and impairments	136,425		(42,951)(f)	93,474
Depreciation, depletion, amortization and accretion	202,734		(64,998)(f)	137,736
General and administrative	120,113			120,113
Other expense	4,022			4,022
Total costs and expenses	537,762			422,734
Business interruption recovery	32,869			32,869
Loss from operations	(55,343)			(15,142)
Other income (expense):				
Interest income	1,428			1,428
Interest expense	(24,570)	(23,001)(a)		(47,571)
Loss on early extinguishment of debt		(3,398)(b)		(13,043)
		(9,645)(c)		
	(23,142)			(59,186)
Loss before income taxes	(78,485)			(74,328)
Income taxes	28,085		(1,327)(g)	26,758
Net loss	$ (50,400)			$ (47,570)
Basic loss per share	$ (1.32)			$ (1.61)
Diluted loss per share	$ (1.32)			$ (1.61)
Weighted average common shares in computing loss per share:				
Basic	38,313	(8,700)(e)		29,613
Diluted	38,313	(8,700)(e)		29,613

See accompanying notes to unaudited pro forma condensed consolidated financial statements

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2007

(In thousands, except per share data)

	Historical	Refinancing Adjustments	Divestiture Adjustments	Pro Forma
Revenue:				
Oil and natural gas	$ 229,986		(24,774)(f)	$ 205,212
Other	143			143
	230,129			205,355
Costs and expenses:				
Lease operating	35,251		(2,037)(f)	33,214
Taxes, other than on earnings	5,069		(1,295)(f)	3,774
Exploration expenditures, dry hole costs and impairments	59,176		(71)(f)	59,105
Depreciation, depletion, amortization and accretion	94,176		(11,429)(f)	82,747
General and administrative	35,902			35,902
Gain on insurance recoveries	(8,084)			(8,084)
Gain on sale of assets	(7,020)			(7,020)
Other	(8)			(8)
Total costs and expenses	214,462			199,630
Business interruption recovery	9,084			9,084
Income from operations	24,751			14,809
Other income (expense):				
Interest income	570			570
Interest expense	(20,386)	(3,678)(a)		(24,064)
Unrealized gain on derivative instruments	1,907			1,907
Loss on early extinguishment of debt	(10,838)	10,838 (d)		
	(28,747)			(21,587)
Income before income taxes	(3,996)			(6,778)
Income taxes	1,422		1,018 (g)	2,440
Net income	$ (2,574)			$ (4,338)
Basic earnings per share	$ (0.07)			$ (0.14)
Diluted earnings per share	$ (0.07)			$ (0.14)
Weighted average common shares in computing income per share:				
Basic	37,364	(5,768)(e)		31,596
Diluted	37,364	(5,768)(e)		31,596

See accompanying notes to unaudited pro forma condensed consolidated financial statements

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	Year Ended December 31, 2006	Six Months Ended June 30, 2007
(a) To record the net change in interest expense from:		
The removal of actual interest expense on refinanced borrowings	$ (24,570)	$ (11,845)
Interest expense on $300 million 9.75% senior notes due 2014 prior to April 23, 2007	29,250	9,055
Interest expense on $150 million senior floating rate notes due 2013 of 10.48% prior to April 23, 2007	15,720	4,867
Interest expense on new bank facility of 6.35%	669	635
Interest expense on remaining $4.5 million 8.75% senior notes due 2010	394	197
The amortization of deferred financing costs on new borrowings (assuming an average 6.5 year term)	1,538	769
	$ 23,001	$ 3,678

(b) Reflects write-off of deferred financing costs associated with debt extinguishment.
(c) Reflects expensing of fees to extinguish debt.
(d) Removal of actual loss on early extinguishment of debt that is included in December 31, 2006 proformas.
(e) Reflects repurchase of 8,700,000 shares of the Company s stock in tender offer weighted for the period prior to April 23, 2007.
(f) Reflects the removal of revenues and related direct expenses of divested properties.
(g) Reflects an adjustment to income taxes to maintain a rate of 36% of net income (loss).

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THE EXCHANGE OFFER

As of the date of this prospectus, $450 million in principal amount of the outstanding notes is outstanding. This prospectus, together with the letter of transmittal, is first being sent to holders on September 28, 2007.

Purpose of the Exchange Offer

We issued the outstanding notes on April 23, 2007 in a transaction exempt from the registration requirements of the Securities Act. Accordingly, the outstanding notes may not be reoffered, resold, or otherwise transferred unless so registered or unless an applicable exemption from the registration and prospectus delivery requirements of the Securities Act is available.

In connection with the sale of the outstanding notes, we entered into a registration rights agreement, which requires us to:

- file a registration statement with the Securities and Exchange Commission (the Commission) relating to the exchange offer within 120 days after the date of issuance of the outstanding notes;
- use our commercially reasonable efforts to cause the registration statement relating to the exchange offer to be declared effective under the Securities Act within 210 days after the date of issuance of the outstanding notes;
- as soon as practicable after the effectiveness of the registration statement, offer the exchange notes in exchange for surrender of the outstanding notes; and
- keep the exchange offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the exchange offer is mailed to the holders of the outstanding notes.

We are making the exchange offer to satisfy our obligations under the registration rights agreement. Other than pursuant to the registration rights agreement, we are not required to file any registration statement to register any outstanding notes. Holders of outstanding notes who do not tender their outstanding notes or whose outstanding notes are tendered but not accepted in the exchange offer must generally rely on an exemption from the registration requirements under the securities laws, including the Securities Act, if they wish to sell their outstanding notes.

We are making the exchange offer in reliance on the position of the staff of the Commission as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in interpretive letters to third parties. Based on these interpretations by the staff, we believe that the exchange notes issued in the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by a holder other than any holder who is a broker-dealer or an affiliate of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, *provided* that:

- the exchange notes are acquired in the ordinary course of the holder s business;
- the holder has no arrangement or understanding with any person to participate in the distribution of the exchange notes; and
- the holder is not engaged in, and does not intend to engage in a distribution of the exchange notes.

For additional information, see Resale of Exchange Notes.

If you tender in the exchange offer for the purpose of participating in a distribution of the exchange notes, of if you are a broker-dealer who purchased the outstanding notes from us for resale pursuant to Rule 144A or any

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other available exemption under the Securities Act, you cannot rely on the interpretations by the staff of the Commission stated in these no-action letters. Instead, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer, unless an exemption from these requirements is otherwise available.

Further, each broker-dealer that receives the exchange notes for its own account in exchange for the outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making or other trading activities, must acknowledge in a letter of transmittal that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those exchange notes. The letter of transmittal states that by making this acknowledgment and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. We have agreed that this prospectus may be used by a broker-dealer for any resale of exchange notes issued to it in the exchange offer for a period of 180 days after the expiration date of the exchange offer. See Plan of Distribution.

