Rating: Buy S&P 500: 1466

## Encore Acquisition Company Nice to be Oily

Symbol	EAC	Ebitda Next Twelve Months ending 6/30/08 (US\$mm)	509
Rating	Buy	North American Natural Gas/Ebitda (%)	15
Price (\$/sh)	27.78	Natural Gas and Oil Production/Ebitda (%)	100
Pricing Date	8/1/07	Adjusted Reserves/Production NTM	15.5
Shares (mm)	54	EV/Ebitda	5.7
Market Capitalization (\$mm)	1,500	PV/Ebitda	8.5
Debt (\$mm)	1,400	Undeveloped Reserves (%)	30
Enterprise Value (EV) (\$mm)	2,900	Natural Gas and Oil Ebitda (\$/boe)	40.20
Present Value (PV) (\$mm)	4,320	Present Value Proven Reserves(\$/boe)	18.70
Net Present Value (\$/share)	54	Present Value Proven Reserves(\$/mcfe)	3.10
Debt/Present Value	0.32	Earnings Next Twelve Months (US\$/sh)	1.99
McDep Ratio - EV/PV	0.67	Price/Earnings Next Twelve Months	14
Dividend Yield (%/year)	0.0	Indicated Annual Dividend (US\$/sh)	0.00

Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas. Reported results may vary widely from estimates. Estimated present value per share revised only infrequently. Estimated present value presumes a long-term price for oil of US\$66 a barrel and natural gas, \$11 a million btu. For historical research on Encore since 2003 see http://www.mcdep.com/4eac.htm

#### **Summary and Recommendation**

Buy-recommended **Encore Acquisition (EAC)** offers unlevered appreciation potential of 49% to estimated net present value (NPV) of \$54 a share revised up from \$48 a share on May 29 when we raised long-term oil price to \$66 a barrel from \$60. Second quarter results reported on August 1 included higher than expected unlevered cash flow (Ebitda) driven by advancing production volume and a narrowing of the discount to benchmark oil price (see table <u>Next Twelve Months Operating and Financial Estimates</u>). The acquisition of oil properties and the divestiture of natural gas properties increases the concentration of NPV on oil production to 83% from 77% (see table <u>Functional Cash Flow and Present Value</u>). That will change again with the transfer of oil properties to a newly created Master Limited Partnership expected to be brought to market in the next few months. Nonetheless while presenting latest results, Chief Executive Jonny Brumley said, "It's Nice to be Oily". Pointing to more good quarters, we hope, long-term oil price appears to be in an uptrend despite volatility of short-term quotes (see chart <u>Six-Year Commodity Price Meter</u>). Up 7% on the day, EAC stock bounced to maintain positive momentum at 7% above its 200-day average.

Kurt H. Wulff, CFA

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# McDep Associates Independent Stock Idea

