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Gas Marketing Overview

Brian Day, Team Lead

Garco EAB Presentation | February 5, 2009

Future Oriented Information

In the interest of providing EnCana Corporation ("EnCana" or the "Company") shareholders and potential investors with information regarding the Company and its subsidiaries and management's assessment of the Company's future plans and operations, certain statements, tables and graphs in the following presentations by the Company contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 or "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking statements or information in these presentations include, but are not limited to, statements, tables and graphs (collectively "statements") with respect to: the projected expansions in Piceance export capacity; projected demand/export capacity for 2009; U.S. economic outlook for 2009 through 2010; U.S. storage outlook for 2009; estimates of break-even NYMEX natural gas prices in the Rockies Region; projected NYMEX and Rockies prices for 2009 through 2012; projected Rockies Express development timeline; estimates of relative fuel pricing for 2009; estimated Rockies exports and export capacity for 2009; and projected Piceance production and exports for 2009 through 2012.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated in or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements 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 circumstances, events or outcomes anticipated or implied by forward-looking statements will not occur, which may cause the actual performance and financial results in future periods to differ materially from the performance or results anticipated or implied by any such forward-looking statements. These assumptions, risks and uncertainties include, among other things: volatility of and assumptions regarding oil and gas prices; assumptions contained in or relevant to the company's current corporate guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in marketing operations (including credit risks); imprecision of reserves estimates and estimates of recoverable quantities of oil, bitumen, natural gas and liquids from resource plays and other sources not currently classified as proved reserves; the ability to successfully manage and operate the integrated North American oilsands business with ConocoPhillips; refining and marketing margins; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining crude oil; risks associated with technology; the ability to replace and expand oil and gas reserves; the ability to generate sufficient cash flow from operations to meet current and future obligations; the ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the ability to secure adequate product transportation; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; applicable political and economic conditions; the risk of war, hostilities, civil insurrection, political instability and terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions; 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.

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 presentation.

Furthermore, the forward-looking statements contained in this presentation are made as of the date of this presentation, 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 presentation are expressly qualified by this cautionary statement.

EnCana Disclosure Protocols

EnCana's disclosure of reserves data and other oil and gas information is made in reliance on an exemption granted to EnCana by Canadian securities regulatory authorities which permits it to provide such disclosure in accordance with U.S. disclosure requirements. The information provided by EnCana may differ from the corresponding information prepared in accordance with Canadian disclosure standards under National Instrument 51-101 (NI 51-101). The reserves quantities disclosed in these presentations represent net proved reserves calculated using the standards contained in Regulation S-X of the U.S. Securities and Exchange Commission. Further information about the differences between the U.S. requirements and the NI 51-101 requirements is set forth under the heading "Note Regarding Reserves Data and Other Oil and Gas Information" in EnCana's Annual Information Form.

Certain crude oil and natural gas liquids ("NGLs") volumes that have been converted to millions of cubic feet equivalent ("MMcfe") or thousands of cubic feet equivalent ("Mcfe") on the basis of one barrel ("bbl") to six thousand cubic feet ("Mcf"). Also, certain natural gas volumes have been converted to barrels of oil equivalent ("BOE"), thousands of BOE ("MBOE") or millions of BOE ("MMBOE") on the same basis. MMcfe, Mcfe, BOE, MBOE and MMBOE 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 necessarily represent value equivalency at the well head.

EnCana uses the terms resource play and estimated ultimate recovery, total petroleum initially-in-place, natural gas-in-place, crude oil-in-place, natural bitumen-in-place. 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. Total petroleum initially-in-place (“PIIP”) is defined by the Society of Petroleum Engineers - Petroleum Resources Management System (“SPE-PRMS”) as that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”). Natural gas-in-place (“NGIP”), crude oil-in-place (“COIP”) and natural bitumen-in-place (“NBIP”) are defined in the same manner, with the substitution of “natural gas”, “crude oil” and “natural bitumen” where appropriate for the word “petroleum”. As used by EnCana, estimated ultimate recovery (“EUR”) has the meaning set out jointly by the Society of Petroleum Engineers and World Petroleum Congress in the year 2000, being those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.

In this presentation, EnCana has provided information with respect to certain of its key resource plays and emerging opportunities which is “analogous information” as defined in NI 51-101. This analogous information includes estimates of PIIP, NGIP, COIP or NBIP and/or EUR, all as defined in the Canadian Oil & Gas Evaluation Handbook (“COGEH”) or by the SPE-PRMS, and/or production type curves. This analogous information is presented on a basin, sub-basin or area basis utilizing data derived from EnCana's internal sources, as well as from a variety of publicly available information sources which are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with COGEH. Regardless, estimates by engineering and geo-technical practitioners may vary and the differences may be significant. EnCana believes that the provision of this analogous information is relevant to EnCana’s oil and gas activities, given its acreage position and operations (either ongoing or planned) in the areas in question.

Finding, development and acquisition cost is calculated by dividing total capital invested in finding, development and acquisition activities by additions to proved reserves, before divestitures, which is the sum of revisions, extensions, discoveries and acquisitions. Proved reserves added in 2007 included both developed and undeveloped quantities. EnCana’s finding, development and acquisition costs per Mcfe for (i) its most recent financial year (ended December 31, 2007) was $2.27; (ii) its second most recent financial year (ended December 31, 2006) was $2.07; and (iii) the average of its three most recent financial years was $1.83.

