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ENCANA CORPORATION
2009 ANNUAL REPORT



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natural gas

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THIS ISSUE NATURAL GAS

When you think of Encana, we want you to think of natural gas. The articles on the following pages cover a range of topics related to the natural gas industry – from growth opportunities in transportation and other sectors to the reasons we think Encana is an exceptional investment opportunity.

You will learn more about how we conduct our business, and the steps we take to help ensure we're doing so in a manner that respects our stakeholders, employees, communities and the environment.

CEO'S MESSAGE / PAGE 4

“Encana has set a goal to double in size over the next five years on a per share basis.”

RANDY ERESMAN,
PRESIDENT & CEO, ENCANA

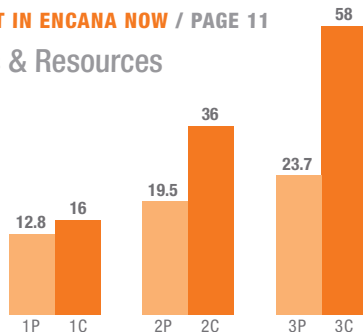
MEET THE TEAM / PAGE 10

Encana has a long and highly successful history of building shareholder value through strong, low-cost production growth, capital discipline, risk management and industry-leading practices in unconventional natural gas development.

Canada's Globe and Mail recently named Encana on its list of Star Stocks of the Decade. Encana delivered a 459 percent gain to investors since inception in 2002.

WHY INVEST IN ENCANA NOW / PAGE 11

Reserves & Resources
(Tcfe)



HOLDINGS AND OPERATIONS / PAGE 16

North America's newest and purest natural gas producer

12.7

MILLION NET ACRES AND

ABOUT

35,000

NET DRILLING LOCATIONS

Sustainable Production Growth

(MMcfe/d) (Pro Forma Volumes)



(*Midpoint of guidance)

The natural gas game has changed and Encana is poised to win.

Reserves and resources classifications

Reserves: 1P is proved, 2P is proved plus probable, 3P is proved plus probable and possible;

Economic contingent resources: 1C is low estimate, 2C is best estimate, 3C is high estimate

NATURAL GAS, continued

PRODUCTION OF THIS REPORT

This publication is printed on FSC-certified paper, made of at least 10 percent post-consumer waste. The cover paper was manufactured using natural gas for eight percent of the manufacturer's total energy needs. Management's Discussion and Analysis and the Financial Statements are printed on a paper manufactured in a plant that uses natural gas to fuel the large dryers needed to dry the coating applied to the paper, and as the primary fuel for its boilers. The inserts are on paper produced by a firm that uses natural gas for 100 percent of its energy. Printing took place at Blanchette Press, which uses natural gas as the source of energy for the furnace that heats its 28,000 square-foot building, housing all its operations – manufacturing and administration.

BECAUSE OF THESE CHOICES, PRODUCTION OF THIS REPORT:

- avoided close to five tons of greenhouse gas emissions
- used almost 50,000 gallons less water
- resulted in close to 3,000 pounds less solid waste

ENCANA CONVERTING VEHICLE FLEET / PAGE 26

30 PERCENT

Encana plans to convert approximately 30 percent of its vehicles in the southern Rockies to bi-fuel vehicles by the end of 2011. Encana is also investigating vehicle conversions in other areas of the business.

RISING TO THE CHALLENGE / PAGE 28

PERCENT
DECREASE
2008 – 2009

38

of lost time injury frequency
(employees and contractors)

15

PERCENT
DECREASE

of recordable injury
frequency (employees
and contractors)
2008 – 2009

ENCANA IN THE COMMUNITY / PAGE 30

one

THOUSAND FIVE HUNDRED

Approximately 1,500 Canadian schoolchildren participated in Encana's Project Webfoot, learning about the importance of wetlands.

FUEL FOR THE 21ST CENTURY / PAGE 24

20 PERCENT

Natural gas provides a 20 percent improvement to the efficiency rate for power generation.

 **Dow Jones
Sustainability Indexes**
Member 2009/10

sam 
creating sustainable value

GAS FACTORIES / PAGE 19

- Encana's approach to maximize value
- Creating our competitive advantage
- Manufacturing approach to developing key resource plays
- Taking economies of scale to a new level
- Multi-well pad sites reduce costs, improve efficiencies, minimize environmental footprint



Encana reports in U.S. dollars unless otherwise noted, and follows U.S. protocols, which report production, sales and reserves on an after-royalties basis.

ADVISORY:
Certain information regarding the company and its subsidiaries set forth in this document, including management's assessment of the company's future plans and operations and company size over the next five years on a per share basis may constitute forward-looking statements or forward-looking information under applicable securities laws and necessarily involve risks and uncertainties associated with future events. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements or information. For further details, see the Advisory on page 71 and certain material assumptions on page 145 of this document.

This document contains references to measures commonly referred to as non-GAAP measures, such as cash flow, cash flow from continuing operations, cash flow per share – diluted, free cash flow, operating earnings, operating earnings from continuing operations, operating earnings per share – diluted, adjusted EBITDA, debt, net debt, and capitalization. Additional disclosure relating to these measures is set forth on page 73 in the Advisory. **Except where otherwise indicated, all figures on pages 1 through 36 for prior periods are pro forma, reflecting the corporate split transaction which was completed on November 30, 2009. Additional disclosure relating to the pro forma information is set forth on page 73 in the Advisory.**

20 PERCENT Approximate cost savings by employees based on annualized targets at the time of the company split.

Encana was one of only five Canadian energy companies named by Corporate Knights to the fifth annual Global 100 list of most sustainable large corporations in the world.

Endnotes in articles can be referenced on page 145.



Randy Eresman

PRESIDENT &
CHIEF EXECUTIVE OFFICER



We are so confident in our potential, we have set a goal to double the size of Encana over the next five years on a per share basis.



Last year brought tremendous challenges for virtually all businesses and industries as unstable financial markets caused a global economic slowdown. Our industry was impacted by the corresponding reduction in natural gas demand which occurred at the same time that technological breakthroughs enabled large new supplies to come on stream. As a result, prices were pushed to their lowest level in seven years. Despite this extremely challenging business climate, Encana performed very well in 2009.

Our strong commodity price hedges, outstanding operational performance and conservative financial positioning allowed us to surpass all of our financial and operational objectives. Adding to that, we introduced an internal challenge early in 2009 to reduce capital, operating and general administrative costs by 10 percent below our previously approved budget. This challenge was not only met, but overwhelmingly exceeded. After considerable belt tightening, working with suppliers to reduce costs and optimizing all facets of our processes, our staff achieved a 22 percent reduction from planned expenditures. This outstanding achievement allowed us to increase capital spending to preserve and enhance value on some of our largest new natural gas shale plays.

In September of last year, an opportunity presented itself to restart our delayed corporate reorganization. The transaction, designed to split the company into a pure-play natural gas company and an integrated oil company, was successfully completed at the end of November. This resulted in the spin-off of our Integrated Oil and Canadian Plains divisions into Cenovus Energy Inc., an independent, publicly traded energy company.

Encana is now North America's newest pure-play natural gas company. It possesses a sharpened focus on what we do best: the successful exploration and development of unconventional natural gas. We are an exciting new company, poised for industry-leading growth in production, reserves and shareholder returns. Our company has a great balance sheet and we are committed to maintaining an investment grade credit rating. We have a tremendous land position in many of North America's most promising resource plays.

At the end of 2009, we had proved reserves of about 12.8 trillion cubic feet equivalent (Tcfe), probable reserves of 6.7 Tcfe and possible reserves of 4.2 Tcfe, for a total of 23.7 Tcfe. In addition, a recent external evaluation by independent qualified reserves evaluators assigned Encana economic contingent resources in a range that is estimated to be 16 Tcfe at the low end, 36 Tcfe as a best estimate and 58 Tcfe at the high end, as at the end of 2009. On those lands, focused on many of North America's lowest-cost unconventional natural gas basins, we have an enormous drilling inventory estimated at 35,000 net locations. Most importantly, we have the skills and expertise for continued enhancement of capital and operating efficiencies that work toward achieving cost structures that are among the lowest in the industry. We are extremely well-positioned to continue capturing strong financial margins, despite our view that future natural gas prices will be lower than previously forecasted. In fact, we are so confident in our potential, we have set a goal to double the size of Encana over the next five years on a per share basis.

I would like to extend my thanks to our Board of Directors, Executive and staff for reinforcing our strength in a difficult economic environment. Our company's commitment and teamwork ensured a successful split and transition into two companies within an ambitious time frame. As we embark on this new era, we continue to demonstrate the strength and sustainability of our business model – financially, operationally and strategically.

As you read through this report, please bear in mind that 11 of the 12 months in the reporting year include results of the Cenovus assets. Encana's pro forma results (which exclude Cenovus) are discussed below and are the focus of discussion up to page 36 of this report.

MANAGING RISK TO THRIVE DURING FINANCIAL TURMOIL

In a year of global financial upheaval, we achieved remarkable financial performance without the forced sales of assets or staff layoffs experienced by some of our peers. This achievement was testament to our already strong financial position and prudent risk

management strategy. While natural gas prices trended downward in 2009, our hedging program provided a buffer from the impacts of low prices for much of the year. Hedging in advance of the weak natural gas prices of 2009 contributed \$2.3 billion in after-tax cash flow and allowed us to pursue our capital and operating plans without interruption. We operated throughout 2009 with the view that the very low prices for natural gas were not sustainable, but also that long-term natural gas prices would not likely approach the hefty level previously forecasted. These successfully executed risk management strategies allowed us to continue to advance all of our most prospective plays at a time of correspondingly higher service quality and lower service costs.

While 2009 budgeted programs were fully executed and additional capital was deployed to key areas, we realized about \$815 million in net divestitures and reduced operating costs by 18 percent from our budgeted amounts. Operational performance was also very solid, with total production, adjusted for volumes intentionally shut-in or delayed, five percent above budget and six percent above 2008, despite a substantially constrained capital program. We also achieved some of our strongest metrics for capital and operating efficiency, another indication of both the quality of the assets we have accumulated and of our ability to apply leading technologies and efficient operating practices. Our 2009 operating earnings were \$1.8 billion or \$2.35 per share, and our cash flow was a robust \$5 billion or \$6.68 per share.

TECHNOLOGY AND OPERATING EFFICIENCIES DRIVE COSTS DOWN

In 2009, we achieved further improvements in drilling and completion costs in a number of areas as we focused on applying advanced technology to increase operational efficiencies across all of our projects. Our emerging plays continue to deliver performance at the top of our already very strong portfolio. At Encana's Cutbank Ridge resource play in northeast British Columbia, drilling, completion and tie-in costs for each well in the Montney formation were down 11 percent year-over-year despite an increase from eight to nine fractures per well. At our Horn River play in northeast British Columbia, costs were reduced about 25 percent

ENCANA 2009 HIGHLIGHTS – PRO FORMA

Financial

- Cash flow of \$5.0 billion, or \$6.68 per share
- Operating earnings of \$1.8 billion, or \$2.35 per share
- Capital investment, excluding acquisitions and divestitures, of \$3.8 billion
- Free cash flow of \$1.3 billion

Operating

- Total production of 3.0 billion cubic feet equivalent per day (Bcfe/d)
- Total natural gas production of 2.8 billion cubic feet per day (Bcf/d)
- Oil and natural gas liquids (NGLs) production of 27,000 barrels per day
- Operating and administrative costs of \$1.11 per thousand cubic feet equivalent (Mcf)

Reserves

(before price revisions)

- Proved reserves of 12.8 Tcfe
- Added 1.9 Tcfe of proved reserves, compared to production of 1.1 Tcfe, for a production replacement of 169 percent
- Finding and development (F&D) costs were \$1.62 per Mcfe
- Three-year (2007 to 2009) F&D costs averaged \$1.92 per Mcfe
- Proved reserves life index of approximately 12 years

For additional information on reserves reporting protocols, see page 72.

due to improvements in technology, economies of scale and cost deflation. In the Haynesville play in northern Louisiana and East Texas, drilling, completion and tie-in costs were down approximately 40 percent.

As we have worked to reduce operating costs, we have also been optimizing well results across all of our resource plays. In the Horn River, for example, continuous improvements in technology and leveraging economies of scale have produced very strong well results, with many wells showing 30-day initial production rates of eight to 10 million cubic feet per day (MMcf/d). Similarly, at our Haynesville shale play in Louisiana, our latest 10 wells have averaged approximately 20 MMcf/d, flowing at a pressure of about 8,500 pounds per square inch. Additionally, Encana's focused effort to improve well performance has seen two wells flowing at about 19 MMcf/d from the Mid-Bossier zone, also located in Louisiana. We're pleased by these results and look forward to the tremendous development potential of these high growth-oriented assets.

STRATEGY FOR SUCCESS

A disciplined manufacturing approach is integral to our business model. This model has allowed us to consistently improve our operating and financial position, even during a recessionary year, and it further demonstrates our ability to deliver sustainable value creation for shareholders. As we move forward, we will sharpen our competitive focus by continuing to refine our manufacturing approach as a low-cost, margin-maximizing natural gas producer. We believe the future will see even more efficiencies created as we begin building multi-well pads, or what we call gas factories, to optimize the development of our resource plays. These efficiency gains, coupled with the leveraging of third-party capital, will help to accelerate our development rate and ensure future profitability. We will continue to high grade our asset portfolio through the divestiture of non-core, lower-growth, mature properties and the pursuit of acquisitions that complement our core assets with enhanced low-cost growth potential. Risk management and a strong financial position provide a solid foundation for the new Encana, with its sharper focus on natural gas production and advocacy.

