



THIRD QUARTER 2006

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THE MERIDIAN RESOURCE CORPORATION

CONSOLIDATED INCOME STATEMENT: 3Q-2006

(thousands of dollars, except per share information, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
REVENUES:				
Oil and natural gas	\$ 45,795	\$ 36,664	\$148,723	\$130,882
Price risk management activities	(238)	60	125	(400)
Interest and other	502	121	1,257	510
	<u>46,059</u>	<u>36,845</u>	<u>150,105</u>	<u>130,992</u>
OPERATING COSTS AND EXPENSES:				
Oil and natural gas operating	6,486	3,431	16,050	12,223
Severance and ad valorem taxes	3,202	2,189	8,547	6,687
Depletion and depreciation	28,226	19,725	85,396	70,452
General and administrative	4,360	3,961	13,876	13,345
Accretion expense	430	272	1,050	798
Impairment of long-lived assets	134,865	-----	134,865	-----
Hurricane damage repairs	581	750	2,984	750
	<u>178,150</u>	<u>30,328</u>	<u>262,768</u>	<u>104,255</u>
EARNINGS (LOSS) BEFORE INTEREST AND INCOME TAXES	<u>(132,091)</u>	<u>6,517</u>	<u>(112,663)</u>	<u>26,737</u>
OTHER EXPENSES:				
Interest expense	1,471	1,194	4,338	3,276
EARNINGS (LOSS) BEFORE INCOME TAXES	<u>(133,562)</u>	<u>5,323</u>	<u>(117,001)</u>	<u>23,461</u>
INCOME TAXES:				
Current	135	(860)	503	(603)
Deferred	(46,818)	2,907	(40,799)	9,633
	<u>(46,683)</u>	<u>2,047</u>	<u>(40,296)</u>	<u>9,030</u>
NET EARNINGS (LOSS)	<u>(86,879)</u>	<u>3,276</u>	<u>(76,705)</u>	<u>14,431</u>
Dividends on preferred stock	----	----	----	902
NET EARNINGS (LOSS) APPLICABLE TO COMMON STOCKHOLDERS	<u>\$(86,879)</u>	<u>\$ 3,276</u>	<u>\$(76,705)</u>	<u>\$ 13,529</u>
NET EARNINGS (LOSS) PER SHARE:				
Basic	\$ (0.99)	\$ 0.04	\$ (0.88)	\$ 0.16
Diluted	\$ (0.99)	\$ 0.04	\$ (0.88)	\$ 0.15
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:				
Basic	87,726	86,683	87,179	83,771
Diluted	87,726	92,134	87,179	89,337

THE MERIDIAN RESOURCE CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS: 3Q-2006

(thousands of dollars, unaudited)

	Nine Months Ended September 30,	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (76,705)	\$ 14,431
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depletion and depreciation	85,396	70,452
Amortization of other assets	332	333
Non-cash compensation	1,784	1,460
Non-cash price risk management activities	(125)	400
Accretion expense	1,050	798
Impairment of long-lived assets	134,865	----
Deferred income taxes	(40,799)	9,633
Changes in assets and liabilities:		
Restricted cash	(31)	(1,096)
Accounts receivable	18,133	11,102
Prepaid expenses and other	(5,133)	(1,412)
Due to affiliates	(3,390)	(1,713)
Accounts payable	(116)	(1,650)
Revenues and royalties payable	(1,226)	(2,373)
Other assets and liabilities	134	(3,933)
Net cash provided by operating activities	114,169	96,432
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(94,413)	(103,837)
Acquisition of properties	(13,220)	----
Proceeds from (settlements on) sale of property	11,032	(45)
Net cash used in investing activities	(96,601)	(103,882)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reductions in long-term debt	(10,000)	----
Proceeds from long-term debt	10,000	----
Reduction in notes payable	(5,164)	(1,963)
Proceeds from notes payable	9,248	3,142
Issuance of stock/exercise of stock options, net	----	13
Preferred dividends	----	(2,166)
Additions to deferred loan costs	----	(99)
Net cash provided by (used in) financing activities	4,084	(1,073)
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,652	(8,523)
Cash and cash equivalents at beginning of period	23,265	24,297
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 44,917	\$ 15,774

THE MERIDIAN RESOURCE CORPORATION

CONSOLIDATED BALANCE SHEET: 3Q-2006

(thousands of dollars)

