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ENERGY PARTNERS LTD
Form 10-Q
November 12, 2003

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For The Quarterly Period Ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission file number 001-16179

ENERGY PARTNERS, LTD.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

72-1409562
(I.R.S. employer
identification number)

201 St. Charles Avenue, Suite 3400
New Orleans, Louisiana
(Address of principal executive offices)

70170
(Zip code)

Registrant's telephone number, including area code: (504) 569-1875

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer
(as defined by Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2003, there were 32,171,880 shares of the Registrant's
Common Stock, par value \$0.01 per share, outstanding.

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ITEM 1. FINANCIAL STATEMENTS

ENERGY PARTNERS, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2003	December 31, 2002
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,539	\$ 116
Trade accounts receivable -- net of allowance for doubtful accounts of \$1,351 in 2003 and 2002	30,150	25,824
Deferred tax asset	219	1,221
Prepaid expenses	1,882	1,868
Total current assets	----- 121,790	----- 29,029
Property and equipment, at cost under the successful efforts method of accounting for oil and natural gas properties	570,158	471,840
Less accumulated depreciation, depletion and amortization	(187,093)	(121,034)
	-----	-----

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Net property and equipment	383,065	350,806
Other assets	6,151	3,463
Deferred financing costs -- net of accumulated amortization of \$3,035 in 2003 and \$2,365 in 2002	4,640	922
	-----	-----
	\$ 515,646	\$ 384,220
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 14,560	\$ 8,869
Accrued expenses	22,611	43,533
Fair value of commodity derivative instruments	608	3,392
Current maturities of long-term debt	98	92
	-----	-----
Total current liabilities	37,877	55,886
Long-term debt	150,343	103,687
Deferred income taxes	25,575	9,033
Other	41,934	23,692
	-----	-----
	255,729	192,298
Stockholders' equity:		
Preferred stock, \$1 par value, authorized 1,700,000 shares; 368,076 issued and outstanding; aggregate liquidation value \$36,807,590	34,684	35,359
Common stock, par value \$0.01 per share. Authorized 50,000,000 shares; issued and outstanding: 2003 - 32,158,936 shares; 2002 - 27,550,466 shares	322	276
Additional paid-in capital	228,383	187,965
Accumulated other comprehensive loss	(389)	(2,171)
Accumulated deficit	(3,083)	(29,507)
	-----	-----
Total stockholders' equity	259,917	191,922
Commitments and contingencies		
	-----	-----
	\$ 515,646	\$ 384,220
	=====	=====

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended	Nin
	September 30,	
	-----	-----
	2003	2002
	-----	-----

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Revenue:			
Oil and natural gas	\$ 58,811	\$ 33,596	\$ 169
Other	68	82	
	-----	-----	-----
	58,879	33,678	170
	-----	-----	-----
Costs and expenses:			
Lease operating	10,671	8,723	28
Taxes, other than on earnings	1,768	1,676	5
Exploration expenditures and dry hole costs	3,999	4,509	9
Depreciation, depletion and amortization	22,341	16,059	59
General and administrative:			
Stock-based compensation	340	123	
Severance costs	-	-	
Other general and administrative	6,174	4,739	19
	-----	-----	-----
Total costs and expenses	45,293	35,829	122
	-----	-----	-----
Income (loss) from operations	13,586	(2,151)	47
	-----	-----	-----
Other income (expense):			
Interest income	133	17	
Interest expense	(3,120)	(1,799)	(6)
	-----	-----	-----
	(2,987)	(1,782)	(6)
	-----	-----	-----
Income (loss) before income taxes and cumulative effect of change in accounting principle	10,599	(3,933)	41
Income taxes	(3,875)	1,377	(15)
	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle	6,724	(2,556)	26
Cumulative effect of change in accounting principle, net of income taxes of \$1,276	-	-	2
	-----	-----	-----
Net income (loss)	6,724	(2,556)	28
Less dividends earned on preferred stock and accretion of discount	(883)	(876)	(2)
	-----	-----	-----
Net income (loss) available to common stockholders	\$ 5,841	\$ (3,432)	\$ 25
	=====	=====	=====
Earnings per share:			
Basic:			
Before cumulative effect of change in accounting principle	\$ 0.18	\$ (0.12)	\$
Cumulative effect of change in accounting principle	-	-	
	-----	-----	-----
Basic earnings (loss) per share	\$ 0.18	\$ (0.12)	\$
	=====	=====	=====
Diluted:			
Before cumulative effect of change in accounting principle	\$ 0.18	\$ (0.12)	\$
Cumulative effect of change in accounting principle	-	-	
	-----	-----	-----

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Diluted earnings (loss) per share	\$ 0.18	\$ (0.12)	\$
	=====	=====	=====
Weighted average common shares used in computing income (loss) per share:			
Basic	32,101	27,509	30
Incremental common shares	4,806	-	4
	-----	-----	-----
Diluted	36,907	27,509	35
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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ENERGY PARTNERS, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 28,470	\$ (7,300)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net of tax	(2,268)	50
Depreciation, depletion and amortization	59,445	(2,300)
Gain on sale of oil and natural gas assets	(207)	(2,300)
Amortization of deferred revenue	-	(2,300)
Stock-based compensation	819	(2,300)
Deferred income taxes	15,266	(4,300)
Exploration expenditures	6,120	3,300
Non-cash effect of derivative instruments	-	(2,300)
Amortization of deferred financing costs	670	(2,300)
Other	233	(2,300)
	-----	-----
	108,548	40,300
Changes in operating assets and liabilities, net of acquisition in 2002:		
Trade accounts receivable	(4,326)	(2,300)
Prepaid expenses	(14)	(2,300)
Other assets	(2,688)	(2,300)
Accounts payable and accrued expenses	767	(25,300)
Other liabilities	(663)	(1,300)
	-----	-----
Net cash provided by operating activities	101,624	12,300
	-----	-----
Cash flows used in investing activities:		
Acquisition of business, net of cash acquired	(850)	(10,300)

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Property acquisitions	(4,365)	(1)
Exploration and development expenditures	(86,224)	(21)
Other property and equipment additions	(534)	
Proceeds from sale of oil and natural gas assets	579	1
	-----	-----
Net cash used in investing activities	(91,394)	(32)
	-----	-----
Cash flows provided by financing activities:		
Bank overdraft	-	
Deferred financing costs	(4,392)	
Repayments of long-term debt	(118,338)	(15)
Equity offering costs	(479)	
Proceeds from public stock offering, net of commissions	38,000	
Proceeds from senior notes offering	150,000	
Proceeds from long-term debt	15,000	43
Dividends paid	(1,304)	(1)
Exercise of stock options and warrants	706	
	-----	-----
Net cash provided by financing activities	79,193	25
	-----	-----
Net increase in cash and cash equivalents	89,423	4
Cash and cash equivalents at beginning of period	116	
	-----	-----
Cash and cash equivalents at end of period	\$ 89,539	\$ 4
	=====	=====

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION

Certain information and footnote disclosures normally in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures which are made are adequate to make the information presented not misleading. These financial statements and footnotes should be read in conjunction with the financial statements and notes thereto included in Energy Partners, Ltd.'s (the Company) Annual Report on Form 10-K for the year ended December 31, 2002 and Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company maintains a website at www.eplweb.com which contains information about the Company including links to the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all related amendments. The Company's website and the information contained in it and connected to it shall not be deemed incorporated by reference into this Report on Form 10-Q.

The financial information as of September 30, 2003 and for the three and nine month periods ended September 30, 2003 and 2002 has not been audited. However, in the opinion of management, all adjustments (which include only

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normal recurring adjustments) necessary to present fairly the results of operations for the periods presented have been included therein. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

(2) STOCK-BASED COMPENSATION

The Company has two stock award plans, the Amended and Restated 2000 Long Term Stock Incentive Plan and the 2000 Stock Option Plan for Non-Employee Directors (the Plans). The Company accounts for its stock-based compensation in accordance with Accounting Principles Board's Opinion No. 25, "Accounting For Stock Issued to Employees" (Opinion No. 25). Statement of Financial Accounting Standards No. 123 (Statement 123), "Accounting For Stock-Based Compensation" and Statement of Financial Accounting Standards No. 148, "Accounting For Stock-Based Compensation - Transition and Disclosure," (Statement 148) permit the continued use of the intrinsic value-based method prescribed by Opinion No. 25, but require additional disclosures, including pro-forma calculations of earnings and net earnings per share as if the fair value method of accounting prescribed by Statement 123 had been applied. If compensation expense for the Plans had been determined using the fair-value method in Statement 123, the Company's net income (loss) and earnings (loss) per share would have been as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,
	2003	2002	2003
Net income (loss) available to common stockholders:			
As reported	\$ 5,841	\$ (3,432)	\$ 25,779
Pro forma	\$ 5,414	\$ (4,116)	\$ 24,780
Basic earnings (loss) per share:			
As reported	\$ 0.18	\$ (0.12)	\$ 0.85
Pro forma	\$ 0.17	\$ (0.15)	\$ 0.82
Diluted earnings (loss) per share:			
As reported	\$ 0.18	\$ (0.12)	\$ 0.81
Pro forma	\$ 0.17	\$ (0.15)	\$ 0.78
Stock-option based employee compensation cost, net of tax, included in net income (loss) as reported	\$ --	\$ 28	\$ 28

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(3) BUSINESS COMBINATION

On January 15, 2002, the Company closed the acquisition of Hall-Houston Oil Company (HHOC). The results of HHOC's operations have been included in the Company's consolidated financial statements since that date. HHOC was an oil and natural gas exploration and production company with operations focused in the shallow waters of the Gulf of Mexico. As a result of the acquisition, the Company has a strengthened management team, expanded exploration opportunities as well as a reserve portfolio and production that are more balanced between oil and natural gas.

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The acquisition was completed for \$38.4 million liquidation preference of newly authorized and issued Series D Exchangeable Convertible Preferred Stock (the Series D Preferred Stock), with an issue date fair value of \$34.7 million discounted to give effect to the increasing dividend rate, \$38.4 million of 11% Senior Subordinated Notes (the Notes) due 2009 (immediately callable at par), 574,931 shares of common stock with a fair value of approximately \$3.0 million determined based on the average market price of the Company's common stock over the period of two days before and after the terms of the acquisition were agreed to and announced, \$9.0 million of cash including \$3.9 million of accrued interest and prepayment fees paid to former debt holders, and warrants to purchase four million shares of the Company's common stock. Of the warrants, one million have a strike price of \$9.00 and three million have a strike price of \$11.00 per share. The warrants had a fair value of approximately \$3.0 million based on a third party valuation. In addition, the Company incurred approximately \$3.6 million of expenses in connection with the acquisition and assumed HHOC's working capital deficit.