Terms of the Exchange

We are offering to exchange, subject to the conditions described in this prospectus and in the letter of transmittal accompanying this prospectus, $300 million in aggregate principal amount of our 9.75% Senior Notes due 2014 that have been registered under the Securities Act for an equal aggregate principal amount of our outstanding unregistered 9.75% Senior Notes due 2014 and $150 million in aggregate principal amount of our Senior Floating Rate Notes due 2013 that have been registered under the Securities Act for an equal aggregate principal amount of our outstanding unregistered Senior Floating Rate Notes due 2013. The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that:

- the exchange notes will have been registered under the Securities Act, will not contain transfer restrictions, and will not bear legends restricting their transfer;
- the exchange notes will not contain terms providing for the payment of additional interest under circumstances relating to our obligation to file and cause to be effective a registration statement;
- the exchange notes will be represented by one or more global notes in book entry form unless exchanged for notes in definitive certificated form under the limited circumstances described under Description of Exchange Notes Global Notes and Book-Entry System ; and
- the exchange notes will be issuable in denominations of $2,000 and any integral multiples of $1,000.

The exchange notes generally will be freely transferable by holders of the exchange notes and will not be subject to the terms of the registration rights agreement. The exchange notes will evidence the same indebtedness as the outstanding notes exchanged therefor and will be entitled to the benefits of the indenture. For additional information, see Description of Exchange Notes.

The exchange offer is not conditioned upon the tender of any minimum principal amount of outstanding notes.

The exchange notes will accrue interest from the last interest payment date on which interest was paid on the outstanding notes or, if no interest was paid on the outstanding notes, from the date of issuance of the outstanding notes, which was on April 23, 2007. Holders whose outstanding notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the outstanding notes.

Tendering holders of the outstanding notes will not be required to pay brokerage commissions or fees or transfer taxes, except as specified in the instructions in the letter of transmittal, with respect to the exchange of the outstanding notes in the exchange offer.

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Expiration Date; Extension; Termination; Amendment

The exchange offer will expire at 12:00 midnight, New York City time, on October 29, 2007, unless we, in our sole discretion, have extended the period of time for which the exchange offer is open. The time and date, as it may be extended, is referred to herein as the expiration date. The expiration date will be at least 20 business days after the commencement of the exchange offer in accordance with Rule 14e-1(a) under the Exchange Act. We expressly reserve the right, at any time or from time to time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance for exchange of any outstanding notes. We may extend the expiration date by giving oral or written notice of the extension to the exchange agent and by timely public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During the extension, all outstanding notes previously tendered will remain subject to the exchange offer unless properly withdrawn.

We expressly reserve the right to:

- terminate or amend the exchange offer and not to accept for exchange any outstanding notes not previously accepted for exchange upon the occurrence of any of the events specified in Certain Conditions to the Exchange Offer which have not been waived by us; and
- amend the terms of the exchange offer in any manner which, in our good faith judgment, is advantageous to the holders of the outstanding notes, whether before or after any tender of the outstanding notes.

If any termination or amendment occurs, we will notify the exchange agent and will either issue a press release or give oral or written notice to the holders of the outstanding notes as promptly as practicable.

For purposes of the exchange offer, a business day means any day other than Saturday, Sunday or a date on which banking institutions are required or authorized by New York State law to be closed, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. Unless we terminate the exchange offer prior to 12:00 midnight, New York City time, on the expiration date, we will exchange the exchange notes for the outstanding notes promptly following the expiration date.

Procedures for Tendering Outstanding Notes

Our acceptance of outstanding notes tendered by a holder will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal. All references in this prospectus to the letter of transmittal are deemed to include a facsimile of the letter of transmittal.

A holder of outstanding notes may tender the outstanding notes by:

- properly completing and signing the letter of transmittal;
- properly completing any required signature guarantees;
- properly completing any other documents required by the letter of transmittal; and
- delivering all of the above, together with the certificate or certificates representing the outstanding notes being tendered, to the exchange agent at its address set forth below at or prior to 12:00 midnight, New York City time, on the expiration date; or

complying with the procedure for book-entry transfer described below; or

complying with the guaranteed delivery procedures described below.

The method of delivery of outstanding notes, letters of transmittal and all other required documents is at the election and risk of the holders. If the delivery is by mail, it is recommended that registered mail properly

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insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to ensure timely delivery. Holders should not send outstanding notes or letters of transmittal to us.

The signature on the letter of transmittal need not be guaranteed if:

- tendered outstanding notes are registered in the name of the signer of the letter of transmittal; and
- the exchange notes to be issued in exchange for the outstanding notes are to be issued in the name of the holder; and
- any untendered outstanding notes are to be reissued in the name of the holder.

In any other case, the tendered outstanding notes must be:

- endorsed or accompanied by written instruments of transfer in form satisfactory to us;
- duly executed by the holder; and
- the signature on the endorsement or instrument of transfer must be guaranteed by a bank, broker, dealer, credit union, savings association, clearing agency or other institution, each an eligible institution that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Exchange Act.

If the exchange notes and/or outstanding notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the outstanding notes, the signature in the letter of transmittal must be guaranteed by an eligible institution.

The exchange agent will make a request within two business days after the date of receipt of this prospectus to establish accounts with respect to the outstanding notes at The Depository Trust Company, the book-entry transfer facility, for the purpose of facilitating the exchange offer. We refer to The Depository Trust Company in this prospectus as DTC. Subject to establishing the accounts, any financial institution that is a participant in the book-entry transfer facility s system may make book-entry delivery of outstanding notes by causing the book-entry transfer facility to transfer the outstanding notes into the exchange agent s account with respect to the outstanding notes in accordance with the book-entry transfer facility s procedures for the transfer. Although delivery of outstanding notes may be effected through book-entry transfer into the exchange agent s account at the book-entry transfer facility, an appropriate letter of transmittal with any required signature guarantee and all other required documents, or an agent s message, must in each case be properly transmitted to and received or confirmed by the exchange agent at its address set forth below under Exchange Agent prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

The exchange agent and DTC have confirmed that the exchange offer is eligible for the DTC Automated Tender Offer Program. We refer to the Automated Tender Offer Program in this prospectus as ATOP. Accordingly, DTC participants may, in lieu of physically completing and signing the letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance of the exchange offer by causing DTC to transfer outstanding notes to the exchange agent in accordance with DTC s ATOP procedures for transfer. DTC will then send an agent s message.

The term agent s message means a message which:

- is transmitted by DTC;

received by the exchange agent and forming part of the book-entry transfer;

states that DTC has received an express acknowledgment from a participant in DTC that is tendering outstanding notes which are the subject of the book-entry transfer;

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states that the participant has received and agrees to be bound by all of the terms of the letter of transmittal; and

states that we may enforce the agreement against the participant.

If a holder desires to accept the exchange offer and time will not permit a letter of transmittal or outstanding notes to reach the exchange agent before the expiration date or the procedure for book-entry transfer cannot be completed on a timely basis, the holder may effect a tender if the exchange agent has received at its address set forth below on or prior to the expiration date, a letter, telegram or facsimile transmission, and an original delivered by guaranteed overnight courier, from an eligible institution setting forth:

the name and address of the tendering holder;

the names in which the outstanding notes are registered and, if possible, the certificate numbers of the outstanding notes to be tendered; and

a statement that the tender is being made thereby and guaranteeing that within three business days after the expiration date, the outstanding notes in proper form for transfer, or a confirmation of book-entry transfer of such outstanding notes into the exchange agent s account at the book-entry transfer facility and an agent s message, will be delivered by the eligible institution together with a properly completed and duly executed letter of transmittal and any other required documents.