August 1, 2007

Q2   Q3   Year   Q1   Q2   Q3E   Q4E   Year   Months     Natural Gas (mmcfd)   65.7   59.5   64.3   67.9   76.1   46.0   58.9   46.0     Oil (mbd)   19.9   19.7   20.10   21.2   28.7   27.0   27.0   25.99   27.00     Total (mb)   2.809   2.728   11.244   2.924   3.766   3.189   13.069   12.653     Total (mbd)   30.9   29.7   30.8   32.5   41.4   34.7   34.7   35.8   34.7     Price   Henry Hub (S/mmbtu)   6.81   6.58   7.23   6.81   7.56   6.64   7.64   7.16   7.83     Differential (S/mmbtu)   0.01   0.52   0.70   0.99   1.04   0.91   1.05   0.98   1.68   6.75     WTI Cushing (S/bbl)   70.47   70.42   66.05   58.08   64.91   75.91   75.47   68.59   74.50     Differential   11.19<										Twelve
6/30/06   9/30/06   2006   3/31/07   6/30/07   1/2/31/07   2007E   6/30/08     Volume   Natural Gas (mmcfd)   65.7   59.5   64.3   67.9   76.1   46.0   46.0   58.9   46.0     Oil (mbd)   19.9   19.7   20.10   21.2   28.7   27.0   27.0   25.99   27.00     Total (mb)   2.809   2.728   11.244   2.924   3.766   3.189   13.069   12.653     Total (mb)   3.09   2.778   11.244   2.924   3.766   6.64   7.64   7.16   7.83     Price   Hemy Hub (S/mmbu)   6.81   6.52   6.52   5.73   6.59   6.18   6.75     WTI Cushing (S/bhl)   70.47   70.42   66.05   5.80   64.91   75.91   75.47   68.57   75.47   68.57   75.47   68.57   75.47   68.57   75.01   75.66.64   7.52   75.74   68.57   75.71   66.66   6.29   60.37   5		<i>Q</i> 2	03	Year	<i>Q1</i>	<i>Q</i> 2	Q3E	Q4E	Year	Months
$\begin{array}{c c c c c c c c c c c c c c c c c c c $		6/30/06	9/30/06	2006	3/31/07	6/30/07	9/30/07		2007E	6/30/08
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Volume									<u> </u>
Total (mb)   2,809   2,728   11,244   2,924   3,766   3,189   3,189   13,069   12,653     Total (mbd)   30.9   29.7   30.8   32.5   41.4   34.7   34.7   35.8   34.7     Price   Henry Hub (\$/mmbtu)   6.81   6.58   7.23   6.81   7.56   6.64   7.64   7.16   7.83     Differential (\$/mmbtu)   (0.01)   0.52   0.70   0.99   1.04   0.91   1.05   0.98   1.08     EAC (\$/mch)   6.82   6.66   6.54   5.82   6.52   5.73   6.659   7.450     Differential   11.19   8.22   11.11   9.05   7.90   9.24   9.18   8.22   9.06     Total (\$/bbl)   52.77   55.56   49.48   44.12   51.3   59.54   60.37   53.98   59.93     Revenue (\$mm)   141   33   153   36   45   24   28   133   113     Oil <t< td=""><td>Natural Gas (mmcfd)</td><td>65.7</td><td>59.5</td><td>64.3</td><td>67.9</td><td>76.1</td><td>46.0</td><td>46.0</td><td>58.9</td><td>46.0</td></t<>	Natural Gas (mmcfd)	65.7	59.5	64.3	67.9	76.1	46.0	46.0	58.9	46.0
Total (mbd)   30.9   29.7   30.8   32.5   41.4   34.7   34.7   35.8   34.7     Price     Heny Hub (\$/mmbtu)   6.81   6.58   7.23   6.81   7.56   6.64   7.64   7.16   7.83     Differential (\$/mmbtu)   (0.01)   0.52   0.70   0.99   1.04   0.91   1.05   0.98   1.08     EAC (\$/mcf)   6.82   6.06   6.54   5.82   6.52   5.73   6.59   6.18   6.75     WTI Cushing (\$/bbl)   70.47   70.42   66.05   58.08   64.91   75.91   75.47   68.59   74.50     Differential   11.19   8.22   11.11   9.05   7.90   9.24   9.18   8.22   9.06     EAC (\$/bbl)   52.27   75.56   49.48   44.12   51.53   59.54   60.37   53.98   59.93     Revenue (\$mm)   Total   148   146   556   129   194   190   193   706	Oil (mbd)	19.9	19.7	20.10	21.2	28.7	27.0	27.0	25.99	27.00
Total (mbd)   30.9   29.7   30.8   32.5   41.4   34.7   34.7   35.8   34.7     Price	Total (mb)	2,809	2,728	11,244	2,924	3,766	3,189	3,189	13,069	12,653
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Total (mbd)	30.9	29.7	30.8	32.5	41.4	34.7	34.7		34.7
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Price									
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	Henry Hub (\$/mmbtu)	6.81	6.58	7.23	6.81	7.56	6.64	7.64	7.16	7.83
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	Differential (\$/mmbtu)	(0.01)	0.52	0.70	0.99	1.04	0.91	1.05	0.98	1.08
$\begin{array}{c c c c c c c c c c c c c c c c c c c $	EAC (\$/mcf)	6.82	6.06	6.54	5.82	6.52	5.73	6.59	6.18	6.75
EAC (\$\mathcal{s}\mathcal{b}\mathcal{l}) 59.28 62.20 54.95 49.03 57.01 66.68 66.29 60.37 53.98 59.93   Revenue (\$\mu) 52.77 53.56 49.48 44.12 51.53 59.54 60.37 53.98 59.93   Revenue (\$\mu) 113 403 93 149 166 165 573 645   Total 107 113 403 93 149 166 165 573 645   Total 148 146 556 129 194 190 193 706 758   Expense  13 14 50 13 19 18 18 68 72   General and administrative 7 6 32 10 9 10 10 38 38   Total 43 44 180 53 65 63 63 224 249   Exploration 4 12 32 12 3 3 3 32 14   Deprec., Deplet., & Am	WTI Cushing (\$/bbl)	70.47	70.42	66.05	58.08	64.91	75.91	75.47	68.59	74.50
Total (\$/bb)   52.77   53.56   49.48   44.12   51.53   59.54   60.37   53.98   59.93     Revenue (\$mm)	Differential	11.19	8.22	11.11	9.05	7.90	9.24	9.18	8.22	9.06
Revenue (\$mm)   Natural Gas   41   33   153   36   45   24   28   133   113     Oil   107   113   403   93   149   166   165   573   645     Total   148   146   556   129   194   190   193   706   758     Expense   Itage operating   23   25   98   31   38   35   35   138   139     Production taxes   13   14   50   13   19   18   18   68   72     General and administrative   7   6   32   10   9   10   10   38   38     Total   43   44   180   53   65   63   63   244   249     Ebitd   106   102   376   76   129   127   130   462   509     Exploration   4   12   32   12   3	EAC (\$/bbl)	59.28	62.20	54.95	49.03	57.01	66.68	66.29	60.37	65.45
Natural Gas 41 33 153 36 45 24 28 133 113   Oil 107 113 403 93 149 166 165 573 645   Total 148 146 556 129 194 190 193 706 758   Expense Ital 148 146 50 13 19 18 18 68 72   General and administrative 7 6 32 10 9 10 10 38 38   Total 43 44 180 53 65 63 63 244 249   Ebita 106 102 376 76 129 127 130 462 509   Exploration 4 12 32 12 3 3 32 22 14   Deprec., Deplet., & Amort. 28 28 114 35 52 45 177 177   Hedging and other 19 5 54 5 9	Total (\$/bbl)	52.77	53.56	49.48	44.12	51.53	59.54	60.37	53.98	59.93