	September 30, <u>2006</u> (unaudited)	December 31, <u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 44,917	\$ 23,265
Restricted cash	1,265	1,234
Accounts receivable, less allowance for doubtful accounts of \$232 [2006] and \$242 [2005]	23,055	41,188
Prepaid expenses and other	6,427	1,294
Assets from price risk management activities	6,522	528
Deferred tax asset	----	1,150
Total current assets	<u>82,186</u>	<u>68,659</u>
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties, full cost method (including \$61,836 [2006] and \$26,623 [2005] not subject to depletion)	1,619,368	1,512,036
Land	48	48
Equipment	7,135	6,540
	<u>1,626,551</u>	<u>1,518,624</u>
Less accumulated depletion and depreciation	1,252,851	1,032,595
Total property and equipment, net	<u>373,700</u>	<u>486,029</u>
OTHER ASSETS:		
Assets from price risk management activities	634	235
Other	547	879
Total other assets	<u>1,181</u>	<u>1,114</u>
TOTAL ASSETS	<u><u>\$ 457,067</u></u>	<u><u>\$ 555,802</u></u>

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	September 30, <u>2006</u> (unaudited)	December 31, <u>2005</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 7,479	\$ 7,595
Revenues and royalties payable	7,923	9,149
Due to affiliates	1,248	4,638
Notes payable	5,187	1,103
Accrued liabilities	21,720	22,272
Liabilities from price risk management activities	1,080	3,977
Asset retirement obligations	3,639	2,879
Deferred income taxes	1,904	-----
Current income taxes payable	-----	108
	<u>50,180</u>	<u>51,721</u>
LONG-TERM DEBT	<u>75,000</u>	<u>75,000</u>
OTHER:		
Deferred income taxes	1,374	41,967
Liabilities from price risk management activities	302	464
Asset retirement obligations	13,705	9,085
	<u>15,381</u>	<u>51,516</u>
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value (200,000,000 shares authorized, 89,104,503 [2006] and 86,817,658 [2005] shares issued)	927	900
Additional paid-in capital	534,326	524,692
Accumulated deficit	(222,100)	(145,395)
Accumulated other comprehensive income (loss)	3,754	(2,314)
Unamortized deferred compensation	(401)	(318)
Total stockholders' equity	<u>316,506</u>	<u>377,565</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 457,067</u>	<u>\$ 555,802</u>

THE MERIDIAN RESOURCE CORPORATION

SUMMARY OPERATIONS DATA: **3Q-2006**

(In thousands, except prices and per share data, unaudited)

	Q3-06	Q3-05	Three Months Ended		Nine Months Ended	
	Three Months Ended		Nine Months Ended		Nine Months Ended	
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2006	2005	2006	2005	2006	2005
Production:						
Oil (Mdbl)	230	203	653	680		
Natural Gas (Mmcf)	4,337	3,790	14,081	15,623		
Mmcfe	5,715	5,010	17,997	19,706		
Mmcfe (Daily Rate)	62.1	54.5	65.9	72.2		
Average Prices:						
Oil (per Bbl)	\$64.17	\$43.92	\$56.59	\$36.03		
Natural Gas (per Mcf)	7.16	7.32	7.94	6.81		
Per Mcfe	8.01	7.32	8.26	6.64		
Oil and Natural Gas Revenues	\$45,795	\$36,664	\$148,723	\$130,882		
Lease Operating Expenses	6,486	3,431	16,050	12,223		
Per Mcfe	1.13	0.68	0.89	0.62		
Severance and Ad Valorem Taxes	3,202	2,189	8,547	6,687		
Per Mcfe	0.56	0.44	0.47	0.34		
General and Administrative Expense	4,360	3,961	13,876	13,345		
Per Mcfe	0.76	0.79	0.77	0.68		
Interest Expense	1,471	1,194	4,338	3,276		
Per Mcfe	0.26	0.24	0.24	0.17		
Discretionary Cash Flow ⁽¹⁾	\$30,760	\$26,758	\$105,798	\$97,507		
Per Mcfe	5.38	5.34	5.88	4.95		
Net Earnings (Loss) Applicable to Common Stockholders	(\$86,879)	\$3,276	(\$76,705)	\$13,529		
Per Common Share (Basic)	(\$0.99)	\$0.04	(\$0.88)	\$0.16		
Per Common Share (Diluted)	(\$0.99)	\$0.04	(\$0.88)	\$0.15		

THE MERIDIAN RESOURCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS: 3Q-2006

