



Encore Acquisition Company Announces CO₂ Supply Agreement and Planned Tertiary Recovery Project in its Bell Creek Field

FORT WORTH, Texas, Jul 28, 2009 (BUSINESS WIRE) -- Encore Acquisition Company (NYSE: EAC) ("Encore" or the "Company") today announced that it has entered into a purchase and sale agreement to acquire a private company. This acquisition procures a CO₂ supply that will be used for a tertiary oil recovery project in Encore's Bell Creek Field.

Under the terms of the agreement, Encore will purchase all of the volumes available from the Lost Cabin Gas Plant located in Fremont County, Wyoming. Initially, the volumes are estimated to be approximately 50 million cubic feet per day. The initial term of the contract is 15 years. Encore plans to build compression facilities adjacent to the plant and construct a 206 mile pipeline to transport the compressed CO₂ to its Bell Creek Field in Southeastern Montana, where the Company will upgrade its current waterflood secondary recovery project into a miscible CO₂ flood tertiary recovery project.

The Bell Creek Field has an estimated 350 million Bbls of original oil in place, with approximately 221 million Bbls remaining. The CO₂ project is expected to yield an incremental 30.1 million Bbls of oil and generate over \$800 million of net cash flows for the Company over the project's estimated 20 to 25 year life at current strip prices. The Company expects to begin to see production response within six months to a year after first injection. Utilizing 100 percent of the available CO₂ volumes, production response is estimated to exceed 6,500 Bbls of oil per day by 2015 and to stay relatively flat for 10 years before beginning to decline around 2025, with peak response estimated at near 7,000 Bbls per day. Utilizing 70 percent of the available CO₂ volumes, production response is estimated to exceed 5,000 Bbls of oil per day by 2015 and to stay relatively flat for 12 years before beginning to decline around 2027, with peak response estimated at approximately 5,500 Bbls per day. Under this scenario, the remaining 30 percent would be earmarked to give Encore an acquisition advantage in the Powder River Basin.

In order to manage the implementation of this project and Encore's vast CO₂ tertiary recovery inventory, the Company recently hired Brad Gale as the Company's Vice President of Enhanced Recovery. Mr. Gale brings over 25 years of petroleum engineering experience to the Company, most recently in charge of certain enhanced recovery projects with ConocoPhillips. Mr. Gale holds a BS in Petroleum Engineering from Marietta College.

Jon S. Brumley, Encore's Chief Executive Officer and President, stated, "In 1998, we set out to buy oil fields that had a large amount of original oil in place that we could recover the remaining oil through smart reservoir management, advances in recovery technology, and tertiary potential. Our six largest fields have an estimated six billion barrels of original oil in place, and CO₂ is the best method to unlock that oil. We are excited about starting this part of the strategy with the Bell Creek Field. This project has an attractive F&D cost of approximately \$14 per barrel and should add increasing production for years to come. Our Bell Creek project also brings CO₂ within 120 miles of our huge Cedar Creek Anticline field. This field has over three billion barrels of original oil in place, with a tertiary target of over 200 million barrels. With pressure from the current White House administration, we expect more and more emitters will be looking for a way to sequester their CO₂, and Encore will have nearby oil fields and the infrastructure in place to reduce greenhouse gas emissions and offer our investors a good rate of return. One of our stated goals this year was to secure a CO₂ source for use in a tertiary recovery project in the Rockies. We have now delivered on that goal and will continue to seek out additional attractive CO₂ projects in the future to establish ourselves as a major CO₂ player in the Powder River and Williston Basins."

The Company believes that the Bell Creek Field is an ideal candidate for a CO₂ tertiary recovery project due to a number of factors. The primary reason is its depth of 4,500 feet, which allows for miscibility of the CO₂. The secondary reason is Bell Creek's permeability is 900 millidarcies, and its porosity averages 24 percent, allowing for a fairly rapid production response. And the tertiary reason is its location relative to the supply source, as well as its relatively close proximity to the Cedar Creek Anticline and the Company's Elk Basin Field.

Encore plans to immediately begin upgrading the Bell Creek Field infrastructure to handle higher water injection and production

volumes, to facilitate injection and production of CO₂, and to re-inject produced water and CO₂ streams. Over the first ten years of the project, the Company plans to re-activate 275 wells and drill up to an additional 75 wells to install a 5-spot CO₂ injection pattern across the field on 40 acre spacing.

The total project is expected to cost approximately \$425 million over its life, with approximately \$345 million being expended in the first 20-24 months and the remainder being invested in years 5-10 as the project is phased in. The project will be divided into seven phases. Actual project phasing will depend on a number of variables, including injection response, the timing and magnitude of CO₂ recycle, current maturity of well reactivation, reservoir re-pressurization needs, and surface facilities requirements.

Conference Call Details

In conjunction with the conference call to discuss second quarter financial and operating results, the Company will present its tertiary field development plan for its Bell Creek Field. Participants are encouraged to download presentation materials located on the Company's website at www.encoreacq.com prior to the onset of the call.

Title: Encore Acquisition Company and Encore Energy Partners LP Conference Call

Date and Time: Wednesday, July 29, 2009 at 9:30 a.m. Central Time

Webcast: Listen to the live broadcast via <http://www.encoreacq.com>

Telephone: Dial 877-356-9552 ten minutes prior to the scheduled time and request the conference call by supplying the title specified above or ID 20407161.

A replay of the conference call will be archived and available via Encore's website at the above web address or by dialing 800-642-1687 and entering conference ID 20407161. The replay will be available through August 12, 2009. International callers can dial 973-935-8270 for the live broadcast or 706-645-9291 for the replay.

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.

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 in this press release relate to, among other things, the closing of the CO₂ purchase transaction, the benefits to be derived from the use of CO₂ as a tertiary injectant, the cost and timing of facilities and pipelines needed to process, compress, and transport the CO₂, the use of third party contractors, potential delays due to permitting and other difficulties, estimated reserves and production increases, estimated cash flows, and any other statements that are not historical facts. 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; risks associated with derivative transactions (including the costs associated therewith and the ability 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; 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 joint ventures; availability of capital; the ability of lenders to fulfill their commitments; 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; and other factors detailed in Encore's most recent Form 10-K and other filings with the Securities and Exchange Commission. 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.

SOURCE: Encore Acquisition Company

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