



Encana Corporation

Management's Discussion and Analysis

For the year ended December 31, 2010

(U.S. Dollars)

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Encana Corporation ("Encana" or the "Company") should be read with the audited Consolidated Financial Statements for the year ended December 31, 2010, the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2009, the unaudited Pro Forma Consolidated Financial Information for the year ended December 31, 2009 presented in Encana's December 31, 2010 Supplemental Information, as well as Encana's Information Circular Relating to an Arrangement Involving Cenovus Energy Inc. dated October 20, 2009.

The Consolidated Financial Statements and comparative information have been prepared in United States ("U.S.") dollars, except where another currency has been indicated, and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). As a Canadian issuer, Encana has prepared reserves information in accordance with Canadian securities regulatory requirements. Production volumes are presented on an after royalties basis consistent with U.S. oil and gas reporting and the disclosure of U.S. oil and gas companies. The term "liquids" is used to represent crude oil, natural gas liquids ("NGLs") and condensate volumes. This document is dated February 17, 2011.

Readers should also read the Advisory section located at the end of this document, which provides information on Forward-Looking Statements, Reserves Data and Other Oil and Gas Information and Currency, Pro Forma Information, Non-GAAP Measures and References to Encana.

Encana's Strategic Objectives

Encana is a leading North American natural gas producer focused on growing its strong portfolio of natural gas resource plays from northeast British Columbia to east Texas and Louisiana. Encana believes that natural gas represents an abundant, secure, long-term supply of energy to meet North American needs.

Encana is committed to the key business objectives of maintaining financial strength, optimizing capital investments and continuing to pay a stable dividend to shareholders – attained through a disciplined approach to capital spending, a flexible investment program and financial stewardship. Encana maintains a strong balance sheet and is committed to being a low-cost producer. Encana mitigates cost increases through continuing to improve operating efficiencies and technology innovation.

Encana is focused on sustainable, high-growth natural gas plays in major North American basins. Encana has a history of entering resource plays early and leveraging technology to unlock resources. With the Company's significant portfolio of natural gas resources, Encana has the capacity for substantial production growth. This supports the Company's long-term strategy of accelerating the value recognition of its assets with a goal of doubling production per share over the next five years from 2009 levels. Encana's strategy for 2011 is to balance near term market uncertainty with continuing capital investment for long-term growth capacity.

Further information on expected 2011 results can be found in Encana's 2011 Corporate Guidance on the Company's website www.encana.com.

Encana's Business

Encana's operating and reportable segments are as follows:

- **Canada** includes the Company's exploration for, development of, and production of natural gas and liquids and other related activities within the Canadian cost centre.
- **USA** includes the Company's exploration for, development of, and production of natural gas and liquids and other related activities within the U.S. cost centre.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canada or USA segments. Market optimization activities include third-party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment.
- **Corporate and Other** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization sells substantially all of the Company's upstream production to third-party customers. Transactions between segments are based on market values and eliminated on consolidation. Financial information is presented on an after eliminations basis.

Encana's operations are currently divided into two operating divisions:

- **Canadian Division**, which includes natural gas exploration, development and production assets located in British Columbia and Alberta, as well as the Deep Panuke natural gas project offshore Nova Scotia. Four key resource plays are located in the Division: (i) Greater Sierra in northeast British Columbia, including Horn River; (ii) Cutbank Ridge in Alberta and British Columbia, including Montney; (iii) Bighorn in west central Alberta; and (iv) Coalbed Methane ("CBM") in southern Alberta.
- **USA Division**, which includes the natural gas exploration, development and production assets located in the U.S. Five key resource plays are located in the Division: (i) Jonah in southwest Wyoming; (ii) Piceance in northwest Colorado; (iii) East Texas in Texas; (iv) Haynesville in Louisiana and Texas; and (v) Fort Worth in Texas.

On November 30, 2009, Encana completed a corporate reorganization (the "Split Transaction") to split into two independent publicly traded energy companies – Encana Corporation, a natural gas company, and Cenovus Energy Inc. ("Cenovus"), an integrated oil company. The former Canadian Plains and Integrated Oil – Canada upstream operations were transferred to Cenovus and are presented as **Canada – Other**. Canada – Other is reported as continuing operations. The former Integrated Oil U.S. Downstream Refining assets were also transferred to Cenovus and are reported as discontinued operations.

Comparative Pro Forma and Consolidated Reporting

The comparative information presented within this MD&A represents the financial and operating results of Encana on both a pro forma and consolidated basis. Pro forma financial information is derived from Encana's pro forma financial statements, which have been prepared using guidance issued by the U.S. Securities and Exchange Commission ("SEC") and the Canadian Securities Administrators ("CSA").

- Encana's 2009 and 2008 pro forma results exclude the results of operations from assets transferred to Cenovus as part of the Split Transaction and reflect expected changes to Encana's historical results that arose from the Split Transaction, including income tax, depreciation, depletion and amortization ("DD&A") and transaction costs. This information is presented to assist in understanding Encana's historical financial results associated with the assets remaining in Encana as a result of the Split Transaction.
- Encana's 2009 and 2008 consolidated results include both Encana and Cenovus operations.

Subsequent Event - Joint Venture Announcement

On February 9, 2011, Encana announced the signing of a Co-operation Agreement with PetroChina International Investment Company Limited (“PetroChina”), a subsidiary of PetroChina Company Limited, that would see PetroChina pay C\$5.4 billion to acquire a 50 percent interest in Encana’s Cutbank Ridge business assets in British Columbia and Alberta. Under the Co-operation Agreement, the two companies would establish a 50/50 joint venture to develop the assets.

The transaction is subject to regulatory approval from Canadian and Chinese authorities, due diligence and the negotiation and execution of various transaction agreements, including the joint venture agreement. Financial impacts will be determined at the time the negotiations are complete.

2011 Transition to International Financial Reporting Standards (“IFRS”)

Effective January 1, 2011, the Company will be required to report its consolidated financial statements in accordance with IFRS, including 2010 comparative information. Encana is in the final stages of its IFRS changeover plan and expects to report its first quarter 2011 results in accordance with IFRS in April 2011. Based on current International standards, Encana expects the transition to IFRS will not have a major impact on the Company’s operations, strategic decisions and Cash Flow. Further information on the Company’s changeover plan and the expected impacts are discussed in the Accounting Policies and Estimates section of this MD&A.

Non-GAAP Measures

This MD&A contains certain non-GAAP measures commonly used in the oil and gas industry and by Encana to provide shareholders and potential investors with additional information regarding the Company’s liquidity and its ability to generate funds to finance its operations. Non-GAAP measures include Cash Flow, Operating Earnings, Capitalization, Debt to Capitalization, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) and Debt to Adjusted EBITDA. Further information can be found in the Non-GAAP Measures section of this MD&A.

Results Overview

Summary of Results

Encana Financial Highlights

(\$ millions, except per share amounts)	2010	Q4	Q3	Q2	Q1	Pro Forma					
						2009	Q4	Q3	Q2	Q1	2008
Cash Flow ⁽¹⁾	\$ 4,439	\$ 917	\$ 1,132	\$ 1,217	\$ 1,173	\$ 5,021	\$ 930	\$ 1,274	\$ 1,430	\$ 1,387	\$ 6,354
per share – diluted	6.00	1.25	1.54	1.65	1.57	6.68	1.24	1.70	1.90	1.85	8.45
Operating Earnings ⁽¹⁾	665	68	98	81	418	1,767	373	378	472	544	2,605
per share – diluted	0.90	0.09	0.13	0.11	0.56	2.35	0.50	0.50	0.63	0.72	3.47
Net Earnings	1,499	(42)	569	(505)	1,477	749	233	(53)	92	477	3,405
per share – diluted	2.03	(0.06)	0.77	(0.68)	1.97	1.00	0.31	(0.07)	0.12	0.63	4.53
Capital Investment	4,773	1,427	1,227	1,099	1,020	3,755	1,127	794	713	1,121	5,255
Net Acquisitions & Divestitures	(150)	83	(31)	(84)	(118)	(815)	87	(964)	16	46	317

(1) A non-GAAP measure, which is defined under the Non-GAAP Measures section of this MD&A.

As at and for the year ended December 31, 2010, Encana reported:

- Realized financial natural gas, crude oil and other commodity hedging gains of \$808 million after tax;
- Total average production volumes of 3,321 million cubic feet equivalent (“MMcfe”) per day (“MMcfe/d”), representing a 12 percent increase on a per share basis compared to pro forma 2009;
- Average commodity prices, excluding financial hedges, of \$4.74 per thousand cubic feet equivalent (“Mcf”); and

- Proved reserves of 14.3 trillion cubic feet equivalent (“Tcfe”) after royalties utilizing forecast prices and costs.

For the quarter ended December 31, 2010, Encana reported:

- Realized financial natural gas, crude oil and other commodity hedging gains of \$209 million after tax;
- Total average production volumes of 3,353 MMcfe/d, representing a 21 percent increase on a per share basis compared to pro forma 2009; and
- Average commodity prices, excluding financial hedges, of \$4.22 per Mcfe.

Quarterly Realized and Market Benchmark Prices and Foreign Exchange Rates

<i>(average for the period)</i>	2010	Q4	Q3	Q2	Q1	2009	Q4	Q3	Q2	Q1	2008
Encana Realized Pricing ⁽¹⁾											
Natural Gas (\$/Mcf)											
Including hedging	\$ 5.48	\$ 5.03	\$ 5.27	\$ 5.50	\$ 6.14	\$ 7.03	\$ 6.44	\$ 7.44	\$ 7.02	\$ 7.22	\$ 8.06
Excluding hedging	4.47	3.93	4.19	4.23	5.56	3.73	4.47	3.19	3.09	4.18	7.99
Natural Gas Price Benchmarks											
AECO (C\$/Mcf)	4.13	3.58	3.72	3.86	5.36	4.14	4.23	3.02	3.66	5.63	8.13
NYMEX (\$/MMBtu)	4.39	3.80	4.39	4.09	5.30	3.99	4.17	3.39	3.50	4.89	9.04
Rockies (Opal) (\$/MMBtu)	3.94	3.44	3.53	3.66	5.14	3.09	3.97	2.69	2.37	3.31	6.25
Texas (HSC) (\$/MMBtu)	4.38	3.78	4.33	4.04	5.36	3.78	4.16	3.31	3.44	4.21	8.67
Basis Differential (\$/MMBtu)											
AECO/NYMEX	0.40	0.28	0.83	0.32	0.19	0.40	0.19	0.67	0.39	0.35	1.23
Rockies/NYMEX	0.45	0.36	0.86	0.43	0.16	0.90	0.20	0.70	1.13	1.58	2.79
Texas/NYMEX ⁽²⁾	0.01	0.02	0.06	0.05	(0.06)	0.21	0.01	0.08	0.06	0.68	0.37
Foreign Exchange											
U.S./Canadian Dollar Exchange Rate	0.971	0.987	0.962	0.973	0.961	0.876	0.947	0.911	0.857	0.803	0.938

(1) 2009 and 2008 reflect pro forma natural gas pricing.

(2) Texas (HSC) was higher than NYMEX in the first quarter of 2010.

Encana’s financial results are influenced by fluctuations in commodity prices, which include price differentials, and the U.S./Canadian dollar exchange rate. Excluding hedging, Encana’s 2010 average realized natural gas price reflected higher benchmark prices and narrowing basis differentials. Hedging activities contributed an additional \$1.01 per thousand cubic feet (“Mcf”) to the average realized gas price in 2010.

As of January 31, 2011, Encana has hedged approximately 1,762 million cubic feet (“MMcf”) per day (“MMcf/d”) of expected February to December 2011 gas production using NYMEX fixed price contracts at an average price of \$5.75 per Mcf. In addition, Encana has hedged approximately 1,445 MMcf/d of expected 2012 gas production at an average price of \$6.07 per Mcf. The Company’s hedging program helps sustain cash flow during periods of lower prices.