Unless outstanding notes being tendered by the above-described method are deposited with the exchange agent, a tender will be deemed to have been received as of the date when:

the tendering holder s properly completed and duly signed letter of transmittal, or a properly transmitted agent s message, accompanied by the outstanding notes or a confirmation of book-entry transfer of the outstanding notes into the exchange agent s account at the book-entry transfer facility is received by the exchange agent; or

a notice of guaranteed delivery or letter, telex or facsimile transmission to similar effect from an eligible institution is received by the exchange agent.

Issuances of exchange notes in exchange for outstanding notes tendered pursuant to a notice of guaranteed delivery or letter, telex or facsimile transmission to similar effect by an eligible institution will be made only against deposit of the letter of transmittal and any other required documents and the tendered outstanding notes or a confirmation of book-entry and an agent s message.

All questions as to the validity, form, eligibility, including time of receipt, and acceptance of outstanding notes tendered for exchange will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all tenders of any outstanding notes not properly tendered or not to accept any outstanding notes which acceptance might, in our judgment or the judgment of our counsel, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any outstanding notes either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender outstanding notes in the exchange offer. The interpretation of the terms and conditions of the exchange offer, including the letter of transmittal and the instructions contained in the letter of transmittal, by us will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of outstanding notes for exchange must be cured within such reasonable period of time as we determine. Neither we, the exchange agent nor any other person has any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of us incur any liability for failure to give such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of outstanding notes, the outstanding notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the outstanding notes.

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If the letter of transmittal or any outstanding notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by us, such persons must submit proper evidence satisfactory to us of their authority to so act.

By tendering, each holder represents to us that, among other things:

- the exchange notes acquired pursuant to the exchange offer are being acquired in the ordinary course of business of the holder;
- the holder is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes; and
- the holder is not an affiliate of ours within the meaning of Rule 405 of the Securities Act.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See Plan of Distribution.

Terms and Conditions of the Letter of Transmittal

The letter of transmittal contains, among other things, the following terms and conditions, which are part of the exchange offer.

The party tendering outstanding notes for exchange notes exchanges, assigns and transfers the outstanding notes to us and irrevocably constitutes and appoints the exchange agent as the party s agent and attorney-in-fact to cause the outstanding notes to be assigned, transferred and exchanged. We refer to the party tendering notes herein as the transferor. The transferor represents and warrants that the transferor has full power and authority to tender, exchange, assign and transfer the outstanding notes and to acquire exchange notes issuable upon the exchange of the tendered outstanding notes, and that, when the same are accepted for exchange, we will acquire good and unencumbered title to the tendered outstanding notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The transferor also warrants that the transferor will, upon request, execute and deliver any additional documents deemed by the exchange agent or us to be necessary or desirable to complete the exchange, assignment and transfer of tendered outstanding notes or transfer ownership of the outstanding notes on the account books maintained by a book-entry transfer facility. The transferor further agrees that the acceptance of any tendered outstanding notes by us and the issuance of exchange notes in exchange for outstanding notes will constitute performance in full by us of various of our obligations under the registration rights agreement. All authority conferred by the transferor will survive the death or incapacity of the transferor and every obligation of the transferor will be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of the transferor.

The transferor certifies that the transferor: is not an affiliate of ours within the meaning of Rule 405 under the Securities Act; is acquiring the exchange notes offered hereby in the ordinary course of the transferor s business; and has no arrangement with any person to participate in the distribution of the exchange notes.

Each holder, other than a broker-dealer, must acknowledge that the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes. Each transferor which is a broker-dealer receiving the exchange notes for its own account must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

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Withdrawal Rights

Tenders of outstanding notes may be withdrawn at any time before 12:00 midnight New York City time, on the expiration date.

For a withdrawal to be effective, a written notice of withdrawal sent by telex, facsimile transmission, or letter must be received by the exchange agent at the address set forth in this prospectus before 12:00 midnight New York City time, on the expiration date. Any notice of withdrawal must:

- specify the name of the person having tendered the outstanding notes to be withdrawn;
- identify the outstanding notes to be withdrawn, including the certificate number or numbers and principal amount of such outstanding notes;
- include a statement that the holder is withdrawing the holder s election to have the outstanding notes exchanged;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the outstanding notes were tendered or as otherwise described above, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee under the indenture register the transfer of the outstanding notes into the name of the person withdrawing the tender; and
- specify the name in which any such outstanding notes are to be registered, if different from that of the person who tendered the outstanding notes.

The exchange agent will return the properly withdrawn outstanding notes promptly following receipt of the notice of withdrawal. If outstanding notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn outstanding notes or otherwise comply with the book-entry transfer facility procedure. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by us and our determination will be final and binding on all parties.

Any outstanding notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any outstanding notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder without cost to the holder. In the case of outstanding notes tendered by book-entry transfer into the exchange agent s account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the outstanding notes will be credited to an account with the book-entry transfer facility specified by the holder. In either case, the outstanding notes will be returned promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn outstanding notes may be retendered by following one of the procedures described in Procedures for Tendering Outstanding Notes at any time before the expiration date.

Acceptance of Outstanding Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all the conditions to the exchange offer, we will accept, on the expiration date, all outstanding notes properly tendered and not validly withdrawn and will issue or cause to be issued the exchange notes promptly after such acceptance. See the discussion under Certain Conditions to the Exchange Offer for more detailed information. For purposes of the exchange offer, we will be deemed to have accepted properly tendered outstanding notes for exchange when, and if, we have given oral or written notice of our acceptance to the exchange agent.

For each old note accepted for exchange, the holder of the outstanding note will receive an exchange note having a principal amount equal to that of the surrendered old note.

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In all cases, issuance of exchange notes for outstanding notes that are accepted for exchange pursuant to the exchange offer will be made only after:

- timely receipt by the exchange agent of certificates for the outstanding notes or a timely book-entry confirmation of the outstanding notes into the exchange agent s account at the book-entry transfer facility;
- a properly completed and duly executed letter of transmittal, or a properly transmitted agent s message; and
- timely receipt by the exchange agent of all other required documents.

If any tendered outstanding notes are not accepted for any reason described in the terms and conditions of the exchange offer or if outstanding notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or nonexchanged outstanding notes will be returned without expense to the tendering holder of the outstanding notes. In the case of outstanding notes tendered by book-entry transfer into the exchange agent s account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the non-exchanged outstanding notes will be credited to an account maintained with the book-entry transfer facility. In either case, the outstanding notes will be returned as promptly as practicable after the expiration of the exchange offer.

