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OIL REPORT

Spring 2016

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Encore Energy announces Kentucky Warsaw oil discovery and plans for the future

Encore Energy has recently made a new Warsaw oil discovery in south central Kentucky. The company has immediate plans to drill 11 drill-sites to prove-up a new field in an area offset to where millions of BO have been produced from the Cincinnati Arch and Illinois Basin. The company plans to drill up to 30 additional wells in the area and is targeting approximately 50,000+ lease acres, strategic production acquisitions and horizontal oil (much shallower than the Bakken) for the long term.

Encore's recent discovery well reported a ~270 BOPD IP (initial 24-hour production rate) with ~20-foot formation, high-oil saturation and porosity approaching 18 percent. Encore currently has ~15,000 acres and prospects targeting several limestone and dolomite oil formations in south central Kentucky. The company has drilled 25 of 28 wells and is planning a new 30 well program for 2016.

"Encore's team carefully engineered the stimulation treatment, and the initial production test rate from this discovery is well-documented," says Steve Stengell, Encore's president, CEO, and chairman. "These initial results far exceed our expectations, projections, historical rates, and provide the company with tremendous confidence in the continued development of a much

larger formation trend and more potential new discoveries in the area." The company anticipates the well to stabilize at 10 to 20 percent of its 24-hour test rate. Encore is currently drilling the direct off-set locations while expanding into Butler, Ohio and Edmonson counties and evaluating horizontal prospects for the future.

Rig rates are at all-time record lows, global production is on the decline, and Encore is confident that the price for oil is going to make a strong recovery.

The U.S. government allows qualified SEC-defined accredited investors to deduct 100 percent of the intangible drilling cost (ICD) deductions against all ordinary income with up to 95 percent of the deduction occurring in year one at the time the investment is made. This typically results in an immediate tax savings equal to 40 to 53 percent of his or her total investment. Oil and gas exploration and development involves a high degree of risk and uncertainty. No assurances can be made as it relates to production, reserves, income, or timelines.

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