

ENERGY PARTNERS LTD
Form PRE 14A
October 19, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Commission Only

Confidential, for Use of the
(as permitted by

Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**ENERGY PARTNERS, LTD.
(Name of Registrant as Specified in Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

October , 2006

Dear Fellow Stockholder:

Woodside Petroleum, Ltd., an Australian oil & gas company, is attempting to buy your Company at a price which your Board of Directors has determined to be **inadequate** and not in your best interests. Woodside and its U.S. subsidiary ATS, Inc. propose to do this by soliciting your consent to two different proposals, each described in the enclosed document. **Your Board is unanimously opposed to the ATS consent solicitation.**

We urge you NOT TO SIGN any [COLOR] consent card or other form which may be sent to you by ATS or Woodside.

As you know, your Board has terminated the contemplated merger with Stone Energy Corporation and is currently engaged in a process of exploring strategic alternatives to maximize stockholder value, including the possible sale of the Company.

Woodside is now soliciting written consents to remove all members of the Board that you have elected and replace them with its handpicked, paid nominees who have been selected for the single purpose of facilitating a transaction between EPL and Woodside. Woodside is doing this because it does not want to give your Board adequate time to successfully undertake the important process of exploring strategic alternatives to maximize stockholder value. Make no mistake, Woodside's aim is to buy your shares and the entire Company for the lowest possible price and it wants its nominees to control the process by which it can achieve that end. You should not support them in their efforts.

We think you should ask yourselves, who is likely to try to get you the highest value for your shares? The people handpicked by Woodside, who wants to buy your shares, undoubtedly at the lowest price possible, or the incumbent Board you have elected, which is composed of a majority of independent directors and is committed to exploring strategic alternatives for your benefit?

Your Board strongly urges you to reject Woodside's efforts to take control of your Company by taking the following steps. First, do not sign ATS' [color] consent card or any other form which may be sent to you by ATS or Woodside. Second, if you have previously signed a [color] consent card sent to you by Woodside or ATS, you should revoke that consent by signing, dating and mailing the enclosed WHITE Consent Revocation Card immediately. Finally, even if you have not signed ATS' consent card, you can show your support for your Board by signing, dating and mailing the enclosed WHITE Consent Revocation Card. Regardless of the number of shares you own, your revocation of consent is important. Please act today.

Thank you for your continued support.

Very truly yours,

Richard A. Bachmann
Chairman and Chief
Executive Officer
Energy Partners, Ltd.

A more detailed explanation of this solicitation is to be found in the attached Consent Revocation Statement, which you are encouraged to read. If you have any questions about revoking any consent you may have previously granted or require assistance, please call:

MacKenzie Partners, Inc.

105 Madison Avenue
New York, NY 10016
Tel: (212) 929-5500
Fax: (212) 929-0308

Call Toll Free: (800) 322-2885

**PRELIMINARY COPY
SUBJECT TO COMPLETION DATED OCTOBER 19, 2006**

October , 2006

CONSENT REVOCATION STATEMENT

**BY THE BOARD OF DIRECTORS OF ENERGY PARTNERS, LTD.
IN OPPOSITION TO
A CONSENT SOLICITATION BY ATS INC., WOODSIDE FINANCE LIMITED AND
WOODSIDE PETROLEUM LTD.**

This Consent Revocation Statement is furnished by the Board of Directors (the "Board") of Energy Partners, Ltd., a Delaware corporation ("EPL" or the "Company"), to the holders of all issued and outstanding shares of EPL's common stock, par value \$0.01 per share (the "Common Stock"), and the associated preferred stock purchase rights, in connection with your Board's opposition to the solicitation of written stockholder consents by ATS Inc., a Delaware corporation ("ATS") and a wholly-owned subsidiary of Woodside Petroleum, Ltd., a company organized under the laws of Victoria, Australia ("Woodside"), Woodside Finance Limited, a company formed under the laws of Victoria, Australia and a wholly-owned subsidiary of Woodside ("Woodside Finance"), and Woodside.

On August 28, 2006, Woodside publicly announced its intent to acquire all of the outstanding shares of EPL's Common Stock at a price of \$23.00 per share in cash (purportedly subject to increase to \$23.50 or \$24.00 under certain circumstances), subject to various closing conditions.

ATS is now escalating its campaign to advance its hostile offer for EPL by soliciting your written consents to take control of your Board by (i) removing all eleven existing members of the Board that you have elected and (ii) filling the newly-created vacancies with individuals handpicked by Woodside. Specifically, with its proposals, Woodside is asking you to:

1. Remove all eleven existing members of the Board (and any person(s) (other than those elected by this consent solicitation) elected or designated by any of such directors to fill any vacancy or newly created directorship); and
2. Elect its own hand-picked and paid nominees as the new directors of EPL (or if any such Nominee is unable or unwilling to serve on the Board, any other person designated as a nominee by ATS).