Financial Results

Annual Cash Flow

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Cash From Operating Activities	\$ 2,365	\$ 5,041	\$ 6,224	\$ 7,873	\$ 8,986
(Add back) deduct:					
Net change in other assets and liabilities	(84)	38	(173)	23	(257)
Net change in non-cash working capital from continuing operations	(1,990)	(18)	43	(29)	(1,353)
Net change in non-cash working capital from discontinued operations	-	-	-	1,100	1,210
Cash Flow	\$ 4,439	\$ 5,021	\$ 6,354	\$ 6,779	\$ 9,386

2010 versus 2009

Cash Flow of \$4,439 million decreased \$582 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher transportation expense and higher interest expense, partially offset by higher realized commodity prices and production volumes. In the year ended December 31, 2010:

- Realized financial hedging gains were \$808 million after tax compared to gains of \$2,250 million after tax in 2009.
- Transportation expense increased \$175 million due to higher production volumes and transporting volumes further to obtain higher price realizations.
- Interest expense increased \$130 million primarily due to a lower debt carrying value used to determine pro forma interest for 2009.
- Average realized commodity prices, excluding financial hedges, were \$4.74 per Mcfe compared to \$3.96 per Mcfe in 2009.
- Average production volumes increased 11 percent to 3,321 MMcfe/d compared to 3,003 MMcfe/d in 2009.

Cash Flow decreased \$2,340 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

2009 versus 2008

Pro forma Cash Flow of \$5,021 million decreased \$1,333 million from pro forma 2008 primarily due to lower realized commodity prices and production volumes, partially offset by higher realized financial hedging gains, lower production and mineral taxes, lower operating expenses and lower transportation expense. Expenses were lower primarily due to the lower U.S./Canadian dollar exchange rate and cost saving measures. Consolidated Cash Flow of \$6,779 million decreased \$2,607 million from consolidated 2008 primarily due to these factors and higher 2009 current tax related to the wind-up of the Company's Canadian oil and gas partnership, partially offset by higher Cash Flow from discontinued operations.

Quarterly Cash Flow

(\$ millions)	Three months ended December 31		
	2010	Pro Forma 2009	Consolidated 2009
Cash From Operating Activities	\$ 919	\$ 1,061	\$ 1,471
(Add back) deduct:			
Net change in other assets and liabilities	1	(5)	(13)
Net change in non-cash working capital from continuing operations	1	136	528
Net change in non-cash working capital from discontinued operations	-	-	353
Cash Flow	\$ 917	\$ 930	\$ 603

Q4 2010 versus Q4 2009

Cash Flow of \$917 million decreased \$13 million from pro forma 2009 primarily due to lower realized financial hedging gains, lower realized commodity prices, partially offset by higher production volumes. In the three months ended December 31, 2010:

- Realized financial hedging gains were \$209 million after tax compared to gains of \$328 million after tax in 2009.
- Average realized commodity prices, excluding financial hedges, were \$4.22 per Mcfe compared to \$4.77 per Mcfe in 2009.
- Average production volumes increased 18 percent to 3,353 MMcfe/d compared to 2,831 MMcfe/d in 2009.

Cash Flow increased \$314 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives which was more than offset by higher 2009 current tax related to the wind-up of the Company's Canadian oil and gas partnership which occurred in conjunction with the Split Transaction.

Annual Operating Earnings

(\$ millions, except per share amounts) ⁽¹⁾	2010		Pro Forma				Consolidated			
		Per share	2009	Per share	2008	Per share	2009	Per share	2008	Per share
Net Earnings, as reported	\$ 1,499	\$ 2.03	\$ 749	\$ 1.00	\$ 3,405	\$ 4.53	\$ 1,862	\$ 2.48	\$ 5,944	\$ 7.91
Add back (losses) and deduct gains:										
Unrealized hedging gain (loss), after tax	634	0.86	(1,352)	(1.80)	1,299	1.73	(1,792)	(2.38)	1,818	2.42
Non-operating foreign exchange gain (loss), after tax	200	0.27	334	0.45	(598)	(0.80)	159	0.21	(378)	(0.50)
Gain (loss) on discontinuance, after tax	-	-	-	-	99	0.13	-	-	99	0.13
Operating Earnings	\$ 665	\$ 0.90	\$ 1,767	\$ 2.35	\$ 2,605	\$ 3.47	\$ 3,495	\$ 4.65	\$ 4,405	\$ 5.86

(1) Per share represents per common share – diluted.

2010 versus 2009

Operating Earnings of \$665 million decreased \$1,102 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher DD&A, higher transportation expense and higher interest expense, partially offset by higher realized commodity prices and production volumes. Further to the items described in the Cash Flow section, DD&A increased \$472 million as a result of increased production volumes and a higher U.S./Canadian dollar exchange rate.

Operating Earnings decreased \$2,830 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

2009 versus 2008

Pro forma Operating Earnings of \$1,767 million decreased \$838 million from pro forma 2008 primarily due to lower realized commodity prices and production volumes, partially offset by higher realized financial hedging gains, lower DD&A, lower production and mineral taxes, lower operating expenses and lower transportation expense. Consolidated Operating Earnings of \$3,495 million decreased \$910 million from consolidated 2008 primarily due to these factors as well as higher Cash Flow from discontinued operations and a decrease in future income tax related to the wind-up of the Company's Canadian oil and gas partnership and other items associated with the Split Transaction.

Quarterly Operating Earnings

(\$ millions, except per share amounts) ⁽¹⁾	Three months ended December 31					
	2010		Pro Forma 2009		Consolidated 2009	
	Per share		Per share		Per share	
Net Earnings, as reported	\$ (42)	\$ (0.06)	\$ 233	\$ 0.31	\$ 636	\$ 0.85
Add back (losses) and deduct gains:						
Unrealized hedging gain (loss), after tax	(269)	(0.36)	(135)	(0.18)	(200)	(0.27)
Non-operating foreign exchange gain (loss), after tax	159	0.21	(5)	(0.01)	(19)	(0.02)
Operating Earnings	\$ 68	\$ 0.09	\$ 373	\$ 0.50	\$ 855	\$ 1.14

(1) Per share represents per common share – diluted.

Q4 2010 versus Q4 2009

Operating Earnings of \$68 million decreased \$305 million from pro forma 2009 primarily due to lower realized financial hedging gains, lower realized commodity prices, higher DD&A and higher future income taxes, partially offset by higher production volumes. Further to the items described in the Cash Flow section, DD&A increased \$110 million as a result of higher production volumes.

Operating Earnings decreased \$787 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Annual Net Earnings

2010 versus 2009

Net Earnings of \$1,499 million increased \$750 million from pro forma 2009 primarily due to higher realized commodity prices, higher combined realized and unrealized financial hedging gains and higher production volumes, partially offset by higher DD&A, higher transportation expense, higher interest expense and lower non-operating foreign exchange gains. Further to the items discussed in the Cash Flow and Operating Earnings sections, in the year ended December 31, 2010:

- Unrealized financial hedging gains were \$634 million after tax compared to losses of \$1,352 million after tax in 2009.
- Non-operating foreign exchange gains were \$200 million after tax compared to gains of \$334 million after tax in 2009. These gains primarily result from the revaluation of long-term debt due to fluctuation of the U.S./Canadian dollar exchange rate and settlement of intercompany transactions.

Net Earnings decreased \$363 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

2009 versus 2008

Pro forma Net Earnings of \$749 million decreased \$2,656 million from pro forma 2008 primarily due to lower realized commodity prices, production volumes and combined realized and unrealized financial hedging gains.

These were partially offset by higher non-operating foreign exchange gains, lower DD&A and lower upstream expenses. Consolidated Net Earnings of \$1,862 million decreased \$4,082 million from consolidated 2008 primarily due to these factors, partially offset by higher Net Earnings from discontinued operations and a decrease in future income tax related to the wind-up of the Company's Canadian oil and gas partnership and other items associated with the Split Transaction.

Summary of Hedging Impacts on Net Earnings

(\$ millions)	Year ended December 31				
	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Unrealized Hedging Gains (Losses), after tax ⁽¹⁾	\$ 634	\$ (1,352)	\$ 1,299	\$ (1,792)	\$ 1,818
Realized Hedging Gains (Losses), after tax	808	2,250	(6)	2,935	(219)
Hedging Impacts on Net Earnings	\$ 1,442	\$ 898	\$ 1,293	\$ 1,143	\$ 1,599

(1) Included in Corporate and Other financial results.

Commodity price volatility impacts Cash Flow. As a means of managing this commodity price volatility and its impact on cash flows, Encana enters into various financial hedge agreements. Unsettled derivative financial contracts are recorded at the date of the financial statements based on the fair value of the contracts. Changes in fair value result from volatility in forward curves of commodity prices and changes in the balance of unsettled contracts between periods. The changes in fair value are recognized in revenue as unrealized hedging gains and losses. Realized hedging gains and losses are recognized in revenue when derivative financial contracts are settled.

Quarterly Net Earnings

Q4 2010 versus Q4 2009

Net Earnings, a loss of \$42 million, decreased \$275 million from pro forma 2009 primarily due to lower combined realized and unrealized financial hedging gains, lower realized commodity prices and higher DD&A, partially offset by higher production volumes and higher non-operating foreign exchange gains. Further to the items discussed in the Cash Flow and Operating Earnings sections, in the three months ended December 31, 2010:

- Unrealized financial hedging losses were \$269 million after tax compared to losses of \$135 million after tax in 2009.
- Non-operating foreign exchange gains were \$159 million after tax compared to losses of \$5 million after tax in 2009. These gains and losses primarily result from the revaluation of long-term debt due to fluctuation of the U.S./Canadian dollar exchange rate and settlement of intercompany transactions.

Net Earnings decreased \$678 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Summary of Hedging Impacts on Net Earnings

(\$ millions)	Three months ended December 31		
	2010	Pro Forma	Consolidated
		2009	2009
Unrealized Hedging Gains (Losses), after tax ⁽¹⁾	\$ (269)	\$ (135)	\$ (200)
Realized Hedging Gains (Losses), after tax	209	328	423
Hedging Impacts on Net Earnings	\$ (60)	\$ 193	\$ 223

(1) Included in Corporate and Other financial results.

Summary of Consolidated Net Earnings

(\$ millions, except per share amounts)	2010	Q4	Q3	Q2	Q1	2009	Q4	Q3	Q2	Q1	2008
Continuing Operations											
Net Earnings from Continuing Operations	\$ 1,499	\$ (42)	\$ 569	\$ (505)	\$ 1,477	\$ 1,830	\$ 589	\$ 39	\$ 211	\$ 991	\$ 6,499
per share – basic	2.03	(0.06)	0.77	(0.68)	1.97	2.44	0.78	0.05	0.28	1.32	8.66
per share – diluted	2.03	(0.06)	0.77	(0.68)	1.97	2.44	0.78	0.05	0.28	1.32	8.64
Total Consolidated											
Net Earnings	1,499	(42)	569	(505)	1,477	1,862	636	25	239	962	5,944
per share – basic	2.03	(0.06)	0.77	(0.68)	1.97	2.48	0.85	0.03	0.32	1.28	7.92
per share – diluted	2.03	(0.06)	0.77	(0.68)	1.97	2.48	0.85	0.03	0.32	1.28	7.91
Total Assets	34,020					33,827					47,247
Total Long-Term Debt	7,629					7,768					9,005
Revenues, After Royalties	8,870	1,431	2,425	1,469	3,545	11,114	2,712	2,271	2,449	3,682	21,053

The comparative consolidated results prior to the November 30, 2009 Split Transaction include Cenovus and are, therefore, not comparable to the current year results. Net Earnings from Continuing Operations for 2009 and 2008 include results for Canada – Other upstream assets transferred to Cenovus. Total Consolidated Net Earnings includes results for U.S. Downstream Refining assets transferred to Cenovus, which are reported as discontinued operations.

Reserves Quantities

Since inception, Encana has retained independent qualified reserves evaluators (“IQREs”) to evaluate and prepare reports on 100 percent of the Company’s natural gas and liquids reserves annually. The Company has a Reserves Committee of independent Board of Directors members, which reviews the qualifications and appointment of the IQREs. The Reserves Committee also reviews the procedures for providing information to the IQREs. All booked reserves are based upon annual evaluations by the IQREs.