The North American natural gas game has changed! Encana has the people, the assets and the strategy to win.

OUR CORPORATE RESPONSIBILITIES

It's been a difficult year for our staff and the residents in the Dawson Creek, British Columbia region. We're very concerned about the series of events in this area and remain focused on consulting with impacted stakeholders and enhancing public and worker safety. Our goal is to be a responsible, respected neighbour in the communities where we live and work. We're committed to reinforcing trust and accountability in this region and across all of our operations.

In 2009, as we continued to reinforce our safety culture, our employees achieved the best safety record in our history. Our frequency rates of employee and contractor injuries and lost-time incidents were lower than industry benchmarks. But sadly, despite continuously improving safety policies and practices, two subcontractors' employees lost their lives on Encana work sites and one employee passed away as a result of injuries sustained in a traffic accident en-route to an Encana work site. To their families, friends and co-workers, all of us at Encana extend our deepest condolences and our promise to continually improve our safety performance to help prevent such tragedies from occurring again.

Since its creation in 2002, Encana has earned a reputation as a leading corporate citizen. This position is not just a point of pride; it's one of our greatest assets. It's an asset the new Encana will continue to nurture through actions that demonstrate responsibility, reliability and trust. You can read more about our community involvement in this report.

THE NEW NATURAL GAS ECONOMY

Encana, a leader in the growing North American natural gas industry, has a significant land and resource portfolio on both sides of the border and more than 3 Bcfe per day of production. Unlocking additional potential from North America's unconventional natural gas resources has become economically viable with recent advances in drilling and extraction technology. Our early entry into natural gas shale reservoirs – a leading source of growth in unconventional natural gas – positions us in many of the lowest-cost basins with the largest resource potential.

Our industry is now in the unique position of not only meeting existing demand, but also planning for future

growth in demand for this clean, affordable, abundant resource. In 2009, we recognized the potential this premium resource has in meeting the future needs for cleaner North American-sourced fuels and formed a new group within our company called the Natural Gas Economy. This team has taken a leading education and advocacy role in expanding natural gas use in transportation and power generation – two of the most promising growth opportunities. We have a long-term, reliable supply of natural gas in North America, and the increased use of this fuel makes the most economic and environmental sense in meeting many emissions reduction goals. Natural gas is a significantly cleaner fuel than coal, diesel or gasoline when one takes into consideration the production of sulphur dioxide, nitrogen oxides, mercury and other pollutants. Expanding its use in a wide range of applications will significantly reduce emissions. It is the key to our energy future.

Entrenching this natural gas economy will require partnerships with policymakers and the public. In essence, it requires a societal shift that will change our energy habits – brought about through changes in government policy, investment in infrastructure and further advancements in technology. As natural gas use grows, so too will the North American economy. Canada and the U.S. currently import 45 percent of their crude oil and refined products – with imported oil from OPEC nations costing the U.S. about \$160 billion and Canada about C\$20 billion annually. With an abundant, more environmentally friendly energy resource in North America, expanding the use of natural gas is ultimately expected to reduce our continent's dependence on foreign oil.

BUILDING ON OUR TRACK RECORD

We're expanding demand for natural gas in the Encana tradition of being a first-mover and recognizing opportunities before they are evident to others. We are confident that demand will increase and our business will continue to thrive. Our track record of strong performance, and our continued commitment to shareholders and other stakeholders, will guide us in building the natural gas economy.

In the following pages, you'll read more about the virtues of natural gas and why we see it as the clear, common sense, economic energy solution for future generations. Please take a few minutes to watch the enclosed video and hear how we expect natural gas could shape the 21st century. As we turn our focus to the new Encana, our people, our assets and our strategy will define our direction. I believe our future is very bright.



Randy Eresman

President & Chief Executive Officer
ENCANA CORPORATION
March 16, 2010



The past year was a historic one for Encana. With clear signs of stabilization in global financial markets and our financial situation strong, the management and Board of Directors moved forward to implement a strategic decision we made in 2008, to split the company into two well-structured, highly focused corporate entities.



On November 30, 2009, the split transaction was successfully completed and a new Encana emerged. The company enters the second phase of its history with renewed purpose, while remaining focused on enhancing shareholder value through continued capital discipline, prudent risk management and sound corporate governance.

As Chairman of the Board for Encana, I look ahead with anticipation to the privilege of working with Encana's leaders and staff, guided by Chief Executive Officer Randy Eresman and an exceptional management team.

The split of the company prompted some changes at the Board level as six directors assumed directorships with Cenovus. I extend special acknowledgement and thanks for the contributions of past Encana Board members Ralph Cunningham, Patrick Daniel, Ian Delaney, Michael Grandin, Valerie Nielsen and Wayne Thomson. I wish them success in their future endeavours.

I would also like to welcome Suzanne Nimocks and Fred Fowler, who joined the Encana Board early in 2010. Ms. Nimocks and Mr. Fowler bring a combined wealth of knowledge and experience in several aspects of

the energy industry and organizational leadership. Ms. Nimocks contributes a wealth of knowledge through her experience in global management consulting. Mr. Fowler contributes years of expertise in natural gas management.

It was an honour to serve as Encana's Chairman at this critical point in its evolution. I wish to express my appreciation to all Board members for the leadership and dedication they demonstrated during the past year. I also wish to acknowledge Encana's management, employees and contractors. Their efforts were outstanding in a turbulent and uncertain business environment. Encana, with its top-quality talent, exceptional asset base and solid financial performance, is well positioned for future success.

On behalf of the Board of Directors,

David P. O'Brien
Chairman of the Board
ENCANA CORPORATION



David O'Brien

CHAIRMAN OF THE BOARD

CORPORATE OFFICERS

Randy Eresman

President & Chief Executive Officer

Named Encana's Chief Operating Officer in 2002, Randy became President & Chief Executive Officer of Encana on January 1, 2006. He is also a member of Encana's Board of Directors.

Sherri Brillon

Executive Vice-President & Chief Financial Officer

Responsible for treasury, tax, financial risk and risk reporting, internal audit and Sarbanes-Oxley compliance, portfolio management, strategic and corporate planning, and legal and corporate secretarial, Sherri has been named on Canada's Most Powerful Women: Top 100 list three times (2007, 2008 and 2009).

Mike Graham

Executive Vice-President & President, Canadian Division

Responsible for Encana's Canadian Division, including key resource plays Greater Sierra in British Columbia, Cutbank Ridge in British Columbia and Alberta, and Coalbed Methane in Alberta, as well as Encana's Deep Panuke project in Atlantic Canada.

Bob Grant

Executive Vice-President, Corporate Development, EH&S and Reserves

Responsible for ensuring consistency of processes for Encana's acquisitions and divestitures as well as business development, reserves assessment, competitor analysis, corporate environment, health and safety, and corporate responsibility.

Eric Marsh

Executive Vice-President, Natural Gas Economy

Responsible for pursuing the development of expanded natural gas markets in North America, including involvement in government and regulatory relations to expand these markets.

Bill Oliver

Executive Vice-President & Chief Corporate Officer

Responsible for human resources, communications, investor relations, media relations, community investment, information technology and administrative services, including THE BOW building project.

Bill Stevenson

Executive Vice-President & Chief Accounting Officer

Responsible for company-wide corporate comptrollership and accounting functions within Encana, including financial and management reporting, accounting research and accounting systems.

Jeff Wojahn

Executive Vice-President & President, USA Division

Responsible for all of Encana's upstream exploration and production activities in the United States, which includes Encana's key natural gas resource plays at the Jonah field and the Piceance Basin in the U.S. Rockies, and the Fort Worth and East Texas Basins.

Renee Zemljak

Executive Vice-President, Midstream, Marketing & Fundamentals

Responsible for positioning Encana as a natural gas supplier of choice, maximizing the company's netback prices and optimizing the profitability of the company's midstream assets.

Encana has a long and highly successful history of building share value through strong, low-cost production growth, capital discipline, risk management and industry-leading practices in unconventional resource development. Canada's Globe and Mail recently included Encana on its list of Star Stocks of the Decade – delivering to investors a 459 percent gain. Although we can't guarantee we'll repeat that performance, we'll certainly try.

The past year, while challenging, was one where we continued to demonstrate the strength and sustainability of our business model. In my new role as Chief Financial Officer, I will continue to focus on strengthening the foundation that enabled us to deliver outstanding results in market environments unlike any we've seen.

As a pure-play natural gas company, I believe our future is brighter than ever. We have a core focus on being a low-cost leader in natural gas production. When paired with our relentless drive to greater efficiency through the application of technical advances, we are very well positioned to maximize returns from opportunities within our high-quality portfolio of North American natural gas resource plays.

*Sherri Brillon,
Executive Vice-President
& Chief Financial Officer*

BOARD OF DIRECTORS

David O'Brien, O.C.

David O'Brien is Chairman of Encana's Board of Directors. He also serves as Chairman of the Board of Royal Bank of Canada and is a director of Molson Coors Brewing Company, TransCanada Corporation and Enerplus Resources Fund, as well as several other private energy-related companies.

Randy Eresman

Randy Eresman is President & Chief Executive Officer of Encana.

Claire Farley

Claire Farley is an Advisory Director of Jefferies, Randall & Dewey (global oil and gas energy industry advisors), and a director of FMC Technologies, Inc.

Fred Fowler

Fred Fowler joined the Encana Board effective February 1, 2010. He is currently Chairman of Spectra Energy Partners, LP. From 2006 to 2008 he was President & Chief Executive Officer of Spectra Energy Corp. Prior to that he occupied various executive positions with Duke Energy Corporation, including President & Chief Operating Officer.

Barry Harrison

Barry Harrison is a director and President of Eastgate Minerals Ltd. He is also Chairman and a director of The Wawanese Mutual Insurance Company and its related companies, The Wawanese Life Insurance Company and the U.S. subsidiary, Wawanese General Insurance Company, headquartered in California.

Suzanne Nimocks

Suzanne Nimocks joined the Encana Board effective January 1, 2010. She was a director and senior partner with McKinsey & Company (global management consulting firm) from 1999 to 2010 and was with the firm in various other capacities since 1989.

Jane Peverett

Jane Peverett is a director of Northwest Natural Gas Company, Canadian Imperial Bank of Commerce and British Columbia Ferry Services Inc., as well as the B.C. Ferry Authority.

Allan Sawin

Allan Sawin is President of Bear Investments Inc. and serves as a director of a number of private companies.

Clayton Woitas

Clayton Woitas is Chairman & Chief Executive Officer of Range Royalty Management Ltd., a director of NuVista Energy Ltd. and Enerplus Resources Fund, and also a director of several private energy-related companies and advisory boards.

Why Invest in Encana Now

The North American natural gas business has experienced significant technological advancements and operating practice innovations over the past decade. Encana has been at the forefront, driving many of those changes – changes targeted at increasing operational efficiencies and lowering overall cost structures, with a constant focus on being the lowest cost producer across its portfolio of plays in the U.S. and Canada. Encana has been a leader in defining the natural gas renaissance that is unfolding and the company is extremely well positioned, both operationally and financially, to continue to be a leader and to achieve sustainable long-term profitable growth.

TREMENDOUS RESOURCE POTENTIAL – SOURCE OF ORGANIC GROWTH

Encana's strategy is built on pursuing unconventional resources. Although the company is North America's newest pure-play natural gas company, for years it has been a leading explorer of emerging resource plays, identifying and acquiring large and attractive land positions before competitors understand their potential.

Today, Encana has one of the largest natural gas resource portfolios in Canada and the U.S. and is uniquely positioned with a land base of more than 12.7 million net acres. Encana's early entry into a number of natural gas plays allowed it to amass large, contiguous land positions in the core areas of several emerging plays, putting the company in an advantageous position for the future. Included within its portfolio, Encana currently holds leading positions in three of the continent's six major gas resource plays.

Independent qualified reserves evaluators have identified estimated proved reserves of 12.8 Tcfe, probable reserves of 6.7 Tcfe and possible reserves of 4.2 Tcfe, for a total of 23.7 Tcfe on Encana's land base. Above and beyond these reserves, the evaluators have also identified economic contingent resources ranging from 16 Tcfe at the low end, 36 Tcfe as a best estimate basis, to 58 Tcfe at the high end as of the end of 2009. This robust resource base, concentrated in many of

North America's lowest cost natural gas basins, is the source of an organic drilling inventory totaling about 35,000 net locations. These resources are also the fundamental reason behind Encana's confidence in its ability to achieve predictable, low-cost production growth and its potential to double the company's size over the next five years on a per share basis.

VALUE DRIVEN CULTURE – MAXIMIZING MARGINS

With a large position in many of the key North American natural gas resource plays, Encana has the ability to examine and compare project economics and strategically invest in assets with the potential for long-term development, the highest production growth and the greatest value creation.

Infusing every element of Encana's growth plans is an innovative, value-driven internal culture focused on maximizing margins by increasing operational efficiencies and continually striving to be one of the lowest cost producers in industry. Encana has been an industry leader in the unconventional natural gas business and in creating today's manufacturing approach to development. "The Encana approach involves continuously honing and refining drilling, completion and other technologies and logistics – from one project to the next – replicating successful processes while, at the same time, seeking new ways to innovate and improve," says Mike Graham, Executive Vice-President & President, Canadian Division.