For certain prospects, the Company calculates and discloses a full cycle F & D cost, which is defined to be the estimated total capital investment required over the full economic life of the prospect divided by the estimated ultimate recovery (EUR) of the prospect.

For convenience, references in these presentations to “EnCana”, the “Company”, “we”, “us” and “our” 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.

All information included in these presentations is shown on a US dollar, after royalties basis unless otherwise noted. Sales forecasts reflect the mid-point of current public guidance on an after royalties basis.

Agenda

- **Industry overview**
  - Principles and terminology
  - Macro view of natural gas markets
- **Rockies region overview**
  - Supply
  - Demand and export capacity
  - Price response
- **What's in store for the future…**
  - Supply
  - Demand
  - External forward views
  - Rockies and Piceance

Industry Overview

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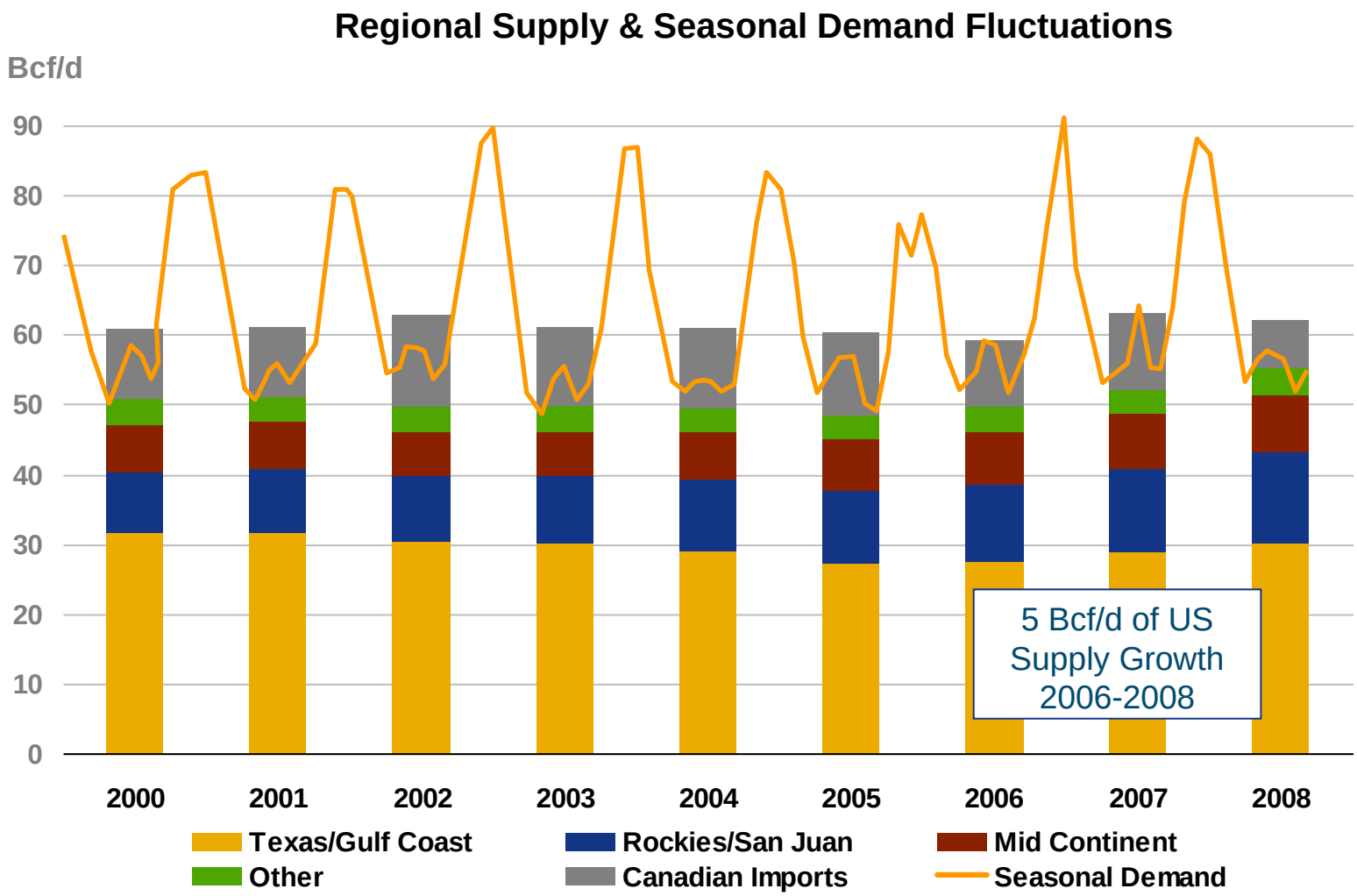
Principles of Natural Gas

- **Physical Commodity**
  - Wellhead gas streams vary in composition by location
  - Volume (cubic feet) is converted to an energy-based unit (Btu) for trading and transportation
    - Published prices reference dollars per million Btu of energy
  - Product differentiation is minimal except through:
    - Price (cost)
    - Delivery location
    - Timing
    - **Customer service**
  - High-pressure pipeline is the most efficient means of transporting natural gas to market

