

STONE ENERGY CORP  
Form 425  
June 23, 2006

Acquisition  
of  
Stone Energy Corporation  
Acquisition  
of  
Stone Energy Corporation  
Conference Call  
June 23, 2006  
Energy Partners, Ltd.

Edgar Filing: STONE ENERGY CORP - Form 425

Filed by Energy Partners, Ltd.  
Pursuant to Rule 425 under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12  
under the Securities Exchange Act of 1934  
Subject Company: Stone Energy Corporation  
Commission File No.: 1-12074

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Richard A. Bachmann  
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Phillip A. Gobe  
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John H. Peper  
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General Counsel and  
Corporate Secretary  
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Corporate Information

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Forward Looking Statements & Additional Information

This

presentation

contains

forward-looking

information

regarding

EPL

that

is

intended

to

be

covered

by

the

safe

harbor

forward-

looking statements

provided by the Private Securities Litigation Reform Act of 1995. All statements included in this press release that address activities, events or developments that EPL expects, believes or anticipates will or may occur in the future are forward-looking statements. These include statements regarding:

completion of the proposed merger,

effective integration of the two companies,

reserve and production estimates,

oil and gas prices,

the impact of derivative positions,

production expense estimates,

cash flow estimates,

future financial performance,

planned capital expenditures, and

other matters that are discussed in EPL's

filings with the SEC.

These statements are based on current expectations and projections about future events and involve known and unknown risks, uncertainties, and other factors that may cause actual results and performance to be materially different from any future results or performance expressed

or  
implied  
by  
these  
forward-looking  
statements.

Please  
refer  
to  
EPL's  
filings  
with  
the  
SEC,  
including  
its  
Form

10-K for the year ended December 31, 2005, for a discussion of these risks.

EPL AND STONE WILL FILE A JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS WITH THE  
EXCHANGE  
COMMISSION.

INVESTORS  
AND  
SECURITY  
HOLDERS  
ARE  
URGED  
TO  
READ  
CAREFULLY  
THE  
DEFINITIVE  
JOINT  
PROXY

STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFOR  
EPL, STONE AND THE ACQUISITION. A DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS WILL BE SENT T  
OF EPL AND STONE SEEKING THEIR APPROVAL OF THE ACQUISITION.

The  
documents  
filed  
with  
the  
SEC  
by  
EPL  
may  
be  
obtained  
free  
of

charge  
from  
EPL's  
website  
at  
[www.eplweb.com](http://www.eplweb.com)  
or  
by  
directing  
a  
request  
to:  
Energy  
Partners,  
Ltd.,  
201  
St.  
Charles  
Avenue,  
Suite  
3400,  
New  
Orleans,  
Louisiana  
70170,  
Attn:  
Secretary,  
(504)  
569-1875.  
In  
addition,  
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documents  
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with  
the  
SEC  
by  
Stone  
may  
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free  
of  
charge  
from  
Stone  
website  
at  
[www.stoneenergy.com](http://www.stoneenergy.com).

Investors  
and  
security  
holders  
are  
urged  
to  
read  
the  
joint  
proxy  
statement/prospectus  
and  
the  
other  
relevant  
materials  
when  
they  
become  
available  
before  
making  
any  
voting  
or  
investment  
decision  
with  
respect  
to  
the  
proposed  
acquisition.  
EPL,  
Stone  
and  
their  
respective  
executive  
officers  
and  
directors  
may  
be  
deemed  
to  
be  
participants  
in



the  
solicitation  
of  
proxies  
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stockholders  
of  
EPL  
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Stone  
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acquisition.  
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executive  
officers  
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proxy  
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relating  
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forth  
in  
the  
proxy  
statement-prospectus  
relating  
to  
the  
acquisition  
when  
it  
becomes  
available.

