

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.

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and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934
Subject Company: Stone Energy Corporation
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2

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Corporate Information

3

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
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,
the
documents
filed
with
the
SEC
by
Stone
may
be
obtained
free
of
charge
from
Stone
website
at
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
from
the
stockholders
of
EPL
and
Stone
in
favor
of
the
acquisition.
Information
about
the
executive
officers
and
directors
of
EPL
and
their
direct
or
indirect
interests,
by
security
holdings
or
otherwise,
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the
acquisition
will
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statement-prospectus
relating
to
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acquisition
when
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becomes
available.
Information
about
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executive
officers
and
directors
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proxy
statement-prospectus
relating
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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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