

ENCORE ACQUISITION CO  
Form DEFA14A  
February 22, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ENCORE ACQUISITION COMPANY**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**Encore Acquisition Company Announces Fourth Quarter and Full Year  
2009 Results**

FORT WORTH, Texas (BUSINESS WIRE) February 22, 2010

Encore Acquisition Company (NYSE: EAC) ( Encore or the Company ) today reported unaudited fourth quarter and full year 2009 results.

The following table highlights certain reported amounts for 2009 as compared to 2008 (\$ and shares outstanding in millions, except average price amounts):

|   | <b>Qtr Ended December 31,</b> |             | <b>Year Ended December 31,</b> |             |
|---|-------------------------------|-------------|--------------------------------|-------------|
|   | <b>2009</b>                   | <b>2008</b> | <b>2009</b>                    | <b>2008</b> |
| Net income (loss)                             | \$ (21.6)                     | \$ 229.0    | \$ (81.1)                      | \$ 430.8    |
| Net income excluding certain items            | \$ 16.4                       | \$ 36.3     | \$ 125.6                       | \$ 246.0    |
| Adjusted EBITDAX                              | \$ 156.1                      | \$ 176.6    | \$ 703.0                       | \$ 798.0    |
| Oil and natural gas revenues                  | \$ 218.8                      | \$ 165.9    | \$ 680.6                       | \$1,124.9   |
| Average realized combined price (\$/BOE)      | \$ 52.67                      | \$ 43.13    | \$ 43.43                       | \$ 77.87    |
| Average daily production volumes (BOE/D)      | 45,143                        | 41,824      | 42,929                         | 39,470      |
| Oil as percentage of total production volumes | 62%                           | 68%         | 64%                            | 70%         |
| Development and exploration costs incurred    | \$ 51.6                       | \$ 188.9    | \$ 286.9                       | \$ 619.0    |
| Unproved acreage costs incurred               | \$ 11.1                       | \$ 32.7     | \$ 17.1                        | \$ 128.6    |
| Weighted average diluted shares outstanding   | 54.6                          | 52.1        | 52.6                           | 52.9        |

**Fourth Quarter 2009**

Encore's fourth quarter 2009 production averaged 45,143 barrels of oil equivalent ( BOE ) per day. Daily production volumes consisted of 27,913 Bbls of oil per day and 103,382 Mcf of natural gas per day. For the fourth quarter of 2008, production volumes averaged 41,824 BOE per day. Net profits interests reduced reported average daily production volumes by approximately 1,756 BOE per day in the fourth quarter of 2009 versus 829 BOE per day in the fourth quarter of 2008.

Encore reported net income excluding certain items for the fourth quarter of 2009 of \$16.4 million (\$0.29 per diluted share) as compared to \$36.3 million (\$0.64 per diluted share) for the fourth quarter of 2008. Encore reported a net loss for the fourth quarter of 2009 of \$21.6 million (\$0.40 per diluted share) as compared to net income of \$229.0 million (\$4.32 per diluted share) for the fourth quarter of 2008. Net income excluding certain items is defined and reconciled to its most directly comparable GAAP measure in the attached financial schedules.

Adjusted EBITDAX was \$156.1 million for the fourth quarter of 2009 as compared to \$176.6 million for the fourth quarter of 2008. Adjusted EBITDAX is defined and reconciled to its most directly comparable GAAP measures in the attached financial schedules.

Encore's oil and natural gas revenues were \$218.8 million in the fourth quarter of 2009 as compared to \$165.9 million in the fourth quarter of 2008. The average NYMEX oil price increased to \$75.98 per Bbl in the fourth quarter of 2009 from \$58.52 per Bbl in the fourth quarter of 2008. The Company's NYMEX oil differential was \$8.04 per Bbl in the fourth quarter of 2009 as compared to \$11.89 per Bbl in the fourth quarter of 2008. As a result, the Company's average wellhead oil price, which represents the net price the Company receives for its oil production, was \$67.94 per Bbl for the fourth quarter of 2009 versus \$46.63 per Bbl in the fourth quarter of 2008.

Lease operating expense was \$10.17 per BOE in the fourth quarter of 2009 as compared to \$11.72 per BOE reported for the fourth quarter of 2008.

General and administrative ( G&A ) expenses for the fourth quarter of 2009 were \$13.3 million (\$3.20 per BOE) versus \$11.9 million (\$3.09 per BOE) in the fourth quarter of 2008.

Exploration expense was \$8.7 million in the fourth quarter of 2009, which was comprised of \$7.2 million in amortization of unproved acreage, \$1.1 million related to dry holes, and \$0.4 million in delay rentals, geological, and seismic costs. For the fourth quarter of 2008, exploration expense was also \$8.7 million.

During the fourth quarter of 2009, the Company recorded an impairment charge on unproved property for its Tuscaloosa Marine Shale acreage of \$10.0 million as compared to an impairment charge on proved properties of \$33.2 million in the fourth quarter of 2008.

#### **Full Year 2009**

Average daily production volumes in 2009 were 42,929 BOE per day as compared to 39,470 BOE per day in 2008. Oil production represented 64 percent of the Company's total sales volumes in 2009 as compared to 70 percent in 2008. Net profits interests reduced reported average daily production volumes by approximately 1,721 BOE per day in 2009 versus 1,530 BOE per day in 2008.