In addition, former preferred stockholders of HHOC have the right to receive contingent consideration based upon a percentage of the amount by which the before tax net present value of proved reserves related, in general, to exploratory prospect acreage held by HHOC as of the closing date of the acquisition (the Ring-Fenced Properties) exceeds the net present value discounted at 30%. The potential consideration is determined annually beginning March 3, 2003 and ending March 1, 2007. The cumulative percentage remitted to the participants is 20% for March 3, 2003, 30% for March 1, 2004, 35% for March 1, 2005, 40% for March 1, 2006 and 50% for March 1, 2007. The contingent consideration, if any, may be paid in the Company's common stock or cash at the Company's option (with a minimum of 20% in cash) and in no event will exceed a value of \$50 million. On March 17, 2003, the Company capitalized, as additional purchase price, and paid additional consideration of \$0.9 million related to the March 3, 2003 contingent consideration payment date. Due to the uncertainty inherent in estimating the value of future contingent consideration which includes annual revaluations based upon, among other things, drilling results from the date of the prior revaluation, and development, operating and abandonment costs and production revenues (actual historical and future projected, as contractually defined, as of each revaluation date) for the Ring-Fenced Properties, total final consideration will not be determined until March 1, 2007. All additional contingent consideration will be capitalized as additional purchase price.

Following the completion of the acquisition, management of the Company assessed the technical and administrative needs of the combined organization. As a result, 14 redundant positions were eliminated including finance, administrative, geophysical and engineering positions in New Orleans and Houston. All terminated employees were informed of their termination date and severance benefits prior to March 31, 2002. Total severance costs under the plan were \$1.2 million.

(4) EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if the Company's convertible preferred stock, options and warrants were converted to common stock.

The following table reconciles the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three and nine month periods ended September 30, 2003. The diluted loss per share calculation for the three and nine months ended September 30, 2002 produces results that are anti-dilutive, therefore, the diluted loss per share

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amount

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

as reported for those periods in the accompanying consolidated statements of operations is the same as the basic loss per share amount.

	NET INCOME AVAILABLE TO COMMON STOCKHOLDER
	----- (IN THOUSAN
Three months ended September 30, 2003:	
Basic.....	\$ 5,84
Effect of dilutive securities:	
Preferred stock.....	88
Stock options.....	-
Warrants.....	-

Diluted.....	\$ 6,72

	NET INCOME AVAILABLE TO COMMON STOCKHOLDER
	----- (IN THOUSAN
Nine months ended September 30, 2003:	
Basic.....	\$ 25,77
Effect of dilutive securities:	
Preferred stock.....	2,69
Stock options.....	-
Warrants.....	-

Diluted.....	\$ 28,47

(5) HEDGING ACTIVITIES

The Company enters into hedging transactions with major financial institutions or counterparties with a credit rating of A or better to reduce exposure to fluctuations in the price of oil and natural gas. Crude oil hedges are settled based on the average of the reported settlement prices for West Texas Intermediate crude on the New York Mercantile Exchange (NYMEX) for each month. Natural gas hedges are settled based on the average of the last three days of trading of the NYMEX Henry Hub natural gas contract for each month. The Company also uses financially-settled crude oil and natural gas swaps, zero-cost

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collars and options that provide floor prices with varying upside price participation.

With a financially-settled swap, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is below the hedged price for the transaction, and the Company is required to make a payment to the counterparty if the settlement price for any settlement period is above the hedged price for the transaction. With a zero-cost collar, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is below the floor price of the collar, and the Company is required to make a payment to the counterparty if the settlement price for any settlement period is above the cap price for the collar. In some hedges, we have modified our collar to provide full upside participation after a limited non-participation range.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company had the following hedging contracts as of September 30, 2003:

NATURAL GAS POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Mmbtu)	VOLUME (Mmbtu)	
			DAILY	TOTAL
10/03 - 01/04.....	Collar	\$3.50/\$5.25	10,000	1,230,000
10/03 - 01/04.....	Collar	\$3.50/\$5.40	10,000	1,230,000
02/04 - 12/04.....	Collar	\$3.50/\$8.00	10,000	3,350,000
10/03 - 12/03.....	Combination options	\$4.19/\$6.12/\$6.27	20,000	1,840,000
10/03 - 12/03.....	Combination options	\$4.17/\$6.12/\$6.27	10,000	920,000

CRUDE OIL POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Bbl)	VOLUME (Bbls)	
			DAILY	TOTAL
10/03 - 12/03.....	Swap	\$26.36	2,000	184,000
10/03 - 12/03.....	Swap	\$24.81	1,000	92,000
01/04 - 12/04.....	Swap	\$27.35	1,500	549,000
01/04 - 06/04.....	Collar	\$25.00/\$31.38	1,500	273,000
07/04 - 09/04.....	Collar	\$24.00/\$29.00	1,500	138,000

Subsequent to September 30, 2003 the Company entered into the following contracts:

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CRUDE OIL POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Bbl)	VOLUME (Bbls)	
			DAILY	TOTAL
10/04 - 12/04.....	Collar	\$24.00/\$28.75	1,500	138,000

Hedging activities reduced natural gas and crude oil revenues by \$1.2 million and \$10.0 million in the three and nine month periods ended September 30, 2003 and reduced natural gas and crude oil revenues by \$1.6 million and \$1.7 million in the three and nine month periods ended September 30, 2002.

The following table reconciles the change in accumulated other comprehensive income for the nine month periods ending September 30, 2003 and 2002:

	NINE MONTHS ENDED SEPTEMBER 30, 2003 (IN THOUSANDS)	
Accumulated other comprehensive loss as of December 31, 2002		\$ (2,171)
Net income.....	\$ 28,470	
Other comprehensive income - net of tax		
Hedging activities		
Reclassification adjustments for settled contracts	6,416	
Changes in fair value of outstanding hedging positions..	(4,634)	
Total other comprehensive income.....	1,782	1,782
Comprehensive income.....	\$ 30,252	
Accumulated other comprehensive loss as of September 30, 2003		\$ (389)

	NINE MONTHS ENDED SEPTEMBER 30, 2002 (IN THOUSANDS)	
Accumulated other comprehensive income as of December 31, 2001		\$ 981
Net loss.....	\$ (7,924)	
Other comprehensive loss - net of tax		
Hedging activities		
Reclassification adjustments for settled contracts....	1,097	
Changes in fair value of outstanding hedging positions	(5,168)	
Total other comprehensive loss.....	(4,071)	(4,071)
Comprehensive loss.....	\$ (11,995)	
Accumulated other comprehensive loss as of September 30, 2002		\$ (3,090)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Based upon current prices, the Company expects to transfer approximately \$0.7 million of net deferred losses in accumulated other comprehensive loss as of September 30, 2003 to earnings during the next twelve months when the forecasted transactions actually occur.

(6) ASSET RETIREMENT OBLIGATION

In 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (Statement 143). Statement 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred, a corresponding increase in the carrying amount of the related long-lived asset and is effective for fiscal years beginning after June 15, 2002. The Company adopted Statement 143 effective January 1, 2003, using the cumulative effect approach to recognize transition amounts for asset retirement obligations, asset retirement costs and accumulated depreciation. The Company previously recorded estimated costs of dismantlement, removal, site restoration and similar activities as part of its depreciation, depletion and amortization for oil and natural gas properties and recorded a separate liability for such amounts in other liabilities. The effect of adopting Statement 143 on the Company's results of operations and financial condition included a net increase in long-term liabilities of \$14.2 million; an increase in net property, plant and equipment of \$17.8 million; a cumulative effect of adoption income of \$2.3 million, net of deferred income taxes of \$1.3 million.

The following pro forma data summarizes the Company's net loss and net loss per share as if the Company had adopted the provisions of Statement 143 on January 1, 2002, including an associated pro forma asset retirement obligation on that date of \$ 33.3 million (in thousands, except per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30, ----- 2002 -----	NINE MONTHS ENDED SEPTEMBER 30, ----- 2002 -----
Net loss available to common stockholders, as reported..	\$ (3,432)	\$ (10,391)
Pro forma adjustments to reflect retroactive adoption of Statement 143.....	(107)	(65)
	-----	-----
Pro forma net loss.....	\$ (3,539)	\$ (10,456)
	=====	=====
Net loss per share:		
Basic - as reported.....	\$ (0.12)	\$ (0.38)
	=====	=====
Basic - pro forma.....	\$ (0.13)	\$ (0.38)
	=====	=====
Diluted - as reported.....	\$ (0.12)	\$ (0.38)
	=====	=====
Diluted - pro forma.....	\$ (0.13)	\$ (0.38)

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The following table reconciles the beginning and ending aggregate recorded amount of the asset retirement obligation for the nine months ended September 30, 2003 (in thousands):

	ASSET RETIREMENT OBLIGATION

December 31, 2002.....	\$ 22,669
Net impact of initial adoption.....	14,211
Accretion expense.....	1,375
Liabilities incurred.....	387
Liabilities settled.....	(1,244)
Revisions in estimated cash flows.....	3,437

September 30, 2003.....	\$ 40,835
	=====

(7) NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" (Statement 148). Statement 148 provides alternative methods of transition for a voluntary change to the fair value based method of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

accounting for stock-based employee compensation. In addition, Statement 148 amends the disclosure requirements of Statement 123, "Accounting for Stock-Based Compensation," to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. The Company is currently assessing the impact of the transition options presented in Statement 148. The disclosures required by Statement 148 are included in note 2.

On April 30, 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (Statement 149). Statement 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. Statement 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. The Company has adopted Statement 149 which did not have a material impact on its financial position or

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results of operations or cash flows.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (Statement 150). Statement 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. Statement 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The Company has adopted Statement 150 which did not have a material impact on its financial position or results of operations or cash flows.