Encana’s disclosure of reserves data is in accordance with Canadian securities regulatory requirements, specifically National Instrument 51-101 (“NI 51-101”). Encana’s 2010 disclosure includes proved reserves quantities before and after royalties employing forecast prices and costs.

In previous years, the Company’s disclosure was in accordance with U.S. regulatory requirements as permitted by an exemption order issued by the CSA which has expired. The Company’s 2010 reserves disclosure in accordance with U.S. regulatory requirements is available in Encana’s Annual Information Form (“AIF”).

Proved Reserves Reconciliation - Before Royalties

<i>(forecast prices)</i>	Natural Gas (Bcf)			Liquids (MMbbls)			Total (Bcfe)
	Canada	United States	Total	Canada	United States	Total	
December 31, 2009	6,111	8,172	14,283	41.6	55.7	97.3	14,867
Extensions	1,117	1,279	2,396	21.1	2.4	23.5	2,538
Discoveries	60	43	103	0.6	-	0.6	106
Technical revisions	19	1,002	1,021	6.7	0.5	7.2	1,064
Economic factors	(90)	21	(69)	(0.1)	(0.1)	(0.2)	(70)
Acquisitions	132	92	224	0.5	0.6	1.1	230
Dispositions	(90)	(455)	(545)	(2.8)	(7.3)	(10.1)	(605)
Production	(504)	(855)	(1,359)	(5.7)	(4.4)	(10.1)	(1,420)
December 31, 2010	6,755	9,299	16,054	61.9	47.4	109.3	16,710

Encana's 2010 proved reserves before royalties of approximately 17 Tcfe increased by 12 percent over 2009 due to ongoing development and delineation activities. Additions of approximately 3.6 Tcfe, before acquisitions and divestitures, replaced 256 percent of production before royalties during the year.

Proved Reserves Reconciliation - After Royalties

<i>(forecast prices)</i>	Natural Gas (Bcf)			Liquids (MMbbls)			Total (Bcfe)
	Canada	United States	Total	Canada	United States	Total	
December 31, 2009	5,675	6,605	12,280	37.2	45.1	82.3	12,774
Extensions and discoveries	1,115	1,678	2,793	11.1	4.3	15.4	2,885
Revisions ⁽¹⁾	(50)	177	127	13.0	(2.6)	10.4	189
Acquisitions	124	82	206	0.4	0.5	0.9	212
Dispositions	(83)	(386)	(469)	(2.1)	(5.3)	(7.4)	(513)
Production	(483)	(679)	(1,162)	(4.8)	(3.5)	(8.3)	(1,212)
December 31, 2010	6,298	7,477	13,775	54.8	38.5	93.3	14,335

(1) Includes economic factors.

Encana's 2010 proved reserves after royalties of approximately 14.3 Tcfe increased by 12 percent over 2009 due to ongoing development and delineation activities. Additions of approximately 3.1 Tcfe, before acquisitions and divestitures, replaced 254 percent of production after royalties during the year.

Forecast Prices

	Natural Gas		Liquids	
	Henry Hub (\$/MMBtu)	AECO (C\$/MMBtu)	WTI (\$/bbl)	Edmonton ⁽¹⁾ (C\$/bbl)
2009 Price Assumptions				
2010	5.50	5.49	75.00	76.84
2011 - 2014	6.50	6.39 - 6.04	75.00	76.84
Thereafter	6.50	6.04	75.00	76.84
2010 Price Assumptions				
2011	4.73	4.35	79.53	81.93
2012 - 2015	5.33 - 6.01	4.94 - 5.78	82.65 - 86.68	85.88 - 91.61
Thereafter	6.18 - 6.63	5.97 - 6.48	83.72	88.37

(1) Mixed Sweet Blend at Edmonton.

Production and Net Capital Investment

Production Volumes (After Royalties)

<i>(average daily)</i>	2010	Q4	Q3	Q2	Q1	2009	Q4	Q3	Q2	Q1	2008
Produced Gas (MMcf/d) ⁽¹⁾											
Canadian Division	1,323	1,395	1,390	1,327	1,177	1,224	1,071	1,201	1,343	1,281	1,300
USA Division	1,861	1,835	1,791	1,875	1,946	1,616	1,616	1,524	1,581	1,746	1,633
	3,184	3,230	3,181	3,202	3,123	2,840	2,687	2,725	2,924	3,027	2,933
Liquids (bbls/d) ⁽¹⁾											
Canadian Division	13,149	11,327	14,262	13,462	13,558	15,880	12,477	15,909	17,624	17,567	19,980
USA Division	9,638	9,206	9,142	10,112	10,108	11,317	11,586	10,325	11,699	11,671	13,350
	22,787	20,533	23,404	23,574	23,666	27,197	24,063	26,234	29,323	29,238	33,330
Total (MMcfe/d) ⁽¹⁾											
Canadian Division	1,402	1,463	1,476	1,408	1,258	1,319	1,145	1,297	1,449	1,387	1,419
USA Division	1,919	1,890	1,846	1,936	2,007	1,684	1,686	1,586	1,651	1,816	1,713
	3,321	3,353	3,322	3,344	3,265	3,003	2,831	2,883	3,100	3,203	3,132
Canada – Other (MMcfe/d) ⁽²⁾	-	-	-	-	-	1,362	970	1,504	1,502	1,472	1,507
Total Volumes (MMcfe/d)	3,321	3,353	3,322	3,344	3,265	4,365	3,801	4,387	4,602	4,675	4,639

(1) Represents pro forma volumes for 2009 and 2008.

(2) Canada – Other represents former volumes from Canadian Plains and Integrated Oil – Canada operations which were transferred to Cenovus.

2010 versus 2009

Average production volumes of 3,321 MMcfe/d increased 11 percent, or 318 MMcfe/d, from pro forma 2009 volumes. Higher volumes were primarily due to increased production in certain USA and Canadian Division key resource plays due to successful drilling programs and bringing on shut-in and curtailed production. The increase was partially offset by lower 2010 volumes of approximately 130 MMcfe/d resulting from net divestitures in both the Canadian and USA Divisions.

2009 versus 2008

Pro forma average production volumes of 3,003 MMcfe/d decreased 4 percent, or 129 MMcfe/d, from pro forma 2008. Lower volumes were primarily due to shut-in and curtailed production, delayed completions and tie-ins due to the low-price environment and natural declines in conventional properties.

Q4 2010 versus Q4 2009

Average production volumes of 3,353 MMcfe/d increased 18 percent, or 522 MMcfe/d, from pro forma 2009 volumes. Higher volumes were primarily due to increased production in certain USA and Canadian Division key resource plays due to successful drilling programs and bringing on shut-in and curtailed production. The increase was partially offset by lower 2010 volumes of approximately 90 MMcfe/d resulting from net divestitures in both the Canadian and USA Divisions.

Net Capital Investment

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Canadian Division	\$ 2,211	\$ 1,869	\$ 2,459	\$ 1,869	\$ 2,459
USA Division	2,499	1,821	2,682	1,821	2,682
Market Optimization	2	-	1	2	17
Corporate & Other	61	65	113	85	165
Canada – Other ⁽¹⁾	-	-	-	848	1,500
Capital Investment	4,773	3,755	5,255	4,625	6,823
Acquisitions	733	260	1,174	260	1,174
Divestitures	(883)	(1,075)	(857)	(1,161)	(857)
Net Acquisitions and Divestitures	(150)	(815)	317	(901)	317
Canada – Other ^(1,2)	-	-	-	(14)	(47)
Discontinued Operations ⁽³⁾	-	-	-	829	478
Net Capital Investment	\$ 4,623	\$ 2,940	\$ 5,572	\$ 4,539	\$ 7,571

(1) Canada – Other represents former Canadian Plains and Integrated Oil – Canada operations that were transferred to Cenovus.

(2) Represents net acquisitions and divestitures for Canada – Other.

(3) The former Integrated Oil U.S. Downstream Refining operations transferred to Cenovus are included in discontinued operations.

2010 versus 2009

Capital investment during 2010 was primarily focused on continued development of Encana's North American key resource plays. Capital investment of \$4,773 million was higher compared to pro forma 2009 primarily due to increased spending on developing Haynesville and Horn River and an increase in the average U.S./Canadian dollar exchange rate.

Acquisitions include land and property purchases that are complementary to existing Company assets. In 2010, total acquisitions were \$592 million (2009 - \$190 million) in the Canadian Division and \$141 million (2009 - \$46 million) in the USA Division.

In 2010, the Company had non-core asset divestitures for proceeds of \$288 million (2009 - \$1,000 million) in the Canadian Division and \$595 million (2009 - \$73 million) in the USA Division.

Corporate capital investment was primarily directed towards business information systems, leasehold improvements and office furniture. In February 2007, Encana announced that it had entered into a 25-year lease agreement with a third-party developer for The Bow office project, which is currently under construction. Cost-of-design changes to the building and leasehold improvements are shared equally by Encana and Cenovus.

2009 versus 2008

Pro forma capital investment of \$3,755 million was lower compared to pro forma 2008 primarily due to reduced upstream activity levels as well as a decrease in the average U.S./Canadian dollar exchange rate.

Divisional Results

Canadian Division

Operating Cash Flow and Netbacks

(\$ millions, except \$/Mcf)	2010		2009		2008	
	(\$/Mcf)		(\$/Mcf)		(\$/Mcf)	
Revenues, Net of Royalties and excluding Hedging	\$ 2,350	\$ 4.47	\$ 1,962	\$ 4.02	\$ 4,541	\$ 8.63
Realized Financial Hedging Gain (Loss)	479		1,400		(186)	
Expenses						
Production and mineral taxes	8	0.02	14	0.03	33	0.06
Transportation	197	0.38	154	0.32	239	0.41
Operating	561	1.06	536	1.09	609	1.13
Operating Cash Flow / Netback	\$ 2,063	\$ 3.01	\$ 2,658	\$ 2.58	\$ 3,474	\$ 7.03
Realized Financial Hedging Gain (Loss)		0.93		2.93		(0.36)
Netback including Realized Financial Hedging		\$ 3.94		\$ 5.51		\$ 6.67

2010 versus 2009

Operating Cash Flow of \$2,063 million decreased \$595 million primarily due to lower realized financial hedging gains, higher transportation expenses and higher operating expenses, partially offset by higher realized commodity prices and production volumes. In the year ended December 31, 2010:

- Realized financial hedging gains were \$479 million compared to \$1,400 million in 2009 on a before tax basis.
- Transportation expenses increased \$43 million and operating expenses increased \$25 million primarily due to higher production volumes and a higher U.S./Canadian dollar exchange rate.
- Higher realized commodity prices, excluding the impact of financial hedging, resulted in an increase of \$272 million in revenues, which reflects the changes in benchmark prices and basis differentials.
- Average production volumes of 1,402 MMcf/d increased 6 percent compared to 1,319 MMcf/d in 2009, resulting in an increase of \$116 million in revenues.

2009 versus 2008

Operating Cash Flow of \$2,658 million decreased \$816 million primarily due to lower realized commodity prices and production volumes, partially offset by higher realized financial hedging gains, lower transportation expenses and lower operating expenses due to the lower U.S./Canadian dollar exchange rate.