The average NYMEX oil price for the year was \$61.95 per Bbl in 2009 versus \$99.75 per Bbl in 2008 and the average NYMEX natural gas price was \$3.99 per Mcf in 2009 as compared to \$9.04 per Mcf in 2008. The Company's NYMEX oil differential was \$7.10 per Bbl in 2009 and \$10.17 per Bbl in 2008, and as a percentage of NYMEX the differential was 11 percent in 2009 as compared to 10 percent in 2008. Combining the movement in the NYMEX oil price and the Company's differential, the Company's average wellhead oil price, which represents the net price the Company receives for its oil production, was \$54.85 per Bbl in 2009 as compared to \$89.58 per Bbl in 2008. The Company's average wellhead natural gas price decreased to \$3.87 per Mcf in 2009 from \$8.63 per Mcf in 2008. Net income excluding certain items for 2009 was \$125.6 million (\$2.32 per diluted share) as compared to \$246.0 million (\$4.55 per diluted share) in 2008. The Company reported a net loss for 2009 of \$81.1 million (\$1.54 per diluted share) as compared to net income of \$430.8 million (\$8.01 per diluted share) in 2008. Net income excluding certain items is defined and reconciled to its most directly comparable GAAP measure in the attached financial schedules.

Adjusted EBITDAX for 2009 was \$703.0 million as compared to \$798.0 million for 2008. Adjusted EBITDAX is defined and reconciled to its most directly comparable GAAP measures in the attached financial schedules.

Lease operating expense decreased to \$165.1 million (\$10.53 per BOE) for 2009 from \$175.1 million (\$12.12 per BOE) for 2008.

G&A expenses for 2009 were \$54.0 million (\$3.45 per BOE) as compared to \$48.4 million (\$3.35 per BOE) in 2008. The Company completed 112 gross wells (42.4 net) during 2009. The following table summarizes costs incurred related to oil and natural gas properties for the periods indicated:

|                             | <b>Year Ended December 31,</b> |                   |
|-----------------------------|--------------------------------|-------------------|
|                             | <b>2009</b>                    | <b>2008</b>       |
|                             | (in thousands)                 |                   |
| <b>Acquisitions:</b>        |                                |                   |
| Proved properties           | \$ 402,457                     | \$ 28,840         |
| Unproved properties         | 17,087                         | 128,635           |
| <b>Total acquisitions</b>   | <b>419,544</b>                 | <b>157,475</b>    |
| <b>Development:</b>         |                                |                   |
| Drilling and exploitation   | 121,259                        | 362,609           |
| <b>Total development</b>    | <b>121,259</b>                 | <b>362,609</b>    |
| <b>Exploration:</b>         |                                |                   |
| Drilling and exploitation   | 163,887                        | 252,104           |
| Geological and seismic      | 1,022                          | 2,851             |
| Delay rentals               | 774                            | 1,482             |
| <b>Total exploration</b>    | <b>165,683</b>                 | <b>256,437</b>    |
| <b>Total costs incurred</b> | <b>\$ 706,486</b>              | <b>\$ 776,521</b> |

### **Liquidity Update**

At December 31, 2009, the Company's long-term debt, net of discount, was \$1.2 billion, including \$150 million of 6.25% senior subordinated notes due April 15, 2014, \$300 million of 6.0% senior subordinated notes due July 15, 2015, \$225 million of 9.5% senior subordinated notes due May 1, 2016, \$150 million of 7.25% senior subordinated notes due December 1, 2017, and \$155 million and \$255 million of outstanding borrowings under Encore's and Encore Energy Partners LP's (ENP) revolving credit facilities, respectively. As of December 31, 2009, the borrowing base of Encore's revolving credit facility was \$925 million, of which \$769.7 million was available liquidity. ENP's available borrowing capacity under its \$375 million revolving credit facility was \$120 million at December 31, 2009.

On December 31, 2009, Encore owned 21.4 million units of ENP, including all 0.5 million general partner units, and received approximately \$11.5 million on February 12, 2010 as a result of ENP's declared cash distribution of \$0.5375 per unit for the fourth quarter of 2009.

### **Conference Call Details**

Encore will participate in the Denbury Resources Inc. (NYSE: DNR) ( Denbury ) fourth quarter 2009 earnings conference call to be held on Tuesday, February 23, 2010 at 10:00 a.m. Central Time. The call may be accessed on Denbury s website at [www.denbury.com](http://www.denbury.com).

### **About the Company**

Encore Acquisition Company is engaged in the acquisition and development of oil and natural gas reserves from onshore fields in the United States. Since 1998, Encore has acquired producing properties with proven reserves and leasehold acreage and grown the production and proven reserves by drilling, exploring, reengineering or expanding existing waterflood projects, and applying tertiary recovery techniques.

### **Additional Information**

As previously announced on November 1, 2009, Encore entered into a definitive merger agreement with Denbury pursuant to which Denbury will acquire Encore (the transaction ). The combined company will continue to be known as Denbury Resources Inc. and will be headquartered in Plano, Texas. The Boards of Directors of both companies have unanimously approved the merger agreement, and each has recommended approval of the transaction to its respective stockholders. Completion of the transaction is subject to the approval of both Denbury and Encore stockholders, regulatory approvals, and other customary conditions. The transaction is expected to close in the first quarter of 2010.

