

ENCORE ACQUISITION CO

Form 424B8

April 03, 2006

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Filed Pursuant to Rule 424(b)(8)
 Registration No. 333-117036

**PROSPECTUS SUPPLEMENT
 (To Prospectus dated July 9, 2004)**

**4,000,000 Shares
 Encore Acquisition Company
 Common Stock
 \$32.00 per share**

We are selling 4,000,000 shares of our common stock. We have not granted the underwriter an option to purchase additional shares of common stock to cover over-allotments.

Our common stock is listed on the New York Stock Exchange under the symbol EAC. The last reported sale price of our common stock on the New York Stock Exchange on March 29, 2006 was \$32.78 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 1 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	\$ 32.00	\$ 128,000,000
Underwriting Discount	\$ 0.19	\$ 760,000
Proceeds to Encore (before expenses)	\$ 31.81	\$ 127,240,000

In addition to the underwriting discount, the underwriter may receive a commission equivalent from the investors up to the amount of \$0.05 for each share of common stock sold to investors in the offering.

The underwriter expects to deliver the shares to purchasers on or about April 4, 2006.

Citigroup

March 29, 2006

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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United Kingdom

This document is an advertisement and not a prospectus approved by the Financial Services Authority. Copies of the prospectus will, following publication, be available from our registered office. Although it is intended that the prospectus will be approved by the Financial Services Authority as a prospectus prepared in accordance with the prospectus rules made under section 73A of the Financial Services and Markets Act 2000, this document has not been so approved. Similarly, although it is intended that the prospectus will be made available to the public in accordance with the prospectus rules, this document has not been made available in accordance therewith.

Other EEA member states

This document is an advertisement for purposes of applicable measures implementing the European Prospectus Directive. A prospectus prepared pursuant to European Prospectus Directive and applicable implementing measures will be published. Copies of the prospectus, following publication, will be available from Encore Acquisition Company, 777 Main Street, Suite 1400, Fort Worth, Texas 76102.

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SUMMARY

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you should consider before investing in our common stock. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety before making an investment decision, including the information set forth under the heading *Risk Factors* in the accompanying prospectus. The estimates of proved oil and natural gas reserves at December 31, 2005, 2004 and 2003 included in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference are based upon the report of Miller and Lents, Ltd., an independent engineering firm.*

Encore Acquisition Company

General

We are a growing independent energy company engaged in the acquisition, development, exploitation, exploration, and production of onshore North American oil and natural gas reserves. Since our inception in 1998, we have sought to acquire high-quality assets with potential for upside through low-risk development drilling projects. Our properties and our oil and natural gas reserves are located in four core areas:

- the Cedar Creek Anticline, or CCA, in the Williston Basin of Montana and North Dakota;

- the Permian Basin of West Texas and southeastern New Mexico;

- the Mid-Continent area, which includes the Arkoma and Anadarko Basins of Oklahoma, the North Louisiana Salt Basin, the East Texas Basin, and the Barnett Shale of North Texas; and

- the Rockies, which includes non-CCA assets in the Williston and Powder River Basins of Montana and North Dakota, and the Paradox Basin of southeastern Utah.

The CCA represented 60% of our total proved reserves as of December 31, 2005. The CCA is our most valuable asset today and in the foreseeable future. A large portion of our future success revolves around future exploitation of and production from this property through primary, secondary, and tertiary recovery techniques.

Executive Offices; Website

Our executive offices are located at 777 Main Street, Suite 1400, Fort Worth, Texas 76102. Our main telephone number is (817) 877-9955. We maintain a website on the Internet at <http://www.encoreacq.com>. The information on our website is not incorporated by reference into this prospectus supplement.

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The Offering

Common stock offered by us	4,000,000 shares.
Common stock to be outstanding after the offering	53,766,021 shares.
Use of proceeds	We intend to use the net proceeds from this offering to repay amounts outstanding under our revolving credit facility and for general corporate purposes. See Use of Proceeds.
Risk Factors	Please read the section entitled Risk Factors beginning on page 1 of the accompanying prospectus.
New York Stock Exchange Symbol	EAC

The number of shares of our common stock outstanding after the offering is based upon 49,766,021 shares of common stock outstanding as of March 15, 2006, and excludes: an aggregate of 1,541,115 shares of common stock issuable upon the exercise of outstanding stock options, of which 1,205,985 were exercisable as of March 15, 2006 with a weighted average price of \$11.92 per share; and

1,219,296 shares of common stock reserved for additional grants under our incentive stock plan.

Table of Contents**Summary Consolidated Financial and Operating Data**

The following table presents summary consolidated financial and operating data as of and for the periods indicated. The summary consolidated financial and operating data as of and for the three years ended December 31, 2005 is derived from our audited consolidated financial statements. Certain amounts of prior periods have been reclassified in order to conform to the current period presentation. You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the related notes thereto contained in our most recent Annual Report on Form 10-K, which we incorporate by reference.