4

Powerful Strategic Rationale

Accelerates diversification and growth within GOM

Adds proved reserves at an attractive price

Ideal overlap of Shelf assets

-

Provides inherent operational efficiencies

-

Operating and G&A savings

-

Ability to expand and high grade exploratory program

High operated status of combined assets

Balanced gas/oil production ratio (65% gas/35% oil)

Strengthens

Strengthens

GOM Presence

GOM Presence

(1)

(1)

Enhances

Enhances

Ability to Compete

Ability to Compete

Establishes Meaningful

Establishes Meaningful

Position in Rocky Mountains

Position in Rocky Mountains

and Williston Basin

and Williston Basin

Diversification onshore

Low cost entry

Continue active E&P program

-

Acquisition of exploration and exploitation acreage

-

Exploration and exploitation drilling

-

Reserve and production growth

Experienced team in place

(1) Includes impact of Stone's proposed Amberjack acquisition (Mississippi Canyon 109/108)

Augments

Augments

Employee Base

Employee Base

People already in place to execute operating strategy

Experienced operating, technical, financial and administrative staff

Provides increased scale, scope and cash flow to pursue wide range of opportunities

-

GOM Shelf, deepwater and deep Shelf

- Onshore Louisiana, Rocky Mountains and Williston Basin
- International

5

Transaction Overview

Fully financed by Bank of America

Committed to an immediate debt reduction plan

Anticipate hedging a substantial percentage of production  
in 2007 and 2008

\$1.4 billion equity value

\$2.2 billion enterprise value

SEC filings and other customary regulatory approvals

EPL & Stone shareholder approval

Closing expected in early Q4 2006

Price

Price

Consideration

Consideration

Financing

Financing

Path Forward

Path Forward

\$51 per share: cash or stock

Subject to a collar and other limitations

Number of EPL shares issued for each Stone share under  
a stock election will range from 2.525 to 2.066

Maximum number of EPL shares to be issued: ~35 million

6

Thorough Due Diligence Review

Covered key functions and operating groups

Focused on:

Reserves

Storm losses and related insurance coverage

Shareholder litigation/SEC inquiry

Potential cost savings and operational/administrative synergies

Upside potential identified:

Numerous Shelf exploitation and exploration opportunities

Proposed acquisition of additional interest in Amberjack  
(Mississippi Canyon 109/108)

Deepwater and deep Shelf portfolio

Growing Rocky Mountains and Williston Basin acreage position

Bohai

Bay, China concessions



7  
Pro Forma Reserves  
(1,2)  
94%  
Gulf of  
Mexico  
72%  
Rocky Mountain &  
Williston Basins  
22%  
Onshore  
6%  
Gulf of  
Mexico  
Onshore  
6%  
EPL Reserve Profile

EPL Reserve Profile  
Stone Reserve Profile  
Stone Reserve Profile  
Pro Forma Reserve Profile  
Pro Forma Reserve Profile

80%

6%

Gulf of  
Mexico

Onshore

Rocky Mountain &  
Williston Basins

14%

(1)

As of 12/31/05; includes reserve adds from Stone's proposed Amberjack acquisition

(2)

All

of

Stone's

reserves

expected

to

be

fully

engineered

by

independent

engineering

firms

prior

to

closing;

all

of

EPL's

reserves

fully

engineered by independent engineering firms

59.3 Mmboe

108.1 Mmboe

167.4 Mmboe

8

Transaction expected to be immediately cash flow accretive  
Assumes \$55 million in annual pre-tax cost savings from synergies  
2007 capital  
budget estimated at \$625 million  
Combined  
cash  
flow  
will  
facilitate  
substantial  
reduction  
of  
debt  
to  
approximately 50% of book capitalization by end of 2008  
Financial Highlights

Balanced drilling program and committed debt reduction plan

9  
Attractive acquisition cost  
Comparison with Recent Transactions (2005-2006)  
Stone  
Acquisition  
(1)  
Corporate  
Transactions\*  
Asset  
Transactions\*  
\$20.63  
\$ 25.48  
\$26.98  
\$24.57  
\$ 22.48  
\$0.00  
\$10.00

\$20.00  
\$30.00  
(1)  
Based  
on  
pro  
forma  
reserves  
of  
108.1  
Mmboe  
at  
12/31/05  
which  
includes  
Stone's  
proposed  
Amberjack  
acquisition  
and  
assumes  
\$51.00  
per  
share  
purchase  
price.  
Based  
on  
EPL's  
closing  
price  
of  
\$18.02  
on  
June  
22,  
2006,  
the  
transaction  
value  
per  
Boe  
would  
be  
\$19.92.  
\*  
See  
Appendix  
for  
listing

of  
recent  
transactions  
used  
in  
both  
comparisons  
Transaction value per Boe

10

Strong EPL executive management team remains intact

Proven execution and integration capabilities

Headquarters remains in New Orleans

Maintain Lafayette and Denver office locations

Consolidate Houston offices in one location

Expand board from 11 to 14 to include three Stone directors

EPL shareholders retain majority ownership

Combined Company at a Glance

The right leadership and operating structure to capitalize  
on future growth opportunities