Principles of Natural Gas

- **Markets**
  - Economics
    - North American natural gas prices respond sharply to supply and demand fluctuations (high volatility)
  - Futures market
    - Natural gas is traded into the future (for physical delivery and for financial settlement)
    - Markets anticipate future supply and demand
    - The NYMEX futures contract represents the forward price for gas at Henry Hub in Louisiana (currently traded on an exchange floor in NYC)
  - Regulatory (government) oversight
    - Interstate transportation of energy is regulated by the Federal Energy Regulatory Commission (FERC)
    - Market trading is governed by both the FERC and by the Commodity Futures Trading Commission (CFTC)

Lower 48 Natural Gas Supply & Demand

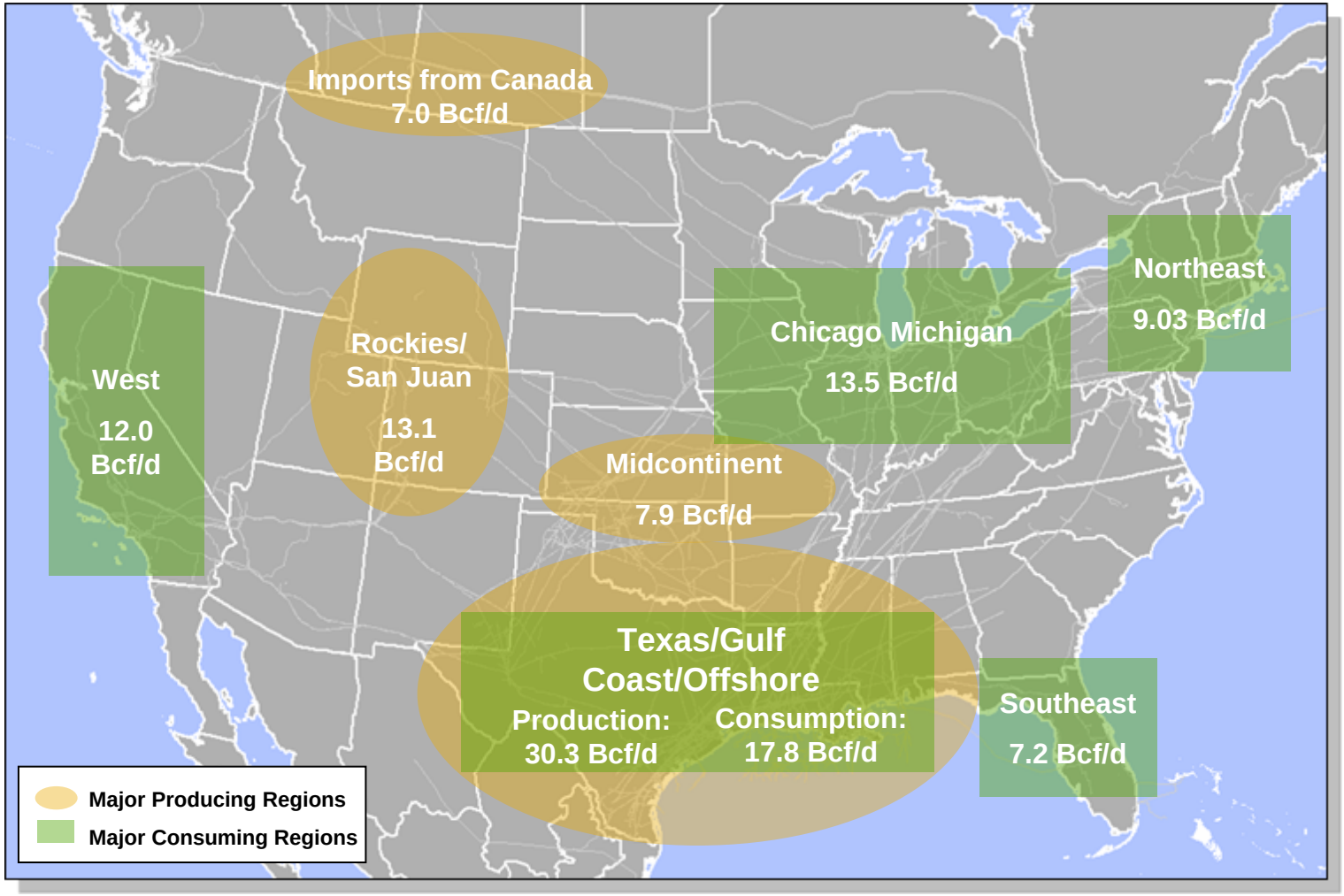


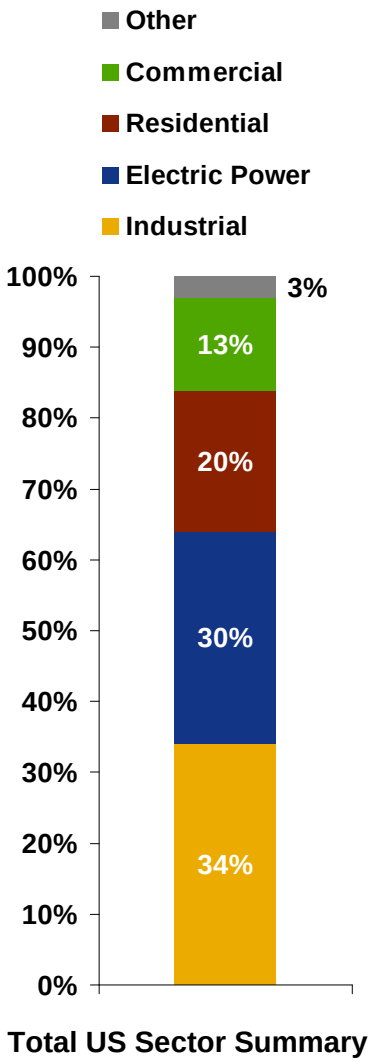
Rockies % of Total US Production (Excluding Imports)