Results by Key Area

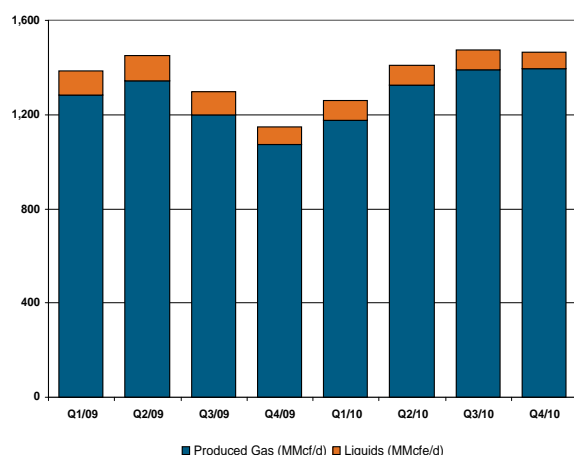
	Daily Production (MMcfe/d after royalties)			Capital (\$ millions)			Drilling Activity (net wells drilled) ⁽¹⁾		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Greater Sierra ⁽²⁾	236	204	226	\$ 515	\$ 264	\$ 392	47	57	106
Cutbank Ridge ⁽³⁾	401	314	300	499	439	690	62	71	82
Bighorn	239	175	189	345	272	401	51	69	64
CBM	317	316	304	443	292	358	1,044	490	698
Key Resource Plays	1,193	1,009	1,019	1,802	1,267	1,841	1,204	687	950
Other	209	310	400	409	602	618	2	12	114
Total Canadian Division	1,402	1,319	1,419	\$ 2,211	\$ 1,869	\$ 2,459	1,206	699	1,064

(1) Net drilling activity reflects changes in working interest and minor divestitures.

(2) 2010 includes Horn River, which had production of 29 MMcfe/d (2009 - 9 MMcfe/d, 2008 - 4 MMcfe/d), capital of \$406 million (2009 - \$179 million, 2008 - \$63 million) and 16 net wells drilled (2009 - 21 net wells, 2008 - 5 net wells).

(3) 2010 includes Montney, which had production of 274 MMcfe/d (2009 - 173 MMcfe/d, 2008 - 134 MMcfe/d), capital of \$405 million (2009 - \$389 million, 2008 - \$277 million) and 54 net wells drilled (2009 - 64 net wells, 2008 - 61 net wells).

Production Volumes



- Average production volumes of 1,463 MMcfe/d increased 28 percent in the fourth quarter of 2010 compared to the same period of 2009. Average production volumes of 1,402 MMcfe/d in 2010 increased 6 percent compared to 2009.
- This increase in production is primarily due to successful drilling programs at Cutbank Ridge and Bighorn, bringing on shut-in and curtailed production volumes and completing wellhead upgrade maintenance. This is partially offset by lower volumes of approximately 10 MMcfe/d in the fourth quarter and 65 MMcfe/d in 2010 due to net divestitures.

Capital Investment

In 2009 and 2010, capital investment was primarily focused on the Canadian Division key resource plays, as well as Deep Panuke.

USA Division

Operating Cash Flow and Netbacks

(\$ millions, except \$/Mcf)	2010		2009		2008	
	(\$/Mcf)		(\$/Mcf)		(\$/Mcf)	
Revenues, Net of Royalties and excluding Hedging	\$ 3,577	\$ 4.94	\$ 2,525	\$ 3.92	\$ 5,413	\$ 8.17
Realized Financial Hedging Gain	698		2,012		216	
Expenses						
Production and mineral taxes	209	0.30	118	0.19	370	0.59
Transportation	662	0.95	530	0.86	502	0.80
Operating	468	0.56	434	0.53	618	0.56
Operating Cash Flow / Netback	\$ 2,936	\$ 3.13	\$ 3,455	\$ 2.34	\$ 4,139	\$ 6.22
Realized Financial Hedging Gain		1.00		3.27		0.34
Netback including Realized Financial Hedging		\$ 4.13		\$ 5.61		\$ 6.56

2010 versus 2009

Operating Cash Flow of \$2,936 million decreased \$519 million primarily due to lower realized financial hedging gains, higher transportation expenses and higher production and mineral taxes, partially offset by higher realized commodity prices and production volumes. In the year ended December 31, 2010:

- Realized financial hedging gains were \$698 million compared to \$2,012 million in 2009 on a before tax basis.
- Transportation expenses increased \$132 million primarily due to increased production volumes and transporting volumes further to obtain higher price realizations.
- Production and mineral taxes increased \$91 million primarily due to higher natural gas prices and a reduction in production tax credits.
- Higher realized commodity prices, excluding the impact of financial hedging, resulted in an increase of \$742 million in revenues, which reflects the changes in benchmark prices and basis differentials.
- Average production volumes of 1,919 MMcfe/d increased 14 percent compared to 1,684 MMcfe/d in 2009, resulting in an increase of \$305 million in revenues.

2009 versus 2008

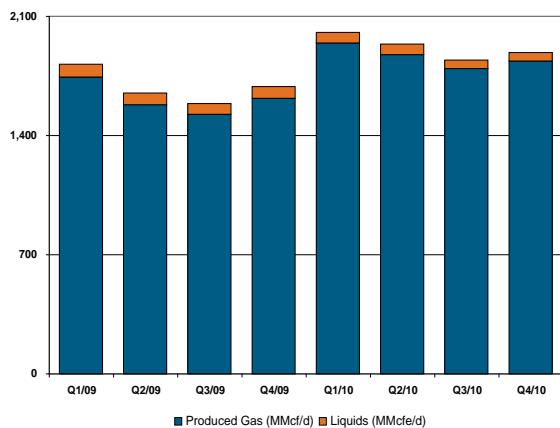
Operating Cash Flow of \$3,455 million decreased \$684 million primarily due to lower realized commodity prices and production volumes, partially offset by higher realized financial hedging gains, lower production and mineral taxes and lower operating expenses.

Results by Key Area

	Daily Production (MMcfe/d after royalties)			Capital (\$ millions)			Drilling Activity (net wells drilled) ⁽¹⁾		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Jonah	559	601	635	\$ 374	\$ 346	\$ 526	112	108	175
Piceance	458	373	400	224	183	525	125	129	328
East Texas	348	324	335	206	343	640	16	38	78
Haynesville	303	71	10	1,261	541	137	106	49	7
Fort Worth	124	139	145	93	103	275	30	26	83
Key Resource Plays	1,792	1,508	1,525	2,158	1,516	2,103	389	350	671
Other	127	176	188	341	305	579	59	40	79
Total USA Division	1,919	1,684	1,713	\$ 2,499	\$ 1,821	\$ 2,682	448	390	750

(1) Net drilling activity reflects changes in working interest and minor divestitures.

Production Volumes



- Average production volumes of 1,890 MMcfe/d increased 12 percent in the fourth quarter of 2010 compared to the same period of 2009. Average production volumes of 1,919 MMcfe/d increased 14 percent in 2010 compared to 2009.
- This increase in production is primarily due to drilling and operational success in Haynesville and Piceance as well as bringing on shut-in and curtailed production volumes. This is partially offset by natural declines and lower volumes of approximately 80 MMcfe/d in the fourth quarter and 65 MMcfe/d in 2010 due to net divestitures.

Capital Investment

In 2009, capital investment was primarily focused on Haynesville, Jonah and East Texas. In 2010, capital investment was focused on Haynesville as well as other USA Division key resource plays.

Canada – Other

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Revenues, Net of Royalties and excluding Hedging	\$ -	\$ -	\$ -	\$ 3,239	\$ 6,017
Realized Financial Hedging Gain (Loss)	-	-	-	984	(322)
Expenses					
Production and mineral taxes	-	-	-	39	75
Transportation	-	-	-	596	963
Operating	-	-	-	582	724
Purchased product	-	-	-	(85)	(151)
Operating Cash Flow	\$ -	\$ -	\$ -	\$ 3,091	\$ 4,084

Canada – Other is comprised of upstream results from Canadian Plains and Integrated Oil – Canada operations, which were transferred to Cenovus as part of the November 30, 2009 Split Transaction. Under full cost accounting rules, the historical results are presented in continuing operations.

Market Optimization

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Revenues	\$ 797	\$ 861	\$ 1,529	\$ 1,607	\$ 2,655
Expenses					
Operating	33	16	27	26	45
Purchased product	739	820	1,476	1,545	2,577
Operating Cash Flow	25	25	26	36	33
DD&A	11	10	11	20	15
Segment Income	\$ 14	\$ 15	\$ 15	\$ 16	\$ 18

Market Optimization revenues and purchased product expenses relate to activities that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification.

Revenues and purchased product expenses decreased in 2010 compared to pro forma 2009 mainly due to lower volumes required for optimization, partially offset by higher commodity prices.

Pro forma revenues and purchased product expenses decreased in 2009 from 2008 due to lower commodity prices, partially offset by higher volumes required for optimization. Consolidated revenues and purchased product expenses decreased in 2009 from 2008 also due to these factors.

Corporate and Other

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Revenues	\$ 969	\$ (2,028)	\$ 1,992	\$ (2,615)	\$ 2,719
Expenses					
Operating	(1)	22	(2)	49	(13)
DD&A	77	103	108	143	131
Segment Income	\$ 893	\$ (2,153)	\$ 1,886	\$ (2,807)	\$ 2,601

Revenues primarily represent unrealized hedging gains or losses related to financial natural gas and liquids hedge contracts. DD&A includes amortization of corporate assets, such as computer equipment, office furniture and leasehold improvements.

Expenses

(\$ millions)	2010	Pro Forma ⁽¹⁾		Consolidated	
		2009	2008	2009	2008
Administrative	\$ 359	\$ 359	\$ 329	\$ 477	\$ 447
Interest, net	501	371	368	405	402
Accretion of asset retirement obligation	46	37	40	71	77
Foreign exchange (gain) loss, net	(216)	(312)	673	(22)	423
(Gain) loss on divestitures	2	2	(143)	2	(141)
Total Corporate Expenses	\$ 692	\$ 457	\$ 1,267	\$ 933	\$ 1,208

(1) Pro Forma expenses exclude the costs related to the assets transferred to Cenovus and reflect adjustments for compensation and transaction costs.

2010 versus 2009

Total corporate expenses of \$692 million increased \$235 million from pro forma 2009 as a result of higher interest expense and lower foreign exchange gains. In the year ended December 31, 2010:

- Interest expense increased primarily due to a lower debt carrying value used to determine pro forma interest for 2009.
- Foreign exchange gains were \$216 million compared to \$312 million in 2009, primarily resulting from the revaluation of long-term debt due to fluctuation of the U.S./Canadian dollar exchange rate offset by foreign exchange losses arising from intercompany transaction settlements and revaluations of monetary assets and liabilities.

Total corporate expenses decreased \$241 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

2009 versus 2008

Pro forma corporate expenses of \$457 million decreased \$810 million from pro forma 2008 as a result of foreign exchange gains in 2009 compared to foreign exchange losses in 2008, partially offset by a 2008 gain on divestiture related to interests in Brazil. Consolidated corporate expenses of \$933 million decreased \$275 million from consolidated 2008 primarily due to these factors.

Income Tax

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Current Income Tax	\$ (213)	\$ 550	\$ 568	\$ 1,908	\$ 997
Future Income Tax	774	(438)	1,297	(1,799)	1,723
Total Income Tax	\$ 561	\$ 112	\$ 1,865	\$ 109	\$ 2,720

Encana's effective tax rate was approximately 27 percent for 2010, 13 percent for pro forma 2009 and 35 percent for pro forma 2008. The effective tax rate was 6 percent for consolidated 2009 and 30 percent for consolidated 2008. The effective tax rate in any period is a function of the relationship between total tax (current and future) and the amount of net earnings before income taxes for the year. The effective tax rate differs from the statutory tax rate as it takes into consideration permanent differences, adjustments to estimates, changes to tax rates and other tax legislation in each jurisdiction. Permanent differences are comprised of a variety of items, including:

- The non-taxable portion of Canadian capital gains or losses;
- International financing; and
- Foreign exchange (gains) losses not included in net earnings.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As a result, there are usually tax matters under review. The Company believes that the provision for taxes is adequate.

2010 versus 2009

In 2010 compared to pro forma 2009:

- Current income tax expense, a recovery of \$213 million, decreased \$763 million primarily due to lower Cash Flow resulting from lower realized hedging gains partially offset by higher realized commodity prices and production volumes. Higher capital expenditures also contributed to the decrease in current income tax.
- Total income tax expense of \$561 million increased \$449 million due to higher net earnings before income tax primarily resulting from the combined impact of realized and unrealized hedging gains and higher realized commodity prices and production volumes.

Total income tax expense in 2010 increased \$452 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus upstream results in the 2009 consolidated comparatives.