"We delineate the field, investigate the differences between wells and explore various technologies; we use every opportunity to apply the lessons we've learned from our existing operations and the experience gained from the thousands of wells we've drilled in the past," says Graham. Key to the approach, he explains, is repeating successful processes and leveraging what is often a step-change improvement in costs across an inventory of tens of thousands of future wells.

Virtually all of Encana's major resource plays are benefiting from the same technology enhancements that extend the horizontal reach of wells and increase



MIKE GRAHAM,
EXECUTIVE VICE-PRESIDENT &
PRESIDENT, CANADIAN DIVISION,
ENCANA

ECONOMIC CONTINGENT RESOURCES ⁽¹⁾

Economic contingent resources are defined as potentially recoverable discovered resources that are not yet considered mature enough for commercial development due to one or more contingencies, such as proposed timing of development or regulatory approvals. The economic criteria are the same fiscal conditions as for the reserves estimates. All of these reserves and resources estimates are externally evaluated (not just audited or reviewed) by independent qualified reserves evaluators, who recently completed an evaluation of Encana's total reserves and economic contingent resources.



JEFF WOJAHN,
EXECUTIVE VICE-PRESIDENT &
PRESIDENT, USA DIVISION, ENCANA

the number of fracture stimulations and treatments performed. As this occurs, the company continually improves its operating efficiencies and well performance, driving down costs on a per unit basis, which reduces the overall cost structure and helps maintain strong margins.

When multi-well pad sites and simultaneous operations are employed the potential to capture economies of scale goes to a new level. The drilling of 30 or more wells from a single surface location creates a centralized production facility, draining natural gas from multiple sections of land. The company, along with its service providers, can then better optimize all the logistics associated with the site including the types and sizes of equipment employed. "This gas factory approach is a strategy that we employ across all of our resource plays. Over time it will allow us to maintain our position as one of the lowest cost producers," says Jeff Wojahn, Executive Vice-President & President, USA Division.

"The natural gas business will continue to be about lowering costs and maximizing margins. In our new world of abundant North American natural gas supply it will be even more important to be a low-cost producer and to have positions in the lowest cost basins – an approach upon which we have built our company," says Wojahn.

Encana's approach has delivered solid, measurable results. In 2009, the company achieved combined operating and administrative costs of \$1.11 per thousand cubic feet equivalent (Mcf). Encana's pro forma finding and development cost of \$1.62 per Mcfe represents a decrease of approximately 25 percent

from 2008. The three-year average finding and development cost was approximately \$1.92 per Mcfe. The company expects to see a downward trend in



SHERRI BRILLON,
EXECUTIVE VICE-PRESIDENT &
CHIEF FINANCIAL OFFICER,
ENCANA

finding and development costs over the coming years as it continues to improve on cost structures and focus operations in the lowest cost plays.

And it's only just begun. With continued advancements in drilling and completion technologies for extracting natural gas from shales, tight sandstones and coalbed methane reservoirs, there is the potential for further breakthroughs in development costs. With these advancements integrated within Encana's gas factory approach to the business and leveraged across its vast portfolio, the company is excited about the additional economies of scale that can be achieved.

STRONG BALANCE SHEET = SUSTAINABLE FUTURE

Encana believes that sustainability applies not only to environmental stewardship and corporate citizenship, but also to financial performance. Underlying Encana's sustainable growth strategy is a strong balance sheet and a disciplined approach to capital investment that is reinforced by prudent risk management practices.

Reflecting on the past year, Sherri Brillon, Executive Vice-President & Chief Financial Officer, says that "capital discipline, a cornerstone of Encana's culture, is what led to our strong 2009 financial performance and balance sheet. Despite the commodity price volatility and recessionary pressures, our balance sheet remains strong and we continue to employ a conservative capital structure. Debt-to-adjusted EBITDA, calculated on a pro forma basis, finished the year at 2.1 times and debt-to-capitalization at December 31, 2009 was 32 percent, despite having \$2.5 billion in cash on hand net of current tax obligations. Net of working capital, these ratios would be 1.7 times and 27 percent, respectively."

PRUDENT RISK MANAGEMENT AND STRONG CASH FLOW

Encana's focus on active portfolio management and a prudent commodity price hedging program helped the company emerge from the worldwide economic downturn with a sharpened competitive focus and strong balance sheet. The goal of Encana's hedging program is to reduce exposure to movements in commodity prices and bring greater predictability to future cash flow generation. Encana's exposure to the commodity price weakness experienced in 2009 was substantially mitigated by its price hedges which contributed close to \$2.3 billion to cash flow, on a pro forma basis, after tax. "Critical to our successful transition to a pure-play natural gas company was our risk management practices. In 2009, commodity price hedges allowed us to execute our capital programs, generate free cash flow of more than \$1.3 billion and maintain our dividend. Our current quarterly dividend of 20 cents per share represents an attractive yield of

about two percent, about twice that of our peer group, another point that sets us apart from our competitors,” says Brillon.

Looking ahead, Encana expects that natural gas prices will continue to fluctuate although likely with dampened volatility as compared to the past. The company believes the long-term marginal supply cost of natural gas will set the natural gas price on the New York Mercantile Exchange (NYMEX) in the range of \$6.00-\$7.00 per thousand cubic feet (Mcf). Despite this lower range of prices, as compared to historical industry forecasts, Encana’s portfolio of investment opportunities is projected to deliver strong returns. “We’re confident that our current portfolio of new capital projects will achieve cost of capital returns at a NYMEX natural gas price of approximately \$4.00 per Mcf and a very robust 40 percent rate of return at the midpoint of the expected future price range. In the shorter term, our view is that there are factors at play that see lower prices persist through the next few years. As such, we’ve extended our risk management program through 2010 by hedging about 2 billion cubic feet (Bcf) of our expected natural gas production at an average NYMEX price of \$6.05 per Mcf. This helps to provide an increased level of certainty to our cash flow before we decide on the size of capital program we undertake,” says Brillon.

Supported by prudent risk management initiatives and strong operational and financial performance through a challenging recessionary period, Encana has demonstrated that its resource play model is extremely successful and the company is well positioned for the future. “Our strategy of pairing low-risk, low-cost, North American resource plays with a strong balance sheet and favourable commodity price hedges has allowed us to be resilient through the lowest part of the commodity price cycle and maintain our position of strength. That discipline is paying off now more than ever, providing us with the financial capacity and confidence to target a doubling of Encana’s size over the next five years on a per share basis,” says Brillon.

IN TUNE WITH THE MARKET

The dynamic natural gas industry is facing many challenges and opportunities. Abundant, low-cost North American natural gas supply represents a major



paradigm shift from where the industry was just a few years ago. Renee Zemljak, Executive Vice-President, Midstream, Marketing & Fundamentals, knows that

RENEE ZEMLJAK,
EXECUTIVE VICE-PRESIDENT,
MIDSTREAM, MARKETING &
FUNDAMENTALS, ENCANNA

This robust resource base, concentrated in many of North America’s lowest cost natural gas basins, is the source of an organic drilling inventory totaling about 35,000 locations.


as a pure-play natural gas company, Encana has to be in tune with natural gas markets to manage risk in advance of changing supply and demand. And the company is well positioned to do just that. The breadth of Encana’s portfolio across North America provides the company with tremendous insight into natural gas market fundamentals. This information allows Zemljak’s team to secure gas markets that are expected to provide the highest netback for Encana’s production. Consistent with the company’s low-cost goals, Zemljak and her team negotiate and secure cost competitive processing and transportation agreements that provide sufficient market access to deliver Encana’s growing production volumes.

With an abundant supply of natural gas at expected lower and less volatile prices, there is a clear opportunity for demand growth from traditional customers as well as from new ones. Zemljak explains that “this rapid change in natural gas availability and expected lower prices may take a while to be fully understood by the energy marketplace, but when it is, there is a huge potential for the expansion of end-use demand. We have a clean, affordable, North American energy solution and it is our role to disseminate that message and expand the pathway to market.”

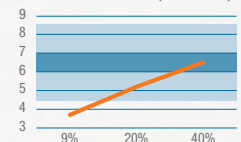
POISED TO WIN

Encana has a robust base of operating assets, a huge inventory of low cost undeveloped assets and a solid financial position that, together with its internal value-driven culture, provide a foundation for strong double-digit future growth potential.

Recognizing that natural gas is now likely to be both more abundant and more affordable, there is an opportunity for natural gas to play an even bigger role in the North American energy equation. Exciting opportunities and changes lie ahead and Encana will continue to play a leading role.

As Randy Eresman, Encana’s President & CEO says, “The North American natural gas game has changed! Encana has the people, the assets and the strategy to win.” 

After-Tax Internal Rate of Return and Expected Range of Natural Gas Prices (\$/MMBtu)



Lower long-term natural gas price in the \$6.00-7.00/MMBtu range based on 2010F input costs.

— After-Tax Internal Rate of Return
■ Expected Range of Natural Gas Prices

Endnotes in articles can be referenced on page 145



ENCANA CONTINUES TO SOLIDIFY ITS PRESENCE IN SEVERAL OF THE MOST EXCITING SHALE AND TIGHT GAS PLAYS IN NORTH AMERICA: THE HAYNESVILLE IN LOUISIANA AND TEXAS, HORN RIVER IN NORTHEASTERN BRITISH COLUMBIA AND MONTNEY IN NORTHWESTERN ALBERTA AND NORTHEASTERN BRITISH COLUMBIA.

Encana's Emerging Resource Plays



Encana is leading the technology revolution by continuously improving its drilling and completions practices. It is experiencing a downward step-change in production costs, while, at the same time, bringing larger natural gas supplies on stream more quickly. This manufacturing approach is key to the future of the natural gas business.



429,000

APPROXIMATE NET ACRES

about

115

total net producing wells by end of 2010

DRILLING INVENTORY

400

by end of 2010

3,500

net wells

22,100

total net producing wells by end of 2010

256,000

APPROXIMATE NET ACRES

600

DRILLING INVENTORY

APPROXIMATE NET ACRES

720,000

about

325

MMCF/D

DRILLING INVENTORY

380

total net producing wells by end of 2010

2,600

net wells

HAYNESVILLE SHALE

Following the success of its Deep Bossier play in East Texas, Encana continued to explore for natural gas in other shale and tight gas opportunities along the same geologic trend. In 2005, Encana identified the Haynesville shale as an exciting opportunity and quietly began assembling a sizeable land position.

Formed roughly 150 million years ago and more than 10,000 feet beneath the Earth's surface, the Haynesville shale was originally considered too costly to develop because of the low permeability of the rock. Thanks to newer extraction technology, the Haynesville shale is now widely considered one of the most promising natural gas resource plays in North America.

In 2009, Encana doubled its capital program at Haynesville to \$580 million. In 2009, the company drilled 88 wells in the area with a joint venture partner, yielding a 300 percent production increase to around 70 million cubic feet per day (MMcf/d). In anticipation of increased production from the region, Encana has participated in supporting the addition of processing facilities and pipelines that will continue to help the company deliver growing gas production to markets.

In 2010, Encana's primary focus will be on land retention and completion optimization. The company expects to drill approximately 100 net wells and exit the year producing about 400 MMcf/d.

HORN RIVER SHALE

Horn River represents an example of cross-company knowledge-sharing, which helped Encana gain a strong position in this emerging opportunity. Encana's Fort Worth team assisted in interpreting intriguing results from a northeast British Columbia well-log and shared knowledge on hydraulic fracturing practices. The result? Another early entry into what is quickly gaining recognition as a promising shale gas opportunity.

Since 2006, Encana and its partner have acquired a large land position in the heart of this emerging gas play in the Devonian Shale.

The Horn River Basin lies about 60 miles northeast of Fort Nelson, British Columbia. With a basin-wide estimated 500 Tcf of natural gas in place, Horn River has the potential to become another leading production centre for Encana.

Encana is confident Horn River will deliver strong returns by applying its proven gas manufacturing approach; in Horn River, Encana will be drilling 21 wells and completing 400 stages per pad. The company has doubled the per hydraulic fracture fluid volume from 500,000 gallons to 1 million gallons. Innovative composite materials enable multiple fracturing operations in one day and advanced coil tubing technologies have allowed for repeated complex operations on longer reach wells. The combination of efficiencies and technology advancements is driving costs down to approximately 25 percent of what they were a couple of years ago.

In 2010, the company expects to increase production from 13 MMcf/d to more than 100 MMcf/d by year-end.

MONTNEY TIGHT GAS

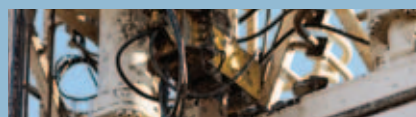
The Montney formation, at Cutbank Ridge, is a tight gas play in northeast British Columbia and it extends over the border into Alberta. This region has been producing conventional oil and gas since 1998. More recently, the focus has been on large accumulations of natural gas associated with the Cadomin and Montney formations.

Encana began assembling a land position in this area in 2003, once again a front runner in identifying the potential opportunity. Now, with more than 720,000 net acres of land with Montney rights, and approximately 244,000 net acres located within the core development area near Dawson Creek, British Columbia, the region has emerged as an exciting opportunity for future production growth for Encana.