Certain Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any outstanding notes and may terminate or amend the exchange offer, by oral or written notice to the exchange agent or by a timely press release, if, at any time before the acceptance of the outstanding notes for exchange or the exchange of the exchange notes for such outstanding notes, in our reasonable judgment any of the following conditions exists:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our judgment would reasonably be expected to impair our ability to proceed with the exchange offer; or
- the exchange offer, or the making of any exchange by a holder, violates applicable law or any applicable interpretation of the staff of the Commission.

Regardless of whether any of the conditions has occurred, we may amend the exchange offer in any manner which, in our good faith judgment, is advantageous to holders of the outstanding notes.

The conditions described above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to the condition or we may waive any condition in whole or in part at any time and from time to time in our sole discretion. Our failure at any time to exercise any of the rights described above will not be deemed a waiver of the right and each right will be deemed an ongoing right which we may assert at any time and from time to time.

If we waive or amend the conditions above, we will, if required by law, extend the exchange offer for a minimum of five business days from the date that we first give notice, by public announcement or otherwise, of the waiver or amendment, if the exchange offer would otherwise expire within the five business-day period. Any determination by us concerning the events described above will be final and binding upon all parties.

The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered.

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Exchange Agent

U.S. Bank National Association has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at one of the addresses set forth below:

	Facsimile Transactions:	
By Registered or Certified Mail	**(Eligible Institutions Only)**	**By Hand or Overnight Delivery:**
U.S. Bank National Association	(651) 495-8158	U.S. Bank National Association
West Side Flats		West Side Flats
60 Livingston Avenue	**To Confirm by Telephone**	60 Livingston Avenue
St. Paul, Minnesota 55107	**or for Information Call:**	St. Paul, Minnesota 55107
Attention: Corporate Trust Services		Attention: Corporate Trust Services
	(651) 495-4738	

You should direct questions, requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery to the exchange agent at the address and telephone number set forth in the letter of transmittal.

Delivery to an address other than as set forth on the letter of transmittal, or transmission of instructions via a facsimile number other than the one set forth on the letter of transmittal, will not constitute a valid delivery.

Solicitation of Tenders; Fees and Expenses

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this and other related documents to the beneficial owners of the outstanding notes and in handling or forwarding tenders for their customers.

We will pay the expenses incurred in connection with the exchange offer. Such expenses include, among others, the fees and expenses of the exchange agent and trustee, registration fees, and accounting, legal, printing and related fees and expenses.

No person has been authorized to give any information or to make any representations in connection with the exchange offer other than those contained in this prospectus. If given or made, such information or representations should not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any exchange made pursuant to this prospectus, under any circumstances, creates any implication that there has been no change in our affairs since the respective dates as of which information is given in this prospectus. The exchange offer is not being made to, and tenders will not be accepted from or on behalf of, holders of outstanding notes in any jurisdiction in which the making of the exchange offer or the acceptance of the exchange offer would not be in compliance with the laws of the jurisdiction. However, we may, at our discretion, take such action as we may deem necessary to make the exchange offer in the jurisdiction and extend the exchange offer to holders of outstanding notes in the jurisdiction. In any jurisdiction the securities laws or blue sky laws of which require the exchange offer to be made by a licensed broker or dealer, the exchange offer is being made on our behalf by one or more registered brokers or dealers which are licensed under the laws of the jurisdiction.

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Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes pursuant to the exchange offer. However, the transfer taxes will be payable by the tendering holder if:

certificates representing exchange notes or outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the outstanding notes tendered; or

tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or

a transfer tax is imposed for any reason other than the exchange of outstanding notes pursuant to the exchange offer.

We will bill the amount of the transfer taxes directly to the tendering holder if satisfactory evidence of payment of the taxes or exemption therefrom is not submitted with the letter of transmittal.

Accounting Treatment

For accounting purposes, we will not recognize gain or loss upon the exchange of the exchange notes for outstanding notes. We will amortize costs incurred in connection with the issuance of the exchange notes over the term of the exchange notes.

Consequences of Failure To Exchange

Holders of outstanding notes who do not exchange their outstanding notes for exchange notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of the outstanding notes as described in the legend on the outstanding notes. Outstanding notes not exchanged pursuant to the exchange offer will continue to remain outstanding in accordance with their terms. In general, the outstanding notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the outstanding notes under the Securities Act.

Participation in the exchange offer is voluntary, and holders of outstanding notes should carefully consider whether to participate. Holders of outstanding notes are urged to consult their financial and tax advisors in making their own decision on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of, this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. Holders of outstanding notes who do not tender their outstanding notes in the exchange offer will continue to hold the outstanding notes and will be entitled to all the rights and subject to the limitations applicable to the outstanding notes under the indenture, except for any rights under the registration rights agreement that by their terms terminate or cease to have further effectiveness as a result of the making of this exchange offer. All untendered outstanding notes will continue to be subject to the restrictions on transfer described in the indenture. To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for untendered outstanding notes could be adversely affected.

We may in the future seek to acquire, subject to the terms of the indenture, untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plan to acquire any outstanding notes which are not tendered in the exchange offer.

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Resale of Exchange Notes

We are making the exchange offer in reliance on the position of the staff of the Commission as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in such interpretive letters to third parties. Based on these interpretations by the staff, we believe that the exchange notes issued pursuant to the exchange offer in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by a holder, other than any holder who is a broker- dealer or an affiliate of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, *provided* that:

- the exchange notes are acquired in the ordinary course of the holder s business; and
- the holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the exchange notes.

However, any holder who:

- is an affiliate of ours;
- has an arrangement or understanding with respect to the distribution of the exchange notes to be acquired pursuant to the exchange offer; or
- is a broker-dealer who purchased outstanding notes from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act,

cannot rely on the applicable interpretations of the staff and must comply with the registration and prospectus delivery requirements of the Securities Act. A broker-dealer who holds outstanding notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an underwriter within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of exchange notes. Each such broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge, as provided in the letter of transmittal, that it will deliver a prospectus in connection with any resale of such exchange notes. For more detailed information, see Plan of Distribution.

Shelf Registration Statement

If:

(1) applicable interpretations of the staff of the Commission do not permit us to effect the exchange offer;

(2) for any other reason we do not consummate the exchange offer within 250 days after the original issuance of the outstanding notes;

(3) an initial purchaser notifies us following consummation of the exchange offer that outstanding notes held by it are not eligible to be exchanged for exchange notes in the exchange offer; or

(4) any holder, other than a participating broker-dealer, is not eligible to participate in the exchange offer or, in the case of any holder, other than a participating broker-dealer, that participates in the exchange offer, such holder does not receive freely tradeable exchange notes on the date of the exchange and such holder so requests,

then, we will, subject to certain exceptions:

(1) promptly file a shelf registration statement covering resales of the outstanding notes or the exchange notes, as the case may be;

(2)(A) in the case of clause (1) above, use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act on or prior to the 210th day

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following the original issuance of the outstanding notes and (B) in the case of clause (2), (3) or (4) above, use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act on or prior to the 90th day after the date on which the shelf registration statement is required to be filed; and

(3) keep the shelf registration statement effective until the earliest of (A) the time when the outstanding notes covered by the shelf registration statement can be sold under Rule 144 without any limitations under clauses (c), (e), (f) and (h) of Rule 144, (B) two years from the effective date of the shelf registration statement and (C) the date on which all outstanding notes registered thereunder are disposed of in accordance therewith.