	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Consolidated Statement of Operations Data:			
Revenues:(1)			
Oil	\$ 307,959	\$ 220,649	\$ 176,351
Natural gas	149,365	77,884	43,745
Total revenues	457,324	298,533	220,096
Expenses:			
Production			
Lease operations	68,395	47,142	37,846
Production, ad valorem, and severance taxes	45,601	30,313	22,013
Depletion, depreciation, and amortization	85,627	48,522	33,530
Exploration	14,402	3,907	
General and administrative (excluding non-cash stock based compensation)	14,696	10,982	8,680
Non-cash stock based compensation	3,962	1,770	614
Derivative fair value (gain) loss	5,290	5,011	(885)
Loss on early redemption of debt	19,477		
Other operating	9,485	5,028	3,481
Total expenses	266,935	152,675	105,279
Operating income	190,389	145,858	114,817
Other income (expenses):			
Interest	(34,055)	(23,459)	(16,151)
Other	1,039	240	214
Total other income (expenses)	(33,016)	(23,219)	(15,937)
Income before income taxes and cumulative effect of accounting change	157,373	122,639	98,880
Current income tax benefit (provision)	2,084	(1,913)	(991)
Deferred income tax provision	(56,032)	(38,579)	(35,111)

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Income before cumulative effect of accounting change	103,425	82,147	62,778
Cumulative effect of accounting change, net of income taxes			863
Net income	\$ 103,425(4)	\$ 82,147	\$ 63,641(2)
Net income per common share:(3)			
Basic	\$ 2.12	\$ 1.74	\$ 1.41
Diluted	2.09	1.72	1.40
Weighted average number of shares outstanding:(3)			
Basic	48,682	47,090	45,153
Diluted	49,522	47,738	45,500

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	Year Ended December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Other Financial Data:			
Cash provided by (used by):			
Operating activities	\$ 292,269	\$ 171,821	\$ 123,818
Investing activities	(573,560)	(433,470)	(153,747)
Financing activities	281,842	262,321	17,303

	As of December 31,		
	2005	2004	2003
	(Dollars in thousands)		
Consolidated Balance Sheet Data:			
Working capital	\$ (56,838)	\$ (15,566)	\$ (52)
Total assets	1,705,705	1,123,400	672,138
Total long-term debt	673,189	379,000	179,000
Stockholders equity	546,781	473,575	358,975

- (1) For the years ended December 31, 2005, 2004 and 2003, we reduced revenue for the payments of the net profits interests by \$21.2 million, \$12.6 million and \$5.8 million, respectively.
- (2) Net income for the year ended December 31, 2003 includes a \$0.9 million gain from the cumulative effect of accounting change related to the adoption of SFAS No. 143, *Asset Retirement Obligations*, which affects its comparability with other periods presented.
- (3) On June 15, 2005, we announced a three-for-two split of our outstanding common stock in the form of a stock dividend. The dividend was distributed on July 12, 2005 to stockholders of record at the close of business on June 27, 2005. The information set forth above has been adjusted to give retroactive effect to the stock split.
- (4) Net income for the year ended December 31, 2005 includes a \$12.2 million charge, net of tax, for the early redemption of debt, which affects its comparability with other periods presented.

Table of Contents**Summary Oil and Gas Reserve Information**

The following table sets forth summary information data with respect to our estimated proved oil and natural gas reserves as of the dates indicated. The following estimates of our net proved oil and natural gas reserves are based on estimates prepared by Miller and Lents, Ltd., independent petroleum consultants. Guidelines established by the SEC regarding the present value of future net revenues were used to prepare these reserve estimates. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data and the interpretation of that data by petroleum engineers. In addition, the results of drilling, testing and production activities may require revisions of estimates that were made previously. Accordingly, estimates of reserves and their value are inherently imprecise and are subject to constant revision and change, and they should not be construed as representing the actual quantities of future production or cash flows to be realized from oil and natural gas properties or the fair market value of such properties.

	As of December 31,		
	2005	2004	2003
Proved Reserves:			
Oil (MBbls)	148,387	134,048	117,732
Natural Gas (MMcf)	283,865	234,030	138,950
Combined (MBOE)	195,698	173,053	140,890
Proved developed reserves (MBOE)	139,830	123,267	109,838

Summary Operating Data

The following table sets forth summary operating data for the periods indicated.

	Year Ended December 31,		
	2005	2004	2003
Production Volume:			
Oil (MBbls)	6,871	6,679	6,601
Natural gas (MMcf)	21,059	14,089	9,051
Combined (MBOE)	10,381	9,027	8,110
Average Realized Prices(1):			
Oil (\$/Bbl)	\$ 44.82	\$ 33.04	\$ 26.72
Natural gas (\$/Mcf)	7.09	5.53	4.83
Combined (\$/BOE)	44.05	33.07	27.14
Average Wellhead Prices(2):			
Oil (\$/Bbl)	\$ 51.06	\$ 38.24	\$ 28.82
Natural gas (\$/Mcf)	7.87	5.76	5.00
Combined (\$/BOE)	49.76	37.28	29.03
Costs per BOE:			
Lease operations	\$ 6.59	\$ 5.22	\$ 4.67
Production, ad valorem and severance taxes	4.39	3.36	2.71
Depletion, depreciation and amortization	8.25	5.38	4.13
Exploration	1.39	0.43	
	1.42	1.22	1.07

General and administrative (excluding non-cash stock based compensation)

Other operating expense	0.91	0.56	0.43
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- (1) Represents revenue per unit as reported, which includes the impact of oil and natural gas hedging transactions.
- (2) Represents revenue per unit unadjusted for the effect of oil and natural gas hedging transactions.