2009 versus 2008

For pro forma 2009 compared to pro forma 2008:

- Current income tax expense of \$550 million decreased \$18 million primarily due to lower Cash Flow resulting from lower realized commodity prices and production volumes, partially offset by higher realized hedging gains.
- Total income tax expense of \$112 million decreased \$1,753 million primarily due to lower realized commodity prices and production volumes and lower combined realized and unrealized hedging gains.

Consolidated current income tax expense of \$1,908 million increased \$911 million from consolidated 2008 primarily due to the wind-up of the Company's Canadian oil and gas partnership which occurred in conjunction with the Split Transaction. Consolidated total income tax expense of \$109 million decreased \$2,611 million from consolidated 2008 primarily due to lower net earnings before income tax.

Depreciation, Depletion and Amortization

(\$ millions)	2010	Pro Forma		Consolidated	
		2009	2008	2009	2008
Canada	\$ 1,242	\$ 1,096	\$ 1,286	\$ 1,980	\$ 2,198
USA	1,912	1,561	1,691	1,561	1,691
Market Optimization	11	10	11	20	15
Corporate & Other	77	103	108	143	131
Total DD&A	\$ 3,242	\$ 2,770	\$ 3,096	\$ 3,704	\$ 4,035

Encana uses full cost accounting for oil and gas activities and calculates DD&A on a country-by-country cost centre basis.

2010 versus 2009

Total DD&A of \$3,242 million increased \$472 million from pro forma 2009. The increase was the result of higher production volumes and a higher U.S./Canadian dollar exchange rate.

DD&A decreased \$462 million from consolidated 2009 primarily due to inclusion of Cenovus in the 2009 consolidated comparatives, partially offset by the factors described above.

2009 versus 2008

Pro forma DD&A of \$2,770 million decreased \$326 million from pro forma 2008 due to lower production volumes and a lower U.S./Canadian dollar exchange rate. Consolidated DD&A of \$3,704 million decreased \$331 million from consolidated 2008 due to lower production volumes and a lower U.S./Canadian dollar exchange rate.

Discontinued Operations

Encana has rationalized its operations to focus on upstream natural gas exploration and production activities in North America. Former U.S. Downstream Refining operations, which were transferred to Cenovus as a result of the November 30, 2009 Split Transaction, are reported as discontinued operations. Net earnings from discontinued operations in 2009 was \$32 million (2008 - \$555 million loss).

Liquidity and Capital Resources

(\$ millions)	2010	2009	2008
Net Cash From (Used In)			
Operating activities	\$ 2,365	\$ 7,873	\$ 8,986
Investing activities	(4,729)	(4,806)	(7,542)
Financing activities	(1,284)	835	(1,439)
Foreign exchange gain/(loss) on cash and cash equivalents held in foreign currency	2	19	(33)
Increase (Decrease) in Cash and Cash Equivalents	\$ (3,646)	\$ 3,921	\$ (28)
Pro Forma Net Cash from Operating Activities		\$ 5,041	\$ 6,224

Operating Activities

Net cash from operating activities in 2010 of \$2,365 million decreased \$2,676 million from pro forma 2009 of \$5,041 million. This decrease is a result of items discussed in the Cash Flow section of this MD&A, as well as the change in non-cash working capital. The net change in non-cash working capital of (\$1,990) million for 2010 reflects a one time \$1,775 million tax payment which included the incremental tax accrued in 2009 related to the wind-up of the Company's Canadian oil and gas partnership. The wind-up occurred in conjunction with the Split Transaction.

Net cash from operating activities in 2009 decreased from 2008 primarily due to the items discussed in the Cash Flow section of this MD&A.

The Company had a working capital surplus of \$78 million at December 31, 2010 compared to a surplus of \$1,550 million at December 31, 2009. The surplus in 2009 primarily resulted from the proceeds received in conjunction with the Split Transaction. Encana expects that it will continue to meet the payment terms of its suppliers.

Investing Activities

Net cash used for investing activities in 2010 of \$4,729 million decreased \$77 million compared to consolidated 2009, which included \$1,699 million of capital investment related to Cenovus operations. In 2010, capital investment for the Canadian and USA Divisions of \$4,710 million increased \$1,020 million and net divestitures decreased \$687 million compared to 2009. Reasons for these changes are discussed under the Net Capital Investment and Divisional Results sections of this MD&A. Capital investment for 2010 was funded by Cash Flow and existing cash and cash equivalents on hand at the beginning of the year.

Consolidated net cash used for investing activities in 2009 of \$4,806 million decreased \$2,736 million from 2008 primarily due to lower capital investment and an increase in net divestitures.

Financing Activities

Credit Facilities and Shelf Prospectuses

Encana's total long-term debt, including current portion, was \$7,629 million at December 31, 2010 compared to \$7,768 million at December 31, 2009. In 2010, the repayment of long-term debt was \$200 million compared to a net repayment of \$1,606 million for the same period in 2009, excluding the Cenovus notes. During 2009, in conjunction with the Split Transaction, Cenovus completed a private offering of unsecured notes for net proceeds of \$3,468 million. Upon completion of the Split Transaction, Cenovus used the proceeds to settle the Cenovus notes due to Encana.

Encana maintains two committed bank credit facilities and a Canadian and a U.S. dollar shelf prospectus.

As at December 31, 2010, Encana had available unused committed bank credit facilities in the amount of \$5.1 billion.

- Encana has in place a revolving bank credit facility for C\$4.5 billion (\$4.5 billion) that remains committed through October 2012.
- One of Encana's U.S. subsidiaries has in place a revolving bank credit facility for \$565 million that remains committed through February 2013.

As at December 31, 2010, Encana had available unused capacity under shelf prospectuses for up to \$6.0 billion.

- Encana has in place a shelf prospectus whereby it may issue from time to time up to C\$2.0 billion, or the equivalent in foreign currencies, of debt securities in Canada. At December 31, 2010, C\$2.0 billion (\$2.0 billion) of the shelf prospectus remained unutilized, the availability of which is dependent upon market conditions. The shelf prospectus expires in June 2011.
- On April 1, 2010, Encana renewed a shelf prospectus whereby it may issue from time to time up to \$4.0 billion, or the equivalent in foreign currencies, of debt securities in the United States. At December 31, 2010, \$4.0 billion of the shelf prospectus remained unutilized, the availability of which is dependent upon market conditions. The shelf prospectus expires in May 2012.

Encana is currently in compliance with, and expects that it will continue to be in compliance with, all financial covenants under its credit facility agreements and indentures.

Normal Course Issuer Bid

Encana has received regulatory approval under Canadian securities law to purchase common shares under nine consecutive annual Normal Course Issuer Bids ("NCIB"). During 2010, the Company purchased 15.4 million common shares at an average price of approximately \$32.42 for total consideration of approximately \$499 million. During 2009, the Company did not purchase any of its common shares. During 2008, the Company purchased 4.8 million common shares for total consideration of approximately \$326 million.

Encana is entitled to purchase, for cancellation, up to 36.8 million common shares under the current NCIB, which commenced December 14, 2010 and terminates on December 13, 2011. Shareholders may obtain a copy of the Company's Notice of Intention to make a Normal Course Issuer Bid by contacting investor.relations@encana.com.

Dividends

Encana pays quarterly dividends to shareholders at the discretion of the Board of Directors. Dividend payments in 2010 were \$590 million (2009 - \$1,051 million; 2008 - \$1,199 million) or \$0.80 per share (2009 - \$1.40 per share; 2008 - \$1.60 per share). From the first quarter of 2008 to the completion of the Split Transaction, Encana paid a quarterly dividend of \$0.40 per share. On December 31, 2009, after the Split Transaction, Encana paid a quarterly dividend of \$0.20 per share. Encana continued to pay a quarterly dividend of \$0.20 per share in 2010. On February 9, 2011, the Board of Directors declared a dividend of \$0.20 per share payable on March 31, 2011.

Outstanding Share Data

As at December 31, 2010, Encana had 736.3 million common shares outstanding (2009 - 751.3 million; 2008 - 750.4 million). As at February 15, 2011, Encana had 736.3 million common shares outstanding.

Employees have been granted stock options to purchase common shares under various plans. As at December 31, 2010, there were approximately 36.8 million outstanding stock options with Tandem Share Appreciation Rights ("TSARs") attached (20.4 million exercisable). A TSAR gives the holder the right to receive a common share or a cash payment equal to the excess of the market price of Encana's common share over the exercise price of the TSAR. The exercise of a TSAR for a cash payment does not result in the issuance of any additional Encana common shares and has no dilutive effect. Historically, most holders of these options have elected to exercise their TSARs for a cash payment.

Financial Metrics

Debt to Capitalization and Debt to Adjusted EBITDA are two ratios Management uses as measures of the Company's overall financial strength to steward the Company's overall debt position. Encana aims for a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times. The Company's Debt to Capitalization and Debt to Adjusted EBITDA were within these ranges for 2010, consolidated 2009 and consolidated 2008. The Company's 2009 pro forma Debt to Adjusted EBITDA was slightly higher than its range primarily due to the depressed natural gas prices experienced during 2009.

(as at December 31)	2010	Pro Forma	Consolidated	
		2009	2009	2008
Debt to Capitalization ^(1,2)	31%	32%	32%	28%
Debt to Adjusted EBITDA ^(1,2,3)	1.4x	2.1x	1.3x	0.6x

(1) Debt is defined as long-term debt including current portion.

(2) A non-GAAP measure, which is defined under the Non-GAAP Measures section of this MD&A.

(3) Calculated on a trailing 12-month basis.

Contractual Obligations and Contingencies

Contractual Obligations

The following table outlines the contractual obligations and commitments of the Company. In addition, the Company has made commitments related to its risk management program as disclosed in Note 17 to the Consolidated Financial Statements. The Company has an obligation to fund its defined benefit pension and other post-employment benefit plans as disclosed in Note 16 to the Consolidated Financial Statements. The Company expects its 2011 commitments to be funded from Cash Flow.

(\$ millions)	Expected Payment Date					Total
	2011	2012 to 2013	2014 to 2015	2016+		
Long-Term Debt ⁽¹⁾	\$ 500	\$ 1,003	\$ 1,000	\$ 5,154	\$ 7,657	
Asset Retirement Obligation	56	99	87	4,454	4,696	
Pipeline Transportation and Processing	687	1,485	1,493	3,416	7,081	
Purchases of Goods and Services ⁽²⁾	974	564	302	400	2,240	
Office Rent ^(3,5)	81	383	376	3,206	4,046	
Capital Commitments	199	120	-	38	357	
Total	\$ 2,497	\$ 3,654	\$ 3,258	\$ 16,668	\$ 26,077	
Cenovus's Share of Costs ^(4,5)	\$ 119	\$ 224	\$ 156	\$ 1,528	\$ 2,027	

(1) Principal component only. See Note 12 to the Consolidated Financial Statements.

(2) Includes a commitment of \$667 million related to the Production Field Centre for the Deep Panuke project currently recorded as an asset under construction. See Note 4 to the Consolidated Financial Statements. This is expected to be recorded as an eight year capital lease upon commencement of operations.

(3) Primarily related to office space associated with The Bow. Tenant improvements for The Bow are included under Capital Commitments.

(4) Tenant costs associated with The Bow as well as current office space lease arrangements remain with Encana. Cenovus and Encana have entered into an agreement to share in the costs.

(5) The discounted value of The Bow lease payments using the rate implicit in the lease for 2016 and beyond is \$1,140 million (\$570 million net of Cenovus's share of the costs).

Variable Interest Entities (“VIEs”)

In 2007 and 2008, Encana acquired certain land and property in Louisiana and Texas. Three transactions were facilitated by unrelated parties. These unrelated parties held the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes for \$457 million, \$101 million and \$2.55 billion. During the six-month period following the transactions, each unrelated party represented an interest in a VIE whereby Encana was the primary beneficiary and consolidated the respective unrelated party. Upon completion of each arrangement, the assets were transferred to Encana.

Contingencies

Legal Proceedings

Encana is involved in various legal claims associated with the normal course of operations and believes it has made adequate provision for such legal claims.