2000	17%
2001	18%
2002	19%
2003	20%
2004	21%
2005	22%
2006	22%
2007	23%
2008	24%

Source: IHS Energy, EIA

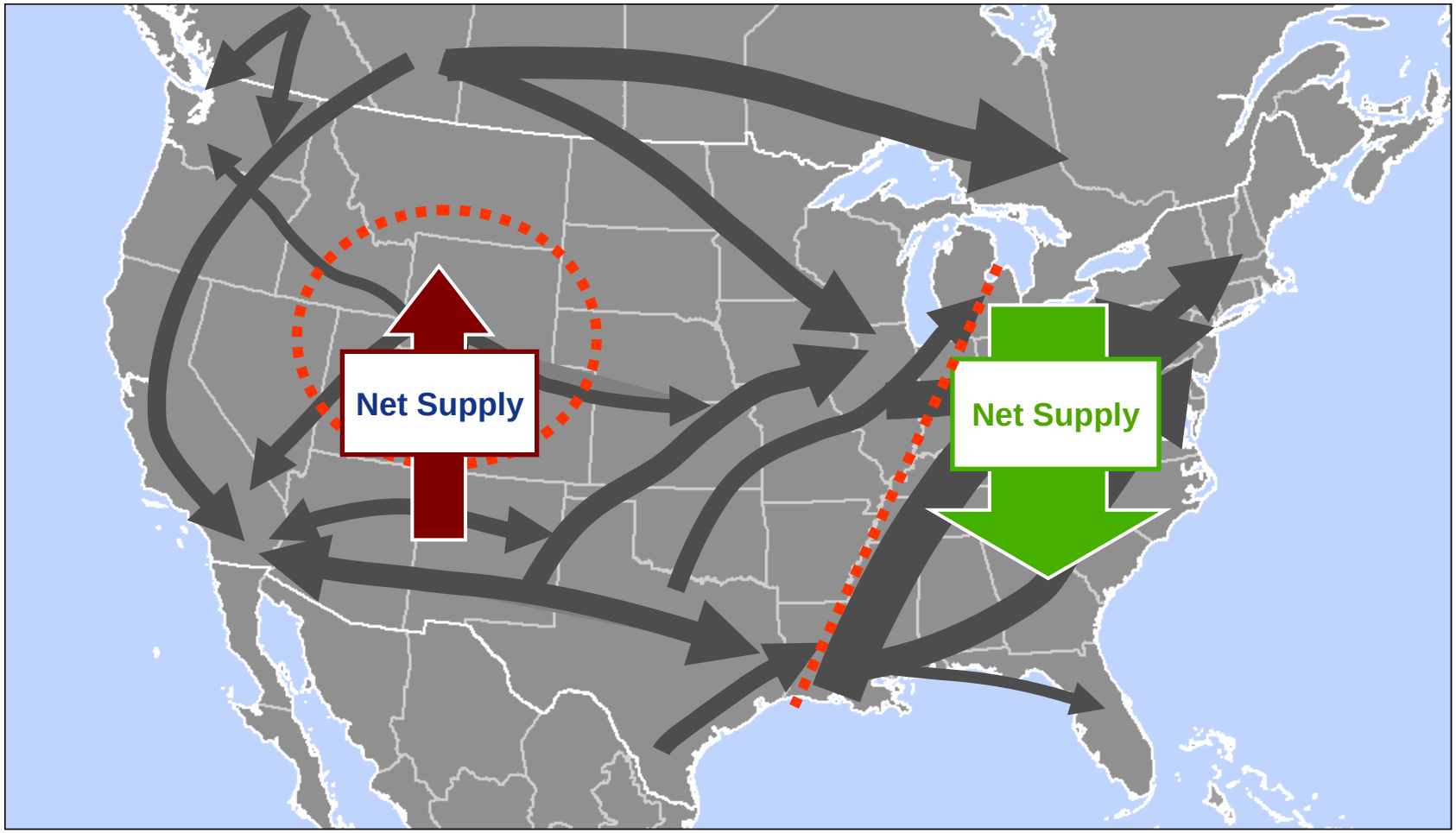
Major Producing & Consuming Regions



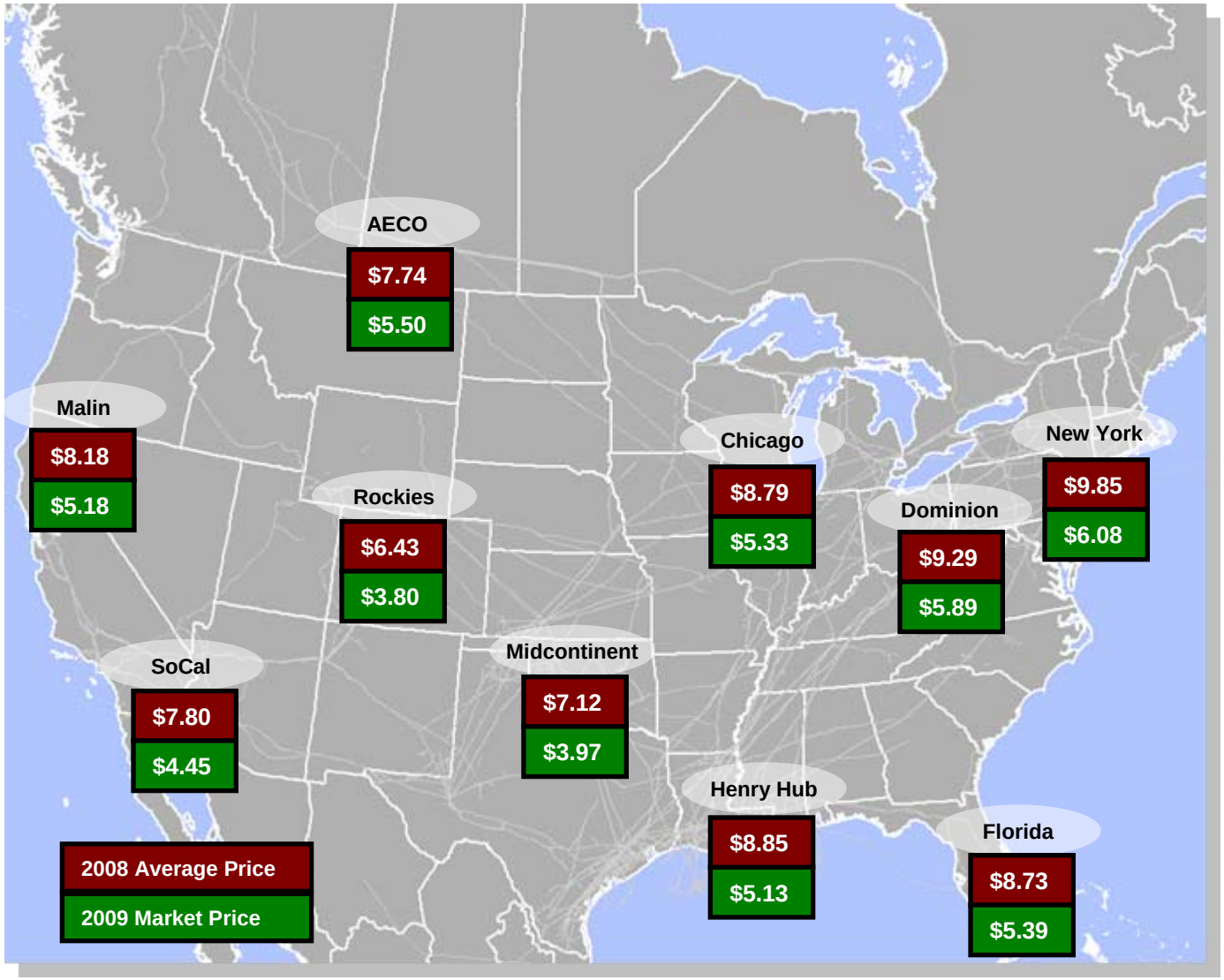


Source: EIA, IHS Energy, all volumes 2008 averages

Geographical Disconnect



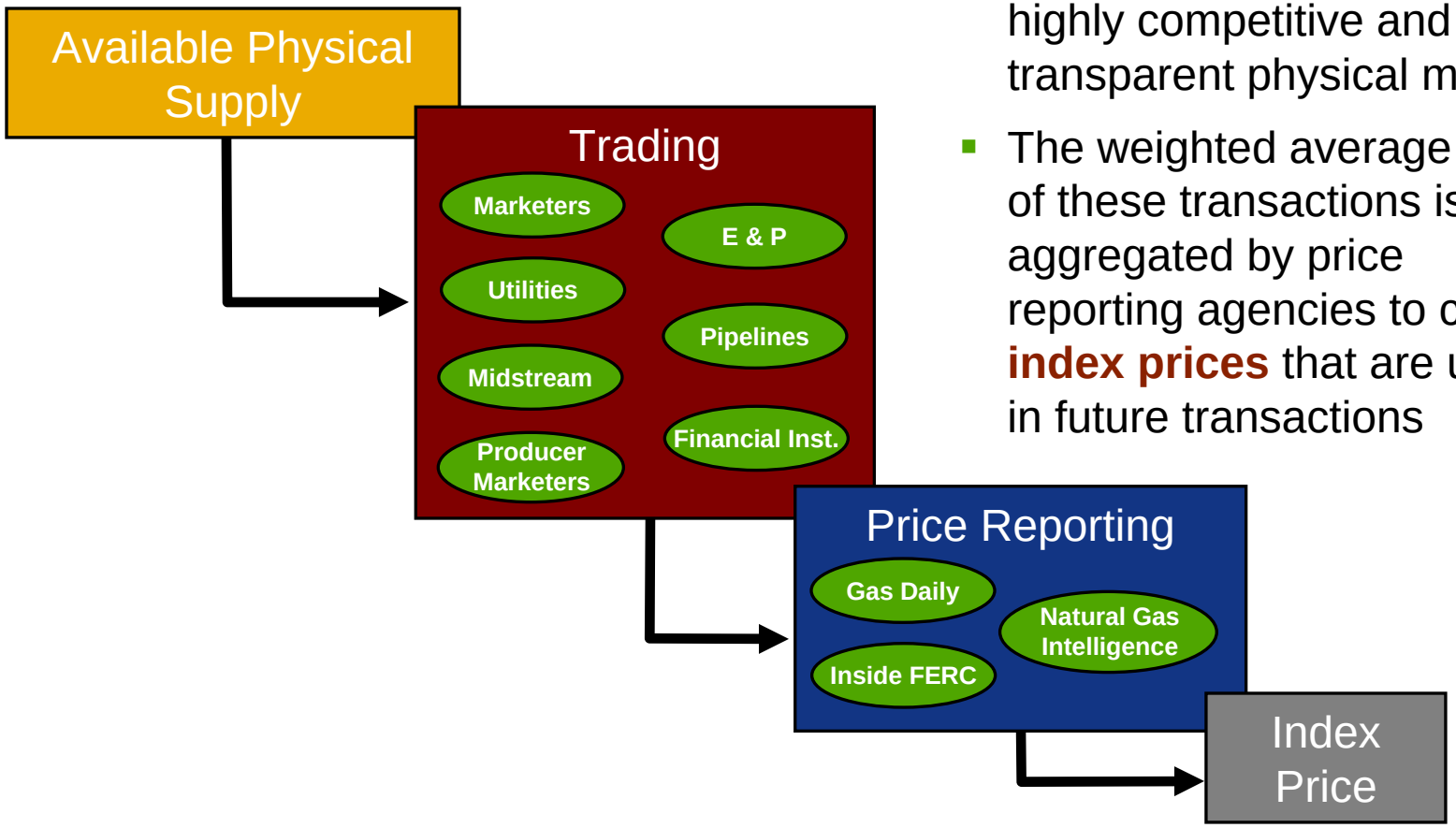
Regional Prices



- **Henry Hub**
  Serves as the pricing point for the NYMEX futures contract
- **Basis Differential**