The Montney is a world-class resource play, which is being almost exclusively developed with horizontal well technology. Applying new drilling and fracturing technology has enabled Encana to increase the horizontal reach from 3,000 to 6,000 feet and its hydraulic fractures per horizontal well from eight to 14, thereby increasing the wells' initial production from 5 to 10 MMcf/d. In 2009, Encana drilled 68 natural gas wells in the area and production averaged approximately 180 MMcf/d of natural gas from the Montney formation.

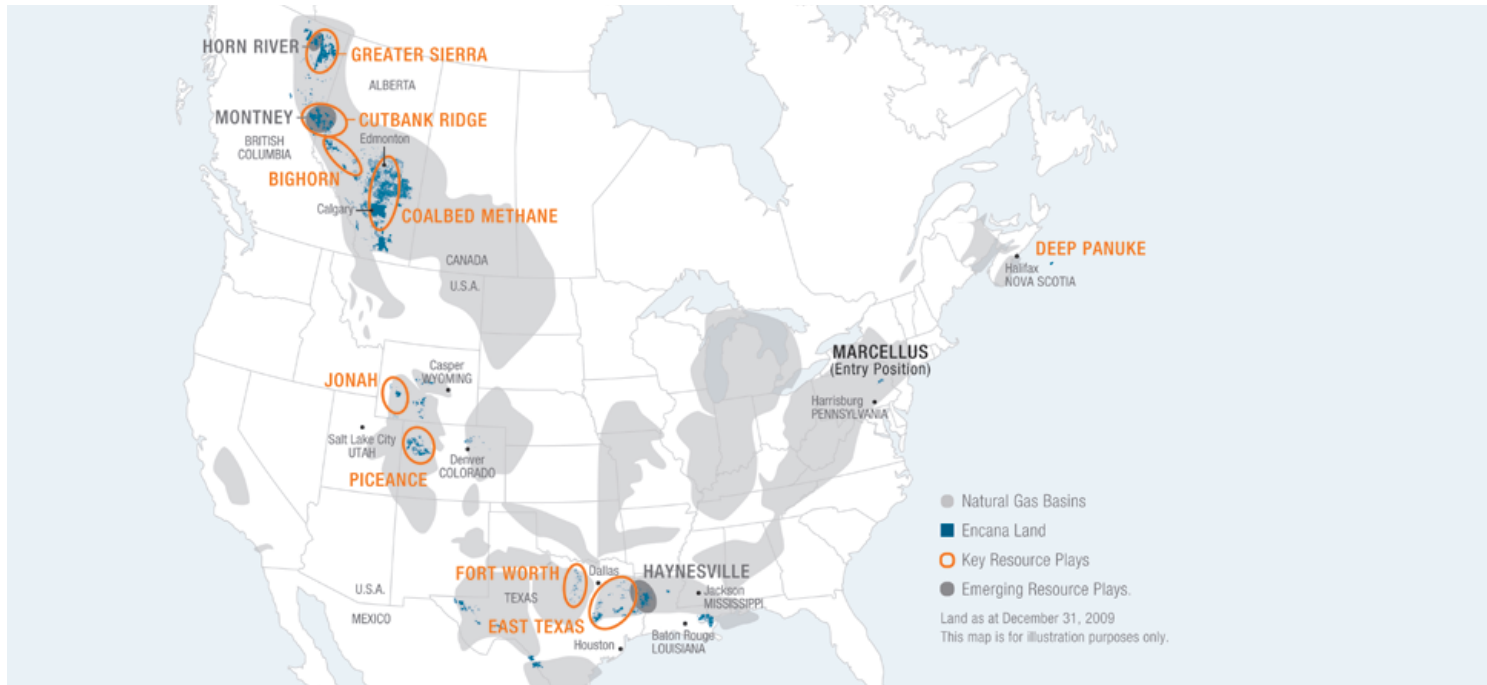
In 2010, Encana plans to continue its steady development of the Montney formation. The company has tremendous development opportunities in this key resource play, with approximately 2,500 future drilling locations identified.

Encana expects to drill approximately 42 net wells in 2010 and exit the year producing about 325 MMcf/d from the Montney formation.



HOLDINGS AND OPERATIONS

NORTH AMERICA / NATURAL GAS AND ENCANNA OPERATIONS



BIGHORN / CANADA

- Primarily sweet natural gas wells
 - tight gas multi-zone Cretaceous play
- New wells produce between 2 MMcf/d and 10 MMcf/d
 - drilled approximately 70 net wells in 2009
 - approximately 460,000 net acres
 - drilling inventory of about 1,100 net wells

COALBED METHANE (CBM) / CANADA

- CBM is natural gas held in coal or porous rock formations
- Encana applies more than 40 years of experience in producing natural gas from shallow reservoirs
- Most CBM activity focused on the dry coal seams of the Horseshoe Canyon formation
 - drilled approximately 490 net wells in 2009
 - approximately 5.1 million net acres including about 2.1 million net acres on the Horseshoe Canyon trend
 - drilling inventory of about 14,000 net wells

CUTBANK RIDGE / CANADA

- This tight gas reservoir resource play is located in northeast British Columbia and northwest Alberta. The focus is on long-term growth using the latest extraction technology to produce gas from the Montney, Cadomin and Doig geological formations
 - drilled approximately 70 net wells in 2009
 - approximately 1.1 million net acres
 - drilling inventory of about 2,700 net wells

GREATER SIERRA / CANADA

- Located in northeastern British Columbia, this play is focused on continued development of the Jean Marie geological formation and Horn River Basin; to date, Encana has developed approximately 30 percent of the asset
 - began implementing multi-lateral horizontal drilling, which resulted in increased well performance and improved cost structures
 - drilled approximately 55 net wells in 2009
 - approximately 1.8 million net acres
 - drilling inventory of about 1,400 net wells

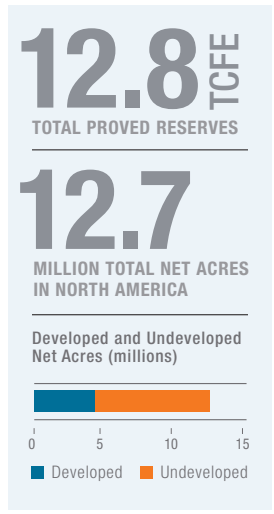
DEEP PANUKE / CANADA

- Deep Panuke project involves installation of facilities (offshore drilling pad and pipeline) to produce and process natural gas from the Deep Panuke field, approximately 250 kilometres (156 miles) southeast of Halifax, Nova Scotia on the Scotian Shelf
- Natural gas will be processed offshore and transported via subsea pipeline to Goldboro, Nova Scotia for further transport to market via the Maritimes & Northeast Pipeline
- First gas is expected from Deep Panuke in 2011

ESTABLISHED POSITIONS IN EMERGING PLAYS / KEY STATISTICS

Encana Play	ECA Basin Entry Year	ECA Acres (Net)	Basin Natural Gas In Place (Bcf/Section)	Vertical Drill Depth (Feet)	Estimated Gas In Place* (Tcfe)	Well Drilling Inventory (Net)	Indicative IP (MMcf/d)
Haynesville	2005	429,000	175-225	12,000	120	3,500	15
Horn River	2003	256,000	150-270	9,000	50	600	10
Montney	2003	720,000	50-200	9,000	165	2,600	10
Maverick Pearsall	2005	245,000	125-175	9,000	50	TBD	5
Piceance Niobrara	2006	610,000	100-200	9,000	100	TBD	6

* On Encana lands



EAST TEXAS / UNITED STATES

- This play targets the Bossier and Cotton Valley zones; characteristics are similar to plays in the Rocky Mountains: a tight gas, multi-zone play requiring careful application of technology to unlock the gas
 - drilled approximately 40 net wells in 2009
 - approximately 265,000 net acres
 - drilling inventory of about 800 net wells

FORT WORTH / UNITED STATES

- Located in north Texas, the Fort Worth resource play stretches underground across a 15-county area; the play includes the Barnett shale in the Fort Worth Basin
 - drilled approximately 27 net wells in 2009
 - approximately 76,000 net acres
 - drilling inventory of about 1,100 net wells

PICEANCE / UNITED STATES

- Encana entered the Piceance Basin in Colorado in 2001 with the acquisition of Mamm Creek field, and added to its position by acquiring Tom Brown Inc. in 2004
- The basin is characterized by thick natural gas accumulations primarily in the Williams Fork formation
 - drilled approximately 130 net wells in 2009
 - approximately 870,000 net acres
 - drilling inventory of about 5,100 net wells

JONAH / UNITED STATES

- Encana entered the Jonah field, located south of Pinedale, Wyoming, in 2001. Production is from the Lance formation, which contains vertically stacked sands that exist at depths between approximately 2,600 and 4,000 metres (approximately 8,500 and 13,000 feet)
- The wells are stimulated with multi-stage advanced hydraulic fracturing techniques. The life of the Jonah field is estimated to be from 40 to 60 years
 - drilled approximately 110 net wells in 2009
 - approximately 125,000 net acres
 - drilling inventory of about 2,200 net wells





*For us, talking about natural gas
couldn't be more, well, natural.*

We believe in natural gas. We believe it's the fuel for the 21st century. For power generation. For vehicle fuel. As a domestic energy solution. Most important – to lower emissions. We figure that's something worth talking about. **We are Encana.**

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Learn more about natural gas and Encana at www.encana.com



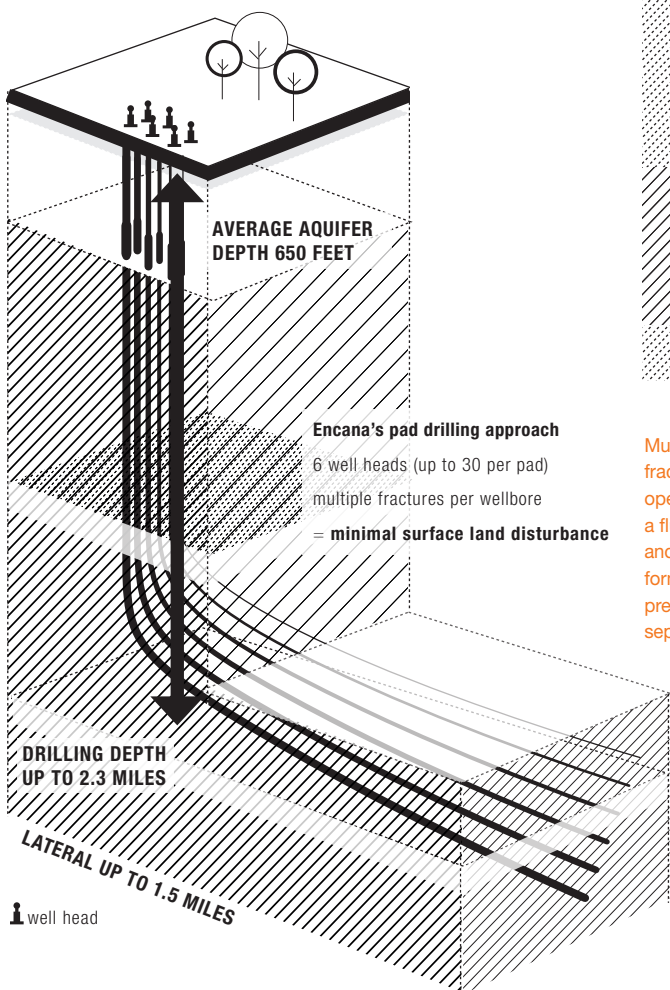
An Encana Gas Factory

MANUFACTURING ENERGY
IN A NEW PARADIGM

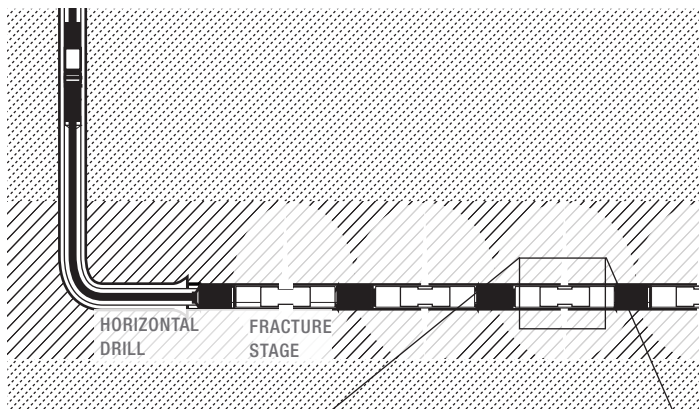
When Encana's land, technologies, manufacturing practices and human capital come together, the product is a gas factory – a strategic and innovative approach that moves resource plays into commercial production in a repeatable, transferable manner at a consistently reduced cost, in an increasingly compressed time frame and with minimized environmental impact. Encana gas factories place the company in an ideal position to thrive as North America embarks on a major paradigm shift in its energy economy.

AN ENCANA GAS FACTORY / MANUFACTURING ENERGY IN A NEW PARADIGM

REDUCED FOOTPRINT

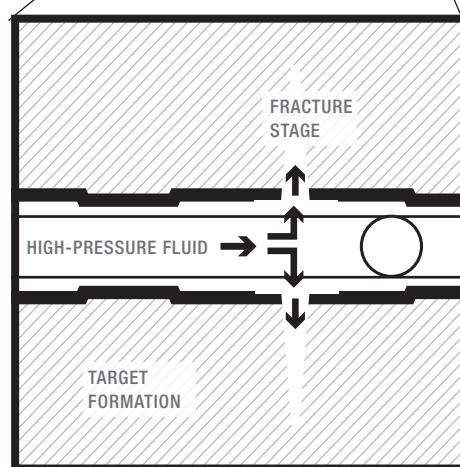


MULTI-STAGE HYDRAULIC FRACTURING



Multi-stage hydraulic fracturing is a controlled operation that pumps a fluid, primarily water and sand, into a target formation at high pressure in up to 20 separate intervals or

fracture stages. By drilling horizontally through a reservoir, fracture stages can be added and gas production for each well increased.