Oil 107 113 403 93 149 166 165 573 645   Total 148 146 556 129 194 190 193 706 758   Expense    13 14 50 13 19 18 18 68 72   General and administrative 7 6 32 10 9 10 10 38 38   Total 43 44 180 53 65 63 63 244 249   Ebitda 106 102 376 76 129 127 130 462 509   Exploration 4 12 32 12 3 3 22 14   Deprec., Deplet., & Amort. 28 28 114 35 24 45 177 177   Hedging and other 19 5 54 5 9 15 16 45 64   Ebit 55 57 177 25 64	Revenue (\$mm)									
Total 148 146 556 129 194 190 193 706 758   Expense Iase operating 23 25 98 31 38 35 35 138 139   Production taxes 13 14 50 13 19 18 18 68 72   General and administrative 7 6 32 10 9 10 10 38 38   Total 43 44 180 53 65 63 63 244 249   Ebitda 106 102 376 76 129 127 130 462 509   Exploration 4 12 32 12 3 3 32 14   Deprec., Deplet., & Amort. 28 28 114 35 52 45 177 177   Hedging and other 19 5 54 5 9 15 16 45 64   Ebit 55 57 177 25 64 67	Natural Gas	41	33	153	36	45	24	28	133	113
Expense   Image: constraint of the system of the	Oil	107	113	403	93	149	166	165	573	645
Lease operating23259831383535138139Production taxes131450131918186872General and administrative763210910103838Total434418053656363244249Ebitda10610237676129127130462509Exploration41232123332214Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.98 <td>Total</td> <td>148</td> <td>146</td> <td>556</td> <td>129</td> <td>194</td> <td>190</td> <td>193</td> <td>706</td> <td>758</td>	Total	148	146	556	129	194	190	193	706	758
Production taxes 13 14 50 13 19 18 18 68 72   General and administrative 7 6 32 10 9 10 10 38 38   Total 43 44 180 53 65 63 63 244 249   Ebitda 106 102 376 76 129 127 130 462 509   Exploration 4 12 32 12 3 3 322 14   Deprec., Deplet., & Amort. 28 28 114 35 52 45 45 177 177   Hedging and other 19 5 54 5 9 15 16 45 64   Ebit 55 57 177 25 64 67 69 225 268   Interest 10 11 44 16 27 27 27 97 103   Ebt 44 46 133 9 37 40 42 </td <td>Expense</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Expense									
Production taxes131450131918186872General and administrative763210910103838Total434418053656363244249Ebitda10610237676129127130462509Exploration41232123332214Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebit44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (	Lease operating	23	25	98	31	38	35	35	138	139
Total434418053656363244249Ebitda10610237676129127130462509Exploration41232123332214Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.00 <td< td=""><td></td><td>13</td><td>14</td><td>50</td><td>13</td><td>19</td><td>18</td><td>18</td><td>68</td><td>72</td></td<>		13	14	50	13	19	18	18	68	72
Ebitda10610237676129127130462509Exploration41232123332214Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.00 <td< td=""><td>General and administrative</td><td>7</td><td>6</td><td>32</td><td>10</td><td>9</td><td>10</td><td>10</td><td>38</td><td>38</td></td<>	General and administrative	7	6	32	10	9	10	10	38	38
Exploration41232123332214Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%<	Total	43	44	180	53	65	63	63	244	249
Deprec., Deplet., & Amort.282811435524545177177Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Ebitda	106	102	376	76	129	127	130	462	509
Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bb1)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bb1)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bb1)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Exploration	4	12	32	12	3	3	3	22	14
Hedging and other195545915164564Ebit555717725646769225268Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bb1)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bb1)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bb1)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Deprec., Deplet., & Amort.	28	28	114	35	52	45	45	177	177
Interest1011441627272797103Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%		19	5	54	5	9	15	16	45	64
Ebt44461339374042127165Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Ebit	55	57	177	25	64	67	69	225	268
Income Tax15255531314154558Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Interest	10	11	44	16	27	27	27	97	103
Net Income (\$mm)292179624262783107Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Ebt	44	46	133	9	37	40	42	127	165
Per Share (\$)0.550.391.490.110.440.480.501.531.99Shares (millions)54545453535454545454Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Income Tax	15	25	55	3	13	14	15	45	58
Shares (millions)54545453535454545454Lease operating (\$/bb1)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bb1)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bb1)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Net Income (\$mm)	29	21	79	6	24	26	27	83	107
Lease operating (\$/bbl)8.238.988.7310.449.9811.0011.0010.5811.00Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Per Share (\$)	0.55	0.39	1.49	0.11	0.44	0.48	0.50	1.53	1.99
Production taxes (%rev)8.59.39.09.79.99.59.59.69.5General and admin (\$/bbl)2.492.312.833.392.283.003.002.883.00Deprec., D,& A (\$/bbl)9.9710.0810.0911.9813.8914.0014.0013.5114.00Ebitda Margin71%70%68%59%66%67%67%65%67%	Shares (millions)	54	54	53	53	54	54	54	54	54
General and admin (\$/bbl)   2.49   2.31 <b>2.83</b> 3.39   2.28   3.00   3.00 <b>2.88 3.00</b> Deprec., D,& A (\$/bbl)   9.97   10.08 <b>10.09</b> 11.98   13.89   14.00 <b>13.51 14.00</b> Ebitda Margin   71%   70% <b>68%</b> 59%   66%   67%   67%   65%   67%	Lease operating (\$/bbl)	8.23	8.98	8.73	10.44	9.98	11.00	11.00	10.58	11.00
Deprec., D,& A (\$/bb1)   9.97   10.08   10.09   11.98   13.89   14.00   13.51   14.00     Ebitda Margin   71%   70%   68%   59%   66%   67%   67%   65%   67%	Production taxes (%rev)	8.5	9.3	9.0	9.7	9.9	9.5	9.5	9.6	9.5
Ebitda Margin   71%   70%   68%   59%   66%   67%   67%   65%   67%	General and admin (\$/bbl)	2.49	2.31	2.83	3.39	2.28	3.00	3.00	2.88	3.00
	Deprec., D,& A (\$/bbl)	9.97	10.08	10.09	11.98	13.89	14.00	14.00	13.51	14.00
Tax rate   34%   54%   41%   35	Ebitda Margin	71%	70%	68%	59%	66%	67%	67%	65%	67%
	Tax rate	34%	54%	41%	35%	35%	35%	35%	35%	35%