Phillip Gobe  
Energy Partners,Ltd  
Acquisition  
of  
Stone Energy Corporation  
Acquisition  
of  
Stone Energy Corporation

12  
Stone and EPL: Premier GOM Operator  
Combined  
Combined  
Company  
Company  
Assets  
Assets  
as  
as  
of  
of  
12/31/05  
12/31/05  
(1)  
(1)  
1)

Key fields:

EPL: ST 41, ST 26, East Bay

Stone: EW 305, MP 288, PL 23, VR 255

Balanced program of low, moderate and  
high potential projects

Reserves

89% operated

48% oil and 52% gas

Eastern

Western

Central

(1)

Includes Stone's proposed Amberjack acquisition

(2)

Assumes restoration of Amberjack production at pre-Katrina rates

Expanded scale and scope of GOM operations offer  
increased opportunities for growth

Combined Company GOM

Combined Company GOM

Production Diversification

Production Diversification

(1,2)

(1,2)

13  
EPL Shelf  
EPL Onshore  
EPL Deepwater  
Stone Shelf  
Stone Onshore  
Stone Deepwater  
Gulf of Mexico Blocks  
EPL 120 Stone 151  
Premier Combined GOM Position  
AlaminosCanyon  
Area  
KeathleyCanyon

Area  
Walker Ridge  
Area  
East Breaks  
Area  
Garden Banks  
Area  
Green Canyon  
Area  
Atwater  
Galveston Area  
South  
Galveston Area  
High Island  
Area South  
High Island  
Area  
High Island  
East Area  
High Island East  
Area South  
West Cameron  
Area West  
West Cameron  
Area  
West Cameron  
Area South  
East Cameron  
Area South  
East Cameron  
Area  
Vermilion  
Area South  
Vermilion Area  
South  
Marsh  
Island  
Area  
South  
Marsh  
Island  
Area  
South  
Eugene Island  
Area  
Eugene Island  
Area South  
Ship Shoal Area  
Ship Shoal  
Area South

South  
Pelto  
Area  
South Timbalier  
Area  
South Timbalier  
Area South  
Grand  
Isle  
Area  
Grand Isle  
Area South  
West Delta  
Area  
West Delta  
Area South  
Ewing Bank  
Area  
Mississippi Canyon  
Area  
VioscaKnoll  
Area  
VioscaKnoll  
Area  
Main Pass Area  
South & East  
Main Pass  
Area  
Breton Sound  
Area  
South Pass  
Area South  
South Pass  
Area South  
Mobile Area  
Chandeleur  
Sound  
Area  
Chandeleur  
Sound  
Area Addition  
Chandeleur  
Sound  
Area

14  
Premier Combined GOM 3D Seismic Coverage

15

Stone's Proposed Amberjack (MC 109/108) Acquisition

Attractive deepwater opportunity

\$191 million purchase price

Comparable to the overall cost per Boe  
of the Stone acquisition

Upside potential in booked reserves

Four moderate risk prospects identified

Use  
of  
infrastructure  
for  
future  
subsea  
tie-backs

Acquired  
net  
production



of  
5,000  
Boe  
per  
day  
(pre-Katrina)

Obtain operatorship  
at closing  
Transaction highlights

Stone exercised its preferential right to purchase an  
additional interest

Subject to execution of purchase and sale agreement

Expect closing by early third quarter

Estimated restoration of production by year-end 2006

Working interest resulting from acquisition:

-

MC 109: 100% WI (Up from 33.3%)

-

MC 108: 24.8% WI (Up from 16.5%)

16

Active Offshore Drillers -  
Shelf

Source: James K. Dodson Company, based on number of operated wells drilled per year

HELIS

EXXONMOBIL

LLOG EXPL

W & T

ARENA OFFSHORE

ENERGY PARTNERS

BOIS D`ARC

REMINGTON

CHEVRON

APACHE

2005

10

9

8

7

6

5

4  
3  
2  
1

RANK  
HELIS  
W & T  
ANADARKO  
EXXONMOBIL  
NEWFIELD EXPL  
ENERGY PARTNERS  
LLOG EXPL  
ATP  
DEVON ENERGY  
W & T  
ENERGY PARTNERS  
APACHE  
ARENA OFFSHORE  
BOIS D`ARC  
BOIS D`ARC  
BOIS D`ARC  
LLOG EXPL  
REMINGTON  
REMINGTON  
STONE ENERGY  
STONE ENERGY  
ENERGY PARTNERS/STONE  
REMINGTON  
EL PASO  
CHEVRON  
APACHE  
LLOG EXPL  
APACHE  
CHEVRONTEXACO  
CHEVRONTEXACO  
2005 Pro Forma  
2004  
2003  
Federal & State waters =<600