Statement of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Intangible Assets," became effective for us on July 1, 2001 and January 1, 2002, respectively. On adoption, the Company did not believe that these statements changed the existing authoritative literature specific to accounting for oil and natural gas producing properties. The Company believes accounting standards setters are currently reviewing the application of the accounting prescribed by these statements to the oil and natural gas industry. The result may be to require that mineral use rights, such as leasehold interests, be separately classified in the balance sheets of oil and natural gas companies. Specifically these standards may require that mineral use rights, including proved leaseholds acquired subsequent to June 30, 2001, be classified on the balance sheet as intangible assets. Accordingly, in a future filing the Company may be required to reclassify, on the balance sheets presented, mineral use rights, including leasehold interests, acquired subsequent to July 1, 2001. The reclassification would result in amounts being reclassified from "property and equipment" to "intangible acquired proved leaseholds" and "unproved intangible oil and natural gas properties." At September 30, 2003 the Company estimates that it had unproved and proved leaseholds of approximately \$6.0 million and \$100.0 million that would have been classified on the balance sheet as unproved intangible oil and natural gas properties and intangible acquired proved leaseholds, respectively, if the interpretation currently being deliberated had been applied. The amounts reclassified from "net property and equipment" would have no effect on depreciation, depletion and amortization, net income (loss) available to common stockholders, total assets or total accumulated depreciation, depletion and amortization for the periods presented.

(8) PUBLIC OFFERING

On April 16, 2003, the Company completed the public offering of approximately 6.8 million shares of its common stock (the Equity Offering), which was priced at \$9.50 per share. The Equity Offering included 4.2 million shares offered by the Company, 1.7 million shares offered by Evercore Capital Partners L.P.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

and certain of its affiliates, and 0.9 million shares offered by Energy Income Fund, L.P. In addition, the underwriters exercised their option to purchase 1.0 million additional shares to cover over-allotments, the proceeds from which went to selling shareholders and not to the Company. After payment of underwriting discounts and commissions, the offering generated net proceeds to the Company of approximately \$38.0 million. After expenses of approximately \$0.4 million, the

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proceeds were used to repay a portion of outstanding borrowings under the Company's bank credit facility.

(9) INDEBTEDNESS

On August 5, 2003, the Company issued \$150 million of 8.75% Senior Notes Due 2010 (the Senior Notes) in a Rule 144A private offering (the Debt Offering) which allows unregistered transactions with qualified institutional buyers. In October 2003, the Company consummated an exchange offer pursuant to which it exchanged registered Senior Notes having substantially identical terms as the Senior Notes for the privately placed Senior Notes. After discounts and commissions and estimated offering expenses, the Company received \$145.6 million, which was used to redeem all of the outstanding 11% Senior Subordinated Notes Due 2009 (see note 3) and to repay substantially all of the borrowings outstanding under the Company's bank credit facility. The remainder of the net proceeds will be used for general corporate purposes, including acquisitions.

The Senior Notes mature on August 1, 2010 with interest payable each February 1 and August 1, commencing February 1, 2004. The indenture relating to the Senior Notes contains certain restrictions on the Company's ability to incur additional debt, pay dividends on its common stock, make investments, create liens on its assets, engage in transactions with its affiliates, transfer or sell assets and consolidate or merge substantially all of its assets. The Senior Notes are not subject to any sinking fund requirements.

On July 28, 2003 the Company amended its bank credit facility in connection with the Debt Offering. The amendment reduced the borrowing base under the bank credit facility to \$60 million upon consummation of the Debt Offering. The borrowing base will remain subject to redetermination based on the proved reserves of the oil and natural gas properties.

(10) SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the Debt Offering, discussed above, all of the Company's current active subsidiaries (the Guarantor Subsidiaries) jointly, severally and unconditionally guaranteed the payment obligations under the Debt Offering. The following supplemental financial information sets forth, on a consolidating basis, the balance sheet, statement of operations and cash flow information for Energy Partners, Ltd. (Parent Company Only) and for the Guarantor Subsidiaries. The Company has not presented separate financial statements and other disclosures concerning the Guarantor Subsidiaries because management has determined that such information is not material to investors.

The supplemental condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include all disclosures included in annual financial statements, although the Company believes that the disclosures made are adequate to make the information presented not misleading. Certain reclassifications were made to conform all of the financial information to the financial presentation on a consolidated basis. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenues and expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2003
(IN THOUSANDS)

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	PARENT COMPANY ONLY	GUARANTOR SUBSIDIARIES	ELIMINATIONS
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 89,539	\$ --	\$ --
Trade accounts receivable	24,826	5,324	--
Other current assets	(8,199)	10,300	--
	-----	-----	-----
Total current assets	106,166	15,624	--
Property and equipment	394,258	175,900	--
Less accumulated depreciation, depletion and amortization	(124,612)	(62,481)	--
	-----	-----	-----
Net property and equipment	269,646	113,419	--
Investment in affiliates	93,563	--	(93,563)
Notes receivable, long-term	--	80,000	(80,000)
Other assets	10,791	--	--
	-----	-----	-----
	\$ 480,166	\$ 209,043	\$ (173,563)
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 36,640	\$ 531	\$ --
Fair value of commodity derivative instruments	608	--	--
Current maturities of long-term debt	--	98	--
	-----	-----	-----
Total current liabilities	37,248	629	--
Long-term debt	150,100	80,243	(80,000)
Other liabilities	32,901	34,608	--
	-----	-----	-----
	220,249	115,480	(80,000)
Stockholders' equity			
Preferred stock	34,684	--	--
Common stock	322	--	--
Additional paid-in capital	228,383	--	--
Accumulated other comprehensive loss	(389)	--	--
Accumulated deficit	(3,083)	93,563	(93,563)
	-----	-----	-----
Total stockholders' equity	259,917	93,563	(93,563)
	-----	-----	-----
	\$ 480,166	\$ 209,043	\$ (173,563)
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2003

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(IN THOUSANDS)

	PARENT COMPANY ONLY	GUARANTOR SUBSIDIARIES	ELIMINATION
	-----	-----	-----
Revenue:			
Oil and gas	\$ 106,405	\$ 63,50	\$ -
Other	21,724	203	(21,50)
	-----	-----	-----
	128,129	63,709	(21,50)
Costs and expenses:			
Lease operating expenses	14,959	13,156	-
Taxes, other than on earnings	946	4,973	-
Exploration expenditures	8,935	300	-
Depreciation, depletion and amortization	44,873	14,572	-
General and administrative	19,932	11,301	(11,25)
	-----	-----	-----
Total Operating expenses	89,645	44,302	(11,25)
Income (loss) from operations	38,484	19,407	(10,25)
Interest expense, net	(6,347)	(23)	-
Income before income taxes and cumulative effect of change in accounting principle	32,137	19,384	(10,25)
Income taxes	(15,066)	--	-
	-----	-----	-----
Income before cumulative effect of change in accounting principle	17,071	19,384	(10,25)
Cumulative effect of change in accounting principle	11,399	(9,131)	-
	-----	-----	-----
Net income (loss)	\$ 28,470	\$ 10,253	\$ (10,25)
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS)

	PARENT COMPANY ONLY	GUARANTOR SUBSIDIARIES	ELIMINATION
	-----	-----	-----
Net cash provided by operating activities	\$ 82,354	\$ 19,270	\$ -

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Cash flows used in investing activities:

Acquisition of business, net of cash			
acquired	(850)	--	--
Property acquisitions	(4,363)	(2)	--
Exploration and development			
expenditures.....	(67,029)	(19,195)	--
Other property and equipment			
additions	(529)	(5)	--
Proceeds from the sale of oil and natural			
gas assets	579	--	--
	-----	-----	-----
Net cash used in investing activities	(72,192)	(19,202)	--

Cash flows provided by (used in) financing activities:

Deferred financing costs	(4,391)	--	--
Repayments of long-term debt	(118,271)	(68)	--
Equity offering costs	(479)	--	--
Proceeds from public offering net of			
commissions	38,000	--	--
Proceeds from senior notes offering	150,000	--	--
Proceeds from long-term debt	15,000	--	--
Dividends paid	(1,304)	--	--
Exercise of stock options and warrants	706	--	--
	-----	-----	-----
Net cash provided by (used in) financing			
activities	79,261	(68)	--
	-----	-----	-----

Net increase in cash and cash equivalents	89,423	--	--
Cash and cash equivalents at the			
beginning of the period	116	--	--
	-----	-----	-----
Cash and cash equivalents at the end of			
the period	\$ 89,539	\$ --	\$ --
	=====	=====	=====

(11) CONTINGENCIES

In the ordinary course of business, the Company is a defendant in various legal proceedings. The Company does not expect its exposure in these proceedings, individually or in the aggregate, to have a material adverse effect on the financial position, results of operations or liquidity of the Company.

(12) RECLASSIFICATIONS

Certain reclassifications have been made to the prior period financial statements in order to conform to the classification adopted for reporting in fiscal 2003.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are an independent oil and natural gas exploration and production company, incorporated in January 1998, with operations concentrated in the

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shallow to moderate depth waters of the Gulf of Mexico Shelf.

We use the successful efforts method of accounting for our investment in oil and natural gas properties. Under this method, we capitalize lease acquisition costs, costs to drill and complete exploration wells in which proven reserves are discovered and costs to drill and complete development wells. Geological and geophysical and delay rental expenditures are expensed as incurred. We conduct many of our exploration and development activities jointly with others and, accordingly, recorded amounts for our oil and natural gas properties reflect only our proportionate interest in such activities. Our annual report on Form 10-K for the fiscal year ended December 31, 2002, includes a discussion of our critical accounting policies, which have not significantly changed.

On January 15, 2002, we closed the acquisition of Hall-Houston Oil Company ("HHOC") and certain affiliated interests. At closing, we issued \$38.4 million liquidation preference of newly authorized and issued Series D Exchangeable Convertible Preferred Stock, with an issue date fair value of \$34.7 million, discounted to effect the increasing dividend rate, \$38.4 million of 11% Senior Subordinated Notes ("the Notes") due 2009 (immediately callable at par) and 574,931 shares of common stock. We also paid \$9.0 million of cash including \$3.9 million of accrued interest and prepayment fees paid to former debt holders, assumed HHOC's working capital deficit and issued warrants, with a fair market value of approximately \$3.0 million, to purchase four million shares of common stock. Former preferred stockholders of HHOC also received the right to receive contingent consideration related to future proved reserve additions generally to come from certain exploratory prospect acreage held by HHOC as of the closing date. We have included the results of operations from the HHOC acquisition with ours from the closing date of January 15, 2002.