  The difference in price between two physical locations
  - Most commonly referenced as a relationship to Henry Hub
- **Regional Spreads**
  Substantial price spreads exist between US producing and consuming regions

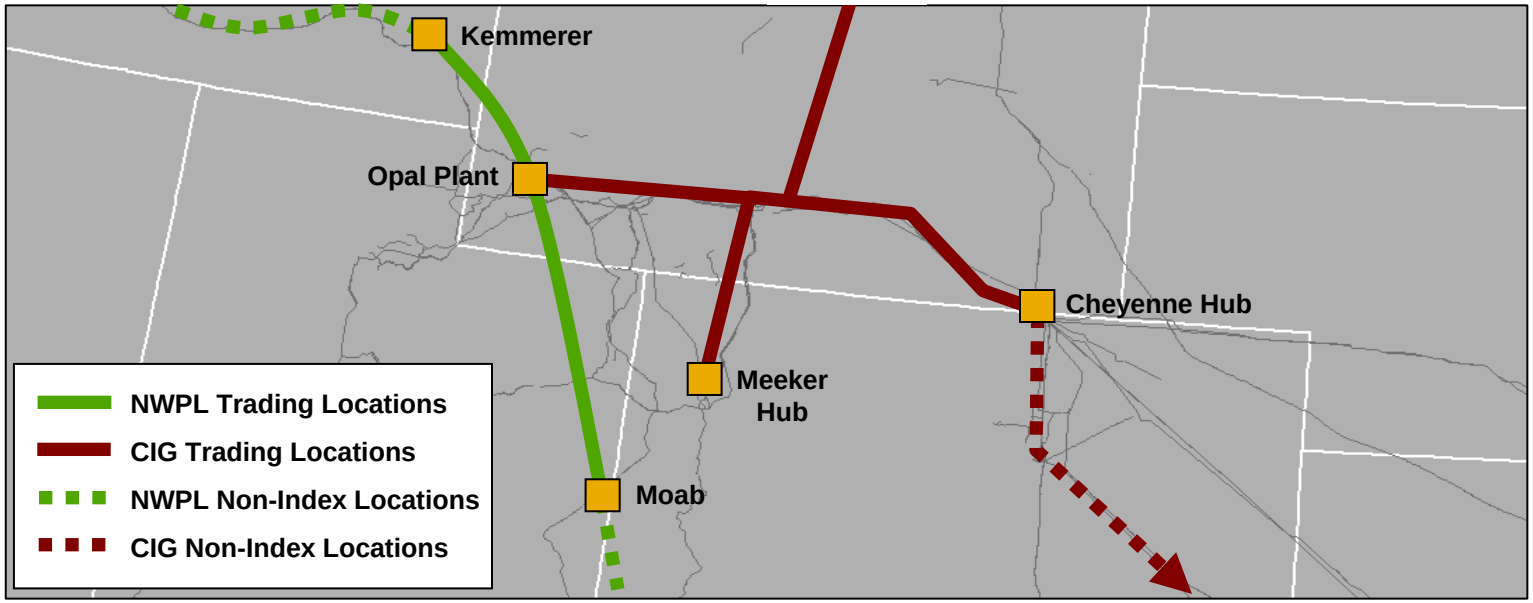
Source: Platts Gas Daily, NYMEX, Counterparty Quotations Effective Date: 1/26/2009

Market Price Determination



- Available gas is traded in a highly competitive and transparent physical market
- The weighted average price of these transactions is aggregated by price reporting agencies to create **index prices** that are used in future transactions

Rockies Price Determination



- Transactions occurring in solid line regions contribute to index pricing on Northwest Pipeline and Colorado Interstate Gas
- Trades occurring in dashed line regions do not contribute to NWPL and CIG index pricing
  - Bidweek: The last 5 business days of the month
  - Index Price: An average of physical fixed price trades for the prompt month at defined locations during bidweek