17

High grade prospect inventory of combined company to achieve balanced drilling portfolio

Apply EPL s exploitation focus to Stone s legacy fields

Initial review of GOM Shelf yielded 60+ low risk opportunities  
Tap into exploration upside in Stone s legacy fields and acreage

Large GOM acreage position in favorable exploration fairways

EPL has interests in three farm-outs on Stone-owned blocks, one of which has been drilled and is successful  
Extensive 3D seismic coverage and undeveloped acreage to work

Shelf, deepwater and deep Shelf  
Expanded GOM Exploration & Exploitation Strategy

18  
NEW ORLEANS  
NEW ORLEANS  
NEW ORLEANS  
HOUSTON  
HOUSTON  
HOUSTON  
GREATER BAY MARCHAND  
EAST BAY  
Update  
on  
EPL s

2006

Exploratory  
Program

Shelf

&

Onshore

SP 26 Denali

ST 23 #CC4 ST

WC 202 #1

ST 42 #2

ST 42 #3

WC 25 #1

GA 189 #1

EC 268 #1

ST 23 #SB-15

EI 312 #1

VR 101 #1

SP 39 #2

EC 34 #1

HI A315 #1

SMI 79 #1

SMI 79 #E-1

WC 312 #1

HI A306 #1

WC 2/3 #1

GI 66 #1

WC 176 #13

Exploratory Wells

Scheduled (15)

Successful Wells (5)

Drilling (4)

High Potential Wells (7)

Unsuccessful Wells (3)

2006 Leases Sale Awards (8)

EC 109 #A-6

EC 109 #5

Four Rivers

Lakeside

Barracuda

Little Lake

19

NEW ORLEANS

NEW ORLEANS

NEW ORLEANS

Update on EPL s

Deepwater 2006 Exploratory Program

Acquired 25% working interest

in 23 leases

13 identified prospects operated by

Noble Energy

First two wells drilled in 2006

were discoveries

Minimum of two additional wells by 2008

Two additional leases awarded in March 2006 Central Gulf Lease Sale Redrock & Raton discoveries:

-

Multiple pay zones encountered

-

Currently under evaluation

-

Development plans being formulated

Exploratory Wells

Successful Wells (2)

High Potential Wells (2)

Joint venture with Noble Energy, a proven deepwater operator

2006 Lease Sale Awards (2)

EPL Interests

Raton

Redrock

Amberjack



20

Rocky Mountains and Williston Basin  
Low cost entry price

Rocky Mountain acquisition at GOM  
multiple  
Large acreage position  
Active drilling program with good  
exploration and exploitation  
opportunities

Low risk

Includes Bakken, Pinedale Anticline  
and Jonah

Includes both natural gas wells  
(Rocky Mountains) and oil wells  
(Williston Basin)

Net production as of 3/31/06:

Rocky Mountains: 22 Mmcfe/day

Williston Basin: 1,850 Boe/day

21  
Significant Cost Savings Opportunities  
\$4.50  
\$6.78  
\$8.28  
\$4.76  
\$4.93  
\$6.08  
\$5.98  
\$11.94  
\$0.00  
\$5.00  
\$10.00  
\$15.00

2003

2004

2005

1Q06

Lease Operating Expense

(1)

Stone

EPL

(1) Numbers may include differing components

22

Pro forma 2007 current estimate of ~\$55 million annualized savings

Synergies

Estimated Cost Savings

Operational Synergies

Annualized Savings:

~\$25 million

G&A Synergies

Annualized Savings:

~\$30 million

Personnel

Shore bases

Procurement

Cost tracking

Transportation

Insurance

Consultants

Compensation

23  
Boat Loop  
Helicopter Base  
Helicopter Loop  
Synergies -  
Transportation Optimization  
7 Helicopters  
9 Boats  
Stone Current  
Total potential savings: \$9 million  
2 Helicopters  
2 Boats  
1 Part time boat  
EPL Current

8

12

Boats

5

9

Helicopters

Proposed

Current

Potential Combined Offshore

Transportation Loops



Rick Bachmann  
Energy Partners,Ltd  
Acquisition  
of  
Stone Energy Corporation  
Acquisition  
of  
Stone Energy Corporation

25

RESERVE RANKINGS

Pro Forma Peer Comparisons

(1)

PRODUCTION RANKINGS

(1) 12/31/05 reserves and production, pro forma for any subsequent transactions. Source: Company filings and Wall Street res

(2) As of 12/31/05; includes reserve adds from Stone's proposed Amberjack acquisition.