East Texas

The Company recently announced initial production test results on its Blackstone Minerals ("BSM") No. 1 well, located in Polk County, Texas in the Company's East Texas Austin Chalk/Woodbine Play. The well was recently tested over a two day period at gross daily flow rates as high as 27 million cubic feet of natural gas per day ("Mmcf/d") and as high as 1,500 barrels of oil per day ("BOPD"). Flowing tubing pressures were measured at ranges between 7,500 pounds per square inch ("psi") through an 18/64th-inch choke and 2,400 psi through a 48/64th-inch choke. The dual lateral well was placed on production and is in a "clean-up" of drilling fluids phase with intermittent fluctuations normally experienced during the first several day phases of production for wells similarly drilled and produced in the area. Pipeline constraints during the clean-up operations prevent the well from being produced at more than 20 Mmcf/d. The well was placed on production at a gross rate of approximately 18-20 Mmcf/d along with an additional 1,000 to 1,500 BOPD. The Company's working interest in the well is approximately 84% before payout (57% net) and 71% after payout (50% net), subject to terms of unitization, lease royalties, acreage and farmout agreements previously negotiated with the third party working and mineral interest owners in the well.

The well was drilled vertically to approximately 13,000 feet with two horizontal laterals and is on trend with other Austin Chalk wells in the area which are located approximately nine miles to the east. The Company expects that the well will display similar producing characteristics to other Austin Chalk wells in the area, with the typical hyperbolic decline curve from current production levels during the coming months.

The Company anticipates mobilizing two rigs (one rig for a one-well drilling and the second for an indeterminable time period at the discretion of the Company) into the area beginning in December 2006 to commence the drilling of additional laterals in at least two of three of the existing vertical wells that were drilled through the Austin Chalk during early 2006. The first well scheduled for the laterals is the Katherine Leary No. 1 well which is located northeast of the current well, followed by either the BSM No. 2 or No. 3 well.

The Company is also under way with the construction and purchase of two newly built drilling rigs in conjunction with an engineering design and fabrication/rig contractor. This contractor will ultimately operate, crew and maintain the rigs. Delivery of the rigs is currently expected during mid-summer 2007. The rigs will be mobilized to the Company's East Texas Austin Chalk play and, depending on the successes of the operations and commodity prices, the Company has plans for a two-rig, multi-well drilling program to exploit the Company's acreage under lease for an anticipated 3 to 5 year period.

Additionally, the Company has recently executed a lease and Joint Exploration Agreement with Blackstone Minerals LP et al to acquire approximately 20,300 gross acres (17,500 net), bringing the Company's and its working interest partners' acreage position to approximately 35,000 gross acres (30,000, net) in the area. Depending on unit configuration, Meridian estimates that this represents an additional 25 to 50 potential drilling locations to test the Austin Chalk and Woodbine formations. Working interest will vary between 25% and 92%.

South Louisiana

The Company has stepped up its drilling and completion activities in its south Louisiana region with two wells being placed on production during the fourth quarter 2006 and expectations of 4 to 6 additional wells to be drilled back to back beginning in the fourth quarter 2006.

At the “Y-Not” prospect, the J. A. Smith No. 1 well, located in the Company’s Weeks Island field, Iberia Parish, Louisiana, was recently placed on production and is flowing into the sales pipeline at a gross rate of 2.5 Mmcf/d and 81 barrels of condensate per day (“BCPD”) with no water. The well was drilled to approximately 16,000 feet and logged approximately 30 feet of overall gross gas pay in the Lower Miocene sand section. The Company owns an approximate 97% working interest (74% net revenue interest) in the well, subject to final unit surveys.

Further, the Company is currently drilling the Lake Arthur Reclamation No. 1 well in Cameron Parish, Louisiana on its North Grand Lake prospect. The well is scheduled to reach a total depth of approximately 16,000 feet to test the main Marg sand. The Company has a 55% before casing point (64% after casing point) working interest in this well, and the gross unrisks reserve target is between 25 and 50 BCF. The first of two casing strings has been set and the well is currently at a depth of approximately 13,000 feet.

Following the drilling of the North Grand Lake prospect, the Company will mobilize its barge rig under contract to the first of three additional Hackberry sand prospects located in Calcasieu Parish, Louisiana.