UNLOCKING RESOURCE PLAYS

Hydraulic fracturing is a controlled operation that pumps a fluid (primarily water) and a propping agent (sand) through the wellbore to the target formation at a high pressure in multiple intervals, or stages. The process breaks up the target formation, much like a stone fracturing a windshield, to create pathways that allow the gas to flow from the very low permeability reservoir toward the wellbore. Resource plays typically extend across a vast area of an underground formation, where each square mile of the target reservoir is highly gas charged. These resource plays are an ideal fit for the gas factory development approach.

TWIN EFFICIENCY GAINS

Although each unconventional gas field has unique surface and subsurface challenges, the application of long-reach horizontal drilling and multi-stage hydraulic fracturing enables two major efficiency gains. First,





By employing our gas factory development approach across our prolific asset portfolio, we are able to achieve sustainable production growth of low-cost unconventional gas supplies and strong value creation for years ahead.

JEFF WOJAHN,
EXECUTIVE VICE-PRESIDENT & PRESIDENT,
USA DIVISION, ENCAN A

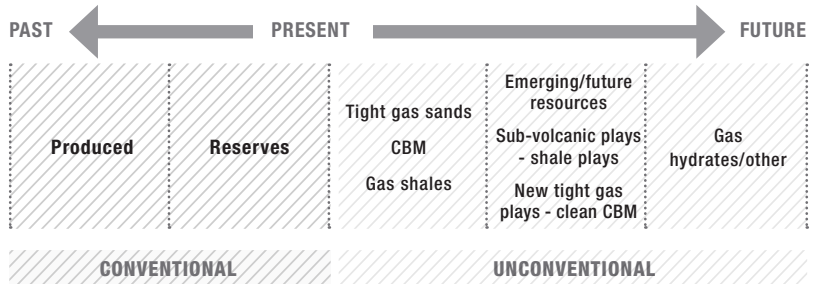
drilling long horizontal wells through a reservoir achieves multiple-fold increases in exposure to the sedimentary formation. Compared to vertical wells, horizontal drilling intersects vastly more resource without the incremental cost of the vertical portion of the well. Second, by drilling from multi-well pads, at times more than 30 horizontal wells from a single location, the surface land occupied by rigs and production equipment is a fraction of conventional methods. Multi-well pads occupy a very low percentage of the land that typically would be used by vertical wells accessing the same subsurface development area. This gas factory is able to recover more natural gas at a lower cost and with dramatically reduced surface occupancy.

In the Horn River basin in northeast British Columbia, up to 16 wells are being drilled from one surface location to develop a reservoir underlying up to four square miles of land. Oftentimes, there are multiple subsurface sedimentary formations, stacked on top of each other, that can be reached from a single location. This layer-cake of resource is well suited to support long-term, strong-return developments. The result is increased efficiency and lower environmental impact.

UNCONVENTIONAL TECHNOLOGIES AND OPERATIONAL EFFICIENCIES IN THEIR INFANCY

Operational efficiencies are realized as drilling rig moves are minimized, multi-well completion and production operations are conducted in a continuous fashion and pad well site facilities are shared. Over the past few years, Encana has worked with drilling companies to custom build fit-for-purpose rigs designed for projects with specific geological and geographical requirements. Encana utilizes close to 100 percent fit-for-purpose rigs across its operations, where safety, reduced environmental impact and efficiency are foremost priorities. In northern locations such as Horn River, where winter historically slowed activity, Encana’s manufacturing approach allows for year-round

THE RESOURCE PLAY ADVANTAGE



operation. With the advent of horizontal drilling and multi-stage hydraulic fracturing, per-treatment costs are dropping significantly. “Technology is moving quickly and major advancements are likely over the next several years as we are still in the infancy of optimizing the efficiency of horizontal drilling and multi-stage hydraulic fracturing,” says Mike Graham, Encana’s Executive Vice-President & President, Canadian Division.

GAS MANUFACTURING FUTURE

“With each well we drill, each multi-pad lease we build, each hydraulic fracture treatment we complete, we get better, learn more, capture operational efficiencies and drive down the per-unit cost of every molecule of natural gas we produce,” says Jeff Wojahn, Encana Executive Vice-President & President, USA Division.

In the Piceance basin of Colorado, Encana is already planning small multi-well pads that occupy just a few acres, yet drill up to 60 wellbores from one location. When rigs or hydraulic fracturing crews only have to move a short distance to their next job, and can complete several jobs in sequence, the time-tested laws of specialized labour practices yield significant benefits. When supplies such as sand and drill pipe can be delivered in bulk to single locations, economies of scale enhance the value of every Encana share. New efficiencies are being realized through simultaneous operations where drilling is underway on one cluster

HAYNESVILLE PLAY

40

PERCENT REDUCTION
in drilling, completion and tie-in costs due to the application of advanced technologies in 2009.

Types of Unconventional Gas

Tight Gas
Natural gas stored in small pore spaces in very low permeability underground formations, such as sandstone, siltstone or limestone.

Shale Gas
Natural gas stored in extremely small pore spaces or bonded to organic material within rock composed mostly of consolidated clay and siltstone.

Coalbed Methane (CBM)
Natural gas stored in naturally occurring fracture systems or bonded onto the coal.

Technology is moving quickly and major advancements are likely over the next several years as we are still in the infancy of optimizing the efficiency of horizontal drilling and multi-stage hydraulic fracturing.

MIKE GRAHAM,
EXECUTIVE VICE-PRESIDENT & PRESIDENT,
CANADIAN DIVISION, ENCANA

of wells, hydraulic fracturing on another and production tie-ins on a third group, all residing within the same gas factory pad. Encana has repeatedly found that through a determined and disciplined focus on continually improving core tasks, new operational efficiencies are realized. So while horizontal drilling allows the company to drill wells that reach close to two miles in opposing directions, highly trained crews are looking for new ways to deliver clean natural gas cheaper.

ENVIRONMENTAL STEWARDSHIP

As a leading corporate citizen, Encana takes pride in being a good steward of the environment. In unconventional gas development, as with all resource production, effectively managing water resources is critical to extracting the resource in an economical and responsible manner.

RESPONSIBLE WATER MANAGEMENT

Water and sand are the primary components of the fluids used in hydraulic fracturing. In addition, third-party service providers, in consultation with producers, use highly diluted volumes of chemical additives to ensure effective fracturing of the target reservoir and recovery of fluids. In all Encana operations, rigorous water management and conservation is a vital part of this process. It all begins with proper wellbore design.

WELLBORE DESIGN

Every natural gas well has a steel casing that is cemented externally to prevent fluids migrating from the wellbore and to protect local groundwater. Typically, thousands of feet of rock separate the target formations from any fresh or potable aquifers. Even with those safeguards in place, Encana uses multiple techniques to fully understand the effect of each hydraulic fracture treatment it conducts. The company relies on groundwater experts to evaluate water sources and has designed a tailored approach to water management and protection at each drilling location.

As an example, although the Horn River play was initially tested using fresh water, the team identified saline, non-potable water sources from approximately 2,600 feet below the surface for use in hydraulic fracturing. This water is unfit for humans, animals or agriculture. In 2010, a new water treatment plant 60 miles northeast of Fort Nelson is expected to increase Encana's capacity to use this non-potable supply of water at its Horn River operations. As the first company in the basin to test a long-term water solution, Encana is applying leading-edge technology to minimize environmental impact and reduce costs.

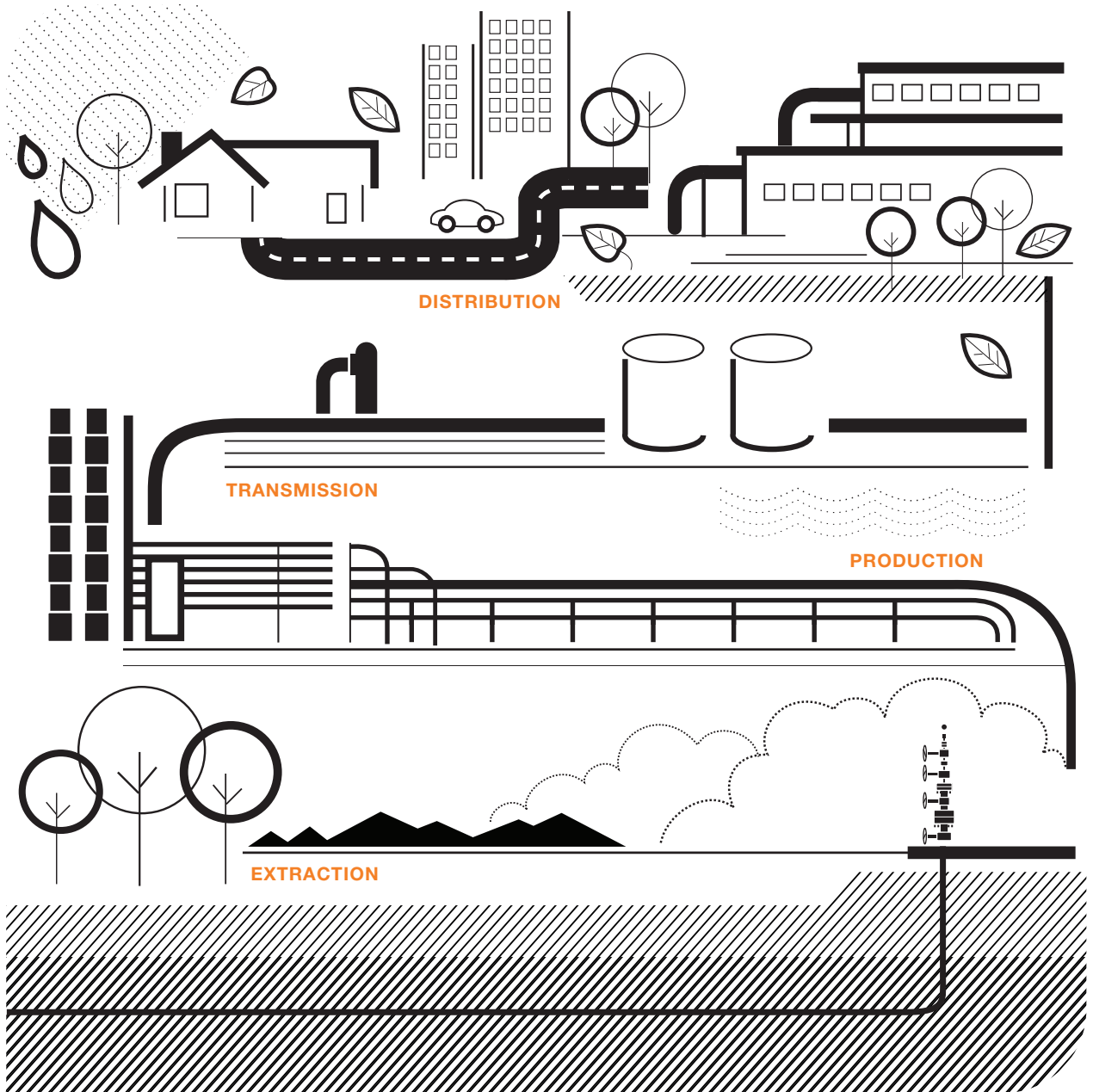
RESPONSIBLE HYDRAULIC FRACTURING

Hydraulic fracturing is a safe and proven way to develop natural gas; it has been used throughout the oil and gas industry for about 60 years. Encana meets, and strives to exceed, the strict requirements for hydraulic fracturing processes set out by government regulatory agencies. All fluids that return to the surface are recycled or disposed of in regulatory agency-approved disposal wells. Encana is continuously seeking ways to improve its technologies and operations from an environmental perspective. Initiatives underway across all Canadian and U.S. operations help ensure that Encana is managing the use of hydraulic fracturing fluids responsibly.

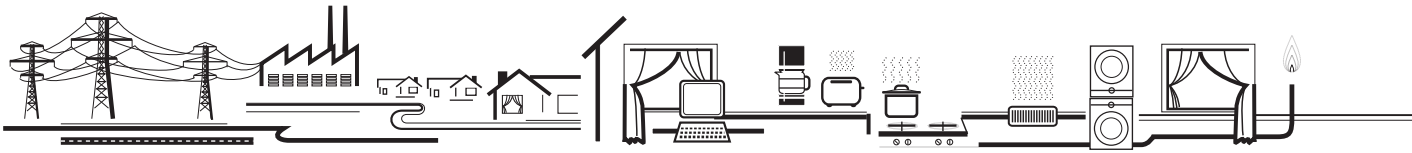
FUEL FOR THE FUTURE

Encana's focus on developing its prolific unconventional natural gas assets will have untold benefits for the future of North American energy supply. "As an early mover in establishing a leading land and resource position, Encana is North America's premiere, pure-play natural gas company. By employing our gas factory development approach across our prolific asset portfolio, we are able to achieve sustainable production growth of low-cost unconventional gas supplies and strong value creation for years ahead," Wojahn says.