Reserves

Company

(Mboe)

Annual Production

Company

(Mboe)

Petro-Canada

117

Kerr-Mcgee

112	
Nexen	
65	
Noble Energy	
53	
Pioneer Natural Resources	
42	
Newfield Exploration	
40	
Murphy Oil	
39	
Energy Partners, Ltd. Pro Forma (2)	
26	
Plains E&P	
24	
W&T Offshore	
22	
Cimarex	
22	
Stone Energy Corp.	
18	
Forest Oil	
17	
Mariner Energy	
16	
St. Mary Land & Exploration	
15	
Range Resources	
15	
Cabot Oil & Gas	
14	
PetroHawk	
/ KCS	
13	
Ultra Petroleum	
12	
Whiting	
12	
Denbury	
Resources	
12	
Houston Exploration	
11	
Western Gas	
10	
Encore Acquisition Co.	
10	
Southwestern Energy	
10	
Swift Energy	

10	Quicksilver Resources
9	Berry Petroleum
8	CNX Gas
8	Energy Partners, Ltd.
8	Comstock Resources
8	Bill Barrett Corporation
7	Unit Corp.
7	Rosetta Resources
5	Petro-Canada
1,005	Kerr-Mcgee
907	Pioneer Natural Resources
865	Noble Energy
847	Nexen
657	Plains E&P
401	Ultra Petroleum
337	Newfield Exploration
333	Whiting
264	Range Resources
234	Cimarex
232	Cabot Oil & Gas
222	Murphy Oil
220	Forest Oil
212	Encore Acquisition Co.
195	CNX Gas
188	Quicksilver Resources

186	Energy Partners, Ltd. Pro Forma (2)
167	Denbury
	Resources
167	PetroHawk
	/ KCS
163	Western Gas
153	W&T Offshore
142	Southwestern Energy
138	St. Mary Land & Exploration
132	Berry Petroleum
131	Swift Energy
127	Stone Energy Corp.
108	Mariner Energy
107	Houston Exploration
103	ATP Oil & Gas
88	Comstock Resources
84	Unit Corp.
69	Rosetta Resources
60	Energy Partners, Ltd.
59	Bill Barrett Corporation
59	Bois d'Arc
54	Bois d'Arc
4	ATP Oil & Gas
3	

26

Strengthens and diversifies presence in GOM at attractive price  
Creates operational and administrative synergies that will provide  
significant cost savings

Enhances ability to compete domestically and internationally

Augments EPL s  
experienced operating, technical, financial and  
administrative staff

Provides

low

cost

entry

into

Rocky

Mountains

and  
Williston  
Basin  
with  
experienced team already in place  
A Winning Combination  
Combined company will have the scale and scope  
to drive continued growth and value creation

27

Appendix

Recent Corporate Sales Transactions:

24.57

Gryphon Exploration Co.

Woodside Petroleum Ltd

9/01/05

21.90

Forest Oil (GOM spin-off)

Mariner Energy

9/12/05

41.69

Spinnaker Exploration

Norsk

Hydro ASA

9/19/05

30.04

Remington Oil & Gas Co

Helix Energy Solutions

1/23/06

16.72

Marlin Energy LLC

Energy XXI Gulf Coast Inc.

2/22/06

\$/Boe

Target

Acquiror

Date



Recent Asset Sales Transactions:

22.19

Kerr-McGee Corp.

W&T Offshore Inc.

1/24/06

48.00

Pioneer Natural Resources

Marubeni Corp.

2/23/06

22.56

Houston Exploration

Merit, Nippon Oil, Norsk

2/28/06

19.03

Houston Exploration

Merit Energy Company

4/07/06

22.48

BP plc

Apache Corp.

4/19/06

20.96

Pogo Producing

Mitsui & Company

4/20/06

\$23.15

Noble Energy

Coldren

Resources LP

5/16/06

\$/Boe

Seller

Buyer

Date

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