Additionally, the Company anticipates spudding of the Turtle Soup prospect located in Acadia Parish, Louisiana during the fourth quarter 2006, which is designed to test the Marg-Tex sands at an approximate depth of 15,000 feet with a gross unrisks reserve target of 50 BCFE. The Company will own a non-operating 23% working interest after payout.

The Apache La. Minerals No. 1 well on the Bayou Gentilly prospect, continues to await the pipeline operator’s completion of the hot tap prior to production. Originally, the well was drilled and tested at approximately 6.5 Mmcf/d prior to Hurricane Katrina during August 2005 but has been awaiting the pipeline company’s mobilization of crews and equipment to the site since that date. Due to circumstances beyond our control, the tie-in date of this project has been extended monthly and is now scheduled for mid-November. The Company owns a 92% working interest in this well.

In the Biloxi Marshland area, the natural gas transmission company that takes gas from three of the four field production facilities will conduct scheduled maintenance of its pipeline estimated to begin in mid-November 2006. This maintenance will cause the shut-in of several wells in the Biloxi Marshland field for an estimated period of up to one month. The amount of production being shut-in during that time is estimated to be 25 Mmcf/d net. During this period, Meridian will make improvements to the three facilities as well as assist the crews performing line maintenance in an effort to expedite the return to production of our wells in a timely manner.

Texas Gulf Coast (Offshore)

In similar fashion to the stepped-up drilling in south Louisiana, as a result of the recent purchase by the Company of the Vintage Petroleum LLC south Texas offshore properties, the Company anticipates drilling 6 to 8 wells in this region during the upcoming quarters. Two of the wells have recently been drilled — the Countiss McCracken No. 1 and the BP America No. 1 wells, located in Nueces Bay, San Patricio and Nueces Counties. Both of these wells were drilled to a total depth of approximately 13,000 feet and have been placed on production at gross daily flow rates of approximately 2.2 and 7.1 Mmcf per day, respectively, from the lower Frio formation. Meridian has an approximate working interest of 25% in each well.

Additionally, during the fourth quarter 2006, the Company has entered into a contract for a rig to drill its ST 786 No. 12 well on its Indian Point prospect, also located in the Nueces Bay area immediately east of the wells described above. This well will target lower Frio sands similar to those encountered by the wells mentioned above and has been designed to be drilled to a total depth of 14,500 feet (MD). Meridian has a 49% working interest in this prospect and is the operator.

Additional prospects are being readied for drilling beginning in the first quarter 2007 and include the Company's Brazos 388 / 400 prospect and High Island 55 prospect, each a product of the Vintage purchase. Total gross unrisksed reserve target exposure from drilling all of the prospects and wells acquired from Vintage ranges between 50 and 150 BCFE.

North Central Oklahoma

During the fourth quarter of 2006, a rig will be moved onto location in the producing trend of the Hunton/Woodford De-watering Play to drill six initial wells to test two separate areas of the play—two saltwater disposal wells and sequentially four exploration/exploitation wells, each to an approximate depth of 7,500 feet. The Company, which will operate the field, owns approximately 20,000 acres in the area and has targeted gross unrisksed reserves for this play of approximately 30 to 40 Bcfe. Meridian will own a 92% working interest position.

Unconventional Resource Plays

In the Delaware Basin, the Company and its joint venture partner are currently reprocessing several 2-D seismic lines and plans to acquire approximately 77 miles of additional 2-D seismic during December 2006 over portions of their 75,000 acreage position. Plans are to initiate drilling operations during early 2007. Targeted formations are the Barnett and Woodford Shale sections which range between 5,500 and 8,500 feet. Meridian's 50% joint venture partner will operate substantially all of the drilling and production for the project.

In the New Albany Play of the Illinois Basin, the Company continues to acquire leases and currently owns an approximate 25,000-acre lease position. Targeted formations are the New Albany Shale at depths generally between 2,000 and 5,000 feet with an expected average thickness of 300 feet. Plans are being made to initiate drilling activities during late fourth quarter 2006 and continue through 2007. The Company's working interest in the play is approximately 92% with Meridian as operator.

In the Palo Duro Basin Play, the Company owns approximately 35,000 gross acres in Floyd and Motley Counties, Texas. The primary target formation is the Pennsylvanian Shale between 8,000 and 10,000 feet with an estimated average shale thickness of 1,000 feet. Several operators in the basin are in various stages of testing optimal drilling and completion techniques for wells in the area. The Company is currently developing its operational plan for the basin with expectations to initiate drilling during 2007. Meridian is the operator.