On April 16, 2003, we completed the public offering of 4.2 million shares of our common stock. The shares were priced at \$9.50 per share. After payment of underwriting discounts and commissions, the offering generated net proceeds to us of approximately \$38.0 million. After expenses of approximately \$0.4 million, the proceeds were used to repay a portion of outstanding borrowings under our bank credit facility.

On August 5, 2003, we issued \$150 million of 8.75% Senior Notes Due 2010 ("the Senior Notes") in a Rule 144A private offering ("the Debt Offering") which allows unregistered transactions with qualified institutional buyers. In October 2003, we consummated an exchange offer pursuant to which we exchanged registered Senior Notes having substantially identical terms as the Senior Notes for the privately placed Senior Notes. After discounts and commissions and estimated offering expenses, we received \$145.6 million, which was used to redeem all of our outstanding 11% Senior Subordinated Notes Due 2009 and to repay substantially all of the borrowings outstanding under our bank credit facility. The remainder of the net proceeds will be used for general corporate purposes, including acquisitions.

In October 2003, our principal stockholder, Evercore Capital Partners L.P., together with its affiliates ("Evercore"), exercised a contractual right to request us to register with the SEC for possible public sale all of their approximately 4.5 million shares of common stock. The registration statement was declared effective by the SEC on November 4, 2003. Under our Stockholder Agreement, Evercore is currently entitled to nominate two of our nine directors, and Evercore's approval is required to take a number of corporate actions. As a result, Evercore is in a position to control or influence substantially the manner in which our business is operated. Also under our Stockholder Agreement, the former HHOC shareholders and our management shareholders each have a right to nominate one director. Evercore has informed us that it has agreed with its underwriters to sell all of its shares of our common stock in a public offering, and expects the offering to close on November 17, 2003. If Evercore successfully

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completes this sale, the Stockholder Agreement will terminate, Evercore's approval will no longer be required for any of our corporate actions, and no person will have a contractual right to nominate any of our directors.

We amended our bank credit facility in connection with the Debt Offering. The amendment reduced the borrowing base under our bank credit facility to \$60 million upon consummation of the Debt Offering. The borrowing base will remain subject to redetermination based on the proved reserves of the oil and natural gas properties.

Our revenue, profitability and future growth rate depend substantially on factors beyond our control, such as economic, political and regulatory developments and competition from other sources of energy. Oil and natural gas prices historically have been volatile and may fluctuate widely in the future. Sustained periods of low prices for oil and natural gas could materially and adversely affect our financial position, our results of operations, the quantities of oil and natural gas reserves that we can economically produce and our access to capital.

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RESULTS OF OPERATIONS

The following table presents information about our oil and natural gas operations.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MON SEPTEMBER
	2003	2002	2003
Net Production (per day):			
Oil (Bbls)	7,841	7,736	7,778
Natural gas (Mcf)	86,301	55,166	76,698
Total barrels of oil equivalent (Boe)	22,225	16,930	20,561
Oil and Natural Gas Revenues (in thousands):			
Oil	\$ 19,364	\$ 17,928	\$ 59,441
Natural gas	39,447	15,668	110,470
Total oil & natural gas revenues	58,811	33,596	169,911
Average Sales Prices (1):			
Oil (per Bbl)	\$ 26.84	\$ 25.19	\$ 27.99
Natural gas (per Mcf)	4.97	3.09	5.28
Average sales price (per Boe)	28.76	21.57	30.27
Average Costs (per Boe):			
Lease operating expense	\$ 5.22	\$ 5.60	\$ 5.01
Taxes, other than on earnings	0.86	1.08	1.05
Depreciation, depletion and amortization	10.93	10.31	10.59

(1) Net of the effect of hedging transactions

PRODUCTION

CRUDE OIL AND CONDENSATE. Our net oil production for the third quarter of 2003 slightly increased to 7,841 Bbls per day from 7,736 Bbls per day in the third quarter of 2002. The increase was the result of some recompletions performed on oil wells that slightly increased production and Tropical Storm Isidore which adversely impacted volumes for the same period in 2002 offset by natural reservoir declines. Our net oil production for the first nine months of

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2003 decreased to 7,778 Bbls per day from 8,555 Bbls per day in the same period of 2002. The decrease was the result of natural reservoir declines.

NATURAL GAS. Our net natural gas production for the third quarter of 2003 increased to 86,301 Mcf per day from 55,166 Mcf per day in the third quarter of 2002. Our net natural gas production for the first nine months of 2003 increased to 76,698 Mcf per day from 55,027 Mcf per day in the same period of 2002. The increase was the result of new production from 14 natural gas wells, primarily in federal waters, completed and brought on production subsequent to the third quarter 2002, the storm impact discussed above and partially offset by natural reservoir declines.

REALIZED PRICES

CRUDE OIL AND CONDENSATE. Our average realized oil price in the third quarter of 2003 was \$26.84 per Bbl, an increase of 7% from an average realized price of \$25.19 per Bbl in the third quarter of 2002. Hedging activities reduced oil price realizations by \$1.55 per Bbl or 5% from the \$28.39 per Bbl that would have otherwise been received in the third quarter of 2003. In the third quarter of 2002, hedging activities reduced oil price realizations by \$1.01 per Bbl or 4% from the \$26.20 per Bbl that would have otherwise been received.

Our average realized oil price in the first nine months of 2003 was \$27.99 per Bbl, an increase of 21% from an average realized price of \$23.07 per Bbl in the first nine months of 2002. Hedging activities reduced oil price realizations by \$1.59 per Bbl or 5% from the \$29.58 per Bbl that would have otherwise been received in the first nine months of 2003. In the first nine months of 2002, hedging activities reduced oil price realizations by \$0.44 per Bbl or 2% from the \$23.51 per Bbl that would have otherwise been received.

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NATURAL GAS. Our average realized natural gas price in the third quarter of 2003 was \$4.97 per Mcf, an increase of 61% from an average realized price of \$3.09 per Mcf in the third quarter of 2002. Hedging activities reduced natural gas price realizations by \$0.02 per Mcf from the \$4.99 per Mcf that would have otherwise been received in the third quarter of 2003. Hedging activities reduced natural gas price realizations by \$0.17 per Mcf or 5% from the \$3.26 per Mcf that would have otherwise been received in the third quarter of 2002.

Our average realized natural gas price in the first nine months of 2003 was \$5.28 per Mcf, an increase of 73% over an average realized price of \$3.06 per Mcf in the first nine of 2002. In the first nine months of 2003, hedging activities decreased natural gas price realizations by \$0.32 or 6% per Mcf from the \$5.60 per Mcf that would have otherwise been received. In the first nine months of 2002, hedging activities decreased natural gas price realizations by \$0.04 per Mcf from \$3.10 per Mcf that would have otherwise been received.

NET INCOME AND REVENUES

Our oil and natural gas revenues increased to \$58.8 million in the third quarter of 2003 from \$33.6 million in the third quarter of 2002. The significant increase for this period is the result of the 31% increase in our Boe production volume and increased prices previously discussed.

Our oil and natural gas revenues increased to \$169.9 million in the first nine months of 2003 from \$99.9 million in the first nine months of 2002. The significant increase in this nine month period is a result of a Boe production volume increase of 16%, combined with an increase in oil and natural gas prices that was more significant than that experienced in the current quarter.

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We recognized net income of \$6.7 million in the third quarter of 2003 compared to a net loss of \$2.6 million in the third quarter of 2002. We recognized net income of \$28.5 million in the first nine months of 2003 compared to a net loss of \$7.9 million in the first nine months of 2002. The increase in net income was primarily due to the increase in oil and natural gas revenues previously discussed and partially offset by higher operating costs. In addition, the following items had a significant impact on our net income or loss in these periods and affect the comparability of the results of operations for the periods:

- In January 2003, we adopted the Financial Accounting Standards Boards' Statement 143, Accounting for Asset Retirement Obligations, using the cumulative effect approach to recognize transition amounts for asset retirement obligations, asset retirement costs and accumulated depreciation. We previously recorded estimated costs of dismantlement, removal, site restoration and similar activities as part of our depreciation, depletion and amortization for oil and natural gas properties and recorded a separate liability for such amounts in other liabilities. The effect of adopting Statement 143 on the results of operations for the nine months ended September 30, 2003 included a cumulative effect of adoption income of \$2.3 million net of deferred income taxes.
- In March 2002, in connection with management's plan to reduce costs and effectively combine the operations of HHOC with ours, we executed a severance plan and recorded an expense of \$1.2 million.

OPERATING EXPENSES

Operating expenses during the three and nine month periods ended September 30, 2003 and 2002 were affected by the following:

- Lease operating expense increased to \$10.7 million in the third quarter of 2003 from \$8.7 million in the third quarter of 2002. This is a result of the addition of production from new fields, whereas the majority of our new production in the past was primarily from our large fields with existing infrastructure and lower variable cost.

Lease operating expense increased to \$28.1 million in the first nine months of 2003 from \$26.1 million in the first nine months of 2002. The increase is due to the reason discussed above combined with higher than expected cost on non-operated fields.

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- Taxes, other than on earnings increased to \$1.8 million in the third quarter of 2003 from \$1.7 million in the third quarter of 2002. Taxes, other than on earnings increased to \$5.9 million in the first nine months of 2003 from \$4.8 million in the first nine months of 2002. The increases were due to increases in the production volumes and prices received for our oil and natural gas production on state leases, primarily at East Bay and Bay Marchand, subject to Louisiana severance taxes.
- Depreciation, depletion and amortization increased to \$22.3 million in the third quarter of 2003 from \$16.1 million in the third quarter of 2002. Depreciation, depletion and amortization increased to \$59.4 million in the first nine months of 2003 from \$50.3 million in the first nine months of 2002. The increases in both periods were due to the increased depreciable asset base combined with higher production and a shift in the production contribution from our various fields.

