

## **The Cutbank Ridge Partnership: at a glance**

The Cutbank Ridge Partnership agreement between Mitsubishi Corporation and Encana involves the long-term development of natural gas resources in northeast British Columbia

Under the agreement, Mitsubishi will pay C\$2.9 billion for a 40 percent partnership interest in about 409,000 net acres of Encana's undeveloped Montney natural gas lands in northeast British Columbia.

- Encana will own 60 percent and Mitsubishi will own 40 percent of the Cutbank Ridge Partnership
- under the financial terms, Mitsubishi will pay C\$1.45 billion on closing, which is expected to occur later this month, and invest C\$1.45 billion in addition to its 40 percent of the Partnership's future capital investment, thereby reducing Encana's capital funding commitments to 30 percent of the total expected capital investment over that period
- Encana will be managing partner and operator of the Partnership
- the Partnership does not include any of Encana's current Cutbank Ridge production of about 600 million cubic feet of natural gas per day, processing plants, gathering systems or Encana's Alberta landholdings

The Cutbank Ridge Partnership's investment and long-term growth plans are expected to generate significant jobs, investment, vibrant economic opportunity and new revenues for the people and the Government of British Columbia. Consistent with its well-established operating procedures and corporate responsibility practices, Encana, the Partnership's managing partner and operator, is committed to demonstrating reliability and trustworthiness as it engages in safe, energy-efficient, sustainable development and to advancing this development with consideration and respect for the people, communities and environments where the Partnership operates.

## **The Montney formation**

The Montney geological formation is part of Encana's Cutbank Ridge resource play that spans northeast British Columbia and northwest Alberta. The Montney formation has produced natural gas since 1998 and Encana has been active in the area since drilling test wells in 2004/2005.

Encana has designated the formation as the future of our production growth in this area. Production in the Montney occurs thousands of metres below the surface, through the use of horizontal drilling and multi-stage hydraulic fracture stimulation. There are many years of drilling remaining that will tap the 300-metre-thick, multi-stack zone within Encana's Montney lands. It is one of the most active plays in British Columbia.

## **The natural gas industry in British Columbia**

The Cutbank Ridge Partnership's long-term growth plans are expected to generate significant jobs, investment and new economic opportunities for British Columbians. The Partnership and its partners will also generate new revenues for government that will support vital services such as health care and education.

Over the past decade the natural gas industry has invested more than \$60 billion in British Columbia, while employment in the industry has grown by more than 65 percent. Natural gas production in British Columbia was approximately 3.5 billion cubic feet (Bcf) per day in 2011 – up from approximately 2.6 Bcf in 2009.

Encana is the largest producer in British Columbia with an average production of 750 million cubic feet per day (MMcf/d) in 2011. The company's continued strong investment in British Columbia has resulted in more than \$275 million in average annual direct revenue to the province. Encana estimates that investments over the first 20 years of the Cutbank

Ridge Partnership's development will generate more than 10,000 ongoing jobs in B.C. and another 4,000 jobs across Canada.

According to the Canadian Energy Research Institute, British Columbia's natural gas sector is expected to:

- contribute \$550 billion to national GDP over the next two decades
- directly employ 40,000 provincial residents by 2035
- support 160,000 jobs (direct, indirect or induced) across Canada by 2035
- contribute \$2.1 billion annually in royalties collected by the provincial government by 2035, up from the current \$600 million annually

On February 3, 2012, the government of British Columbia released its Natural Gas Strategy which positions the resource as a cornerstone of the province's long-term prosperity. The complementary Liquefied Natural Gas Strategy is specifically focused on the development of a new LNG sector.

### **Encana Corporation**

Encana is a leading North American energy producer that is focused on growing its strong portfolio of diverse resource plays producing natural gas, oil and natural gas liquids. By partnering with employees, community organizations and other businesses, Encana contributes to the strength and sustainability of the communities where it operates. Encana common shares trade on the Toronto and New York stock exchanges under the symbol ECA.

### **Mitsubishi Corporation**

Mitsubishi Corporation ("MC") is a global integrated business enterprise that develops and operates businesses across virtually every industry including industrial finance, energy, metals, machinery, chemicals, foods, and environmental business. MC's current activities are expanding far beyond its traditional trading operations as its diverse business ranges from natural resources development to investment in retail business, infrastructure, financial products and manufacturing of industrial goods. With over 200 bases of operations in approximately 80 countries worldwide and a network of over 500 group companies, MC employs a multinational workforce of nearly 60,000 people. The Energy Business Group's business model extends throughout the energy value chain, from upstream to downstream sectors. It compasses a number of oil and gas exploration, development and production (E&P) businesses; investment in 9 LNG liquefaction projects; trading of crude oil, petroleum products, LNG and LPG, etc. In addition to these activities, MC's Energy Business Group is actively promoting natural gas developments in Canada and Australia, and is also constructing a MC-operated LNG project in Indonesia to be a unique and sustainable one over the medium and long terms.