Rockies Region Overview

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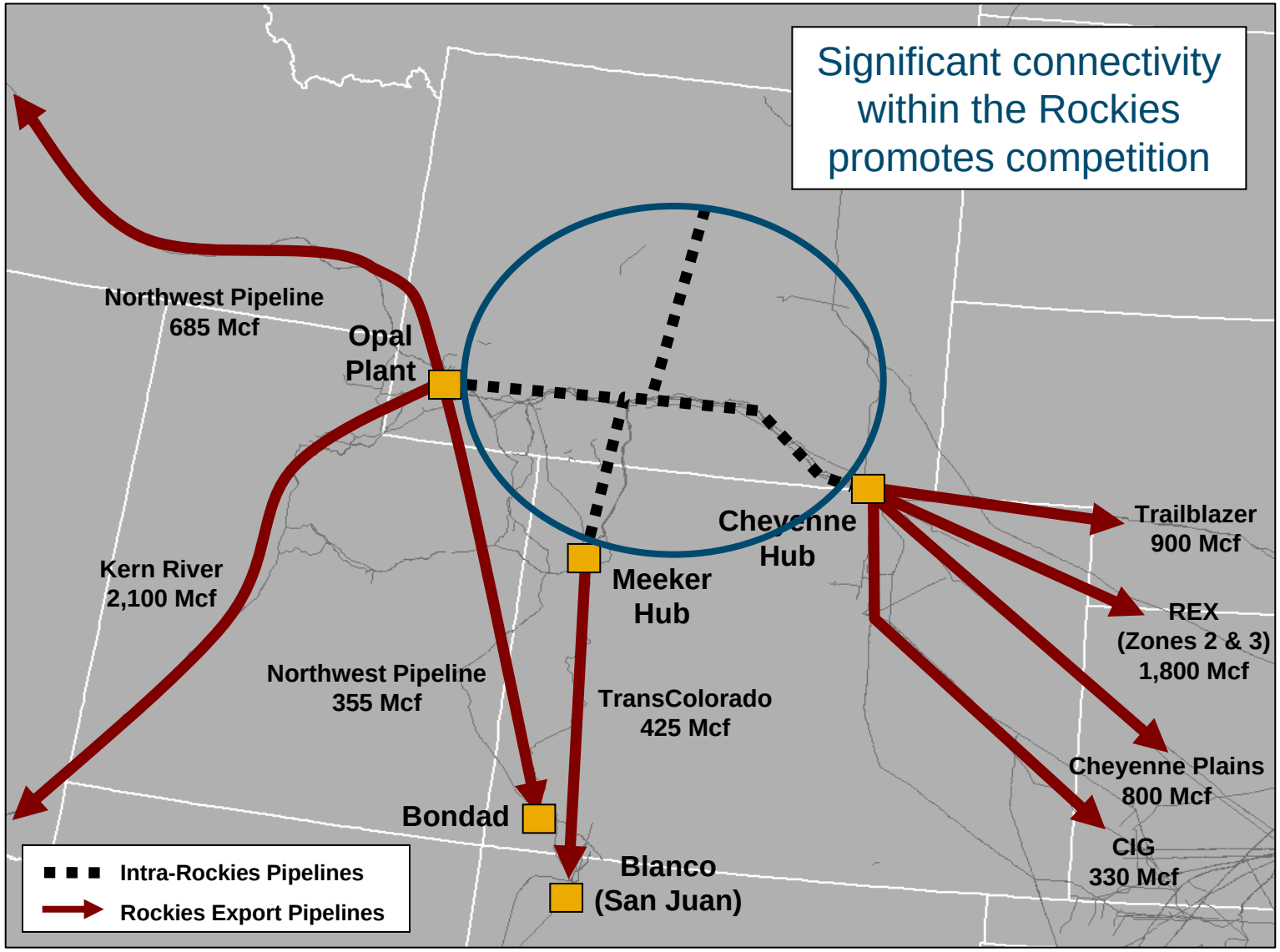
What makes the Rockies different?