In connection with the transaction, Denbury and Encore have filed a joint proxy statement/prospectus and other documents with the Securities and Exchange Commission ( SEC ). **Investors and security holders are urged to carefully read the definitive joint proxy statement/prospectus because it contains important information regarding Denbury, Encore, and the transaction.**

A definitive joint proxy statement/prospectus has been sent to stockholders of Denbury and Encore seeking their approval of the transaction. Investors and security holders may obtain a free copy of the definitive joint proxy statement/prospectus and other documents filed by Denbury and Encore with the SEC at the SEC s website, [www.sec.gov](http://www.sec.gov). The definitive joint proxy statement/prospectus and such other documents relating to Denbury may also be obtained free-of-charge by directing a request to Denbury, Attn: Investor Relations, 5100 Tennyson Parkway, Suite 1200, Plano, Texas 75024, or from Denbury s website, [www.denbury.com](http://www.denbury.com). The definitive joint proxy statement/prospectus and such other documents relating to Encore may also be obtained free-of-charge by directing a request to Encore, Attn: Bob Reeves, 777 Main Street, Suite 1400, Fort Worth, Texas 76102, or from Encore s website, [www.encoreacq.com](http://www.encoreacq.com).

Denbury, Encore, and their respective directors and executive officers may, under the rules of the SEC, be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information concerning the interests of the persons who may be participants in the solicitation has been set forth in the joint proxy statement/prospectus.

### **Cautionary Statement**

This press release includes forward-looking statements, which give Encore's current expectations or forecasts of future events based on currently available information. Forward-looking statements are statements that are not historical facts, such as the anticipated timing of filings and approvals relating to the transaction; the expected timing of the completion of the transaction; and the ability to complete the transaction considering the various closing conditions. The assumptions of management and the future performance of Encore are subject to a wide range of business risks and uncertainties and there is no assurance that these statements and projections will be met.

Factors that could affect Encore's business include, but are not limited to: the risks associated with drilling of oil and natural gas wells; Encore's ability to find, acquire, market, develop, and produce new reserves; the risk of drilling dry holes; oil and natural gas price volatility; derivative transactions (including the costs associated therewith and the abilities of counterparties to perform thereunder); uncertainties in the estimation of proved, probable, and possible reserves and in the projection of future rates of production and reserve growth; inaccuracies in Encore's assumptions regarding items of income and expense and the level of capital expenditures; uncertainties in the timing of exploitation expenditures; operating hazards attendant to the oil and natural gas business; drilling and completion losses that are generally not recoverable from third parties or insurance; potential mechanical failure or underperformance of significant wells; pipeline construction difficulties; climatic conditions; availability and cost of material and equipment; the risks associated with operating in a limited number of geographic areas; actions or inactions of third-party operators of Encore's properties; Encore's ability to retain skilled personnel; diversion of management's attention from existing operations while pursuing acquisitions or dispositions; availability of capital; the strength and financial resources of Encore's competitors; regulatory developments; environmental risks; uncertainties in the capital markets; uncertainties with respect to asset sales; general economic and business conditions (including the effects of the worldwide economic recession); industry trends; the possibility that one or more closing conditions for the transaction may not be satisfied or waived, including the failure to obtain the requisite approval of either Denbury's or Encore's stockholders, the failure of Denbury to obtain the requisite financing to fund the cash portion of the transaction or the possibility that a governmental entity may prohibit, delay, or refuse to grant approval for the consummation of the transaction; the effects of disruption from the transaction making it more difficult to maintain relationships with employees, business partners, or governmental entities; other business effects, including the effects of industry, economic, or political conditions outside of the control of Denbury or Encore; and other risks and uncertainties detailed in Denbury's and Encore's filings with the SEC, including Denbury's and Encore's most recent reports on Form 10-K and Form 10-Q.

These statements are based on engineering, geological, financial, and operating assumptions that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are both subject to a wide range of business risks, and there is no assurance that these goals and projections can or will be met. Actual results may vary materially and other factors detailed in Encore's most recent Form 10-K and other filings with the SEC. If one or more of these risks or uncertainties materialize (or the consequences of such a development changes), or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Encore undertakes no obligation to publicly update or revise any forward-looking statements.

**Contacts**

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**Encore Acquisition Company**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts)  
(unaudited)

|   | <b>Three Months Ended</b> |                   | <b>Year Ended</b>   |                   |
|---|---------------------------|-------------------|---------------------|-------------------|
|   | <b>December 31,</b>       |                   | <b>December 31,</b> |                   |
|   | <b>2009</b>               | <b>2008</b>       | <b>2009</b>         | <b>2008</b>       |
| <b>Revenues:</b>  |                           |                   |                     |                   |
| Oil   | \$ 174,476                | \$ 121,442        | \$ 549,391          | \$ 897,443        |
| Natural gas   | 44,277                    | 44,506            | 131,185             | 227,479           |
| Marketing   | 2,832                     | 1,756             | 4,840               | 10,496            |
| <b>Total revenues</b>   | <b>221,585</b>            | <b>167,704</b>    | <b>685,416</b>      | <b>1,135,418</b>  |
| <b>Expenses:</b>  |                           |                   |                     |                   |
| Production:   |                           |                   |                     |                   |
| Lease operating   | 42,245                    | 45,102            | 165,062             | 175,115           |
| Production, ad valorem, and severance taxes                     | 21,465                    | 14,799            | 69,539              | 110,644           |
| Depletion, depreciation, and amortization                       | 73,415                    | 69,138            | 290,776             | 228,252           |
| Impairment of long-lived assets                                 | 9,979                     | 33,234            | 9,979               | 59,526            |
| Exploration   | 8,687                     | 8,745             | 52,488              | 39,207            |
| General and administrative                                      | 13,281                    | 11,872            | 54,024              | 48,421            |
| Marketing   | 2,382                     | 208               | 3,994               | 9,570             |
| Derivative fair value loss (gain)                               | 60,338                    | (428,329)         | 59,597              | (346,236)         |
| Provision for doubtful accounts                                 | 570                       | 1,984             | 7,686               | 1,984             |
| Other operating   | 3,458                     | 3,170             | 25,761              | 12,975            |
| <b>Total operating expenses</b>                                 | <b>235,820</b>            | <b>(240,077)</b>  | <b>738,906</b>      | <b>339,458</b>    |
| <b>Operating income (loss)</b>                                  | <b>(14,235)</b>           | <b>407,781</b>    | <b>(53,490)</b>     | <b>795,960</b>    |
| <b>Other income (expense):</b>                                  |                           |                   |                     |                   |
| Interest  | (22,008)                  | (18,504)          | (79,017)            | (73,173)          |
| Other   | 636                       | 808               | 2,447               | 3,898             |
| <b>Total other expense</b>                                      | <b>(21,372)</b>           | <b>(17,696)</b>   | <b>(76,570)</b>     | <b>(69,275)</b>   |
| <b>Income (loss) before income taxes</b>                        | <b>(35,607)</b>           | <b>390,085</b>    | <b>(130,060)</b>    | <b>726,685</b>    |
| Income tax benefit (provision)                                  | 6,919                     | (123,026)         | 32,173              | (241,621)         |
| <b>Consolidated net income (loss)</b>                           | <b>(28,688)</b>           | <b>267,059</b>    | <b>(97,887)</b>     | <b>485,064</b>    |
| Less: net loss (income) attributable to noncontrolling interest | 7,083                     | (38,054)          | 16,752              | (54,252)          |
| <b>Net income (loss) attributable to EAC stockholders</b>       | <b>\$ (21,605)</b>        | <b>\$ 229,005</b> | <b>\$ (81,135)</b>  | <b>\$ 430,812</b> |