In its public filings with the Securities and Exchange Commission (the "SEC"), ATS has stated that, subject to their fiduciary duties, it expects its nominees to support the \$23.00 (purportedly subject to increase to \$23.50 or \$24.00 under certain circumstances) per share offer and to take all steps necessary to consummate a transaction between ATS and EPL that will force out EPL's stockholders. In addition, in its public filings with the SEC, ATS has stated that the election of its nominees will signal that a majority of the Company's stockholders believe that the ATS offer — which your Board has unanimously (with Mr. Hiltz abstaining) determined to be inadequate and not in the best interests of the Company's

stockholders (other than Woodside and its affiliates) — is in their best interests. In considering the ATS proposals, it is important for you to recognize that neither ATS nor Woodside has any duty to act in your best interests — each acts purely for Woodside’s financial gain. The Nominees have been selected for the single purpose of facilitating a transaction between EPL and Woodside — they have no anticipated role other than to vote for consummation of a transaction that your Board has deemed to be inadequate and not in your best interests.

Your directors were nominated and elected through processes implemented by the Board in keeping with good corporate governance practices. Please see the discussion in this Consent Revocation Statement under the heading “Corporate Governance” and regarding the process undertaken by the Board in the selection of directors. In contrast, the ATS nominees have been selected by, and are on the payroll of, Woodside, which acts solely in its own financial self-interest.

The Board has directed the Company to pursue strategic alternatives to maximize stockholder value, including the possible sale of the Company. EPL’s solid track record of operational success and the strong potential of EPL’s attractive Gulf of Mexico properties and prospects place the Company in a strong position to explore strategic alternatives to maximize value for EPL stockholders. However, if Woodside takes control of your Board, the Board’s efforts to maximize stockholder value will be curtailed and the ATS nominees will complete the ATS offer at a price which the Board has already deemed inadequate. **The Board strongly urges you to protect your right to achieve greater value than the ATS offer.**

Your Board unanimously opposes the solicitation by ATS. Your Board, which is composed of a majority of independent directors within the meaning of the New York Stock Exchange listing standards, is committed to acting in the best interests of all of the Company’s stockholders and believes that it is better positioned than Woodside’s handpicked nominees to maximize value to EPL’s stockholders.

This Consent Revocation Statement and the enclosed WHITE Consent Revocation Card are first being mailed to stockholders on or about _____, 2006.

Your Board urges you not to sign any [color] consent card sent to you by ATS or Woodside but instead to sign and return the WHITE card included with these materials.

If you have previously signed and returned the [color] consent card, you have every right to change your mind and revoke your consent. Whether or not you have signed the [color] consent card, we urge you to mark the “YES, REVOKE MY CONSENT” boxes on the enclosed WHITE Consent Revocation Card and to sign, date and mail the card in the postage-paid envelope provided. Although submitting a consent revocation will not have any legal effect if you have not previously submitted a consent card, it will help us keep track of the progress of the consent process. Regardless of the number of shares you own, your consent revocation is important. **Please act today.**

If your shares are held in “street name,” only your broker or your banker can vote your shares. Please contact the person responsible for your account and instruct him or her to submit a WHITE Consent Revocation Card on your behalf today.

In accordance with Delaware law and the Company’s bylaws, the Board set October 17, 2006 as the record date (the “Record Date”) for the determination of the Company’s stockholders who are entitled to execute, withhold or revoke consents relating to the ATS consent solicitation. Only holders of record as of the close of business on the Record Date may execute, withhold or revoke consents with respect to the ATS consent solicitation.

If you have any questions about giving your consent revocation or require assistance, please call:

MacKenzie Partners, Inc.

105 Madison Avenue
New York, NY 10016
Tel: (212) 929-5500
Fax: (212) 929-0308

Call Toll Free: (800) 322-2885

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Annex I Certain Information Regarding Participants in This Consent Revocation

cautionary statements in this paragraph.

DESCRIPTION OF THE ATS CONSENT SOLICITATION

As set forth in its definitive consent solicitation materials filed with the SEC, ATS is asking you to vote on the following proposals:

1. Remove all eleven existing members of the Board (and any person(s) (other than those elected by the ATS consent solicitation) elected or designated by any of such directors to fill any vacancy or newly created directorship); and
2. Elect Walter R. Arnheim, Terry G. Dallas, Robert B. Holland, III, David R. Martin and J. Kenneth Thompson (each, a “Nominee” and collectively, the “Nominees”) as the directors of EPL (or if any such Nominee is unable or unwilling to serve on the Board, any other person designated as a nominee by ATS).