We will, in the event that a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the outstanding notes or the exchange notes, as the case may be. A holder selling such outstanding notes or exchange notes under the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification obligations).

Additional Interest

The registration rights agreement states that if a Registration Default (as defined below) occurs, then we will be required to pay additional interest to each holder of outstanding notes and exchange notes, subject to certain exceptions. During the first 90-day period that a Registration Default occurs and is continuing, we will pay additional interest on the outstanding notes and exchange notes at a rate of 0.25% per annum. The additional interest rate shall increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum additional interest rate of 2.0% per annum. Such additional interest will accrue only for those days that a Registration Default occurs and is continuing. All accrued additional interest will be paid to the holders of the outstanding notes and exchange notes on the regular interest payment dates. Following the cure of all Registration Defaults, no more additional interest will accrue unless a subsequent Registration Default occurs.

A Registration Default shall occur if:

- we fail to file any of the registration statements required by the registration rights agreement on or before the date specified for such filing; or
- any of such registration statements is not declared effective by the Commission on or before the date specified for such effectiveness; or
- we fail to complete the exchange offer on or before the date specified for such completion; or
- any of such registration statements is declared effective but thereafter ceases to be effective or usable in connection with resales of the outstanding notes during the period specified in the registration rights agreement.

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DESCRIPTION OF OTHER INDEBTEDNESS

Revolving Credit Facility

In April 2007, we refinanced our existing revolving credit facility with a new $300 million senior secured revolving credit facility in connection with the offering of the outstanding notes. Our new revolving credit facility has an initial borrowing base of $200 million. The borrowing base will be subject to redetermination based on the proved reserves of the oil and natural gas properties that serve as collateral for the revolving credit facility as set out in the reserve report delivered to the banks each April 1 and October 1. The new revolving credit facility permits both prime rate based borrowings and LIBOR borrowings plus a floating spread. The spread will float up or down based on our utilization of the new revolving credit facility. The spread can range from 1.00% to 2.50% above LIBOR and 0% to 0.50% above prime. The borrowing base under the new revolving credit facility is secured by substantially all of our proved reserves. The new revolving credit facility contains customary events of default and requires that we satisfy various financial covenants.

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DESCRIPTION OF EXCHANGE NOTES

Energy Partners, Ltd. issued the outstanding notes and will issue the exchange notes under an Indenture (the Indenture) dated April 23, 2007 among itself, the Subsidiary Guarantors (as defined below) and U.S. Bank National Association, as Trustee. The terms of the exchange notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

We define certain terms used in this description under Certain Definitions below. In this description, the words Company, we, us and our r only to Energy Partners, Ltd. and not to any of its subsidiaries.

The following description is only a summary of the material provisions of the Indenture. We urge you to read the Indenture because it, not this description, defines your rights as Holders of these Notes. You may request a copy of the Indenture at our address set forth under Summary Corporate and Stockholder Information.

Brief Description of the Exchange Notes

The exchange notes will:

- be senior unsecured obligations of the Company;
- be equal (*pari passu*) in right of payment with all existing and future Senior Indebtedness of the Company;
- be senior in right of payment to any future Subordinated Obligations of the Company;
- be guaranteed on a senior unsecured basis by each Subsidiary Guarantor;
- be eligible for trading in The Portal[SM] Market; and
- be substantially identical to the outstanding notes, except for the elimination of some transfer restrictions, registration rights and additional interest payments relating to the outstanding notes.

Principal, Maturity and Interest

Floating Rate Notes

The Company will issue the exchange Floating Rate Notes initially with a maximum aggregate principal amount of $150 million. The exchange Floating Rate Notes will be issued in denominations of $2,000 and any integral multiples of $1,000 and will mature on April 15, 2013. Subject to our compliance with the covenant described below under Certain Covenants Limitation on Indebtedness, we are entitled to, without the consent of the Holders, issue more Floating Rate Notes under the Indenture on the same terms and conditions as the exchange Floating Rate Notes offered hereby in an unlimited principal amount (the Additional Floating Rate Notes). The Floating Rate Notes and the Additional Floating Rate Notes, if any, will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this description of the exchange notes, references to the Floating Rate Notes include the exchange Floating Rate Notes and any Additional Floating Rate Notes actually issued.

The Floating Rate Notes will bear interest for each interest period at a rate determined by the calculation agent (the Calculation Agent), which shall initially be the Trustee, and will be payable in cash quarterly in arrears on January 15, April 15, July 15 and October 15 (each an Interest Payment Date), commencing on July 15, 2007, to holders of record at the close of business on the January 1, April 1, July 1 and October 1 immediately preceding the relevant Interest Payment Date. Notwithstanding the foregoing, if any such Interest Payment Date (other than an Interest Payment Date at maturity) would otherwise be a day that is not a Business Day, then the interest payment will be postponed to the next

succeeding Business Day. If the maturity date of the

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Floating Rate Notes is a day that is not a Business Day, all payments to be made on such day will be made on the next succeeding Business Day, with the same force and effect as if made on the maturity date, and no additional interest will be payable as a result of such delay in payment.

The interest rate on the Floating Rate Notes for a particular interest period will be an annual rate equal to the three-month LIBOR as determined on the related interest determination date plus 5.125%. The interest determination date for an interest period will be the second London business day preceding such interest period. Promptly upon determination, the Calculation Agent will inform the Trustee and us of the interest rate for the next interest period. Absent manifest error, the determination of the interest rate by the Calculation Agent shall be binding and conclusive on the holders of the Floating Rate Notes, the Trustee and us.

A London business day is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

On any interest determination date, LIBOR will be equal to the offered rate for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as determined by the British Banker s Association and listed on the Bloomberg L.P. service s BBAM; Official BBA LIBOR Fixings page at approximately 11:00 a.m., London time, on such interest determination date. If no offered rate appears on the Bloomberg L.P. service s BBAM; Official BBA LIBOR Fixings page, or if the service is not available on an interest determination date at approximately 11:00 a.m., London time, then the Calculation Agent (after consultation with us) will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in the U.S. dollars of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time, that is representative of single transactions at that time. If at least two quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the Calculation Agent will select three major banks in New York City and shall request each of them to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the interest determination date for loans in U.S. dollars to leading European banks having an index maturity of three months for the applicable interest period in an amount of at least $1,000,000 that is representative of single transactions at that time. If three quotations are provided, LIBOR will be the arithmetic average of the quotations provided. Otherwise, the rate of LIBOR for the next interest period will be set equal to the rate of LIBOR for the then current interest period.

Upon request from any holder of Floating Rate Notes, the Calculation Agent will provide the interest rate in effect for the Floating Rate Notes for the current interest period and, if it has been determined, the interest rate to be in effect for the next interest period.