**Net income (loss) per common share:**

|         |           |         |           |         |
|---------|-----------|---------|-----------|---------|
| Basic   | \$ (0.40) | \$ 4.35 | \$ (1.54) | \$ 8.10 |
| Diluted | \$ (0.40) | \$ 4.32 | \$ (1.54) | \$ 8.01 |

**Weighted average common shares outstanding:**

|         |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 54,622 | 51,687 | 52,634 | 52,270 |
| Diluted | 54,622 | 52,067 | 52,634 | 52,866 |

**Encore Acquisition Company**  
**Condensed Statements of Operations**  
(in thousands)  
(unaudited)

|   | <b>Three Months Ended</b> |                    | <b>Year Ended</b>        |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>December 31, 2009</b>  |                    | <b>December 31, 2009</b> |                    |
|   | <b>EAC</b>                |                    | <b>EAC</b>               |                    |
|   | <b>Standalone</b>         | <b>ENP</b>         | <b>Standalone</b>        | <b>ENP</b>         |
| <b>Revenues:</b>                            |                           |                    |                          |                    |
| Oil   | \$ 135,298                | \$ 39,178          | \$ 421,780               | \$ 127,611         |
| Natural gas                                 | 36,992                    | 7,285              | 108,757                  | 22,428             |
| Marketing                                   | 2,735                     | 97                 | 4,362                    | 478                |
| <b>Total revenues</b>                       | <b>175,025</b>            | <b>46,560</b>      | <b>534,899</b>           | <b>150,517</b>     |
| <b>Expenses:</b>                            |                           |                    |                          |                    |
| Production:                                 |                           |                    |                          |                    |
| Lease operating                             | 31,689                    | 10,556             | 123,386                  | 41,676             |
| Production, ad valorem, and severance taxes | 16,952                    | 4,513              | 53,440                   | 16,099             |
| Depletion, depreciation, and amortization   | 60,342                    | 13,073             | 234,019                  | 56,757             |
| Impairment of long-lived assets             | 9,979                     |                    | 9,979                    |                    |
| Exploration                                 | 8,629                     | 58                 | 49,356                   | 3,132              |
| General and administrative                  | 11,041                    | 2,240              | 42,649                   | 11,375             |
| Marketing                                   | 2,325                     | 57                 | 3,692                    | 302                |
| Derivative fair value loss                  | 34,585                    | 25,753             | 12,133                   | 47,464             |
| Provision for doubtful accounts             | 570                       |                    | 7,686                    |                    |
| Other operating                             | 3,089                     | 369                | 22,662                   | 3,099              |
| <b>Total operating expenses</b>             | <b>179,201</b>            | <b>56,619</b>      | <b>559,002</b>           | <b>179,904</b>     |
| <b>Operating loss</b>                       | <b>\$ (4,176)</b>         | <b>\$ (10,059)</b> | <b>\$ (24,103)</b>       | <b>\$ (29,387)</b> |

**Encore Acquisition Company**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

|  | <b>Year Ended<br/>December 31,</b> |                  |
|--|------------------------------------|------------------|
|  | <b>2009</b>                        | <b>2008</b>      |
| <b>Consolidated net income (loss)</b>  | \$ (97,887)                        | \$ 485,064       |
| <b>Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:</b> |                                    |                  |
| Non-cash and other items   | 516,440                            | 274,307          |
| Changes in operating assets and liabilities  | 327,124                            | (96,134)         |
| <b>Net cash provided by operating activities</b>   | <b>745,677</b>                     | <b>663,237</b>   |
| <br>   |                                    |                  |
| <b>Net cash used in investing activities</b>   | <b>(769,430)</b>                   | <b>(728,346)</b> |
| <br>   |                                    |                  |
| <b>Financing activities:</b>   |                                    |                  |
| Net proceeds from (payments on) long-term debt, net of issuance costs  | (117,834)                          | 197,839          |
| Proceeds from issuance of common stock, net of offering costs  | 100,608                            |                  |
| Proceeds from ENP issuance of common units, net of offering costs  | 170,088                            |                  |
| Payments of deferred commodity derivative contract premiums  | (71,376)                           | (39,184)         |
| Repurchase of common stock   |                                    | (67,170)         |
| ENP cash distributions to noncontrolling interest  | (37,723)                           | (27,545)         |
| Other  | (8,091)                            | 1,504            |
| <b>Net cash provided by financing activities</b>   | <b>35,672</b>                      | <b>65,444</b>    |
| <br>   |                                    |                  |
| <b>Increase in cash and cash equivalents</b>   | <b>11,919</b>                      | <b>335</b>       |
| <b>Cash and cash equivalents, beginning of period</b>  | <b>2,039</b>                       | <b>1,704</b>     |
| <br>   |                                    |                  |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$ 13,958</b>                   | <b>\$ 2,039</b>  |