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- Other general and administrative expenses increased to \$6.2 million in the third quarter of 2003 from \$4.7 million in the third quarter of 2002. The increase was primarily due to increased personnel costs (\$0.8 million) and increased insurance costs (\$0.6 million).

Other general and administrative expenses increased to \$19.2 million in the first nine months of 2003 from \$16.0 million in the first nine months of 2002. The increase was primarily due to additional personnel costs (\$3.4 million) and increased insurance costs (\$0.5 million), offset by eliminating redundant costs in the Houston and New Orleans offices and decreases in various other costs.

- As previously discussed, \$1.2 million of severance costs were incurred in the first nine months of 2002 in connection with the HHOC acquisition. Management assessed the personnel needs of the combined companies and implemented a plan to terminate 14 employees.
- Non-cash stock-based compensation expense of \$0.3 million was recognized in the third quarter of 2003 compared to \$0.1 million in the third quarter of 2002. Non-cash stock-based compensation expense of \$0.8 million was recognized in the first nine months of 2003 compared to \$0.3 million recognized in the first nine months of 2002. The expense relates to restricted stock performance share awards and stock option grants made to employees.

OTHER INCOME AND EXPENSE

INTEREST. Interest expense increased to \$3.1 million in the third quarter of 2003 from \$1.8 million in the third quarter of 2002. Interest expense for the year to date period increased to \$6.5 million in 2003 from \$5.2 million in 2002. The increase was a result of interest expense on the 8.75% Senior Notes issued in August 2003 partially offset by the interest savings from the redemption of the Notes and the repayment of the bank credit facility.

LIQUIDITY AND CAPITAL RESOURCES

We intend to use cash flows from operations before changes in working capital to fund our future capital expenditure program. Our future cash flows from operations before changes in working capital will depend on our ability to maintain and increase production through our development and exploratory drilling program, as well as the prices we receive for oil and natural gas. We may, from time to time, use the availability of our bank credit facility for working capital needs.

Our bank credit facility, as amended on July 28, 2003, consists of a revolving line of credit with a group of banks available through March 30, 2005 (the "bank credit facility"). The bank credit facility currently has a borrowing base of \$60 million that is subject to redetermination based on the proved reserves of the oil and natural gas properties that serve as collateral for the bank credit facility as set out in the reserve report delivered to the banks each April 1 and October 1. As of September 30, 2003 we had \$59.9 million available under the bank credit facility. The bank credit facility permits both prime rate based borrowings and LIBOR based borrowings plus a floating spread. The spread will float up or down based on our utilization of the bank credit facility. The spread can range from 1.50% to 2.25% above LIBOR and 0% to 0.75% above prime. The borrowing base under the bank credit facility is secured by substantially all of our oil and natural gas assets. In addition, we pay an annual fee on the unused portion of the bank credit facility ranging between .375% to .5% depending on the utilization of our borrowing base. The bank credit facility contains customary events of default and requires

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that we satisfy various financial covenants.

On August 5, 2003, we issued, in a private placement, \$150 million of 8.75% Senior Notes due 2010. The Senior Notes bear interest at a rate of 8.75% per annum with interest payable semi-annually on February 1 and August 1, beginning February 1, 2004. We may redeem the notes at our option, in whole or in part, at any time on or after August 1, 2007 at a price equal to 100% of the principal amount plus accrued and unpaid interest, if any, plus a specified premium which decreases yearly from 4.375% in 2007 to 0% in 2009 and thereafter. In addition, at any time prior to August 1, 2006, we may redeem up to a maximum of 35% of the aggregate principal amount with the net proceeds of certain equity offerings at a price equal to 108.75% of the principal amount, plus accrued and unpaid interest. The notes are unsecured obligations and rank equal in right of payment to all existing and future senior debt, including the bank credit facility, and will rank senior or equal in right of payment to all existing and future subordinated indebtedness. The Senior Notes were effectively registered with the Securities and Exchange Commission in October 2003 at 100% of principal amount.

Upon closing on the Senior Notes on August 5, 2003, we called our \$38.4 million 11% notes due 2009 for redemption. The redemption of the Notes in aggregate principal and accrued interest were funded with a portion of the proceeds received from the Senior Notes and was completed in August 2003. The Notes were issued on January 15, 2001 as part of the acquisition of HHOC and bore interest at a rate of 11% per annum with interest payable semi-annually on January 15 and July 15. In addition, \$39.9 million of the proceeds from the Senior Notes were used to pay substantially all of the borrowings under the bank credit facility. As a result of the issuance of the Senior Notes, our bank credit facility borrowing base was reduced from \$100 million to \$60 million requiring a non-cash charge of \$0.3 million for the write-off of the pro rata remaining balance of unamortized issue costs.

Net cash of \$91.4 million used in investing activities in the first nine months of 2003 consisted primarily of oil and natural gas property capital and exploration expenditures. Dry hole costs resulting from exploration expenditures are excluded from operating cash flows and included in investing activities. During the first nine months of 2003, we completed 11 drilling projects, 8 of which were successful and 26 recompletion/workover projects, 23 of which were successful. During the first nine months of 2002, we completed five drilling projects, four of which were successful and 21 recompletion/workover projects, 16 of which were successful.

Our 2003 capital expenditure budget is focused on exploration, exploitation and development activities on our proved properties combined with moderate risk and higher risk exploratory activities on undeveloped leases. We currently intend to allocate approximately 65% of our budget on an annual basis to low risk development and exploitation activities, approximately 25% to moderate risk exploration opportunities and approximately 10% to higher risk, higher potential exploration opportunities. Our capital expenditure budget for 2003 is approximately \$110 million. During the first nine months of 2003, capital expenditures were approximately \$74.4 million. The level of our capital expenditure budget is based on many factors, including results of our drilling program, oil and natural gas prices, industry conditions, participation by other working interest owners and the costs of drilling rigs and other oilfield goods and services. Should actual conditions differ materially from expectations, some projects may be accelerated or deferred and, consequently, may increase or decrease total 2003 capital expenditures.

We have experienced and expect to continue to experience substantial working capital requirements, primarily due to our active capital expenditure program. We believe that cash flows from operations before changes in working

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capital will be sufficient to meet our capital requirements for at least the next twelve months. Availability under the bank credit facility will be used to balance short-term fluctuations in working capital requirements. However, additional financing may be required in the future to fund our growth.

Our annual report on Form 10-K for the year ended December 31, 2002 included a discussion of our contractual obligations; the only changes to that disclosure during the nine months ended September 30, 2003 is the decrease in borrowings under our bank credit facility, redemption of all of the Notes and the issuance of the Senior Notes, discussed herein.

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NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" ("Statement 148"). Statement 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement 148 amends the disclosure requirements of Statement 123, "Accounting for Stock-Based Compensation," to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, while the interim disclosure provisions are effective for periods beginning after December 15, 2002. We are currently assessing the impact of the transition options presented in Statement 148. The disclosure provisions required by Statement 148 are included in note 2 of the financial statements.

On April 30, 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("Statement 149"). Statement 149 amends and clarifies the accounting guidance on (1) derivative instruments (including certain derivative instruments embedded in other contracts) and (2) hedging activities that fall within the scope of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 149 also amends certain other existing pronouncements, which will result in more consistent reporting of contracts that are derivatives in their entirety or that contain embedded derivatives that warrant separate accounting. Statement 149 is effective (1) for contracts entered into or modified after June 30, 2003, with certain exceptions, and (2) for hedging relationships designated after June 30, 2003. The guidance is to be applied prospectively. We have adopted Statement 149 which did not have a material impact on our financial position or results of operations or cash flows.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("Statement 150"). Statement 150 establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. Statement 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. We have adopted Statement 150 which did not have a material impact on our financial position or results of operations or cash flows.

Statement of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Intangible Assets," became effective

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for us on July 1, 2001 and January 1, 2002, respectively. On adoption, we did not believe that these statements changed the existing authoritative literature specific to accounting for oil and natural gas producing properties. We believe accounting standards setters are currently reviewing the application of the accounting prescribed by these statements to the oil and natural gas industry. The result may be to require that mineral use rights, such as leasehold interests, be separately classified in the balance sheets of oil and natural gas companies. Specifically these standards may require that mineral use rights, including proved leaseholds acquired subsequent to June 30, 2001, be classified on the balance sheet as intangible assets. Accordingly, in a future filing we may be required to reclassify, on the balance sheets presented, mineral use rights, including leasehold interests, acquired subsequent to July 1, 2001. The reclassification would result in amounts being reclassified from "property and equipment" to "intangible acquired proved leaseholds" and "unproved intangible oil and natural gas properties." At September 30, 2003 we estimate that we had unproved and proved leaseholds of approximately \$6.0 million and \$100.0 million that would have been classified on the balance sheet as unproved intangible oil and natural gas properties and intangible acquired proved leaseholds, respectively, if the interpretation currently being deliberated had been applied. The amounts reclassified from "net property and equipment" would have no effect on depreciation, depletion and amortization, net income (loss) available to common stockholders, total assets or total accumulated depreciation, depletion and amortization for the periods presented.

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FORWARD LOOKING INFORMATION

All statements other than statements of historical fact contained in this Report and other periodic reports filed by us under the Securities Exchange Act of 1934 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 important to 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 "Additional Factors Affecting Business" in Items 1 and 2 of our Annual Report on Form 10-K for the year ended December 31, 2002. Although we believe that the assumptions on which any forward-looking statements in this Report and other periodic reports filed by us are reasonable, no assurance can be given that such assumptions will prove correct. All forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We are exposed to changes in interest rates. Changes in interest rates affect the interest earned on our cash and cash equivalents and the interest rate paid on borrowings under the bank credit facility. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. At September 30, 2003, \$0.1 million of our long-term debt had variable interest rates, while the remaining long-term debt had fixed interest rates, therefore an increase in the variable interest rate would not have a material impact on net income.