NG/101 NATURAL GAS END USE

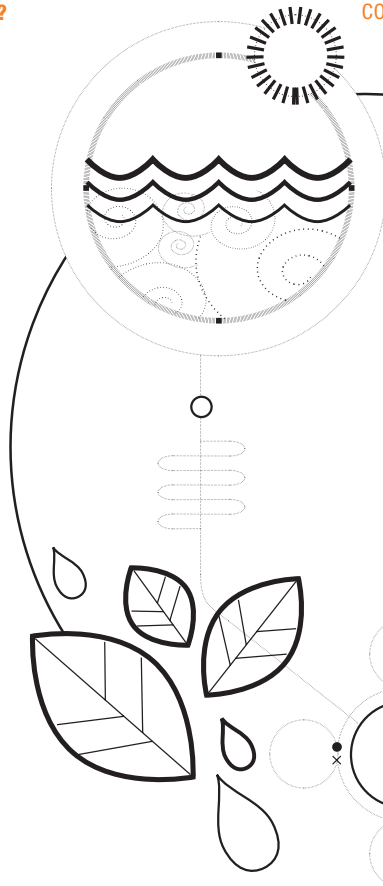


NG/101 NATURAL GAS END USE

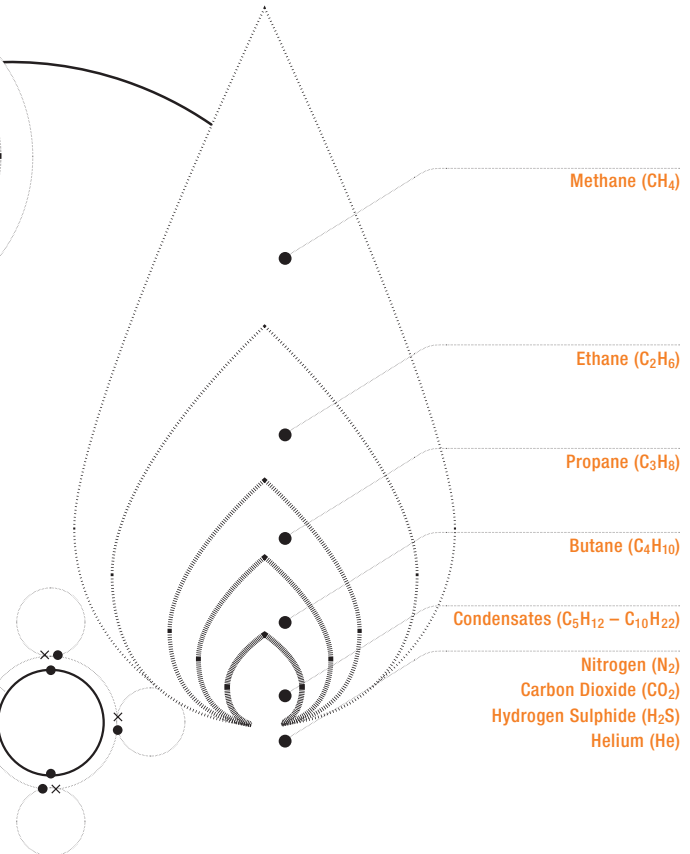


WHAT IS NATURAL GAS?

Natural gas originated from the decomposition of organic matter under many layers of sediment deposits. Heat, underground pressure and other factors created chemical changes over time, forming hydrocarbons such as natural gas. The primary component of natural gas is methane – the chemical compound CH_4 – one atom of carbon and four hydrogen.



COMMON COMPONENTS OF UNPROCESSED NATURAL GAS



NATURAL GAS IS THE CLEANEST BURNING FOSSIL FUEL

The main combustion byproducts are carbon dioxide (CO_2) and water vapour, the same compounds we exhale. Combustion produces 25 percent less CO_2 than oil and about 50 percent less than coal.⁽¹⁾ But because of higher efficiency power plants, this results in CO_2 emissions per kWh that are up to 65 percent less than coal.

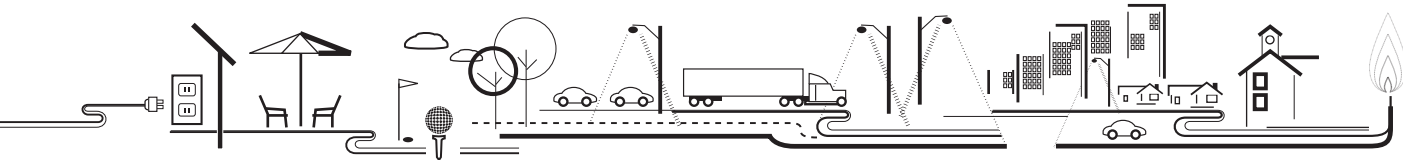
Natural gas emits almost no particulates into the atmosphere: particulates from natural gas combustion are 90 percent lower than oil and 99 percent lower than coal combustion.⁽²⁾

DIFFERENCE BETWEEN CNG AND LNG

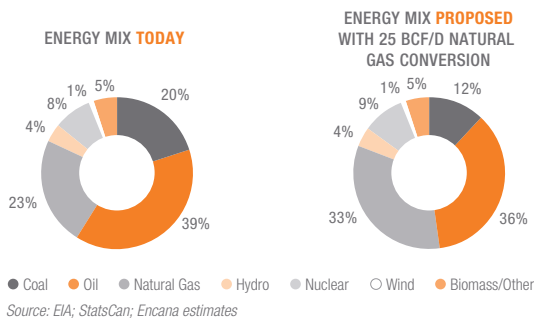
Compressed Natural Gas (CNG): Natural gas condensed under high pressures – between 2,000 and 3,600 pounds per square inch (psi) – and held in a special, reinforced container; the gas expands when released for use as a fuel.

Liquefied Natural Gas (LNG): Natural gas converted temporarily to a liquid form for ease of storage or transport by cooling it to approximately $-162^\circ C$ ($-260^\circ F$);⁽³⁾ LNG takes up 1/600 of the volume of natural gas in a gaseous state.⁽⁴⁾

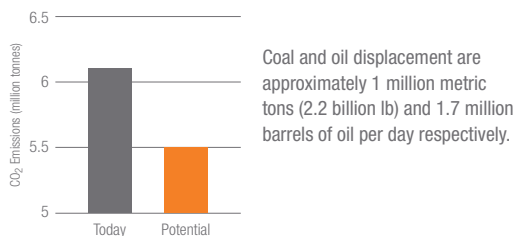




ENERGY MIX & EMISSIONS BY SOURCES: USA + CANADA



CO₂ EMISSIONS REDUCTIONS: WITH 25 BCF/D NATURAL GAS CONVERSION



Natural gas is measured in millions, billions and trillions of cubic feet.

- 1 Bcf/d of natural gas could fuel 3.9 million mid-sized cars to travel 25,000 kilometres (15,000 miles) per year⁽⁶⁾
- 1 Bcf/d of natural gas = 8.3 million U.S. gallons or 31.5 million litres per day of gasoline equivalent

35 THOUSAND NORTH AMERICAN JOBS

35,000 North American jobs are created with each additional Bcf/d of production.⁽⁶⁾

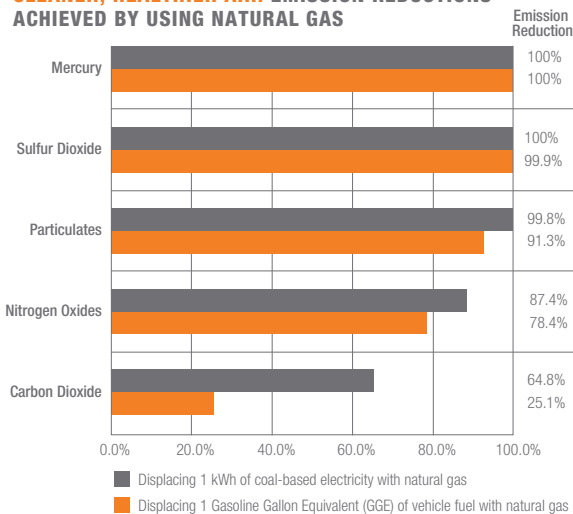
NATURAL GAS IS AN ESSENTIAL PART OF OUR DAILY LIVES

Canadians and Americans use more than 6.7 trillion cubic feet of natural gas annually⁽⁷⁾ to heat and cool their homes, heat water, dry their clothing and cook their food.

- A very efficient fuel for cooking, 460 Bcf of natural gas is used in the kitchen each year⁽⁸⁾
- Although gas-powered appliances may currently be more expensive than electrical, they are cheaper to operate, have a longer expected life and require relatively low maintenance
- With 55 percent of homes using natural gas for space heating,⁽⁹⁾ the natural gas delivery infrastructure is already in place, making it very simple and affordable to install natural gas appliances in those homes

Combined, Canada and the U.S. import approximately 45 percent of the crude oil they use.⁽¹⁰⁾

CLEANER, HEALTHIER AIR: EMISSION REDUCTIONS ACHIEVED BY USING NATURAL GAS



Endnotes in articles can be referenced on page 145.

THE GROWTH PICTURE

Primary growth opportunities are in unconventional gas – natural gas from reservoir rocks that are less porous and permeable than conventional reservoirs.

Simply put, unconventional gas does not readily flow to the well bore. Examples are tight gas, shales and coalbeds.

Unconventional reservoirs were once thought to be too difficult to develop. Advanced technologies, such as horizontal drilling, hydraulic fracturing and multi-lateral wellbores, have made it possible to profitably unlock these reservoirs at lower and lower costs. Now about 40 percent of current North American natural gas production is from unconventional sources.⁽¹¹⁾

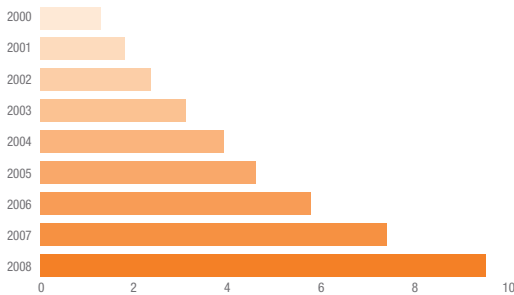
By 2020, it is expected that nearly 70 percent of Canadian and American natural gas will be from unconventional reservoirs.⁽¹²⁾

NATURAL GAS PROVIDES FUEL FOR

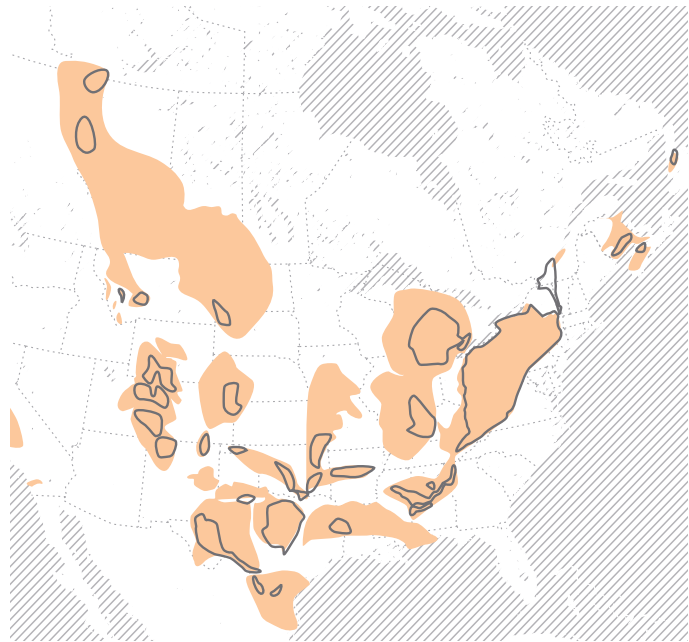
10 MILLION VEHICLES⁽¹³⁾

and is considered safer and cheaper than gasoline.⁽¹⁴⁾

Natural Gas Vehicles Yearly Growth Worldwide (Millions of vehicles) (Source: iangv.org)



NATURAL GAS IS ONE OF NORTH AMERICA'S MOST VALUABLE RESOURCES



● Natural gas basins ○ Shale gas plays

Combined, Canada and the U.S. have approximately 100⁽¹⁵⁾ years of clean-burning, abundant, affordable natural gas.

NATURAL GAS IS A CLEAN AND EFFICIENT SOURCE OF ELECTRICITY


It takes 60 percent more coal than natural gas to produce one kilowatt-hour of electricity.⁽¹⁶⁾

Even if coal generation were as efficient, natural gas would still have almost 50 percent lower CO₂ emissions, 99 percent less sulphur dioxide (SO₂) emissions and zero mercury emissions.⁽¹⁷⁾

The most advanced coal plants (new technology for completion in 2012 to 2016) can achieve 38 percent efficiency.⁽¹⁸⁾ They cost twice as much as advanced combined cycle natural gas plants to build and operate.⁽¹⁹⁾

About 35 Bcf/d of natural gas in advanced combined cycle natural gas generation would displace all coal-based generation in the U.S. and yield emission reductions of about 50 percent in the electricity sector.⁽²⁰⁾

What is combined cycle natural gas generation? Waste heat from gas turbine generated electricity is used to make steam, which is then used to fuel steam turbines to generate additional electricity, enhancing efficiency as a result.