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We estimate that the proceeds from this offering, after deducting underwriting discounts and commissions but before payment of offering-related expenses, will be approximately \$127.2 million. We intend to use the net proceeds of this offering to repay amounts outstanding under our revolving credit facility and for general corporate purposes. At March 29, 2006, we had approximately \$100.0 million outstanding under our revolving credit facility. Funds repaid on our revolving credit facility may be reborrowed for general corporate purposes, including to fund costs of our drilling program and possible future acquisitions.

For the year ended December 31, 2005, the average interest rate on the borrowings outstanding under our revolving credit facility was 6.5%. Our revolving credit facility matures on December 29, 2010.

The underwriter may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of its business. In November 2005, Citigroup Global Markets, Inc. acted as sole underwriter in connection with a public offering of the Company's 7.25% Senior Subordinated Notes due 2017 for which it received customary compensation. Citibank, N.A. is co-documentation agent and a lender under our revolving credit facility. We will use the net proceeds of this offering to repay indebtedness outstanding under such facility.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on the New York Stock Exchange under the symbol EAC. The following table sets forth the high and low sales prices per share of our common stock as reported on the New York Stock Exchange for the periods indicated.

	High	Low
2004		
First Quarter	\$ 19.23	\$ 15.77
Second Quarter	21.00	16.54
Third Quarter	23.17	16.99
Fourth Quarter	24.59	20.37
2005		
First Quarter	\$ 30.48	\$ 21.44
Second Quarter	29.63	22.12
Third Quarter	39.48	28.63
Fourth Quarter	39.37	29.69
2006		
First Quarter (through March 29, 2006)	\$ 36.84	\$ 28.16

On June 15, 2005, we announced a three-for-two split of our outstanding common stock in the form of a stock dividend. The dividend was distributed on July 12, 2005 to stockholders of record at the close of business on June 27, 2005. The information set forth in the table above has been adjusted to give retroactive effect to the stock split.

Our authorized capital stock consists of 144,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of March 15, 2006, 49,766,021 shares of common stock were issued and outstanding, and no shares of our preferred stock were issued and outstanding.

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Citigroup Global Markets Inc. is the sole underwriter. Subject to the terms and conditions set forth in a purchase agreement between us and the underwriter, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us, the number of shares of common stock set forth opposite its name below:

Underwriter	Number of Shares
Citigroup Global Markets Inc.	4,000,000
Total	4,000,000

Subject to the terms and conditions set forth in the purchase agreement, the underwriter has agreed to purchase all of the shares sold under the purchase agreement if any of these shares are purchased.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act or to contribute to payments the underwriter may be required to make in respect of those liabilities.

The underwriter is offering the shares, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriter of officer's certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriter has agreed to purchase the shares from us at a price per share of \$31.81 (approximately \$127.2 million aggregate proceeds to us before deducting estimated offering expenses payable by us), subject to the terms and conditions set forth in the purchase agreement. The underwriter has advised us that the underwriter proposes to offer the shares from time to time for sale in one or more negotiated transactions, or otherwise, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The underwriter may effect such transactions by selling the shares to or through dealers, and such dealers may receive compensation in the form of underwriting discounts, concessions or commissions from the underwriter.

In addition to the underwriting discount, the underwriter may receive a commission equivalent from the investors up to the amount of \$0.05 for each share of common stock sold to the investors in the offering.

The expenses of the offering, not including any underwriting discount, are estimated at \$350,000 and are payable by us.

No Sales of Similar Securities

We and our executive officers and directors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable or exercisable for common stock, whether owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition, for 45 days after the date of this prospectus without first obtaining the written consent of the underwriter, other than for a bona fide gift or gifts in which the donee executes a lockup letter and the transaction is not reportable on Form 4. Specifically, we and these other persons have agreed with certain limited exceptions, not to directly or indirectly:

offer, sell, contract to sell, pledge or otherwise dispose of any common stock,

enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement

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or otherwise) by the person or any affiliate of the person or any person in privity with the person or any affiliate of the person in respect of any shares of our capital stock or any securities convertible into or exercisable or exchangeable for such capital stock,

file (or participate in the filing) of a registration statement with the Securities and Exchange Commission in respect of any shares of our capital stock or any securities convertible into or exercisable or exchangeable for such capital stock,

establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to any shares of our capital stock or any securities convertible into or exercisable or exchangeable for such capital stock, or

publicly announce an intention to effect any of the foregoing transactions.

Listing on the New York Stock Exchange

The shares are listed on the New York Stock Exchange under the symbol EAC.

Price Stabilization, Short Positions

Until the distribution of the shares is completed, SEC rules may limit the underwriter and selling group members from bidding for and purchasing our common stock. However, the underwriter may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriter may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. Covered short sales are sales made in an amount not greater than