The amount of interest for each day that the Floating Rate Notes are outstanding (the Daily Interest Amount) will be calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the Floating Rate Notes outstanding. The amount of interest to be paid on the Floating Rate Notes for each interest period will be calculated by adding the Daily Interest Amounts for each day in the interest period.

All percentages resulting from any calculation of interest will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 9.876545% or (0.09876545) being rounded to 9.87655% (or 0.0987655)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards). In no event shall the actual interest rate exceed that permitted by applicable law.

Additional interest may accrue on the Floating Rate Notes in certain circumstances under the Registration Rights Agreement.

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Fixed Rate Notes

The Company will issue the exchange Fixed Rate Notes initially with a maximum aggregate principal amount of $300 million. The exchange Fixed Rate Notes will be issued in denominations of $2,000 and any integral multiples of $1,000 and will mature on April 15, 2014. Subject to our compliance with the covenant described below under Certain Covenants Limitation on Indebtedness, we are entitled to, without the consent of the Holders, issue more Fixed Rate Notes under the Indenture on the same terms and conditions as the exchange Fixed Rate Notes offered hereby in an unlimited principal amount (the Additional Fixed Rate Notes ; and together with the Additional Floating Rate Notes, the Additional Notes). The Fixed Rate Notes and the Additional Fixed Rate Notes, if any, will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this description of the Notes, references to the Fixed Rate Notes include the exchange Fixed Rate Notes and any Additional Fixed Rate Notes actually issued.

Interest on the Fixed Rate Notes will accrue at the rate of 9.75% per annum and will be payable semiannually in arrears on April 15 and October 15, commencing on October 15, 2007. We will make each interest payment to the Holders of record of the Fixed Rate Notes on the immediately preceding April 1 and October 1. We will pay interest on overdue principal at 1% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful.

Interest on the Fixed Rate Notes will accrue from the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional interest may accrue on the Fixed Rate Notes in certain circumstances under the Registration Rights Agreement.

Optional Redemption

Except as set forth below, the exchange notes will not be redeemable at our option prior to maturity.

Redemption of Exchange Notes following an Equity Offering

At any time prior to April 15, 2008, in the case of the Floating Rate Notes, and April 15, 2010 in the case of the Fixed Rate Notes, the Company, at its option, may use the net cash proceeds of one or more Equity Offerings to redeem up to an aggregate of 35% of the aggregate principal amount of Floating Rate Notes and up to an aggregate of 35% of the aggregate principal amount of the Fixed Rate Notes issued under the Indenture at a redemption price equal to 100% of the principal amount of the exchange notes redeemed plus a premium equal to the interest rate per annum on the Floating Rate Notes applicable on the date on which notice of redemption was given, in the case of the Floating Rate Notes, and at a redemption price equal to 109.750% of the aggregate principal amount of the exchange notes redeemed, in the case of the Fixed Rate Notes plus, in each case, accrued and unpaid interest, if any, to the redemption date (subject to the rights of Holders on relevant record dates to receive interest due on an interest payment date). At least 65% of the aggregate principal amount of exchange notes issued under the Indenture of the series of exchange notes being redeemed must remain outstanding immediately after the occurrence of such redemption. In order to effect any such redemption, the Company must mail a notice of redemption no later than 60 days after the closing of the related Equity Offering and must complete such redemption within 90 days of the closing of the Equity Offering.

Optional Redemption of Floating Rate Notes

At any time prior to April 15, 2008, the Company may redeem all or, from time to time, a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of the principal amount of Floating Rate Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

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On and after April 15, 2008, the Company may redeem all or, from time to time, a part of the Floating Rate Notes, upon not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of the Holders on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

Year	Percentage
2008	102.000%
2009	101.000%
2010 and thereafter	100.000%

Optional Redemption of Fixed Rate Notes

At any time prior to April 15, 2011, the Company may redeem all or, from time to time, a part of the Fixed Rate Notes, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of the principal amount of Fixed Rate Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

On and after April 15, 2011, the Company may redeem all or, from time to time, a part of the Fixed Rate Notes upon not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the exchange notes, if any, to the applicable redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

Year	Percentage
2011	104.875%
2012	102.438%
2013 and thereafter	100.000%

In the case of any partial redemption, the Trustee will select the exchange notes for redemption on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion deems to be fair and appropriate, although no exchange note of $2,000 in original principal amount or less will be redeemed in part. If any exchange note is to be redeemed in part only, the notice of redemption relating to such exchange note will state the portion of the principal amount thereof to be redeemed. A new exchange note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original exchange note. Exchange notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on exchange notes or portions of them called for redemption.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

We are not required to make any mandatory redemption or sinking fund payments with respect to the exchange notes. However, under certain circumstances, we may be required to offer to purchase exchange notes as described under the captions Change of Control and Certain Covenants Limitation on Sales of Assets and Subsidiary Stock. We may at any time and from time to time purchase exchange notes in the open market or otherwise.

Subsidiary Guarantees

The Subsidiary Guarantors, jointly and severally, as primary obligors and not merely as sureties, will irrevocably, fully and unconditionally guarantee (each, a Subsidiary Guarantee) on a senior unsecured basis the

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performance and the punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all our obligations under the Indenture and the exchange notes (all such obligations guaranteed by the Subsidiary Guarantors being herein called the Guaranteed Obligations). The Subsidiary Guarantors initially include all of our material Subsidiaries existing on the Issue Date, and we and such material Subsidiaries collectively own substantially all of our consolidated assets and produce substantially all of our consolidated cash flow. In addition, subject to certain exceptions described below under Certain Covenants Future Subsidiary Guarantors, the Subsidiary Guarantors will include future Restricted Subsidiaries that Incur Indebtedness. We will derive a substantial portion of our operating income and cash flow from, and a substantial portion of our assets will be held by, our Subsidiaries, including the Subsidiary Guarantors. Each Subsidiary Guarantor will agree to pay, in addition to the amount stated above, any and all expenses, including reasonable counsel fees and expenses, incurred by the Trustee and the Holders in enforcing any rights under the Subsidiary Guarantee with respect to the Subsidiary Guarantor.

Each Subsidiary Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness, including guarantees and other contingent liabilities, of the applicable Subsidiary Guarantor, and depending on the amount of such indebtedness, a Subsidiary Guarantor s liability on its Subsidiary Guarantee could be reduced to zero. Please read Risk Factors Risks Relating to Our Indebtedness and the Exchange Notes A subsidiary guarantee could be voided if it constitutes a fraudulent transfer under U.S. bankruptcy or similar state law, which would prevent the holders of notes from relying on that subsidiary to satisfy claims.

Each Subsidiary Guarantor that makes a payment under its Subsidiary Guarantee will be entitled to a contribution from each other Subsidiary Guarantor in an amount equal to such other Subsidiary Guarantor s *pro rata* portion of such payment based on the respective net assets of all the Subsidiary Guarantors, determined in accordance with GAAP, at the time of such payment.