Risk Management

Encana’s business, prospects, financial condition, results of operation and cash flows, and in some cases its reputation, are impacted by risks that are categorized as follows:

- financial risks;
- operational risks; and
- safety, environmental and regulatory risks.

Issues affecting, or with the potential to affect, Encana’s reputation are generally of a strategic nature or emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis. Encana takes a proactive approach to the identification and management of issues that affect the Company’s reputation and has established consistent and clear policies, procedures, guidelines and responsibilities for identifying and managing these issues.

Encana has a strong financial position and continues to implement its business model of focusing on developing low-risk and low-cost long-life resource plays, which allows the Company to respond well to market uncertainties. Management adjusts financial and operational risk strategies to proactively respond to changing economic conditions and to mitigate or reduce risk.

Financial Risks

Encana defines financial risks as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on Encana’s business.

Financial risks include, but are not limited to:

- market pricing of natural gas;
- credit and liquidity;
- foreign exchange rates; and
- interest rates.

Encana partially mitigates its exposure to financial risks through the use of various financial instruments and physical contracts. The use of derivative financial instruments is governed under formal policies and is subject to limits established by the Board of Directors (“Board”). All financial and foreign exchange agreements are with major financial institutions in Canada and the United States or with counterparties having investment grade credit ratings.

Encana has in place policies and procedures with respect to the required documentation and approvals for the use of derivative financial instruments and specifically ties their use, in the case of commodities, to the mitigation of price risk to achieve investment returns and growth objectives, while maintaining prescribed financial metrics.

To partially mitigate the natural gas commodity price risk, the Company enters into swaps, which fix NYMEX prices. To help protect against varying natural gas price differentials in various production areas, Encana has entered into swaps to manage the price differentials between these production areas and various sales points. Further information, including the details of Encana's financial instrument, as of December 31, 2010, is disclosed in Note 17 to the Consolidated Financial Statements.

Counterparty and credit risks are regularly and proactively managed. A substantial portion of Encana's accounts receivable is with customers in the oil and gas industry. This credit exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparties' credit quality and transactions that are fully collateralized.

Encana closely monitors the Company's ability to access cost effective credit and that sufficient cash resources are in place to fund capital investment and dividend payments. The Company manages liquidity risk through cash and debt management programs, including maintaining a strong balance sheet and significant unused credit facilities. The Company also has access to a wide range of funding alternatives at competitive rates, including commercial paper, capital market debt and bank loans.

As a means of mitigating the exposure to fluctuations in the U.S./Canadian dollar exchange rate, Encana may enter into foreign exchange contracts. Gains or losses on these contracts are recognized when the difference between the average month spot rate and the rate on the date of settlement is determined. By maintaining U.S. and Canadian operations, Encana has a natural hedge to some foreign exchange exposure.

Encana also maintains a mix of both U.S. dollar and Canadian dollar debt, which helps to offset the exposure to the fluctuations in the U.S./Canadian dollar exchange rate. In addition to direct issuance of U.S. dollar denominated debt, the Company may enter into cross currency swaps on a portion of its debt as a means of managing the U.S./Canadian dollar debt mix.

The Company may partially mitigate its exposure to interest rate changes by holding a mix of both fixed and floating rate debt. Encana may enter into interest rate swap transactions from time to time as an additional means of managing the fixed/floating rate debt portfolio mix.

Operational Risks

Operational risks are defined as the risk of loss or lost opportunity resulting from the following:

- reserve replacement;
- capital activities; and
- operating activities.

The Company's ability to operate, generate cash flows, complete projects, and value reserves is dependent on financial risks, including commodity prices mentioned above, continued market demand for its products and other risk factors outside of its control, which include: general business and market conditions; economic recessions and financial market turmoil; the ability to secure and maintain cost effective financing for its commitments; environmental and regulatory matters; unexpected cost increases; royalties; taxes; the availability of drilling and other equipment; the ability to access lands; weather; the availability of processing capacity; the availability and proximity of pipeline capacity; technology failures; accidents; the availability of skilled labour; and reservoir quality.

If Encana fails to acquire or find additional natural gas reserves, its reserves and production will decline materially from their current levels and, therefore, its cash flows are highly dependent upon successfully exploiting current reserves and acquiring, discovering or developing additional reserves.

To mitigate these risks, as part of the capital approval process, the Company's projects are evaluated on a fully risked basis, including geological risk and engineering risk. In addition, the asset teams undertake a thorough review of previous capital programs to identify key learnings, which often include operational issues that positively and negatively impacted project results. Mitigation plans are developed for the operational issues that had a negative impact on results. These mitigation plans are then incorporated into the current year plan for the project. On an annual basis, these results are analyzed for Encana's capital program with the results and identified learnings shared across the Company.

A peer review process is used to ensure that capital projects are appropriately risked and that knowledge is shared across the Company. Peer reviews are undertaken primarily for exploration projects and early stage resource plays, although they may occur for any type of project.

When making operating and investing decisions, Encana's business model allows flexibility in capital allocation to optimize investments focused on project returns, long-term value creation, and risk mitigation. Encana also mitigates operational risks through a number of other policies, systems and processes as well as by maintaining a comprehensive insurance program.

Safety, Environmental and Regulatory Risks

The Company is committed to safety in its operations and has high regard for the environment and stakeholders, including regulators. The Company's business is subject to all of the operating risks normally associated with the exploration for, development of and production of natural gas and liquids and the operation of midstream facilities. When assessing the materiality of environmental risk factors, Encana takes into account a number of qualitative and quantitative factors, including, but not limited to, financial, operational, reputational and regulatory aspects of the identified risk factor. These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry standards. In addition, Encana maintains a system that identifies, assesses and controls safety, security and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Corporate Responsibility, Environment, Health & Safety Committee of Encana's Board of Directors provides recommended environmental policies for approval by Encana's Board of Directors and oversees compliance with laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and audits, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to environmental events and remediation/reclamation strategies are utilized to restore the environment.

Encana's operations are subject to regulation and intervention by governments that can affect or prohibit the drilling, completion, including hydraulic fracturing and tie-in of wells, production, the construction or expansion of facilities and the operation and abandonment of fields. Changes in government regulation could impact the Company's existing and planned projects as well as impose a cost of compliance.

One of the processes Encana monitors relates to hydraulic fracturing. Hydraulic fracturing is used throughout the oil and gas industry where fracturing fluids are utilized to develop the reservoir. This process has been used in the oil and gas industry for approximately 60 years. Encana uses multiple techniques to fully understand the effect of each hydraulic fracturing operation it conducts. In all Encana operations, rigorous water management and protection is an essential part of this process. Hydraulic fracturing processes are strictly regulated by various state and provincial government agencies. Encana meets and, in many cases exceeds, the requirements set out by the regulators. Encana is committed to working collaboratively with our industry peers, trade associations, fluid suppliers and regulators to identify, develop and advance responsible hydraulic fracturing best practices. More information on hydraulic fracturing can be accessed on the Company's website at www.encana.com.

Climate Change

A number of federal, provincial and state governments have announced intentions to regulate greenhouse gases ("GHG") and certain other air emissions. While some jurisdictions have provided details on these regulations, it is anticipated that other jurisdictions will announce emission reduction plans in the future. As these federal and regional programs are under development, Encana is unable to predict the total impact of the potential regulations upon its business. Therefore, it is possible that the Company could face increases in operating and capital costs in order to comply with GHG emissions legislation. However, Encana will continue to work with governments to

develop an approach to deal with climate change issues that protects the industry's competitiveness, limits the cost and administrative burden of compliance and supports continued investment in the sector.

The Alberta Government has set targets for GHG emissions reductions. In March 2007, regulations were amended to require facilities that emit more than 100,000 tonnes of GHG emissions per year to reduce their emissions intensity by 12 percent from a regulated baseline starting July 1, 2007. To comply, companies can make operating improvements, purchase carbon offsets or make a C\$15 per tonne contribution to an Alberta Climate Change and Emissions Management Fund. In Alberta, Encana has one facility covered under the emissions regulations. The forecast cost of carbon associated with the Alberta regulations is not material to Encana at this time and is being actively managed.

In British Columbia, effective July 1, 2008, a 'revenue neutral carbon tax' was applied to virtually all fossil fuels, including diesel, natural gas, coal, propane, and home heating fuel. The tax applies to combustion emissions and to the purchase or use of fossil fuels within the province. The rate started at C\$10 per tonne of carbon equivalent emissions, is currently C\$20 per tonne and rises to C\$30 per tonne by 2012. The forecast cost of carbon associated with the British Columbia regulations is not material to Encana at this time and is being actively managed.

The American Clean Energy and Security Act ("ACESA") was passed by the U.S. House of Representatives in June of 2009 but failed to gain sufficient support in the U.S. Senate in 2010. The ACESA proposed climate change legislation which would have established a GHG cap-and-trade system and provided incentives for the development of renewable energy. Subsequently, the current U.S. Administration has directed the U.S. Environmental Protection Agency ("EPA") to exercise new authority under the Clean Air Act to regulate GHG emissions. Under the Clean Air Act, the EPA is required to set industry-specific standards for new and existing sources that emit GHGs above a certain threshold. The EPA has announced its intention to develop such standards for power plants and refineries in 2011 but has made no significant announcements pertaining to natural gas exploration and production. Encana will continue to monitor these developments closely during 2011.

Encana intends to continue its activity to reduce its emissions intensity and improve its energy efficiency. The Company's efforts with respect to emissions management are founded on the following key elements:

- significant production weighting in natural gas;
- focus on energy efficiency and the development of technology to reduce GHG emissions; and
- involvement in the creation of industry best practices.

Encana's strategy for addressing the implications of emerging carbon regulations is proactive and is composed of three principal elements:

- *Manage Existing Costs*
When regulations are implemented, a cost is placed on Encana's emissions (or a portion thereof) and while these are not material at this stage, they are being actively managed to ensure compliance. Factors such as effective emissions tracking and attention to fuel consumption help to support and drive the Company's focus on cost reduction.
- *Respond to Price Signals*
As regulatory regimes for GHGs develop in the jurisdictions where Encana works, inevitably price signals begin to emerge. The Company has initiated an Environmental Efficiency Initiative in an effort to improve the energy efficiency of its operations. The price of potential carbon reductions plays a role in the economics of the projects that are implemented. In response to the anticipated price of carbon, Encana is also attempting, where appropriate, to realize the associated value of its reduction projects.
- *Anticipate Future Carbon Constrained Scenarios*
Encana continues to work with governments, academics and industry leaders to develop and respond to emerging GHG regulations. By continuing to stay engaged in the debate on the most appropriate means to regulate these emissions, the Company gains useful knowledge that allows it to explore different strategies for managing its emissions and costs. These scenarios influence Encana's long-range planning and its analyses on the implications of regulatory trends.

Encana monitors developments in emerging climate change policy and legislation, and considers the associated costs of carbon in its strategic planning. Management and the Board review the impact of a variety of carbon constrained scenarios on its strategy, with a current price range from approximately \$10 to \$50 per tonne of emissions applied to a range of emissions coverage levels. Encana also examines the impact of carbon regulation on its major projects. Although uncertainty remains regarding potential future emissions regulation, Encana's plan is to continue to assess and evaluate the cost of carbon relative to its investments across a range of scenarios.

Encana recognizes that there is a cost associated with carbon emissions. Encana is confident that GHG regulations and the cost of carbon at various price levels have been adequately considered as part of its business planning and scenarios analyses. Encana believes that the resource play strategy is an effective way to develop the resource, generate shareholder returns and coordinate overall environmental objectives with respect to carbon, air emissions, water and land. Encana is committed to transparency with its stakeholders and will keep them apprised of how these issues affect operations. Additional detail on Encana's GHG emissions is available in the Corporate Responsibility Report that is available on the Company's website at www.encana.com.

Accounting Policies and Estimates

New Accounting Standards Adopted

On January 1, 2010, Encana adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook sections:

- "Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard has had no material impact on the accounting treatment of business combinations entered into after January 1, 2010.
- "Consolidated Financial Statements", Section 1601, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard has had no material impact on Encana's Consolidated Financial Statements.
- "Non-controlling Interests", Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard has had no material impact on Encana's Consolidated Financial Statements.