**Encore Acquisition Company**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

|   | <b>December 31,<br/>2009<br/>(unaudited)</b> | <b>December 31,<br/>2008</b> |
|---|--|------------------------------|
| <b>Total assets</b>                           | <b>\$ 3,663,961</b>                          | <b>\$ 3,633,195</b>          |
| <br>  |  |                              |
| <b>Liabilities (excluding long-term debt)</b> | <b>\$ 819,031</b>                            | <b>\$ 830,136</b>            |

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|   |                     |                     |
|---|---------------------|---------------------|
| 6 1/4% Notes due April 15, 2014   | \$ 150,000          | \$ 150,000          |
| 6% Notes due July 15, 2015  | 300,000             | 300,000             |
| 9 1/2% Notes due May 1, 2016  | 225,000             |                     |
| 7 1/4% Notes due December 1, 2017   | 150,000             | 150,000             |
| Discount Senior Subordinated Notes  | (20,903)            | (5,189)             |
| Revolving Credit Facility EAC   | 155,000             | 575,000             |
| Revolving Credit Facility ENP   | 255,000             | 150,000             |
| Long-term debt  | 1,214,097           | 1,319,811           |
| Equity  | 1,630,833           | 1,483,248           |
| <b>Total liabilities and equity</b>   | <b>\$ 3,663,961</b> | <b>\$ 3,633,195</b> |
| Working capital (a)   | \$ (62,854)         | \$ 188,678          |
| (a) Working capital is defined as current assets minus current liabilities. |                     |                     |

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**Encore Acquisition Company**  
**Selected Operating Results**  
(unaudited)

|   | <b>Three Months Ended</b> |             | <b>Year Ended</b>   |             |
|---|---------------------------|-------------|---------------------|-------------|
|   | <b>December 31,</b>       |             | <b>December 31,</b> |             |
|   | <b>2009</b>               | <b>2008</b> | <b>2009</b>         | <b>2008</b> |
| <b>Total production volumes:</b>            |                           |             |                     |             |
| Oil (MBbls)                                 | 2,568                     | 2,605       | 10,016              | 10,050      |
| Natural gas (MMcf)                          | 9,511                     | 7,459       | 33,919              | 26,374      |
| Combined (MBOE)                             | 4,153                     | 3,848       | 15,669              | 14,446      |
| <b>Average daily production volumes:</b>    |                           |             |                     |             |
| Oil (Bbls/D)                                | 27,913                    | 28,310      | 27,441              | 27,459      |
| Natural gas (Mcf/D)                         | 103,382                   | 81,081      | 92,928              | 72,060      |
| Combined (BOE/D)                            | 45,143                    | 41,824      | 42,929              | 39,470      |
| <b>Average realized prices:</b>             |                           |             |                     |             |
| Oil (per Bbl)                               | \$ 67.94                  | \$ 46.63    | \$ 54.85            | \$ 89.30    |
| Natural gas (per Mcf)                       | 4.66                      | 5.97        | 3.87                | 8.63        |
| Combined (per BOE)                          | 52.67                     | 43.13       | 43.43               | 77.87       |
| <b>Average expenses per BOE:</b>            |                           |             |                     |             |
| Lease operating                             | \$ 10.17                  | \$ 11.72    | \$ 10.53            | \$ 12.12    |
| Production, ad valorem, and severance taxes | 5.17                      | 3.85        | 4.44                | 7.66        |
| Depletion, depreciation, and amortization   | 17.68                     | 17.97       | 18.56               | 15.80       |
| Impairment of long-lived assets             | 2.40                      | 8.64        | 0.64                | 4.12        |
| Exploration                                 | 2.09                      | 2.27        | 3.35                | 2.71        |
| General and administrative                  | 3.20                      | 3.09        | 3.45                | 3.35        |
| Derivative fair value loss (gain)           | 14.53                     | (111.32)    | 3.80                | (23.97)     |
| Provision for doubtful accounts             | 0.14                      | 0.52        | 0.49                | 0.14        |
| Other operating                             | 0.83                      | 0.82        | 1.64                | 0.90        |
| Marketing, net of revenues                  | (0.11)                    | (0.40)      | (0.05)              | (0.06)      |