We believe that the ATS proposals have a single purpose: to facilitate ATS’ proposed \$23.00 (purportedly subject to increase to \$23.50 or \$24.00 under certain circumstances) per share acquisition of the entire equity interest in EPL—an offer your Board has already unanimously (with Mr. Hiltz abstaining) determined to be inadequate and not in the best interests of the Company’s stockholders (other than Woodside and its affiliates).

REASONS TO REJECT THE ATS CONSENT SOLICITATION PROPOSALS

On October 12, 2006, the Company announced that your Board, a majority of which are independent directors, had directed the Company, assisted by its financial advisors, to explore strategic alternatives to maximize stockholder value, including the possible sale of the Company.

Despite the Board’s effort to explore all alternatives that would maximize value for EPL’s stockholders, ATS continues in its attempt to convince you to accept its offer — an offer that your Board has already deemed inadequate. ATS is pursuing its agenda to take control of EPL by seeking consents to two proposals designed to enable ATS to take control of your Board. Your Board believes that the ATS consent solicitation is an attempt to pressure the Board to accept the ATS hostile tender offer and to limit its options and flexibility to maximize value for EPL’s stockholders. Your Board opposes the solicitation by ATS because the Board believes:

The ATS Consent Solicitation is an opportunistic attempt to cash out EPL stockholders at an inadequate price.

EPL has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (as amended through the date hereof, the “Schedule 14D-9”) which contains the Board’s recommendation that EPL stockholders reject the ATS offer and not tender their shares to ATS.

The Schedule 14D-9 discloses that the Board unanimously (with Mr. Hiltz abstaining) determined that the ATS offer is inadequate and not in the best interests of the Company’s stockholders (other than Woodside and its affiliates). The Board’s reasons for its determination included:

- The Board's belief — based on its familiarity with the business of the Company, its financial condition, results of operations and prospects, and the Board's familiarity with the oil and natural gas exploration and production industry, and the prospects for, and the Company's position in, that industry — that the continued execution of the Company’s current business plan should provide greater value to stockholders than the ATS offer.

- The Board's belief that the fair value and unaffected price of the Company's stock is substantially higher than the prevailing market price at the time ATS launched the ATS offer. The Board noted that the \$23.00 per share offer price is a 29% discount to the Company's 52-week high (which was \$32.27 on September 29, 2005), and a 7% discount to the Company's average closing stock price over the 90 trading days preceding the announcement of the Company's offer to acquire Stone.
- The opinions of Petrie Parkman & Co., Inc., Evercore Group L.L.C., and Banc of America Securities LLC, the Company's financial advisors, to the effect that, as of September 13, 2006, and based upon and subject to various assumptions and limitations set forth in each opinion, the \$23.00 per share being offered was inadequate, from a financial point of view, to the Company's stockholders (other than Woodside and its affiliates).
- The Board's belief that the Company's prospect inventory, including those prospects on the Gulf of Mexico Shelf and in the deepwater Gulf of Mexico, is expected to generate increasing returns over the next few years, and that neither the Company's current stock price nor the ATS offer reflects the value of these assets or their potential.
- The Board's belief that the ATS offer represents an opportunistic attempt by Woodside to acquire a unique and valuable collection of oil and natural gas exploration and production assets and employees at a favorable time to Woodside at a price well below the true value that these assets and employees represent.
- The conditionality of the ATS offer, which includes many stringent, open-ended or subjective conditions that, unless waived by ATS, may result in the ATS offer not being consummated.

The Schedule 14D-9, which has been mailed to EPL stockholders, contains the Board's recommendation concerning the ATS offer and other important information.

The ATS Consent Solicitation will short-circuit your EPL Board's carefully designed plan to maximize stockholder value.

The Board, a majority of which are independent directors, has recently directed the Company to pursue strategic alternatives to maximize stockholder value with the assistance of its financial advisors, including a possible sale of the Company. Your Board, and not ATS' hand-picked nominees, is in the best position to evaluate those strategic alternatives available to EPL, decide which of those is most likely to provide full and fair value to all EPL stockholders and implement that decision.

We believe Woodside is soliciting written consents from you to remove all members of the Board that you have elected and replace them with its handpicked, paid nominees because it does not want to give your Board adequate time to successfully undertake the important process of exploring strategic alternatives to maximize stockholder value. To be clear, Woodside's aim is to buy your shares and the entire Company for the lowest possible price and it wants its nominees to control the process by which it can achieve that end. You should not support them in their efforts.