COMMODITY PRICE RISK

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

We use derivative commodity instruments to manage commodity price risks associated with future oil and natural gas production. As of September 30, 2003, we had the following contracts in place:

NATURAL GAS POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Mmbtu)	VOLUME (Mmbtu)	
			DAILY	TOTAL
10/03 - 01/04.....	Collar	\$3.50/\$5.25	10,000	1,230,000
10/03 - 01/04.....	Collar	\$3.50/\$5.40	10,000	1,230,000
02/04 - 12/04.....	Collar	\$3.50/\$8.00	10,000	3,350,000
10/03 - 12/03.....	Combination options	\$4.19/\$6.12/\$6.27	20,000	1,840,000
10/03 - 12/03.....	Combination options	\$4.17/\$6.12/\$6.27	10,000	920,000

CRUDE OIL POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Bbl)	VOLUME (Bbls)	
			DAILY	TOTAL
10/03 - 12/03.....	Swap	\$26.36	2,000	184,000
10/03 - 12/03.....	Swap	\$24.81	1,000	92,000
01/04 - 12/04.....	Swap	\$27.35	1,500	549,000
01/04 - 06/04.....	Collar	\$25.00/\$31.38	1,500	273,000
07/04 - 09/04.....	Collar	\$24.00/\$29.00	1,500	138,000

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Subsequent to September 30, 2003 the Company entered into the following contracts:

CRUDE OIL POSITIONS

REMAINING CONTRACT TERM	CONTRACT TYPE	STRIKE PRICE (\$/Bbl)	VOLUME (Bbls)	
			DAILY	TOTAL

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10/04 - 12/04.....

Collar

\$24.00/\$28.75

1,500

138,000

Our hedged volume as of September 30, 2003 approximated 33% of our estimated production from proved reserves for the balance of the terms of the contracts.

We use a sensitivity analysis technique to evaluate the hypothetical effect that changes in the market value of crude oil and natural gas may have on the fair value of our derivative instruments. At September 30, 2003, the potential change in the fair value of commodity derivative instruments assuming a 10% adverse movement in the underlying commodity price was a \$6.2 million increase in the combined estimated loss.

For purposes of calculating the hypothetical change in fair value, the relevant variables are the type of commodity (crude oil or natural gas), the commodities futures prices and volatility of commodity prices. The hypothetical fair value is calculated by multiplying the difference between the hypothetical price and the contractual price by the contractual volumes.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of certain members of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company completed an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures were effective as of the end of the period covered by this report with respect to timely communication to them and other members of management responsible for preparing periodic reports and all material information required to be disclosed in this report as it relates to the Company and its consolidated subsidiaries. There was no change in the Company's internal control over financial reporting during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons or by collusion of two or more people. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period, that our

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disclosure controls and procedures were sufficiently effective to provide reasonable assurance that the objectives of our disclosure control system were met.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO THE VOTE OF SECURITY HOLDERS

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

- 10.1 Amendment No. 1 to Registration Rights Agreement between Energy Partners, Ltd., and Evercore Capital Partners L.P., Evercore Capital Partners (NQ) L.P. and Evercore Capital Offshore Partners L.P., Energy Income Fund, L.P., and certain individual shareholders of the Company effective November 3, 2003.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chairman, President, and Chief Executive Officer of Energy Partners, Ltd.
- 31.2 Rule 13a-14(c)/15d-14(a) Certification of Executive Vice President and Chief Financial Officer of Energy Partners, Ltd.
- 32.0 Section 1350 Certifications.

(b) Reports on Form 8-K:

On July 3, 2003 the Company filed/furnished a current report on Form 8-K, reporting, under Items 5 and 9, conformation with the transition provisions of Financial Accounting Standards Board (FASB) Statement 143, Accounting for Asset Retirement Obligations (Statement 143) and the issuance of a press release announcing two additional exploratory successes and updating production guidance for the second quarter of 2003.

On August 8, 2003 the Company filed a current report on Form 8-K, reporting, under Items 5 and 7, the agreement of Evercore Capital Partners, L.P. to sell 2,500,000 shares of the Company's common stock and enclosing the underwriting agreement dated August 7, 2003.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERGY PARTNERS, LTD.

Date: November 12, 2003 By: /s/ SUZANNE V. BAER

Suzanne V. Baer
Executive Vice President and Chief Financial

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Officer (Authorized Officer and Principal
Financial Officer)

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EXHIBIT INDEX

Exhibit Number -----	Description of Exhibit -----
10.1	Amendment No. 1 to Registration Rights Agreement between Energy Partners, Ltd., and Evercore Capital Partners L.P., Evercore Capital Partners (NQ) L.P. and Evercore Capital Offshore Partners L.P., Energy Income Fund, L.P., and certain individual shareholders of the Company effective November 3, 2003.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman, President, and Chief Executive Officer of Energy Partners, Ltd.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Executive Vice President and Chief Financial Officer of Energy Partners, Ltd.
32.0	Section 1350 Certifications.

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Public Service Enterprise Group, Inc. (f)

19,942,160

Oil, Gas & Consumable Fuels - 8.8%

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	161,010
Chevron Corp.	
	20,143,961
	179,600
ConocoPhillips	
	11,763,800
	501,530
Devon Energy Corp.	
	18,220,585
	143,980
Magellan Midstream Partners L.P. (f)(h)	
	9,478,203
	561,100
Royal Dutch Shell PLC, Class A, ADR (f)	

	39,220,890
	193,488
Southwestern Energy Co. (h)	
	793,301
	235,400
TransCanada Corp.	
	9,992,730
	88,900
Valero Energy Corp.	
	9,861,677
	119,475,147
Pharmaceuticals - 3.1%	

	20,721
Allergan PLC	
	3,183,782
	154,500
Johnson & Johnson	
	19,542,705
	527,194
Pfizer, Inc. (f)	
	19,300,572
	42,027,059
Road & Rail - 1.4%	

177,390

Kansas City Southern

18,915,096

Semiconductors & Semiconductor Equipment - 2.2%

376,450

Intel Corp. (f)

19,432,349

58,960

Lam Research Corp. (f)

10,911,138

30,343,487

Software - 1.3%

392,240

Oracle Corp. (f)

17,913,601

Technology Hardware, Storage & Peripherals - 2.8%

117,580

Apple, Inc. (f)

19,431,271

887,920

HP, Inc. (f)

19,081,401

38,512,672

Textiles, Apparel & Luxury Goods - 1.5%

249,280

V.F. Corp.

20,159,274

Tobacco - 0.7%

178,150

Altria Group, Inc.

9,995,996

Total Common Stock (cost-\$899,604,450)

966,415,646

Principal Amount (000s)		
CONVERTIBLE BONDS & NOTES - 21.6%		
Aerospace & Defense - 0.3%		
\$635	Aerojet Rocketdyne Holdings, Inc., 2.25%, 12/15/23	806,323
3,110	Arconic, Inc., 1.625%, 10/15/19	3,110,946
		3,917,269
Auto Components - 0.1%		
775	Meritor, Inc., 3.25%, 10/15/37 (a)(b)	771,474
Auto Manufacturers - 0.5%		
5,615	Tesla, Inc., 0.25%, 3/1/19	5,788,677

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1,290	2.375%, 3/15/22	1,422,642
		7,211,319
Biotechnology - 1.5%		
	BioMarin Pharmaceutical, Inc.,	
5,050	0.599%, 8/1/24	4,869,861
2,290	1.50%, 10/15/20	2,581,844
2,265	Exact Sciences Corp., 1.00%, 1/15/25	2,214,038
2,820	Illumina, Inc., 0.50%, 6/15/21	3,535,093
1,120	Innoviva, Inc., 2.50%, 8/15/25 (a)(b)	1,212,434
1,940	Insmmed, Inc., 1.75%, 1/15/25	1,818,327
1,770	Ionis Pharmaceuticals, Inc., 1.00%, 11/15/21	1,770,214
2,295	Medicines Co., 2.75%, 7/15/23	2,133,861
		20,135,672
Commercial Services - 0.1%		
1,835	Macquarie Infrastructure Corp., 2.875%, 7/15/19	1,830,403
Computers - 1.0%		
3,570	Electronics For Imaging, Inc., 0.75%, 9/1/19	3,450,676
655	Lumentum Holdings, Inc., 0.25%, 3/15/24	731,308
2,035	Nutanix, Inc., zero coupon, 1/15/23 (a)(b)	2,524,214
2,170	Pure Storage, Inc., 0.125%, 4/15/23 (a)(b)	2,254,059
3,875	Western Digital Corp., 1.50%, 2/1/24 (a)(b)	4,053,208
		13,013,465
Diversified Financial Services - 0.9%		
5,000	Encore Capital Group, Inc., 2.875%, 3/15/21	4,995,000
7,130	PRA Group, Inc., 3.00%, 8/1/20	6,858,169
		11,853,169
Electrical Equipment - 0.1%		
2,195	SunPower Corp., 4.00%, 1/15/23	1,873,959
Electronics - 0.2%		
2,530	OSI Systems, Inc., 1.25%, 9/1/22	2,295,975
Energy-Alternate Sources - 0.2%		
	SunEdison, Inc. (c)(e),	
2,915	2.625%, 6/1/23	85,950
3,820	3.375%, 6/1/25	65,587
2,205	Tesla Energy Operations, Inc., 1.625%, 11/1/19	2,053,294
		2,204,831
Engineering & Construction - 0.2%		
1,665	Dycom Industries, Inc., 0.75%, 9/15/21	2,055,249
Entertainment - 0.4%		
3,025	Live Nation Entertainment, Inc., 2.50%, 3/15/23 (a)(b)	2,993,268
1,900	Marriott Vacations Worldwide Corp., 1.50%, 9/15/22 (a)(b)	2,005,845
		4,999,113
Equity Real Estate Investment Trusts (REITs) - 0.7%		
3,600	IH Merger Sub LLC, 3.50%, 1/15/22	4,091,990
1,965	Spirit Realty Capital, Inc., 2.875%, 5/15/19	1,958,740
4,000	Two Harbors Investment Corp., 6.25%, 1/15/22	4,144,000
		10,194,730
Healthcare-Products - 0.7%		
1,945	Insulet Corp., 1.375%, 11/15/24 (a)(b)	2,205,144
3,135	NuVasive, Inc., 2.25%, 3/15/21	3,466,134
4,465	Wright Medical Group, Inc., 2.00%, 2/15/20	4,509,650
		10,180,928
Healthcare-Services - 0.3%		
1,935	Molina Healthcare, Inc., 1.125%, 1/15/20	4,040,528