Each Subsidiary Guarantee is a continuing guarantee and is intended to:

(1) subject to certain limited exceptions, remain in full force and effect until payment in full of all the obligations relating to the exchange notes;

(2) be binding upon the Subsidiary Guarantor; and

(3) inure to the benefit of and be enforceable by the Trustee, the Holders and their successors, transferees and assigns.

Under the Indenture, a Subsidiary Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person to the extent described below under Certain Covenants Merger and Consolidation ; *provided*, *however*, that, except in the case of a release pursuant to the following paragraph, if such Person is not us, the Subsidiary Guarantor s obligations under the Indenture and its Subsidiary Guarantee must be expressly assumed by such other Person.

The Subsidiary Guarantee of a Subsidiary Guarantor will be released in the event of a sale or other disposition (including by way of consolidation or merger) of all or substantially all of the assets or all of the Capital Stock of that Subsidiary Guarantor to a Person other than the Company or a Subsidiary of the Company; *provided*, *however*, that such sale or disposition is permitted by, and the proceeds from any such sale or disposition are applied in accordance with, the Indenture as described under Certain Covenants Limitation on Sales of Assets and Subsidiary Stock. In addition, if the Board of Directors designates a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, then such Subsidiary Guarantor will be released and relieved of any obligations under its Subsidiary Guarantee.

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Ranking

The indebtedness evidenced by the exchange notes and the Subsidiary Guarantees will be unsecured, general obligations of the Company and the relevant Subsidiary Guarantor, as the case may be, ranking *pari passu* in right of payment with all senior unsecured Indebtedness of the Company or the relevant Subsidiary Guarantor, as the case may be, whether outstanding on the Issue Date or thereafter incurred.

The exchange notes and the Subsidiary Guarantees will be effectively junior in right of payment to all existing and future Secured Indebtedness of the Company and of the Subsidiary Guarantors, as the case may be, including under the Credit Agreement, to the extent of the value of the assets securing such Indebtedness.

As of June 30, 2007, our secured indebtedness was $20.0 million and we had $180.0 million of borrowing capacity under our new revolving credit facility, all of which would be secured indebtedness. Substantially all of our oil and natural gas properties, and the oil and natural gas properties of our Subsidiaries, are mortgaged and pledged to secure obligations under the Credit Agreement.

Although the Indenture contains limitations on the amount of additional Indebtedness that we and the Subsidiary Guarantors may Incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Secured Indebtedness. Please read Certain Covenants Limitation on Indebtedness and Certain Covenants Limitation on Liens.

A substantial portion of our operations are currently conducted through our Subsidiaries. All of our material Subsidiaries are guaranteeing the exchange notes. However, our immaterial Subsidiaries are not guaranteeing, and certain of our future Subsidiaries may not be required to guarantee, the exchange notes. Claims of creditors of any non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding guarantees issued by such non-guarantor Subsidiaries, and claims of preferred stockholders (if any) of such non-guarantor Subsidiaries generally would have priority with respect to the assets and earnings of such non-guarantor Subsidiaries over the claims of our creditors, including Holders of the exchange notes, even though such obligations would not constitute Senior Indebtedness of such non-guarantor Subsidiaries. The exchange notes, therefore, would be effectively subordinated to creditors, including trade creditors, and preferred stockholders, if any, of such non-guarantor Subsidiaries of the Company. Although the Indenture limits the incurrence of Indebtedness and the issuance of preferred stock by certain of our Subsidiaries, such limitation is subject to a number of significant qualifications. In addition, the Indenture does not impose any limitation on the incurrence by such Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. Please read Certain Covenants Limitation on Indebtedness.

Change of Control

(a) Upon the occurrence of any of the following events (each a Change of Control), each Holder will have the right to require that we repurchase such Holder s exchange notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date), in accordance with the terms contemplated in paragraph (b) below:

(1) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (1) such person will be deemed to have beneficial ownership of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company (for the purposes of this clause (1), such person will be deemed to beneficially own any Voting Stock of a specified corporation held by a parent corporation, if such person is the beneficial owner (as defined in this clause (1)), directly or indirectly, of more than 50% of the voting power of the Voting Stock of such parent corporation);

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(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office; or

(3) the stockholders of the Company have approved any plan of liquidation or dissolution of the Company.

If at the time a Change of Control occurs the terms of the Indebtedness under the Credit Agreement restrict or prohibit the repurchase of exchange notes under this covenant, then prior to the mailing of the notice to Holders provided for in paragraph (b) below, but in any event within 30 days following any Change of Control, we will:

(1) repay in full the Indebtedness under the Credit Agreement; or

(2) obtain the requisite consent under the agreements governing the Indebtedness under the Credit Agreement to permit the repurchase of the exchange notes as provided for in paragraph (b) below.

(b) Within 30 days following a Change of Control, we will mail a notice to each Holder with a copy to the Trustee stating:

(1) that a Change of Control has occurred and that such Holder has the right to require us to purchase such Holder s exchange notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including reasonably available information with respect to pro forma historical income, cash flow and capitalization, in each case after giving effect to such Change of Control);

(3) the purchase date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed; and

(4) the instructions determined by us, consistent with this covenant, that a Holder must follow in order to have its exchange notes purchased.

(c) We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of exchange notes under this covenant. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue thereof.

The Change of Control purchase feature of the exchange notes.

(1) may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management; and

(2) is a result of negotiations between us and the Initial Purchasers.

Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that we would decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under Certain Covenants Limitation

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on Indebtedness and Limitation on Liens. Such restrictions can only be waived with the consent of the Holders of a majority in principal amount of the exchange notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the exchange notes protection in the event of a highly leveraged transaction.

The Credit Agreement may prohibit us from purchasing any exchange notes and provides that the occurrence of certain change of control events would constitute a default thereunder. If a Change of Control occurs at a time when we are prohibited from purchasing exchange notes, we could seek the consent of our lenders to the purchase of exchange notes or could attempt to refinance the borrowings that contain such prohibition. If we do not obtain such a consent or repay such borrowings, we will remain prohibited from purchasing exchange notes. In such case, our failure to purchase tendered exchange notes would constitute an Event of Default under the Indenture that would, in turn, constitute a default under the Credit Agreement.

Our future indebtedness may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require us to repurchase the exchange notes could cause a default under such indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the Holders of exchange notes following the occurrence of a Change of Control may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of Change of Control includes a disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole, to another Person or group of related Persons (as such term is used in Sections 13(d) and 14(d) of the Exchange Act). Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of exchange notes may require the Company to make an offer to repurchase the exchange notes as described above.

The provisions under the Indenture relating to our obligation to make an offer to repurchase the exchange notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of a majority in principal amount of the exchange notes.

We will not be required to make an offer to purchase the exchange notes as a result of a Change of Control if a third party:

(1) makes such offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture relating to our obligations to make such an offer; and

(2) purchases all exchange notes validly tendered and not withdrawn under such an offer.

Certain Covenants

The Indenture contains covenants including, among others, the following:

Limitation on Indebtedness

(a) We will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; *provided*, *however*, that we or a Restricted Subsidiary may Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto, no Default has occurred and is continuing and the Consolidated Coverage Ratio exceeds 2.5 to 1.0.