The above CICA Handbook sections are converged with IFRS. Encana will be required to report its results in accordance with IFRS beginning in 2011.

International Financial Reporting Standards

The Company is executing a changeover plan to complete the transition to IFRS for 2011 financial reporting, which includes the preparation of 2010 required comparative information. Based on current International standards, Encana expects IFRS will not have a major impact on the Company's operations, strategic decisions, Cash Flow or capital expenditures. The adoption of the IFRS upstream accounting principles continues to be the Company's most significant area of impact, which is described further below. Encana is on schedule with its changeover plan.

Encana's IFRS Changeover Plan

The key elements of the Company's changeover plan include:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements;
- communicate collateral impacts to internal business groups; and
- educate and train internal and external stakeholders.

As of December 31, 2010, Encana continues to make significant progress on its changeover plan. The Company has analyzed accounting policy alternatives and drafted its IFRS accounting policies. Process and system changes have been implemented for significant areas of impact, while adhering to internal control requirements. Information system changes have been tested and implemented to capture the required 2010 IFRS comparative data. IFRS education and training sessions have been held with internal stakeholders.

Encana has completed its January 1, 2010 IFRS opening balance sheet based on its draft accounting policies. In addition, the Company is analyzing the IFRS adjustments up to December 31, 2010. Encana's external auditors have carried out certain initial audit procedures on the IFRS opening balance sheet impacts and have started reviewing the IFRS impacts up to September 30, 2010.

Encana continues to monitor new and amended accounting standards issued by the International Accounting Standards Board to determine the impact on the Company's results, if any.

Expected Accounting Policy Impacts

Encana's significant areas of impact remain unchanged and include property, plant and equipment ("PP&E"), asset retirement obligation ("ARO"), impairment testing, stock-based compensation and income taxes. The following discussion provides an overview of these areas, as well as the exemptions available under IFRS 1, *First-time Adoption of International Financial Reporting Standards*. In general, IFRS 1 requires first time adopters to retrospectively apply IFRS, although it does provide optional and mandatory exemptions to these requirements.

The January 1, 2010 opening balance sheet expected impacts are discussed below and result from the Company's draft policies based on International standards which are currently issued and are expected to be in place for Encana's first annual reporting period of December 31, 2011. The IFRS opening balance sheet impacts have had no effect on the Company's January 1, 2010 debt to capitalization ratio of 32 percent.

A reconciliation of the Company's 2010 Canadian GAAP financial statements to IFRS has not been finalized. Accordingly, the impact of adopting IFRS on the Company's financial position and results of operations as at and for the year ended December 31, 2010 will be disclosed in April 2011.

Property, Plant and Equipment

Under Canadian GAAP, Encana follows the CICA's guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves are capitalized on a country-by-country cost centre basis. Costs accumulated within each country cost centre are depleted using the unit-of-production method based on proved reserves determined using estimated future prices

and costs. Upon transition to IFRS, Encana will be required to adopt new accounting policies for upstream activities, including pre-exploration costs, exploration and evaluation costs and development costs.

Pre-exploration costs are those expenditures incurred prior to obtaining the legal right to explore and must be expensed under IFRS. Currently, Encana capitalizes and depletes pre-exploration costs within the country cost centre. In 2009, these costs were not material to Encana.

Exploration and evaluation costs are those expenditures for an area or project for which technical feasibility and commercial viability have not yet been determined. Under IFRS, Encana will initially capitalize these costs as exploration and evaluation assets on the balance sheet. When the area or project is determined to be technically feasible and commercially viable, the costs will be transferred to PP&E. Unrecoverable exploration and evaluation costs associated with an area or project will be expensed.

Development costs include those expenditures for areas or projects where technical feasibility and commercial viability have been determined. Under IFRS, Encana will continue to capitalize these costs within PP&E on the balance sheet. However, the costs will be depleted on a unit-of-production basis over an area level (unit of account) instead of the country cost centre level currently utilized under Canadian GAAP. Encana has drafted the areas and the inputs to be utilized in the unit-of-production depletion calculation.

Under IFRS, upstream divestitures will generally result in a gain or loss recognized in net earnings. Under Canadian GAAP, proceeds from divestitures are normally deducted from the full cost pool without recognition of a gain or loss unless the deduction would result in a change to the depletion rate of 20 percent or greater, in which case a gain or loss is recorded.

Encana will adopt the IFRS 1 exemption, which allows the Company to deem its January 1, 2010 IFRS upstream asset costs to be equal to its Canadian GAAP historical upstream net book value. On January 1, 2010, the IFRS exploration and evaluation assets will be approximately \$1.9 billion, which is equal to the Canadian GAAP unproved properties balance. The IFRS development costs will be equal to the full cost pool balance. Encana allocated this upstream full cost pool over proved reserves to establish the area level depletion units.

Asset Retirement Obligation

Under Canadian GAAP, ARO is measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Existing liabilities are not re-measured using current discount rates. Under IFRS, ARO is measured as the best estimate of the expenditure to be incurred and requires the use of current discount rates at each re-measurement date. Generally, the change in discount rates results in a balance being added to or deducted from PP&E.

As a result of Encana's use of the IFRS 1 upstream asset exemption, the Company is required to revalue its January 1, 2010 ARO balance recognizing the adjustment in retained earnings. Encana expects to recognize an increase in the obligation of less than \$50 million with a corresponding reduction to retained earnings on the IFRS opening balance sheet.

Impairment

Under Canadian GAAP, Encana is required to recognize an upstream impairment loss if the carrying amount exceeds the undiscounted cash flows from proved reserves for a country cost centre. If an impairment loss is to be recognized, it is then measured at the amount the carrying value exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties. Impairments recognized under Canadian GAAP are not reversed.

Under IFRS, Encana is required to recognize and measure an upstream impairment loss if the carrying value exceeds the recoverable amount for a cash-generating unit. Under IFRS, the recoverable amount is the higher of fair value less cost to sell and value in use. Impairment losses, other than goodwill, are reversed under IFRS when there is an increase in the recoverable amount. Encana will group its upstream assets into cash-generating units based on the independence of cash inflows from other assets or other groups of assets. Encana does not expect to recognize an asset impairment on the IFRS opening balance sheet.

Stock-Based Compensation

Share units issued under Encana's stock-based compensation plans that are accounted for using the intrinsic value method under Canadian GAAP will be required to be fair valued under IFRS. The intrinsic value of a share unit is the amount by which Encana's stock price exceeds the exercise price of a share unit. The fair value of a share unit is determined utilizing a model, such as the Black-Scholes-Merton model. Encana will use the IFRS 1 exemption under which share units that were vested prior to January 1, 2010 are not required to be retrospectively restated.

Encana expects to recognize an increase in the stock-based compensation liability of less than \$50 million with a corresponding reduction to retained earnings on the IFRS opening balance sheet.

Income Taxes

In transitioning to IFRS, the Company's deferred tax liability will be impacted by the tax effects resulting from the IFRS changes discussed in this section of the MD&A. Encana expects to recognize a decrease in the deferred tax liability of less than \$50 million with a corresponding increase to retained earnings on the IFRS opening balance sheet.

Other IFRS 1 Considerations

As permitted by IFRS 1, Encana's foreign currency translation adjustment, currently the only balance in Encana's accumulated other comprehensive income, will be deemed to be zero and the balance of \$755 million will be reclassified to retained earnings on January 1, 2010. There is no impact to Encana's shareholders' equity as a result of this reclassification. Retrospective restatement of foreign currency translation adjustments under IFRS principles will not be performed.

Business combinations and joint ventures entered into prior to January 1, 2010 will not be retrospectively restated using IFRS principles.

With respect to employee benefit plans, cumulative unamortized actuarial gains and losses will be charged to retained earnings on January 1, 2010. As such, they will not be retrospectively restated using IFRS principles. Encana expects to recognize an increase in the pension liability of less than \$100 million with a corresponding reduction to retained earnings on the IFRS opening balance sheet.

Critical Accounting Policies and Estimates

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. A summary of Encana's significant accounting policies can be found in Note 1 to the Consolidated Financial Statements. The following discussion outlines the accounting policies and practices involving the use of estimates that are critical to determining Encana's financial results.

Full Cost Accounting and Oil and Gas Reserves

As previously described, Encana follows full cost accounting for oil and gas activities. Reserves estimates can have a significant impact on earnings, as they are a key input to the Company's DD&A calculations and impairment tests. A downward revision in reserves estimates could result in a higher DD&A charge against net earnings. An impairment of upstream assets is recognized when the net capitalized costs exceed the undiscounted cash flows from proved reserves for a country cost centre. If an impairment is to be recognized, it is then measured at the amount the carrying value exceeds the sum of the fair value of the proved and probable reserves and the costs of unproved properties. A downward revision in reserves estimates could result in the recognition of an impairment charged against retained earnings. As at December 31, 2010, Encana has determined that no write-down to its upstream assets is required under Canadian GAAP.

All of Encana's oil and gas reserves and resources are evaluated and reported on by independent qualified reserves evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and

economics of recovery based on cash flow forecasts. Contingent resources are not classified as reserves due to the absence of a commercial development plan that includes a firm intent to develop within a reasonable time frame.

Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the requirement to retire tangible long-lived assets such as producing well sites, offshore production platforms and natural gas processing plants. The fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when incurred and a reasonable estimate of fair value can be made. The asset retirement cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings.

The asset retirement obligation is estimated by discounting the expected future cash flows of the settlement. The discounted cash flows are based on estimates of reserve lives, retirement costs, discount rate and future inflation rate. These estimates will impact earnings through accretion on the asset retirement liability in addition to the depletion of the asset retirement cost included in PP&E. Actual expenditures incurred are charged against the accumulated obligation.

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is assessed by Encana for impairment annually. To assess impairment, the fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, then a second test is performed to determine the amount of the impairment. The amount of the impairment is determined by deducting the fair value of the reporting unit's assets and liabilities from the fair value of the reporting unit to determine the implied fair value of goodwill and comparing that amount to the book value of the reporting unit's goodwill. Any excess of the book value of goodwill over the implied fair value of goodwill is the impairment amount.

The fair value used in the impairment test is based on estimates of discounted future cash flows which involves assumptions on commodity prices, natural gas and liquids reserves, future expenses and discount rates. Encana has assessed its goodwill for impairment as at December 31, 2010 and has determined that no write-down is required.

Income Taxes

Encana follows the liability method of accounting for income taxes. Under this method, future income taxes are estimated and recorded for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in net earnings in the period that the change occurs.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty and the interpretations can impact net earnings through the income tax expense arising from the changes in future income tax assets and liabilities.

Derivative Financial Instruments

As described in the Risk Management section of this MD&A, derivative financial instruments are used by Encana to manage its exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. The Company's policy is to not use derivative financial instruments for speculative purposes.

Derivative financial instruments that do not qualify, or are not designated, as hedges for accounting are recorded at fair value. Instruments are recorded in the Consolidated Balance Sheet as either an asset or liability with changes in fair value recognized in net earnings. Realized gains or losses are recognized in revenues as the contracts are settled. Unrealized gains and losses are recognized in revenue at the end of each respective

reporting period based on the change in fair value. The estimate of fair value of all derivative instruments is based on quoted market prices or, in their absence, third-party market indications and forecasts. The estimated fair value of financial assets and liabilities is subject to measurement uncertainty.

For 2008 through to 2010, the Company elected not to designate any of its derivative financial instruments as hedges for accounting. As a result, the changes in fair value of the derivative instruments were recorded in Net Earnings.

Non-GAAP Measures

This MD&A contains certain non-GAAP measures commonly used in the oil and gas industry and by Encana to provide shareholders and potential investors with additional information regarding the Company's liquidity and ability to generate funds to finance operations.

Cash Flow

Cash Flow is a non-GAAP measure defined as cash from operating activities excluding net change in other assets and liabilities, net change in non-cash working capital from continuing operations and net change in non-cash working capital from discontinued operations. Cash Flow is commonly used in the oil and gas industry and by Encana to assist Management and investors in measuring the Company's ability to finance capital programs and meet financial obligations.