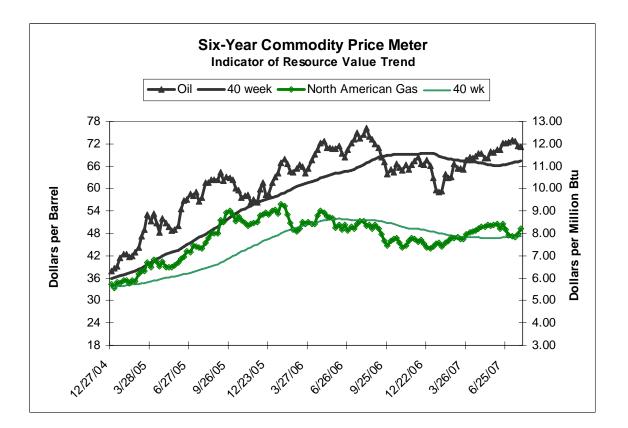
#### Encore Acquisition Company Next Twelve Months Operating and Financial Estimates

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## McDep Associates Independent Stock Idea August 1, 2007

#### **Encore Acquisition Company Functional Cash Flow and Present Value**

	NTM Ebitda <u>(US\$mm)</u>	Adjusted <u>R/P</u>	PV/ <u>Ebitda</u>	Present Value <u>(US\$mm)</u>			
North American Natural Gas	76	12.1	9.9	750	17%		
Oil	433	16.5	8.2	3,570	83%		
	509	15.5	8.5	4,320	100%		
Debt (US\$mm)					1,400		
Net Present Value (US\$mm)					2,920		
Shares (mm)					54		
Net Present Value - Standard Estimate (US\$/sh)							
Net Present Value - Approximation by Correlation (US\$/sh)							



### McDep Associates Independent Stock Idea August 1, 2007

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