Your Board agreed to terminate the planned merger with Stone Energy Corporation ("Stone") after we were unable to negotiate a decrease in consideration payable to Stone stockholders under the merger agreement between EPL and Stone (the "Merger Agreement"). Rather than be liable for the \$25.6 million fee that would be payable to Stone in the event EPL's stockholders voted against the proposed transaction with Stone and then EPL consummated a Third Party Acquisition Proposal (as defined in the Merger Agreement) within 12 months following the EPL stockholder meeting, your Board negotiated the

payment by EPL to Stone of only \$8 million, in full satisfaction of all obligations under the Merger Agreement. The payment represents a \$17.6 million discount from the fee that would have been payable by EPL to Stone under certain circumstances. As a result of this payment, EPL achieved its objective of an immediate termination of the Merger Agreement which enabled EPL to commence promptly the review of its strategic alternatives. Your Board has directed the Company to pursue strategic alternatives to maximize stockholder value with the assistance of its financial advisors, including a possible sale of the Company. Your Board will evaluate the strategic alternatives presented, decide what action is in the best interests of EPL's stockholders and implement that decision. Although the Board plans to continue to work with financial advisors and senior management to ascertain the status of the review of strategic alternatives, no timetable has been set for completion of this process. The timing of consummation of any strategic alternative which may be pursued by the Board, including one involving Woodside, is uncertain.

In contrast, ATS continues to demonstrate that its goal is not to enhance the value of EPL. ATS has maintained its offer price at \$23.00 per share (purportedly subject to increase to \$23.50 or \$24.00 under certain circumstances), with no increase having been offered for EPL's having negotiated a \$17.6 million reduction in the termination fee that would have been payable to Stone upon an acquisition of the Company by a third party, including by ATS. In its filings with the SEC, ATS has said that it would increase its offer price by \$.50 per share if the \$25.6 termination fee payable under certain circumstances were voided. Now your Board has saved \$17.6 million of the termination fee, but ATS has not followed through on its promise to pass that savings on to the EPL stockholders in the event it consummates its offer. In other words, if ATS acquires EPL, it's going to keep the \$17.6 million for itself. Given that it is in ATS' interest to acquire EPL at the lowest possible price, your Board believes that it is extremely unlikely that the ATS nominees would have any incentive to pursue other alternatives for EPL and its stockholders.

The ATS consent solicitation will place control of EPL in the hands of nominees who have been handpicked by ATS to serve its own interest, not the interest of other EPL stockholders.

At this critical time for the future of EPL, we believe it is vital to continue to have directors in place who know EPL and are committed to continuing to act in the best interests of EPL and all of its stockholders. The Board believes that you, our stockholders, should continue to be represented by directors who are not hand-picked by ATS or Woodside.

The ATS nominees have clear conflicts of interest since it is in the interest of ATS to acquire EPL at the lowest possible price. The facts on this matter speak for themselves. ATS itself has stated in its consent solicitation materials that it "expects" that its nominees will "take such action as may be required to expedite the prompt consummation of the [ATS] Offer."

The ATS nominees, if elected, would have certain obligations under the Delaware General Corporation Law (the "DGCL") to EPL. If ATS' hand-picked nominees are elected as your directors, we believe they would have conflicts of interest which can only be detrimental to the interests of EPL and its stockholders, since it is in ATS' and Woodside's interest to acquire EPL at the lowest possible price for EPL's shares, a price which your Board has already determined is inadequate.

Given ATS's attempt to acquire EPL, we believe it is contrary to the interests of ATS to allow any ATS-designated directors to take any further steps to enhance the value of the EPL shares. It is significant that, as disclosed in ATS' consent solicitation materials, the ATS nominees, if elected to the Board, will be indemnified by ATS "to the fullest extent permitted by the DGCL and other applicable law" if they breach their fiduciary duties to EPL and its stockholders. We believe that such indemnification appears to indicate that conflicts of interest could cause the ATS nominees, if elected, to be unable to fulfill their fiduciary duties to EPL and its stockholders.

Furthermore, unless and until ATS acquires control over EPL, ATS has no obligation to protect the interests of EPL's stockholders; its sole obligation is to Woodside and its stockholders. Additionally, because Woodside, through its affiliate Gryphon Exploration Company and its ownership of other assets and its conduct of other operations in the Gulf of Mexico, competes directly with EPL, we believe that the ATS nominees would be subject to conflicts of interest in serving as directors of EPL.

While ATS' consent solicitation materials describe its proposed slate of directors as "independent," your Board believes that all of them have been handpicked by Woodside simply to facilitate the acquisition of EPL by Woodside on terms that are as favorable to Woodside as possible. In fact, Woodside has stated in its consent statement materials that it "does not currently anticipate that the Nominees will continue to serve as directors of the Company" once Woodside completes the acquisition of EPL.