|  | <b>Three Months Ended</b> |            | <b>Year Ended</b>        |            |
|--|---------------------------|------------|--------------------------|------------|
|  | <b>December 31, 2009</b>  |            | <b>December 31, 2009</b> |            |
|  | <b>EAC</b>                |            | <b>EAC</b>               |            |
|  | <b>Standalone</b>         | <b>ENP</b> | <b>Standalone</b>        | <b>ENP</b> |
| <b>Total production volumes:</b>         |                           |            |                          |            |
| Oil (MBbls)                              | 1,988                     | 580        | 7,679                    | 2,337      |
| Natural gas (MMcf)                       | 7,885                     | 1,626      | 27,822                   | 6,097      |
| Combined (MBOE)                          | 3,302                     | 851        | 12,316                   | 3,353      |
| <b>Average daily production volumes:</b> |                           |            |                          |            |
| Oil (Bbls/D)                             | 21,605                    | 6,308      | 21,039                   | 6,402      |
| Natural gas (Mcf/D)                      | 85,704                    | 17,678     | 76,225                   | 16,703     |
| Combined (BOE/D)                         | 35,889                    | 9,254      | 33,743                   | 9,186      |
| <b>Average realized prices:</b>          |                           |            |                          |            |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Oil (per Bbl)                               | \$ 68.07 | \$ 67.51 | \$ 54.92 | \$ 54.61 |
| Natural gas (per Mcf)                       | 4.69     | 4.48     | 3.91     | 3.68     |
| Combined (per BOE)                          | 52.18    | 54.58    | 43.08    | 44.75    |
| <b>Average expenses per BOE:</b>            |          |          |          |          |
| Lease operating                             | \$ 9.60  | \$ 12.40 | \$ 10.02 | \$ 12.43 |
| Production, ad valorem, and severance taxes | 5.13     | 5.30     | 4.34     | 4.80     |
| Depletion, depreciation, and amortization   | 18.28    | 15.36    | 19.00    | 16.93    |
| Impairment of long-lived assets             | 3.02     |          | 0.81     |          |
| Exploration                                 | 2.61     | 0.07     | 4.01     | 0.93     |
| General and administrative                  | 3.34     | 2.63     | 3.46     | 3.39     |
| Derivative fair value loss                  | 10.47    | 30.25    | 0.99     | 14.16    |
| Provision for doubtful accounts             | 0.17     |          | 0.62     |          |
| Other operating                             | 0.94     | 0.43     | 1.84     | 0.92     |
| Marketing, net of revenues                  | (0.12)   | (0.05)   | (0.05)   | (0.05)   |

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**Encore Acquisition Company**  
**Derivative Summary as of February 19, 2010**  
**(unaudited)**

**Oil Derivative Contracts (b)**

| <b>Period</b> | <b>Average<br/>Daily<br/>Floor<br/>Volume<br/>(Bbls)</b> | <b>Weighted<br/>Average<br/>Floor<br/>Price<br/>(per Bbl)</b> | <b>Average<br/>Daily<br/>Cap<br/>Volume<br/>(Bbls)</b> | <b>Weighted<br/>Average<br/>Cap<br/>Price<br/>(per Bbl)</b> | <b>Average<br/>Daily<br/>Swap<br/>Volume<br/>(Bbls)</b> | <b>Weighted<br/>Average<br/>Swap<br/>Price<br/>(per Bbl)</b> |
|---------------|--|---|--|---|---|--|
| <b>2010</b>   | 880  | \$ 80.00  | 2,940  | \$ 90.57  |   | \$   |
|               | 5,500  | 73.47   | 3,000  | 74.13   | 3,885   | 77.79  |
|               | 8,385  | 62.83   | 500  | 65.60   | 1,750   | 64.08  |
|               | 1,000  | 56.00   |  |   | 1,000   | 59.70  |
| <b>2011</b>   | 4,880  | 80.00   | 2,940  | 94.44   | 325   | 80.00  |
|               | 2,500  | 70.00   |  |   | 1,060   | 78.42  |
|               | 4,385  | 65.00   |  |   | 250   | 69.65  |
| <b>2012</b>   | 750  | 70.00   | 500  | 82.05   | 835   | 81.19  |
|               | 2,135  | 65.00   | 250  | 79.25   | 1,300   | 76.54  |

**Natural Gas Derivative Contracts (b)**

| <b>Period</b>         | <b>Average<br/>Daily<br/>Floor<br/>Volume<br/>(Mcf)</b> | <b>Weighted<br/>Average<br/>Floor<br/>Price<br/>(per<br/>Mcf)</b> | <b>Average<br/>Daily<br/>Cap<br/>Volume<br/>(Mcf)</b> | <b>Weighted<br/>Average<br/>Cap<br/>Price<br/>(per<br/>Mcf)</b> | <b>Average<br/>Daily<br/>Swap<br/>Volume<br/>(Mcf)</b> | <b>Weighted<br/>Average<br/>Swap<br/>Price<br/>(per<br/>Mcf)</b> |
|-----------------------|---|---|---|---|--|--|
| <b>Feb. June 2010</b> | 3,800   | \$ 8.20   | 3,800   | \$ 9.58   | 25,452   | \$ 6.46  |
|                       | 4,698   | 7.26  |   |   | 20,550   | 5.23   |
| <b>July Dec. 2010</b> | 3,800   | 8.20  | 3,800   | 9.58  |  |  |
|                       | 4,698   | 7.26  | 10,000  | 6.25  | 25,452   | 6.46   |
|                       | 10,000  | 5.13  |   |   | 550  | 5.86   |
| <b>2011</b>           | 3,398   | 6.31  |   |   | 27,952   | 6.48   |
|                       |   |   |   |   | 550  | 5.86   |
| <b>2012</b>           | 898   | 6.76  |   |   | 25,452   | 6.47   |
|                       |   |   |   |   | 550  | 5.86   |

**Interest Rate Swaps**

| <b>Period</b> | <b>Notional<br/>Amount</b> | <b>Fixed<br/>Rate</b> | <b>Floating<br/>Rate</b> |
|---------------|----------------------------|-----------------------|--------------------------|
|---------------|----------------------------|-----------------------|--------------------------|

|                              | (in<br>thousands) |         |                  |
|------------------------------|-------------------|---------|------------------|
| <b>Feb. 2010 - Jan. 2011</b> | \$ 50,000         | 3.1610% | 1-month<br>LIBOR |
| <b>Feb. 2010 - Jan. 2011</b> | 25,000            | 2.9650% | 1-month<br>LIBOR |
| <b>Feb. 2010 - Jan. 2011</b> | 25,000            | 2.9613% | 1-month<br>LIBOR |
| <b>Feb. 2010 - Mar. 2012</b> | 50,000            | 2.4200% | 1-month<br>LIBOR |

(b) Oil prices represent NYMEX WTI monthly average prices. Natural gas contracts are written at various market indices which may differ substantially from equivalent NYMEX prices.