*Natural gas can help manufacture
pretty much anything.
Including jobs.*

From rocket science, to research or retail. In manufacturing, agriculture and health care. Natural gas means more than jobs. Fact is, natural gas is helping create careers. And we couldn't be prouder. **We are Encana.**

encana[™]
natural gas

Learn more about natural gas and Encana at www.encana.com

NATURAL GAS

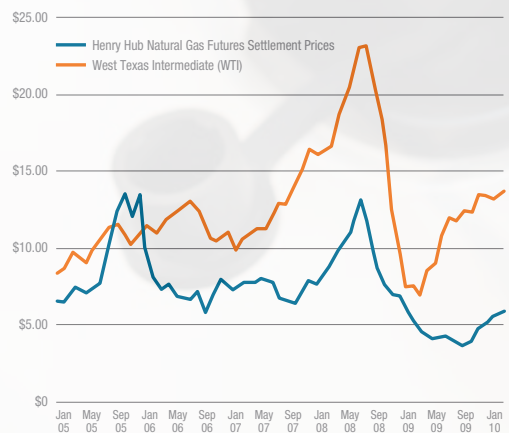
the fuel for the 21st century

Combined, Canada and the U.S. have approximately 100⁽¹⁾ years of clean-burning, abundant, affordable natural gas sitting right beneath our feet. I see a natural gas renaissance in everyday life over the coming decade.

ERIC MARSH,
EXECUTIVE VICE-PRESIDENT,
NATURAL GAS ECONOMY, ENCANNA



Monthly Average Henry Hub Natural Gas Futures Settlement Prices versus West Texas Intermediate (WTI) per MMBtu



Source: EIA
(Note: 2005 natural gas price spike due to Hurricanes Rita and Katrina.)

Encana believes natural gas will not only continue to be a vital component of the North American energy solution for the next 100 years, but also that it can immediately play a larger role in addressing energy security and environmental mandates.

Eric Marsh is Executive Vice-President, Natural Gas Economy at Encana, and he has a mandate to create new markets for the consumption of natural gas. "Establishing natural gas as the foundation of the North American energy portfolio benefits our economy and decreases emissions," says Marsh. Canada and the U.S. have approximately 100 years of clean-burning, abundant, affordable natural gas sitting right beneath our feet. I see a natural gas renaissance in everyday life over the coming decade." Legendary oil and gas entrepreneur T. Boone Pickens couldn't agree more.

Like Marsh, Pickens is on a mission. He is determined to wield his considerable influence to cut U.S. dependence on imported oil. Pickens believes the answer is natural gas.

North America has vast reserves of natural gas and advancements in extraction technology for unconventional natural gas. Combined, Canadian and U.S. natural gas production was approximately 70 Bcf/d⁽²⁾ in 2009. America's Natural Gas Alliance (ANGA) estimates North American producers can add another 25 Bcf/d of supply in the next few decades.

Despite this abundance of North American natural gas, consumers continue to rely on large amounts of imported oil to fulfil their energy consumption needs. Combined, Canada and the U.S. import approximately 45⁽³⁾ percent of the crude oil they use. Natural gas is a secure domestic solution that can reduce the need for oil imports.

Secure domestic supply is only one of the virtues of natural gas. On an energy-equivalent basis, abundant supplies of natural gas are available at less than half the price of a barrel of oil,⁽⁴⁾ based on 2009 prices, making it by far the most affordable fuel for transportation. In recent years, compressed natural gas (CNG) and liquefied natural gas (LNG) have been 20 to 30 percent⁽⁵⁾ less expensive than gasoline and diesel in many regions where they are used. These savings are expected to increase as more infrastructure and distribution networks are built to support higher demand.

NATURAL GAS FACTS

Canada and the U.S. have natural gas to last approximately 100 years⁽⁶⁾.

- New technologies extract abundant volumes of natural gas from shales, coalbeds and tight sand reservoirs once thought to be uneconomic

Natural gas has been considered a fuel source for transportation since the 1860s.

- The first internal combustion engine vehicle to run on natural gas was built in the 1860s by Belgian inventor and engineer Etienne Lenoir.⁽⁷⁾ The vehicle was first commercialized in Italy in the 1930s⁽⁸⁾
- Today, there are close to 10⁽⁹⁾ million natural gas vehicles around the world and 1,100⁽¹⁰⁾ natural gas fuelling stations in the U.S. alone

Natural gas vehicles have a stellar safety record.

- Vehicles fuelled by natural gas are as safe as, or safer than, gasoline-fuelled vehicles.⁽¹¹⁾ Natural gas is lighter than air and will quickly disperse if accidentally released. Also, fuel systems for natural gas vehicles are built to stringent standards

CNG and LNG are different.

- The difference between CNG and LNG is the manner in which they are stored. CNG is stored in special tanks that are highly pressurized, between 2,000 and 3,600 psi (pounds per square inch)
- LNG is stored as a super-cooled (cryogenic) liquid – typically between -184 and -274°F, depending on composition. This process makes it extremely portable and an attractive alternative for meeting global natural gas demand



CONVERTING COLORADO FLEET TO NATURAL GAS

Encana plans to convert 30 percent of its vehicle fleet in the southern Rockies region to bi-fuel vehicles – able to run on either natural gas or gasoline – by the end of 2011.

Natural gas is used in many parts of the world in both gas and liquid forms for transportation but, as Marsh points out, “North America is well behind our counterparts in Europe in manufacturing and using natural gas vehicles, and there is no reason we should be. With our abundant supply of this clean, domestic resource, we have massive room for growth.”⁽¹²⁾

Encana is leading by example and switching some of its vehicle fleet to natural gas over the next few years. Additionally, Encana is seeing the benefits of natural gas as a preferred fuel in daily operations. It now has gas-fired electricity at its Jonah field in Wyoming and is operating three rigs in Canada on dual fuel (70 percent natural gas, 30 percent diesel). Eight rigs previously fuelled by diesel have been converted to natural gas in its North Rockies region, resulting in a 25 percent⁽¹³⁾ reduction in emissions and a 40 to 60 percent reduction in fuel costs.

Almost twice as clean as coal, natural gas produces fewer pollutants than other fossil fuels. It is composed primarily of methane (CH₄) – the main products of natural gas combustion are carbon dioxide (CO₂) and water vapour, the same compounds we exhale when we breathe. And, the combustion of natural gas emits almost 25 to 50 percent less CO₂ than oil and coal, respectively.⁽¹⁴⁾ Sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulates from natural gas are extremely small compared to those generated by coal and oil, making for cleaner, healthier air.

What’s more, natural gas efficiency for electricity generation is higher than coal. The most advanced combined cycle gas plants can reach 50 percent⁽¹⁵⁾ efficiency versus traditional coal at 30 percent.⁽¹⁶⁾ In this model, natural gas provides a 20 percent improvement to the efficiency rate for power generation. This higher efficiency results in CO₂ emissions per kilowatt hour that are up to 65 percent⁽¹⁷⁾ less than coal.

There’s a lot of talk about moving to the battery to power our cars. A battery won’t move an 18-wheeler. The best fuel to get us off imported oil, gasoline and diesel is North America’s abundant supplies of cleaner, cheaper natural gas.

T. BOONE PICKENS,
OIL AND GAS ENTREPRENEUR

With advanced technologies and processes requiring fewer wells and a smaller land footprint to extract greater amounts of natural gas, Marsh reiterates that the growth opportunity in North America is enormous.

“One might wonder why, with all its benefits, natural gas isn’t already a much bigger part of the North American energy solution. Rapid advancements in technology have recently allowed for the economic extraction of huge quantities of unconventional gas at lower and lower costs. We’re now at the beginning of a new chapter in the story of natural gas,” Marsh says. [i](#)

Endnotes in articles can be referenced on page 145.

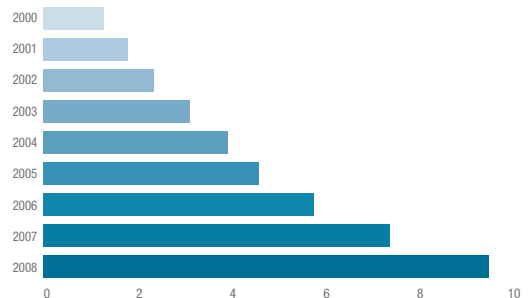
“Conversion is another step to reducing our environmental footprint,” says David Hill, Vice-President, Natural Gas Economy Operations. “We’re also taking this opportunity to educate the public about natural gas as a fuel alternative for transportation.” Hill notes that public acceptance of natural gas as an alternative will

increase demand and support installation of natural gas pumps at service stations.

“We’re confident other operators of fleet vehicles will agree it makes economic and environmental sense,” says Hill. Encana is also investigating the conversion of vehicles in other areas of the business.



Natural Gas Vehicles Yearly Growth Worldwide (Millions of vehicles) (Source: iangv.org)



When it comes to lowering emissions, we're not just talking the talk or walking the walk.

We're driving the drive.

We are converting 30 percent of our vehicles in the southern Rockies so that they can run on natural gas. We're doing this, quite frankly, because it's good for the environment and it's good for business. **We are Encana.**

encana[™]
natural gas

Learn more about natural gas and Encana at www.encana.com



RISING TO THE
CHALLENGE

We are firm in our
commitment to safety
as a core value across
our operations.

PERCENT DECREASE
FROM 2008 – 2009

of lost time injury frequency (employees and contractors)

38

15

PERCENT
DECREASE FROM
2008 – 2009

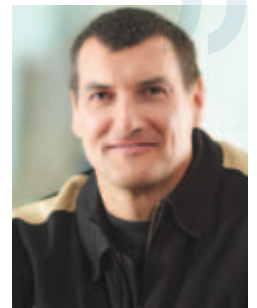
in recordable injury frequency
(employees and contractors)



“Across the company, our various pre-qualification tools increase our ability to measure the capabilities and safety performance of contract service providers, and thereby improve safety.”

with its advancing safety culture and increased focus on safety performance measurement. Staff worked closely with contract service providers to educate them on the need, benefits and processes to transition successfully to the new system.

“Across the company our various pre-qualification tools increase our ability to measure the capabilities and safety performance of contract service providers, and thereby improve safety,” says Brent Harrison, Team Lead, Environment, Health & Safety. “All contractors are required to achieve a satisfactory performance rating in order to continue working with us.”



BRENT HARRISON,
TEAM LEAD, ENVIRONMENT,
HEALTH & SAFETY,
CANADIAN DIVISION, ENCAN A

STRONG SAFETY RESULTS

Encana is diligent in ensuring the best safety practices are in place across its operations. In 2009, the company continued efforts to reinforce its safety culture and delivered the best safety results since its inception in 2002.

Encana recognizes that continuous improvement in safety performance requires effective collaboration with its many contractors. Encana has had a safety management contractor pre-qualification system called PEC/Premier Safety Management for several years in the USA Division. In 2009 the Canadian Division implemented a new system, ISNetwork, to keep pace

PARTNERING TO IMPROVE SAFETY AND REDUCE EMISSIONS

In 2009, Encana piloted Real-Time Onboard Vehicle Evaluation Reporting (ROVER), a small device installed in vehicles to provide drivers with data to help improve driving safety performance and reverse motor vehicle incident rate trends by using technology to change behaviour.

Tests run on 50 company vehicles in Texas over the summer showed hard braking dropped by 20 percent and the percentage of drivers deemed aggressive – initially seven percent – was negligible at the end of the test.

Encana plans to install ROVER in all its U.S. vehicles as part of its efforts to increase driver safety and save lives. The program is now also being piloted in Canada. [i](#)



Encana IN THE COMMUNITY

ENCANA'S COMMUNITY RELATIONS AND COMMUNITY INVESTMENT PROGRAMS GO HAND-IN-HAND AND ARE VITAL TO THE COMPANY'S OVERALL BUSINESS STRATEGY. ENCANA'S APPROACH TO BUILDING RELATIONSHIPS AND PARTNERING WITH COMMUNITIES IS RESPONSIVE AND PROACTIVE.

Encana strives to be a good neighbour by working to understand the needs of each community, actively seeking feedback and always looking for ways to improve performance.

Encana's Community Investment program is aligned with Imagine Canada's standard for corporate giving – a minimum of one percent of the company's domestic pre-tax profits to support the communities where it operates. Encana supports community initiatives in five key areas: community enhancement; environment; family and community wellness; science, trades and technology; and sport and recreation. Here are some examples of the difference Encana's programs have made in communities where it operates.

FIGHTING INVASIVE PLANTS IN EAST TEXAS

Many East Texas lakes are plagued by invasive water weeds blocking access of boaters and anglers,

and either crowding or shading out native plants more beneficial to fish and wildlife. Now, thanks to a partnership with Encana, the Texas Parks and Wildlife Foundation has two new electric pumps to eradicate invasive plants.

An Encana donation will also fund a new program placing high school students in natural settings for service-oriented projects, as well as providing facilities for the Texas Game Warden Training Centre.

TRAINING VISIONARIES IN COLORADO

The University of Colorado in Denver benefited from an Encana donation to a capital campaign to renovate its downtown Business School building. The school's Global Energy Management (GEM) suite in the renovated building will be named for Encana to recognize the company's support and work to develop the GEM curricula.



GEM is a Master of Science level program to equip future leaders to develop creative solutions for energy-related issues. "It's geared to develop strong energy leaders for the future," says Don McClure, Vice-President, Government & Stakeholder Relations, USA Division, noting that several Encana employees are currently enrolled. Encana is part of the GEM advisory board that worked with the University of Colorado, Denver Business School to develop the curricula.