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(b) Notwithstanding the foregoing paragraph (a), we and any Restricted Subsidiary may Incur the following Indebtedness:

(1) Indebtedness Incurred under any Credit Facility, so long as the aggregate amount of all Indebtedness outstanding under all Credit Facilities pursuant to this clause (b)(1) does not exceed the greater of (x) $225 million and (y) 20% of ACNTA as of the date of such Incurrence;

(2) Indebtedness owed to and held by us or any Restricted Subsidiary; *provided*, *however*, that (A) any subsequent issuance or transfer of any Capital Stock that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to us or a Restricted Subsidiary) will be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon and (B) if the Company is the obligor on such Indebtedness, unless such Indebtedness is owed to a Subsidiary Guarantor, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the senior notes;

(3) The senior notes (other than any Additional Notes);

(4) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2) or (3) of paragraph (b) of this covenant);

(5) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by us (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions by which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by us); *provided*, *however*, that on the date of such Incurrence and after giving pro forma effect thereto, we would have been entitled to Incur at least $1.00 of additional Indebtedness under paragraph (a) of this covenant;

(6) Refinancing Indebtedness in respect of Indebtedness Incurred under paragraph (a) or under clause (3), (4), (5) above, this clause (6) or clause (7) below; *provided*, *however*, that to the extent such Refinancing Indebtedness directly or indirectly Refinances Indebtedness of a Restricted Subsidiary Incurred under clause (5), such Refinancing Indebtedness will be Incurred only by such Restricted Subsidiary or the Company;

(7) Non-recourse Purchase Money Indebtedness;

(8) Indebtedness arising from any agreement providing for indemnities, Guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performance of the acquired or disposed assets or similar obligations (other than Guarantees of Indebtedness) Incurred by any Person in connection with the acquisition or disposition of assets;

(9) Indebtedness consisting of the Subsidiary Guarantees and any Guarantee by the Company or a Subsidiary Guarantor of Indebtedness permitted by the Indenture to be Incurred by the Company or a Subsidiary other than Non-recourse Purchase Money Indebtedness;

(10) Hedging Obligations consisting of Interest Rate Agreements directly related to Indebtedness outstanding on the Issue Date or permitted to be Incurred by the Company and its Restricted Subsidiaries under the Indenture;

(11) Hedging Obligations consisting of Oil and Gas Hedging Contracts and Currency Agreements required under the Credit Agreement or entered into in the ordinary course of business for the purpose of limiting risks that arise in the ordinary course of business of the Company and its Restricted Subsidiaries;

(12) obligations in respect of bid, performance or surety bonds, including Guarantees and letters of credit functioning as or supporting such bid, performance or surety bonds, completion guarantees and other reimbursement obligations provided by the Company or any Restricted Subsidiary in the ordinary course of business (in each case other than for an obligation for money borrowed);

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(13) in-kind obligations relating to oil and gas balancing positions arising in the ordinary course of business; and

(14) Indebtedness in an aggregate amount that, together with the amount of all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (13) above or paragraph (a)) does not exceed $35 million.

(c) Notwithstanding the foregoing, we will not, and will not permit any Subsidiary Guarantor to, Incur any Indebtedness under the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations unless such Indebtedness is subordinated to the senior notes or the relevant Subsidiary Guarantee, as the case may be, to at least the same extent as such Subordinated Obligations.

The Company will not, and will not permit any Subsidiary Guarantor to, directly or indirectly, incur any Indebtedness that by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the senior notes or the Subsidiary Guarantee of such Subsidiary Guarantor, as the case may be, pursuant to terms no less favorable to the Holders of the senior notes.

(d) For purposes of determining compliance with the foregoing covenant:

(1) if an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, or is entitled to be incurred in compliance with the Consolidated Coverage Ratio in clause (a) of this covenant, we, in our sole discretion, may classify such item of Indebtedness (or any portion thereof) at the time of Incurrence in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness in one of the above clauses; and

(2) we will be entitled to divide and reclassify from time to time an item of Indebtedness in more than one of the types of Indebtedness described above or treat such Indebtedness as having been incurred in compliance with the Consolidated Coverage Ratio in clause (a) of this covenant.

Limitation on Restricted Payments

(a) We will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make a Restricted Payment if at the time we make or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default or an Event of Default has occurred and is continuing (or would result therefrom);

(2) we are not entitled to Incur an additional $1.00 of Indebtedness under paragraph (a) of the covenant described under Limitation on Indebtedness ; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of, without duplication:

(A) 50% of the aggregate Consolidated Net Income of the Company accrued during the period (treated as one accounting period) commencing on the first day of the fiscal quarter during which the Issue Date occurs and ending on the last day of the most recent fiscal quarter for which financial statements of the Company are publicly available prior to the date of such proposed Restricted Payment (or, if such aggregate Consolidated Net Income is a deficit, minus 100% of such deficit); *plus*

(B) 100% of (i) the aggregate Net Cash Proceeds, and (ii) the Fair Market Value of (a) Capital Stock (other than Capital Stock of the Company) of a Person (other than an Affiliate of the Company) engaged primarily in the Oil and Gas Business, *provided* that Person becomes a Restricted Subsidiary of the Company, and (b) other assets used in the Oil and Gas Business, in the case of clauses (i) and (ii) received by us from the issuance or sale of our Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); *plus*

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(C) the aggregate Net Cash Proceeds received by us subsequent to the Issue Date from the issue or sale of our Capital Stock (other than Disqualified Stock) to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees; *provided*, *however*, that if such employee stock ownership plan or trust Incurs any Indebtedness to finance the purchase of such Capital Stock, such aggregate amount will be limited to the excess of such Net Cash Proceeds over the amount of such Indebtedness plus an amount equal to any increase in the Consolidated Net Worth of the Company resulting from principal repayments made by such employee stock ownership plan or trust with respect to such Indebtedness; *plus*

(D) the amount by which our Indebtedness is reduced on our balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any of our Indebtedness that is convertible or exchangeable for our Capital Stock (other than Disqualified Stock) (less the amount of any cash, or the fair value of any other Property, distributed by us upon such conversion or exchange); *provided*, *however*, that the foregoing will not exceed the Net Cash Proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Company or to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); *plus*

(E) an amount equal to the sum of (x) the net reduction in Investments (other than Permitted Investments) made by us or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemption of such Investments by such Person, proceeds realized on the sale of such Investment and proceeds representing the return of capital, in each case received by us or any Restricted Subsidiary, and (y) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to our equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *provided*, *however*, that to the extent the foregoing sum exceeds, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary, such excess will not be included in this clause (E) unless the amount represented by such excess has not been and will not be taken into account in one of the foregoing clauses (A) through (D); *plus*

(F) $10 million.

(b) The provisions of the foregoing paragraph (a) will not prohibit:

(1) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; *provided*, *however*, that such dividend will be included in the calculation of the amount of Restricted Payments at the time of payment;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Capital Stock or Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); *provided*