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**Encore Acquisition Company**  
**Non-GAAP Financial Measures**  
(in thousands, except per share amounts)  
**(unaudited)**

This press release includes a discussion of Adjusted EBITDAX, which is a non-GAAP financial measure. The following tables provide reconciliations of Adjusted EBITDAX to consolidated net income (loss) and net cash provided by operating activities, EAC's most directly comparable financial performance and liquidity measures calculated and presented in accordance with GAAP for the periods indicated:

|   | <b>Three Months Ended<br/>December 31,</b> |             | <b>Year Ended December<br/>31,</b> |             |
|---|--|-------------|------------------------------------|-------------|
|   | <b>2009</b>                                | <b>2008</b> | <b>2009</b>                        | <b>2008</b> |
| <b>Adjusted EBITDAX Including Hedge Monetization</b>        |  |             |                                    |             |
| Consolidated net income (loss)                              | \$ (28,688)                                | \$ 267,059  | \$ (97,887)                        | \$ 485,064  |
| Depletion, depreciation, and amortization                   | 73,415                                     | 69,138      | 290,776                            | 228,252     |
| Impairment of long-lived assets                             | 9,979                                      | 33,234      | 9,979                              | 59,526      |
| Non-cash equity-based compensation expense                  | 2,970                                      | 4,152       | 12,731                             | 14,115      |
| Exploration expense   | 8,687                                      | 8,745       | 52,488                             | 39,207      |
| Asset valuation adjustments                                 | 570  |             | 13,125                             |             |
| Interest expense and other                                  | 21,372                                     | 17,696      | 76,570                             | 69,275      |
| Income taxes  | (6,919)                                    | 123,026     | (32,173)                           | 241,621     |
| Payments of deferred commodity derivative contract premiums | (920)                                      | (8,362)     | (71,376)                           | (39,184)    |
| Non-cash derivative fair value loss (gain)                  | 75,652                                     | (338,117)   | 448,762                            | (299,914)   |
| Adjusted EBITDAX including hedge monetization               | 156,118                                    | 176,571     | 702,995                            | 797,962     |
| Changes in operating assets and liabilities                 | (7,860)                                    | (26,476)    | (196,490)                          | (73,852)    |
| Other non-cash expenses                                     | 3,544                                      | (1,818)     | 9,007                              | 4,840       |
| Interest expense and other                                  | (21,372)                                   | (17,696)    | (76,570)                           | (69,275)    |
| Current income taxes  | (18,458)                                   | (65)        | (19,107)                           | (9,007)     |
| Cash exploration expense                                    | (368)                                      | (1,570)     | (1,795)                            | (4,333)     |
| Payments of deferred commodity derivative contract premiums | 920  | 8,362       | 71,376                             | 39,184      |
| Purchased options   |  | (3,058)     | 256,261                            | (22,282)    |
| Net cash provided by operating activities                   | \$ 112,524                                 | \$ 134,250  | \$ 745,677                         | \$ 663,237  |

|  | <b>Three Months Ended<br/>December 31,</b> |             | <b>Year Ended December<br/>31,</b> |             |
|--|--|-------------|------------------------------------|-------------|
|  | <b>2009</b>                                | <b>2008</b> | <b>2009</b>                        | <b>2008</b> |
| <b>Adjusted EBITDAX Excluding Hedge Monetization</b> |  |             |                                    |             |
| Consolidated net income (loss)                       | \$ (28,688)                                | \$ 267,059  | \$ (97,887)                        | \$ 485,064  |
| Depletion, depreciation, and amortization            | 73,415                                     | 69,138      | 290,776                            | 228,252     |
| Impairment of long-lived assets                      | 9,979                                      | 33,234      | 9,979                              | 59,526      |
| Non-cash equity-based compensation expense           | 2,970                                      | 4,152       | 12,731                             | 14,115      |
| Exploration expense                                  | 8,687                                      | 8,745       | 52,488                             | 39,207      |
| Asset valuation adjustments                          | 570  |             | 13,125                             |             |

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|   |            |            |            |            |
|---|------------|------------|------------|------------|
| Interest expense and other                                  | 21,372     | 17,696     | 76,570     | 69,275     |
| Income taxes  | (6,919)    | 123,026    | (32,173)   | 241,621    |
| Payments of deferred commodity derivative contract premiums | (920)      | (8,362)    | (22,467)   | (39,184)   |
| Non-cash derivative fair value loss (gain)                  | 75,652     | (338,117)  | 231,389    | (299,914)  |
| Adjusted EBITDAX excluding hedge monetization               | 156,118    | 176,571    | 534,531    | 797,962    |
| Changes in operating assets and liabilities                 | (7,860)    | (26,476)   | 20,883     | (73,852)   |
| Other non-cash expenses                                     | 3,544      | (1,818)    | 9,007      | 4,840      |
| Interest expense and other                                  | (21,372)   | (17,696)   | (76,570)   | (69,275)   |
| Current income taxes  | (18,458)   | (65)       | (19,107)   | (9,007)    |
| Cash exploration expense                                    | (368)      | (1,570)    | (1,795)    | (4,333)    |
| Payments of deferred commodity derivative contract premiums | 920        | 8,362      | 22,467     | 39,184     |
| Purchased options   |            | (3,058)    | 256,261    | (22,282)   |
| Net cash provided by operating activities                   | \$ 112,524 | \$ 134,250 | \$ 745,677 | \$ 663,237 |