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Internet - 2.5%

3,920	Altaba, Inc., zero coupon, 12/1/18	5,180,147
2,900	Booking Holdings, Inc., 0.35%, 6/15/20	4,855,876
3,800	0.90%, 9/15/21	4,811,940
1,000	FireEye, Inc., 1.00%, 6/1/35, Ser. A	954,953
2,150	1.625%, 6/1/35, Ser. B	2,021,378
2,170	IAC FinanceCo., Inc., 0.875%, 10/1/22 (a)(b)	2,662,627
2,620	Liberty Expedia Holdings, Inc., 1.00%, 6/30/47 (a)(b)	2,569,237

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1,800	Okta, Inc., 0.25%, 2/15/23 (a)(b)	2,068,247
1,980	Palo Alto Networks, Inc., zero coupon, 7/1/19	3,476,589
	Twitter, Inc.,	
2,080	0.25%, 9/15/19	1,995,966
2,150	1.00%, 9/15/21	2,022,767
1,300	Wayfair, Inc., 0.375%, 9/1/22 (a)(b)	1,210,490
		33,830,217
Iron/Steel - 0.2%		
1,320	Allegheny Technologies, Inc., 4.75%, 7/1/22	2,646,355
Lodging - 0.3%		
2,225	Caesars Entertainment Corp., 5.00%, 10/1/24	3,913,330
Machinery-Diversified - 0.1%		
1,710	Chart Industries, Inc., 1.00%, 11/15/24 (a)(b)	1,976,734
Media - 1.5%		
	DISH Network Corp.,	
3,050	2.375%, 3/15/24	2,646,976
7,195	3.375%, 8/15/26	6,547,601
1,600	Liberty Interactive LLC, 1.75%, 9/30/46 (a)(b)	1,681,600
	Liberty Media Corp.,	
2,295	1.00%, 1/30/23	2,394,998
2,815	1.375%, 10/15/23	3,243,161
3,875	2.125%, 3/31/48 (a)(b)	3,838,672
		20,353,008
Miscellaneous Manufacturing - 0.2%		
2,300	Trinity Industries, Inc., 3.875%, 6/1/36	3,057,845
Oil, Gas & Consumable Fuels - 1.0%		
4,240	Chesapeake Energy Corp., 5.50%, 9/15/26	3,725,264
600	Helix Energy Solutions Group, Inc., 4.25%, 5/1/22	616,513
2,000	Nabors Industries, Inc., 0.75%, 1/15/24	1,572,500
3,000	SM Energy Co., 1.50%, 7/1/21	3,083,604
1,700	Transocean, Inc., 0.50%, 1/30/23	2,320,500
1,935	Weatherford International Ltd., 5.875%, 7/1/21	1,843,556
		13,161,937
Pharmaceuticals - 1.2%		
	Jazz Investments I Ltd.,	
4,030	1.50%, 8/15/24 (a)(b)	3,990,385
3,600	1.875%, 8/15/21	3,768,948
2,500	Neurocrine Biosciences, Inc., 2.25%, 5/15/24 (a)(b)	3,238,735
1,920	Paratek Pharmaceuticals, Inc., 4.75%, 5/1/24 (a)(b)	1,918,800
1,945	Sarepta Therapeutics, Inc., 1.50%, 11/15/24 (a)(b)	2,496,485
515	TESARO, Inc., 3.00%, 10/1/21	845,097
885	Teva Pharmaceutical Finance Co. LLC, 0.25%, 2/1/26, Ser. C	781,012
		17,039,462
Pipelines - 0.2%		
4,335	Cheniere Energy, Inc., 4.25%, 3/15/45	3,402,277
Retail - 0.1%		
1,975	RH, zero coupon, 7/15/20 (a)(b)	2,055,793
Semiconductors - 3.8%		
1,655	Advanced Micro Devices, Inc., 2.125%, 9/1/26	2,572,388
	Cypress Semiconductor Corp.,	
4,320	2.00%, 2/1/23 (a)(b)	4,472,777
385	4.50%, 1/15/22	495,748

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3,910	Intel Corp., 3.25%, 8/1/39	9,720,358
10,510	Microchip Technology, Inc., 1.625%, 2/15/27	11,879,453
5,400	Micron Technology, Inc., 3.00%, 11/15/43, Ser. G	8,575,562
790	Novellus Systems, Inc., 2.625%, 5/15/41	4,366,563
2,910	ON Semiconductor Corp., 1.625%, 10/15/23	3,755,116
3,275	Silicon Laboratories, Inc., 1.375%, 3/1/22	3,889,063
905	Synaptics, Inc., 0.50%, 6/15/22 (a)(b)	847,620
1,605	Veeco Instruments, Inc., 2.70%, 1/15/23	1,430,910
		52,005,558
Software - 2.1%		
4,320	Citrix Systems, Inc., 0.50%, 4/15/19	6,212,126
1,945	Evolent Health, Inc., 2.00%, 12/1/21	2,032,525

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	Nuance Communications, Inc.,	
3,375	1.00%, 12/15/35	3,159,834
1,950	1.25%, 4/1/25	1,925,818
1,555	Proofpoint, Inc., 0.75%, 6/15/20	2,353,937
1,780	Red Hat, Inc., 0.25%, 10/1/19	3,950,498
1,980	ServiceNow, Inc., zero coupon, 11/1/18	4,444,308
3,940	Workday, Inc., 0.25%, 10/1/22 (a)(b)	4,261,110
		28,340,156
Telecommunications - 0.8%		
645	CalAmp Corp., 1.625%, 5/15/20	654,546
1,060	Ciena Corp., 3.75%, 10/15/18	1,386,878
2,795	Finisar Corp., 0.50%, 12/15/36	2,522,297
2,250	Gogo, Inc., 3.75%, 3/1/20	2,071,627
3,770	Viavi Solutions, Inc., 1.00%, 3/1/24	3,792,846
		10,428,194
Transportation - 0.4%		
2,620	Atlas Air Worldwide Holdings, Inc., 2.25%, 6/1/22	3,078,411
595	Echo Global Logistics, Inc., 2.50%, 5/1/20	607,812
2,065	Greenbrier Cos., Inc., 2.875%, 2/1/24	2,233,572
		5,919,795
Total Convertible Bonds & Notes (cost-\$289,302,498)		
		294,708,745
Shares		
CONVERTIBLE PREFERRED STOCK - 6.1%		
Banks - 1.4%		
6,455	Bank of America Corp., 7.25%, Ser. L (d)	8,217,215
8,240	Wells Fargo & Co., 7.50%, Ser. L (d)	10,552,226
		18,769,441
Commercial Services & Supplies - 0.1%		
30,390	Stericycle, Inc., 5.25%, 9/15/18	1,380,314
Diversified Telecommunication Services - 0.1%		
110,050	Frontier Communications Corp., 11.125%, 6/29/18, Ser. A	1,455,962
Electric Utilities - 0.4%		
100,000	NextEra Energy, Inc., 6.123%, 9/1/19	5,780,000
Electronic Equipment, Instruments & Components - 0.1%		
19,650	Belden, Inc., 6.75%, 7/15/19	1,705,816
Equity Real Estate Investment Trusts (REITs) - 0.7%		
5,255	Crown Castle International Corp., 6.875%, 8/1/20, Ser. A	5,390,013
61,055	Welltower, Inc., 6.50%, Ser. I (d)	3,417,859
		8,807,872
Food & Beverage - 0.2%		
15,970	Post Holdings, Inc., 2.50% (d)	2,412,847
Gas Utilities - 0.3%		
78,185	South Jersey Industries, Inc., 7.25%, 4/15/21	4,065,620
Hand/Machine Tools - 0.3%		
37,185	Stanley Black & Decker, Inc., 5.375%, 5/15/20	4,001,939
Healthcare Providers & Services - 0.6%		
135,990	Anthem, Inc., 5.25%, 5/1/18	7,732,391

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Healthcare-Products - 0.5%

108,135	Becton Dickinson and Co., 6.125%, 5/1/20, Ser. A	6,528,110
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Metal Fabricate/Hardware - 0.2%

49,065	Rexnord Corp., 5.75%, 11/15/19, Ser. A	2,939,239
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Multi-Utilities - 0.2%

32,295	Sempra Energy, 6.00%, 1/15/21, Ser. A	3,320,895
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Oil, Gas & Consumable Fuels - 0.8%

45,100	ATP Oil & Gas Corp., 8.00% (a)(b)(c)(d)(e)(g) (acquisition cost - \$4,510,000; purchased 9/23/09)	5
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90,780	Kinder Morgan, Inc., 9.75%, 10/26/18, Ser. A	2,823,258
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213,230	Sanchez Energy Corp., 6.50%, Ser. B (d)	3,688,879
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67,125	WPX Energy, Inc., 6.25%, 7/31/18, Ser. A	4,816,890
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11,329,032

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Pharmaceuticals - 0.2%		
6,225	Teva Pharmaceutical Industries Ltd., 7.00%, 12/15/18	2,144,201
Total Convertible Preferred Stock (cost-\$101,874,538)		82,373,679
Principal Amount (000s)		
CORPORATE BONDS & NOTES - 0.4%		
Oil, Gas & Consumable Fuels - 0.2%		
\$4,647	Cobalt International Energy, Inc., 7.75%, 12/1/23	2,462,910
Pharmaceuticals - 0.2%		
2,805	Herbalife Nutrition Ltd., 2.625%, 3/15/24 (a)(b)	2,963,586
Total Corporate Bonds & Notes (cost-\$7,139,449)		5,426,496
Units		
WARRANTS (a)(c)(e)(h) - 0.0%		
Commercial Services - 0.0%		
97,838	Cenveo, Inc., strike price \$12.00, expires 6/10/24 (cost-\$0)	4
Principal Amount (000s)		
Repurchase Agreements - 1.2%		
\$16,725	State Street Bank and Trust Co., dated 4/30/18, 0.28%, due 5/1/18, proceeds \$16,725,130; collateralized by U.S. Treasury Notes, 1.63%, due 2/15/26, valued at \$1,066,962 and U.S. Treasury Notes, 3.63%, due 8/15/43, valued at \$15,997,601 including accrued interest (cost-\$16,725,000)	16,725,000
Total Investments, before options written (cost-\$1,314,645,935)-100.1%		1,365,649,570
Total Options Written -(0.1)% (premiums received-\$1,214,208) (h)(i)(j)		(1,075,386)
Total Investments, net of options written (cost-\$1,313,431,727) (k)-100.0%		1,364,574,184
Other assets less other liabilities-0.0%		529,592
Net Assets-100.0%		\$1,365,103,776

Notes to Schedule of Investments:

* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of official closing prices, last reported sales prices, or if no sales or closing prices are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Fund's investments are valued daily using prices supplied by an independent pricing service or broker/dealer quotations, or by using the last sale or settlement price on the exchange that is the primary market for such securities, or the mean between the last bid and ask quotations. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial instruments in circumstances where market quotations are not readily available (including in cases where available market quotations are deemed to be unreliable), and has delegated primary responsibility for applying the valuation methods to the investment manager, Allianz Global Investors U.S. LLC (the Investment Manager). The Fund's Valuation Committee was established by the Board to oversee the implementation of the Fund's valuation methods and to make fair value determinations on behalf of the Board, as necessary. The Investment Manager monitors the continued appropriateness of methods applied and identifies circumstances and events that may require fair valuation. The Investment Manager determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Investment Manager determines that a valuation method may no longer be appropriate, another valuation method previously approved by the Fund's Valuation Committee may be selected or the Fund's Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures adopted by the Board. The Board shall review and ratify the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Fund's Valuation Committee.