Operating Earnings

Operating Earnings is a non-GAAP measure that adjusts Net Earnings by non-operating items that Management believes reduces the comparability of the Company's underlying financial performance between periods. Operating Earnings is commonly used in the oil and gas industry and by Encana to provide investors with information that is more comparable between periods.

Operating Earnings is defined as Net Earnings excluding the after-tax gains/losses on discontinuance, after-tax effect of unrealized hedging gains/losses on derivative instruments, after-tax gains/losses on translation of U.S. dollar denominated debt issued from Canada and the partnership contribution receivable, after-tax foreign exchange gains/losses on settlement of intercompany transactions, future income tax on foreign exchange recognized for tax purposes only related to U.S. dollar intercompany debt and the effect of changes in statutory income tax rates.

Capitalization and Debt to Capitalization

Capitalization is a non-GAAP measure defined as long-term debt including current portion plus shareholders' equity. Debt to Capitalization is a non-GAAP measure of the Company's overall financial strength used by Management to steward the Company's overall debt position.

Adjusted EBITDA and Debt to Adjusted EBITDA

Trailing 12-month Adjusted EBITDA is a non-GAAP measure defined as Net Earnings from Continuing Operations before gains or losses on divestitures, income taxes, foreign exchange gains or losses, interest net, accretion of asset retirement obligation and DD&A. Debt to Adjusted EBITDA is also used by Management as a measure of the Company's overall financial strength to steward the Company's overall debt position.

Additional Reconciliations of Non-GAAP Measures

Reconciliation of Consolidated Cash Flow to Pro Forma Cash Flow

(\$ millions, except per share amounts)	Three months ended December 31		Year ended December 31			
	2009		2008			
Cash Flow	\$	603	\$	6,779	\$	9,386
Less: Cenovus Carve-out ⁽¹⁾		(15)		2,232		3,088
Add/(Deduct) Pro Forma adjustments		312		474		56
Pro Forma Cash Flow	\$	930	\$	5,021	\$	6,354
Per share amounts						
Consolidated Cash Flow						
- Basic	\$	0.80	\$	9.03	\$	12.51
- Diluted	\$	0.80	\$	9.02	\$	12.48
Pro Forma Cash Flow						
- Basic	\$	1.24	\$	6.69	\$	8.47
- Diluted	\$	1.24	\$	6.68	\$	8.45

(1) Cenovus Energy was spun-off on November 30, 2009. Consolidated results prior to the spin-off include Cenovus.

Reconciliation of Consolidated Operating Earnings to Pro Forma Operating Earnings

(\$ millions, except per share amounts)	Three months ended December 31		Year ended December 31			
	2009		2008			
Operating Earnings	\$	855	\$	3,495	\$	4,405
Less: Cenovus Carve-out ⁽¹⁾		64		1,224		1,629
Add/(Deduct) Pro Forma adjustments		(418)		(504)		(171)
Pro Forma Operating Earnings	\$	373	\$	1,767	\$	2,605
Per share amounts						
Consolidated Operating Earnings						
- Diluted	\$	1.14	\$	4.65	\$	5.86
Pro Forma Operating Earnings						
- Diluted	\$	0.50	\$	2.35	\$	3.47

(1) Cenovus Energy was spun-off on November 30, 2009. Consolidated results prior to the spin-off include Cenovus.

Reconciliation of Consolidated Net Earnings to Pro Forma Net Earnings

(\$ millions, except per share amounts)	Three months ended December 31		Year ended December 31			
	2009		2008			
Net Earnings	\$	636	\$	1,862	\$	5,944
Less: Cenovus Carve-out ⁽¹⁾		(15)		609		2,368
Add/(Deduct) Pro Forma adjustments		(418)		(504)		(171)
Pro Forma Net Earnings	\$	233	\$	749	\$	3,405
Per share amounts						
Consolidated Net Earnings						
- Basic	\$	0.85	\$	2.48	\$	7.92
- Diluted	\$	0.85	\$	2.48	\$	7.91
Pro Forma Net Earnings						
- Basic	\$	0.31	\$	1.00	\$	4.54
- Diluted	\$	0.31	\$	1.00	\$	4.53

(1) Cenovus Energy was spun-off on November 30, 2009. Consolidated results prior to the spin-off include Cenovus.

Forward-Looking Statements

In the interest of providing Encana shareholders and potential investors with information regarding the Company and its subsidiaries, including Management's assessment of Encana's and its subsidiaries' future plans and operations, certain statements contained in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this document include, but are not limited to, statements with respect to: ability to meet 2011 strategy to balance near term market uncertainty with capital investment for long-term growth; projections contained in the 2011 Corporate Guidance (including estimates of cash flow per share, upstream operating cash flow, natural gas and NGLs production, growth per share, capital investment, net divestitures, and operating costs); doubling production per share over the next five years from 2009 levels; potential completion of a joint venture transaction with PetroChina; projections relating to the adequacy of the Company's provision for taxes; projections with respect to natural gas production from resource plays; the flexibility of capital spending plans and the source of funding therefore; the effect of the Company's risk management program, including the impact of derivative financial instruments; the impact of the changes and proposed changes in laws and regulations, including greenhouse gas, carbon and climate change initiatives on the Company's operations and operating costs; projections that the Company's Bankers' Acceptances and Commercial Paper Program will continue to be fully supported by committed credit facilities and term loan facilities and the ability of the Company to maintain its investment grade credit ratings; the Company's continued compliance with financial covenants under its credit facilities; the Company's ability to pay its creditors, suppliers, commitments and fund its 2011 capital program and pay dividends to shareholders; the effect of the Company's risk mitigation policies, systems, processes and insurance program; the Company's expectations for future Debt to Capitalization and Debt to Adjusted EBITDA ratios; the expected impact and timing of various accounting pronouncements, rule changes and standards, including IFRS, on the Company and its Consolidated Financial Statements; reserves estimates, including reserves estimates under different price cases; and projections that natural gas represents an abundant, secure, long-term supply of energy to meet North American needs. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These assumptions, risks and uncertainties include, among other things: volatility of and assumptions regarding commodity prices; assumptions based upon Encana's current guidance; the risk that the Company may not conclude potential joint venture arrangements with PetroChina or others as a result of various conditions not being met and raise third party capital investments; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in the Company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserves and resources estimates and estimates of recoverable quantities of natural gas and liquids from resource plays and other sources not currently classified as proved, probable or possible reserves or economic contingent resources; the Company's and its subsidiaries' ability to replace and expand gas reserves; marketing margins; potential disruption or unexpected technical difficulties in developing new facilities; unexpected cost increases or technical difficulties in constructing or modifying processing facilities; risks associated with technology; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; the Company's ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; changes in royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the Company and its subsidiaries operate; terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the Company and its subsidiaries; and other risks and uncertainties described from time to time in the reports and

filings made with securities regulatory authorities by Encana. Although Encana believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Forward-looking statements with respect to anticipated production, reserves and production growth, including over the next five years, are based upon numerous facts and assumptions including a projected capital program averaging approximately \$6 billion per year for 2011 to 2014, that underlies the long range plan of Encana which is subject to review annually and to such revision for factors including the outlook for natural gas commodity prices and the expectations for capital investment by the Company, achieving an average drilling rate of approximately 2,500 net wells per year for 2011 to 2014, Encana's current net drilling location inventory, natural gas price expectations over the next few years, production expectations made in light of advancements in horizontal drilling, multi-stage fracture stimulation and multi-well pad drilling, the current and expected productive characteristics of various existing resource plays, Encana's estimates of reserves and economic contingent resources, expectations for rates of return which may be available at various prices for natural gas and current and expected cost trends. Furthermore, the forward-looking statements contained in this document are made as of the date of this document, and except as required by law, Encana does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Forward-looking information respecting anticipated 2011 Cash Flow, operating cash flow and pre-tax cash flow for Encana is based upon achieving average production of oil and gas for 2011 of between 3.475 to 3.525 billion cubic feet equivalent ("Bcfe") per day ("Bcfe/d"), commodity prices for natural gas of NYMEX \$4.50/Mcf to \$5.00/Mcf, crude oil (WTI) \$85.00/bbl to \$95.00/bbl, U.S./Canadian dollar foreign exchange rate of \$0.95 to \$1.05 and a weighted average number of outstanding shares for Encana of approximately 736 million. Assumptions relating to forward-looking statements generally include Encana's current expectations and projections made by the Company in light of, and generally consistent with, its historical experience and its perception of historical trends, as well as expectations regarding rates of advancement and innovation, generally consistent with and informed by its past experience, all of which are subject to the risk factors identified elsewhere in this document.

Encana is required to disclose events and circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking statements for a period that is not yet complete that Encana has previously disclosed to the public and the expected differences thereto. Such disclosure can be found in Encana's news release dated February 10, 2011, which is available on Encana's website at www.encana.com and on SEDAR at www.sedar.com.

Reserves Data and Other Oil and Gas Information

Reserves Data and Other

NI 51-101 of the CSA imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. In previous years, Encana relied upon an exemption from Canadian securities regulatory authorities to permit it to provide disclosure relating to reserves and other oil and gas information in accordance with U.S. disclosure requirements. As a result of the expiry of that exemption, Encana is providing disclosure which complies with the annual disclosure requirements of NI 51-101 in its AIF. The Canadian protocol disclosure is contained in Appendix A and under "Narrative Description of the Business" in the AIF. Encana has obtained an exemption dated January 4, 2011 from certain requirements of NI 51-101 to permit it to provide certain disclosure prepared in accordance with U.S. disclosure requirements, in addition to the Canadian protocol disclosure. That disclosure is primarily set forth in Appendix D of the AIF.

A description of the primary differences between the disclosure requirements under the Canadian standards and the disclosure requirements under the U.S. standards is set forth under the heading "Reserve Quantities and Other Oil and Gas Information" in the AIF.

Natural Gas, Crude Oil and NGLs Conversions

In this document, certain crude oil and NGLs volumes have been converted to cubic feet equivalent (cfe) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). Cfe may be misleading, particularly if used in isolation. A

conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead.

Resource Play

Resource play is a term used by Encana to describe an accumulation of hydrocarbons known to exist over a large areal expanse and/or thick vertical section, which when compared to a conventional play typically has a lower geological and/or commercial development risk and lower average decline rate.

Currency, Pro Forma Information, Non-GAAP Measures and References to Encana

All information included in this document and the Consolidated Financial Statements and comparative information is shown on a U.S. dollar, after royalties basis unless otherwise noted.

Pro Forma Information

On November 30, 2009, Encana completed a major corporate reorganization – a Split Transaction that resulted in the Company's transition into a pure-play natural gas company and the spin off of its Integrated Oil and Canadian Plains assets into Cenovus Energy Inc., an independent, publicly-traded energy company. Encana's consolidated results include the financial and operating performance of the Cenovus assets for the first 11 months of 2009. To give investors a clear understanding of post-split Encana, 2009 financial and operating results in this document highlight Encana's results on a pro forma basis, which reflect the Company as if the Split Transaction had been completed for all of 2009 and 2008. In this pro forma presentation, the results associated with the assets and operations transferred to Cenovus are eliminated from Encana's consolidated results, and adjustments specific to the Split Transaction are reflected.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by Canadian GAAP such as Cash Flow, Cash Flow per share – diluted, Operating Earnings, Operating Earnings per share – diluted, Adjusted EBITDA, Debt and Capitalization and, therefore, are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management's use of these measures has been disclosed further in this document as these measures are discussed and presented.

References to Encana

For convenience, references in this document to "Encana", the "Company", "we", "us", "our" and "its" may, where applicable, refer only to or include any relevant direct and indirect subsidiary corporations and partnerships ("Subsidiaries") of Encana Corporation, and the assets, activities and initiatives of such Subsidiaries.

Additional Information

Further information regarding Encana Corporation, including its Annual Information Form, can be accessed under the Company's public filings found at www.sedar.com and on the Company's website at www.encana.com.