Adjusted EBITDAX is used as a supplemental financial measure by EAC's management and by external users of EAC's financial statements, such as investors, commercial banks, research analysts, and others, to assess: (1) the financial performance of EAC's assets without regard to financing methods, capital structure, or historical cost basis; (2) the ability of EAC's assets to generate cash sufficient to pay interest costs and support its indebtedness; (3) EAC's operating performance and return on capital as compared to those of other entities in our industry, without regard to financing or capital structure; and (4) the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Adjusted EBITDAX should not be considered an alternative to consolidated net income (loss), operating income (loss), net cash provided by operating activities, or any other measure of financial performance presented in accordance with GAAP. EAC's definition of Adjusted EBITDAX may not be comparable to similarly titled measures of another entity because all entities may not calculate Adjusted EBITDAX in the same manner.

**Encore Acquisition Company**  
**Non-GAAP Financial Measures (continued)**  
**(in thousands, except per share amounts)**  
**(unaudited)**

This press release also includes a discussion of net income excluding certain items, which is a non-GAAP financial measure. The following tables provide a reconciliation of net income excluding certain items to net income (loss) attributable to EAC stockholders, EAC's most directly comparable financial measure calculated and presented in accordance with GAAP for the periods indicated:

**Net Income Excluding Certain Items**

|  | <b>Three Months Ended December 31,</b> |                          |             |                          |
|--|--|--------------------------|-------------|--------------------------|
|  | <b>2009</b>                            | <b>Per Diluted Share</b> | <b>2008</b> | <b>Per Diluted Share</b> |
| Net income (loss) attributable to EAC stockholders | \$ (21,605)                            | \$ (0.40)                | \$ 229,005  | \$ 4.32                  |
| Add: change in fair value in excess of premiums    | 51,804                                 | 0.95                     | (340,500)   | (6.49)                   |
| Add: impairment of long-lived assets               | 9,979                                  | 0.18                     | 33,234      | 0.63                     |
| Add: asset valuation adjustments                   | 570                                    | 0.01                     |             |                          |
| Less: tax effect of above items                    | (24,356)                               | (0.45)                   | 114,582     | 2.18                     |
| Net income excluding certain items                 | \$ 16,392                              | \$ 0.29                  | \$ 36,321   | \$ 0.64                  |

**Net Income Excluding Certain Items Including Hedge Monetization**

|  | <b>Year Ended December 31,</b> |                          |             |                          |
|--|--------------------------------|--------------------------|-------------|--------------------------|
|  | <b>2009</b>                    | <b>Per Diluted Share</b> | <b>2008</b> | <b>Per Diluted Share</b> |
| Net income (loss) attributable to EAC stockholders                   | \$ (81,135)                    | \$ (1.54)                | \$ 430,812  | \$ 8.01                  |
| Add: change in fair value in excess of premiums and OCI amortization | 304,948                        | 5.70                     | (354,262)   | (6.63)                   |
| Add: impairment of long-lived assets                                 | 9,979                          | 0.19                     | 59,526      | 1.11                     |
| Add: asset valuation adjustments                                     | 13,125                         | 0.25                     |             |                          |
| Less: tax effect of above items                                      | (121,348)                      | (2.28)                   | 109,914     | 2.06                     |
| Net income excluding certain items including hedge monetization      | \$ 125,569                     | \$ 2.32                  | \$ 245,990  | \$ 4.55                  |

**Net Income Excluding Certain Items Excluding Hedge Monetization**

|  | <b>Year Ended December 31,</b> |                          |             |                          |
|--|--------------------------------|--------------------------|-------------|--------------------------|
|  | <b>2009</b>                    | <b>Per Diluted Share</b> | <b>2008</b> | <b>Per Diluted Share</b> |
| Net income (loss) attributable to EAC stockholders | \$ (81,135)                    | \$ (1.54)                | \$ 430,812  | \$ 8.01                  |
|  | 136,485                        | 2.57                     | (354,262)   | (6.63)                   |

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|  |           |         |            |         |
|--|-----------|---------|------------|---------|
| Add: change in fair value in excess of premiums and OCI amortization |           |         |            |         |
| Add: impairment of long-lived assets                                 | 9,979     | 0.19    | 59,526     | 1.11    |
| Add: asset valuation adjustments                                     | 13,125    | 0.25    |            |         |
| Less: tax effect of above items                                      | (57,856)  | (1.09)  | 109,914    | 2.06    |
| Net income excluding certain items excluding hedge monetization      | \$ 20,598 | \$ 0.38 | \$ 245,990 | \$ 4.55 |

EAC believes that the exclusion of these items enables it to evaluate operations more effectively period-over-period and to identify operating trends that could otherwise be masked by the excluded items.

Net income excluding certain items should not be considered an alternative to net income (loss) attributable to EAC stockholders, operating income (loss), net cash provided by operating activities, or any other measure of financial performance presented in accordance with GAAP. EAC's definition of net income excluding certain items may not be comparable to similarly titled measures of another entity because all entities may not calculate net income excluding certain items in the same manner.