Short-term debt instruments maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing premiums or discounts based on their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Fund to value investments may differ from the value that would be realized if the investments were sold, and these differences could be material. The Fund's net asset value (NAV) is normally determined at the close of regular trading (normally, 4:00 p.m. Eastern Time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business. In unusual circumstances, the Board or the Valuation Committee may in good faith determine the NAV as of 4:00 p.m., Eastern Time, notwithstanding an earlier, unscheduled close or halt of trading on the NYSE.

(a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$60,272,553, representing 4.4% of net assets.

(b) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Securities with an aggregate value of \$60,272,549, representing 4.4% of net assets.

(c) Fair-Valued Securities with an aggregate value of \$151,546, representing less than 0.05% of net assets.

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- (d) Perpetual maturity. The date shown, if any, is the next call date.
- (e) Level 3 security.
- (f) All or partial amount segregated for the benefit of the counterparty as collateral for options written.
- (g) Restricted. The acquisition cost of such security is \$4,510,000. The value is \$5, representing less than 0.05% of net assets.
- (h) Non-income producing.
- (i) Exchange traded-Chicago Board Options Exchange.
- (j) Exchange traded option contracts outstanding at April 30, 2018:

Options written contracts outstanding at April 30, 2018:

Description	Exercise Price	Expiration Date	Number of Contracts	Notional Amount	Market Value	Premiums Received	Unrealized Appreciation (Depreciation)
Call options:							
Abbott Laboratories	60.00 USD	5/18/18	(1,162)	\$(116,200)	\$(34,279)	\$(58,099)	\$23,820
Apple, Inc.	167.50 USD	5/18/18	(400)	(40,000)	(150,000)	(105,997)	(44,003)
AT&T, Inc.	34.50 USD	5/18/18	(1,881)	(188,100)	(17,869)	(52,666)	34,797
Citigroup, Inc.	72.50 USD	5/18/18	(950)	(95,000)	(10,450)	(57,949)	47,499
Eastman Chemical Co.	110.00 USD	6/15/18	(641)	(64,100)	(25,640)	(55,766)	30,126
General Motors Co.	38.50 USD	5/18/18	(1,600)	(160,000)	(32,000)	(60,799)	28,799
Honeywell International, Inc.	155.00 USD	6/15/18	(460)	(46,000)	(17,480)	(55,085)	37,605
HP, Inc.	22.00 USD	5/4/18	(3,000)	(300,000)	(15,000)	(74,998)	59,998
JPMorgan Chase & Co.	115.00 USD	6/1/18	(1,221)	(122,100)	(56,166)	(146,693)	90,527
Kansas City Southern	114.00 USD	5/18/18	(600)	(60,000)	(42,000)	(89,484)	47,484
Lam Research Corp.	210.00 USD	5/18/18	(200)	(20,000)	(8,500)	(73,398)	64,898
Medtronic PLC	82.50 USD	5/18/18	(873)	(87,300)	(31,865)	(46,669)	14,804
Morgan Stanley	56.00 USD	6/1/18	(1,290)	(129,000)	(19,995)	(72,829)	52,834
Public Service Enterprise Group, Inc.	50.00 USD	5/18/18	(1,338)	(133,800)	(314,430)	(105,750)	(208,680)
Schlumberger Ltd.	71.00 USD	5/18/18	(516)	(51,600)	(25,542)	(34,298)	8,756
Valero Energy Corp.	112.00 USD	5/4/18	(311)	(31,100)	(29,545)	(22,080)	(7,465)
VF Corp.	80.00 USD	5/18/18	(950)	(95,000)	(244,625)	(101,648)	(142,977)

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Total options written contracts	\$(1,075,386)	\$(1,214,208)	\$138,822
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(k) At April 30, 2018, the aggregate cost basis of portfolio securities for federal income tax purposes was \$1,315,579,463. Gross unrealized appreciation was \$126,794,474; gross unrealized depreciation was \$77,799,753; and net unrealized appreciation was \$48,994,721. The difference between book and tax cost was attributable to wash sale loss deferrals and differing treatment of bond premium amortization.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

- Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access
- Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs
- Level 3 valuations based on significant unobservable inputs (including the Investment Manager's or Fund's Valuation Committee's own assumptions and securities whose price was determined by using a single broker's quote)

The valuation techniques used by the Fund to measure fair value during the three months ended April 30, 2018 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Fund's policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities within Level 2 and Level 3, in accordance with accounting principles generally accepted in the United States of America.

Equity Securities (Common and Preferred Stock and Warrants) Equity securities traded in inactive markets are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Convertible Bonds & Notes Convertible bonds & notes are valued by independent pricing services based on various inputs and techniques, which include broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by

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credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of convertible bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Corporate Bonds & Notes Corporate bonds & notes are generally comprised of two main categories: investment grade bonds and high yield bonds. Investment grade bonds are valued by independent pricing services using various inputs and techniques, which include broker-dealer quotations, live trading levels, recently executed transactions in securities of the issuer or comparable issuers, and option adjusted spread models that include base curve and spread curve inputs. Adjustments to individual bonds can be applied to recognize trading differences compared to other bonds issued by the same issuer. High yield bonds are valued by independent pricing services based primarily on broker-dealer quotations from relevant market makers and recently executed transactions in securities of the issuer or comparable issuers. The broker-dealer quotations received are supported by credit analysis of the issuer that takes into consideration credit quality assessments, daily trading activity, and the activity of the underlying equities, listed bonds and sector-specific trends. To the extent that these inputs are observable, the values of corporate bonds & notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

Option Contracts Option contracts traded over-the-counter (OTC) and FLExible EXchange (FLEX) options are valued by independent pricing services based on pricing models that incorporate various inputs such as interest rates, credit spreads, currency exchange rates and volatility measurements for in-the-money, at-the-money, and out-of-the-money contracts based on a given strike price. To the extent that these inputs are observable, the values of OTC and FLEX option contracts are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

A summary of the inputs used at April 30, 2018 in valuing the Fund's assets and liabilities is listed below (refer to the Schedule of Investments for more detailed information on Investments in Securities):

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Value at 4/30/18
Investments in Securities - Assets				
Common Stock	\$966,415,646	\$	\$	\$966,415,646
Convertible Bonds & Notes:				
Energy-Alternate Sources		2,053,294	151,537	2,204,831
All Other		292,503,914		292,503,914
Convertible Preferred Stock:				
Food & Beverage		2,412,847		2,412,847
Healthcare-Products		6,528,110		6,528,110
Oil, Gas & Consumable Fuels	7,640,148	3,688,879	5	11,329,032
Pharmaceuticals		2,144,201		2,144,201
All Other	59,959,489			59,959,489
Corporate Bonds & Notes		5,426,496		5,426,496
Warrants			4	4
Repurchase Agreements		16,725,000		16,725,000
	1,034,015,283	331,482,741	151,546	1,365,649,570
Investments in Securities - Liabilities				
Options Written:				

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Market Price	(1,075,386)			(1,075,386)
Totals	\$1,032,939,897	\$331,482,741	\$151,546	\$1,364,574,184

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A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the three months ended April 30, 2018, was as follows:

	Beginning Balance 1/31/18	Purchases	Sales	Accrued Discount (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3*	Ending Balance 4/30/18
Investments in Securities - Assets									
Convertible Bonds & Notes:									
Energy-Alternate Sources	\$151,538		\$(4,625)+	\$3,216		\$1,408		\$	\$151,537
Convertible Preferred Stock:									
Equity Real Estate Investment									
Trusts (REITs)	5,907,934					(517,921)		(5,390,013)	
Oil, Gas & Consumable Fuels	4					1			5
Warrants	4,345					(4,341)			4
Totals	\$6,063,821		\$(4,625)	\$3,216		\$(520,853)		\$(5,390,013)	\$151,546

* Transferred out of Level 3 and into Level 1. This transfer was a result of a security with an exchange-traded closing price at April 30, 2018, which was not available on January 31, 2018.

+ Issued or removed via corporate action.

The table above includes Level 3 investments that are valued by brokers and pricing services. The inputs of these investments are not readily available or cannot be reasonably estimated.

The net change in unrealized appreciation/depreciation of Level 3 investments held at April 30, 2018 was \$(2,934).

Glossary:

ADR - American Depositary Receipt

REIT - Real Estate Investment Trust

Item 2. Controls and Procedures

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "1940 Act") (17 CFR270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

Certifications pursuant to Rule 30a-2(a) under the 1940 Act are filed and attached hereto as Exhibit 99_CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: AllianzGI NFJ Dividend, Interest & Premium Strategy Fund

By: /s/ Thomas J. Fuccillo
Thomas J. Fuccillo
President & Chief Executive Officer

Date: June 22, 2018

By: /s/ Scott Whisten
Scott Whisten
Treasurer, Principal Financial & Accounting Officer

Date: June 22, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Thomas J. Fuccillo
Thomas J. Fuccillo
President & Chief Executive Officer

Date: June 22, 2018

By: /s/ Scott Whisten
Scott Whisten
Treasurer, Principal Financial & Accounting Officer

Date: June 22, 2018