DON McCLURE,
VICE-PRESIDENT, GOVERNMENT
& STAKEHOLDER RELATIONS,
USA DIVISION, ENCANA

BRINGING GAS SUPPLY TO TOMSLAKE, B.C.

In the heart of Peace Country, perched atop the large Montney natural gas play, it was wood and propane heating the homes and fuelling the stoves of Tomslake, British Columbia residents – not natural gas. That's until Encana partnered with Pacific Northern Gas (PNG) and the Peace River Regional District to find a solution.





Encana ranks 25th on the Global 100 list of sustainable companies

Encana was one of only five Canadian energy companies named to the fifth annual Global 100 list of the most sustainable large corporations in the world by Corporate Knights, a Canadian magazine that focuses on responsible business practices. The Global 100 companies from 24 countries were evaluated according to how effectively they manage environmental, social and governance risks and opportunities, relative to their industry peers.

“Some Tomslake residents had gas wells on their own property, but no access to natural gas for their homes or businesses,” says Brian Lieverse, Community Relations Advisor. “We worked for two years with the District and PNG on an agreement to help bring natural gas to homes in the area.”

Today, thanks to a partnership between Encana, the District and PNG, a 20-year deal benefits more than 400 remote Tomslake residential customers who have chosen to sign up for natural gas distribution.



BRIAN LIEVERSE,
COMMUNITY RELATIONS ADVISOR,
CANADIAN DIVISION, ENCANNA

COURTESY MATTERS

Often, Encana’s best practice approaches to partnering with communities inspire others. In 2009, the Province of British Columbia expressed an interest in Encana’s Courtesy Matters program. The government mandated a good neighbours program for all oil and gas operators. The new program, developed by the Canadian Association of Petroleum Producers (CAPP), is based on Encana’s Courtesy Matters initiative.

“Courteous, respectful behaviour is a way of doing business at all levels of our organization, from management in Calgary to our people working in the field,” says Mike Forgo, Vice-President, Business Services & Stakeholder Relations, Canadian Division.

“Courtesy Matters is a collaborative approach to finding solutions and requires commitment every day from our employees, contractors and the community,” says Forgo.



Encana's partnership on many community projects greatly contributes to the quality of life in Drumheller and surrounding areas.

BRYCE NIMMO, MAYOR OF DRUMHELLER,
ON ENCANA RECEIVING THE CORPORATE VOLUNTEER OF
EXCELLENCE AWARD FROM THE TOWN OF DRUMHELLER IN 2009


That commitment can make a world of difference to the long-term sustainability and health of those areas where Encana operates. One such example is Encana's contributions to stewarding precious water resources and wetland habitats.

In 2009, Encana continued to expand its water stewardship program, sharing knowledge with employees and communities to promote better understanding of the need for responsible resource development and sound water management. "We need to equip employees to be confident in their roles as ambassadors in the community and to know Encana is acting responsibly," says Mike Graham, Executive Vice-President & President, Canadian Division.

Encana's four-year partnership with Ducks Unlimited Canada (DUC) furthers work to conserve and/or restore wetland habitats. "Through numerous years of partnership, Encana continues to demonstrate its commitment to supporting environmental initiatives centred upon the conservation, restoration and sustainable land development in many wetland-rich landscapes of western Canada," says Rick Shewchuk, DUC Development Manager, Northern Alberta, Northwest Territories and Yukon.

Encana also supports Ducks Unlimited's Project Webfoot, a program aimed at teaching children about the importance of wetlands. In 2009, approximately 1,500 schoolchildren benefited from participating in Project Webfoot.

These are just a few examples demonstrating Encana's 2009 commitment to communities where it works. Other projects included:

- Encana's work with Project NEED (National Energy Education Development in the U.S.) to provide Kindergarten through Grade 12 teachers with tools to teach about energy
- Calgary Health Trust's Reach! campaign, supporting research in infectious diseases and diabetes at the University of Calgary 

Courtesy Matters is formulated on the premise that being a good neighbour and making small behavioural changes can make a big difference in the communities where Encana operates. The program uses various tools to foster dialogue and address community concerns such as traffic, noise, dust, gates or garbage. In most areas of operation, a Courtesy Matters committee of landowners, community members and local government brings forward issues and seeks solutions to address them.

PARTNERING WHERE IT COUNTS

The concept of gathering ideas and solutions from the community, employees and other stakeholders is one of the constants of Encana's community programs. "Encana's goal is to be the operator of choice in all areas where we work," says Forgo. "It's a commitment we strive to uphold every day."

A photograph of two men in a rural setting. The man on the left is wearing a green cap and a light-colored short-sleeved shirt, leaning on a wooden structure. The man on the right is wearing a light-colored long-sleeved shirt and blue jeans, standing with his hands on his hips. In the background, there are pumpkins, a tractor, and trees. The overall scene is bright and outdoors.

RESPONSIBLE DEVELOPMENT

encana[™]
natural gas

Encana's
commitment:
People,
Safety,
Environment,
Engagement,
Community
Investment

rd/09

STEADFAST COMMITMENT TO RESPONSIBLE DEVELOPMENT

Encana is committed to responsible development. That commitment manifests itself in every aspect of the way we do business.

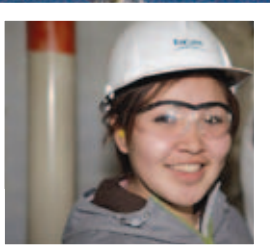
We see our commitment as encompassing five key areas: people, safety, environment, engagement and community investment.

Success depends on sound policies and leading practices. It all starts with our employees – the people who strive every day to do the right thing.

RESPONSIBLE DEVELOPMENT STARTS WITH OUR PEOPLE

Attracting and retaining the best and brightest people to Encana is at the heart of our growth business strategy. We rely on their talent and ingenuity to help our business thrive so we can deliver on our promises to our employees, shareholders, communities and customers.

With that in mind, we have developed Human Resources programs and practices to provide support and development opportunities at every stage of an employee's career with us. We have a diverse workforce that spans new graduates through to very experienced contributors; all have the same access to continued learning and development.



Encana's innovative practices and programs help us attract and retain the best people for the job. Some examples are:

- Development programs for new graduates and developing professionals,
- Processes that support the movement of employees to work on new resource plays, be assigned to priority projects or to pursue developing a new field of expertise altogether;
- Industry competitive total compensation programs;
- A high performance contract and assessment process to help all employees focus on what they need to achieve;
- A North American approach to learning and employee development that includes opportunities to work in Canada and the US; and
- Creative workplace practices designed to support a work-life balance.

Encana encourages employees to develop new skills and experience. We support participation in external assignments and exchanges with industry organizations and government. We share our expertise and perspectives through employee representatives on industry associations. But most importantly, we provide a wealth of personal development opportunities that allow employees to continually grow and develop. Our dynamic business strategy lends itself to the expression that every day is an opportunity to learn at Encana.

PEOPLE

SAFETY

SAFETY IS A CORE VALUE AT ENCANNA AND ACHIEVING AN INJURY-FREE WORKPLACE IS OUR GOAL

We are uncompromising in our commitment to safety as a core value across our operations. We focus on keeping safety top-of-mind at work and at home every single day. We remind each other that it's not worth doing if we can't do it safely. And we're always looking for opportunities to improve.

Through a combination of safety practices and environment, health and safety management systems, we strive to identify hazards and eliminate or control risks. We prevent injuries on our worksites by:

- ensuring all employees and contractors receive the training and experience they need to work safely
- working collaboratively with our service providers and contractors to create safer worksites
- investigating incidents and sharing what we've learned from them when they happen to prevent recurrence
- educating employees about the importance of safe driving on and off the job
- requiring an alcohol- and drug-free workplace
- communicating openly about safety successes and challenges

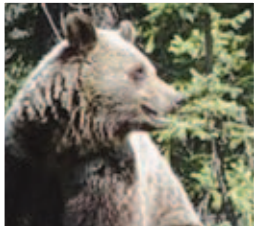
Full-scale emergency response exercises allow us to test our emergency response plans, establish working relationships with first responders, such as police and paramedics, and demonstrate to communities where we operate that we are well-prepared for emergencies.



RESPONSIBLE ENVIRONMENTAL MANAGEMENT – A RESPECTFUL AND HOLISTIC APPROACH

Like most of our stakeholders, we live and work in the communities where we have operations. We care about the impact of energy development on the environment.

Each area in which we work brings its own unique environmental challenges. That's why we have adopted a holistic approach, working closely with stakeholders to gather knowledge, to develop an environmental approach that is tailored to the unique physical characteristics of each operating area. Those environmental considerations are built into every project. We then use technology and innovation to lessen our environmental footprint.



Encana earned recognition from the Carbon Disclosure Project: Canada 200 in 2009 for being open and transparent in greenhouse gas reporting, earning a Top 10 ranking in the high carbon impact sectors category.

The Carbon Disclosure Project is a not-for-profit organization that holds the largest database of corporate climate change information in the world. They have become the gold standard for carbon disclosure methodology and process. Beyond reporting, Encana's commitment to measurable reductions in energy use and related emissions is evidenced by our investment in new research and technology aimed at lowering our carbon output.

Encana has more than 8,700 solar panels across its North American operations.

STAKEHOLDER TRUST AND INVOLVEMENT CRUCIAL TO OUR SUCCESS

Ensuring our stakeholders know who we are and what to expect from us is crucial to our success.

We are committed to working with stakeholders in an honest, transparent and respectful manner, listening to their concerns and working together to find solutions.

Open dialogue with stakeholders enables good decision making, helps identify and resolve issues, builds strong communities and supports shared learning before, during and after our operating activities.

Effective stakeholder engagement at Encana is about building trust, communication, and collaboration. Our approach is tailored to meet the individual needs of our stakeholders through a wide variety of communication methods.

Encana is committed to establishing mutually beneficial relationships with Aboriginal communities situated near our operations through honest dialogue and respectful engagement. Close liaison with the Aboriginal communities where we operate is essential to the long-term sustainability of our operations.

Who are our stakeholders?

Encana has many stakeholders including employees and contractors, landowners and their neighbours and communities, Aboriginal communities, governments and regulators, shareholders, financial institutions, private sector partners and competitors, and non-government and community organizations.

Our Integrity and Courtesy Matters Hotlines allow stakeholders to communicate directly with Encana if they have questions, issues or concerns with the way we work.

1-877-445-3222/integrity.hotline@encana.com
 1-888-568-6322/courtesy matters@encana.com



INVESTING FOR SUSTAINABLE COMMUNITIES

Encana takes great pride in being a responsible corporate citizen.

Encana strives to be a good neighbour by working with communities to understand and support their needs. Encana's community investment program is aligned with our business strategy and provides for mutually beneficial relationships with community and non-government organizations.

Encana supports community initiatives in six key areas:

Environment – includes partnerships with organizations that care for and protect the environment as well as those that provide environmental education to youth

Science, trades and technology – provides support for development of a skilled and sustainable workforce through investments in educational programs

Family and community wellness – support for community organizations that promote wellness, contribute to the prevention of illness or injury, and enhance health care, social and emergency services

Sport and recreation – support for programs aimed at the physical and social well-being of communities

Community enhancement – support for cultural programs and economic development

Employee programs – we encourage and support employees' efforts to make a difference in their communities through a matching gifts program and an employee volunteer program that provide grants to organizations where employees volunteer their time

COMMUNITY
INVESTMENT



rd/09



www.encana.com/responsibility

encana[™]
natural gas

FINANCIAL HIGHLIGHTS (Pro Forma)

(US\$ millions, except per share amounts)	2009	2008
Revenues, Net of Royalties	6,732	13,505
Cash Flow	5,021	6,354
Per Share – Diluted	6.68	8.45
Net Earnings	749	3,405
Per Share – Diluted	1.00	4.53
Operating Earnings	1,767	2,605
Per Share – Diluted	2.35	3.47
Total Capital Investment	3,755	5,255
Net Acquisition and Divestiture Activity	(815)	317
Net Capital Investment	2,940	5,572
Dividends Per Common Share (\$/share)	0.80	0.80
Dividend Yield (%) ⁽²⁾	2	2
Debt to Capitalization (%)	32	n/a
Debt to Adjusted EBITDA (times) ⁽¹⁾	2.1	n/a
Debt ⁽¹⁾ to Proved Developed Reserves (\$/Mcf)	1.14	n/a

(1) Non-GAAP measures as referenced in the Advisory on page 73.

(2) Based on NYSE closing price at year end.

OPERATIONAL HIGHLIGHTS (Pro Forma)

After Royalties	2009	2008
Production		
Natural Gas (MMcf/d)		
Canada	1,224	1,300
USA	1,616	1,633
Total Natural Gas (MMcf/d)	2,840	2,933
Oil & NGLs (bbls/d)		
Canada	15,880	19,980
USA	11,317	13,350
Total Oil & NGLs (bbls/d)	27,197	33,330
Total Production (MMcfe/d)	3,003	3,132
Reserves ⁽¹⁾		
Year-End Reserves (Bcfe)	12,774	12,402
Net Reserve Additions (Bcfe)	1,857	1,848
Production Replacement (%)	169	161
Finding and Development Cost (\$/Mcf)	1.62	2.18
Recycle Ratio	3.2	2.9
Reserve Life Index (years)	11.7	10.8

(1) 2009 before SEC price revisions

For additional information on reserves reporting protocols, see page 72.