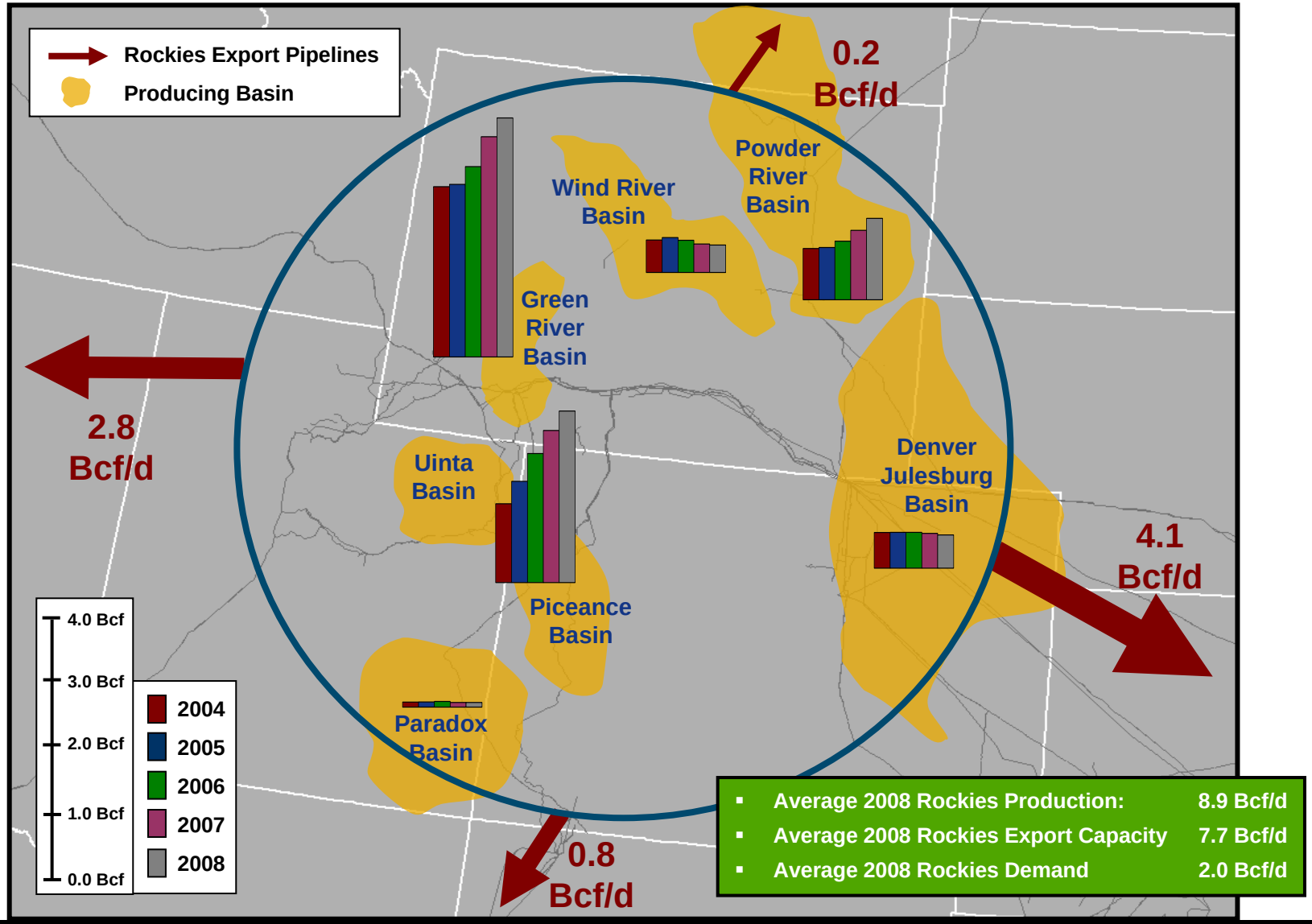
- Rockies prices are generally depressed relative to other US pricing points
  - **Cause**
    - Strong production growth and vast resource base given recent technology advances
    - Limited local demand – less than 25% of current supply
    - Mountain terrain presents challenges for drilling and building infrastructure (high-cost environment)
    - Timing disconnect between new supply and new infrastructure
    - Constrained export capacity to consuming regions
  - **Effect**
    - Lower regional prices complicate the capital allocation process
    - Field development plans must include infrastructure cost and timing
    - Producers need to drive proactive long-term solutions
      - “Wait and see” approach too risky

Rockies Pipeline Grid



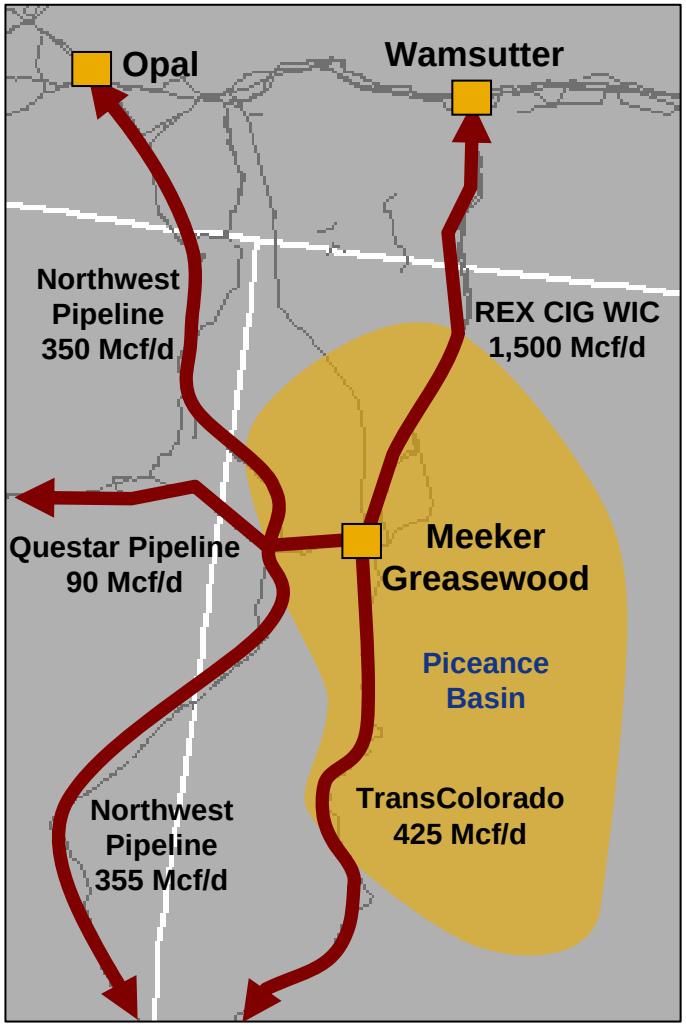
Source: Pipeline FERC Electronic Bulletin Boards

Rockies Supply Bubble

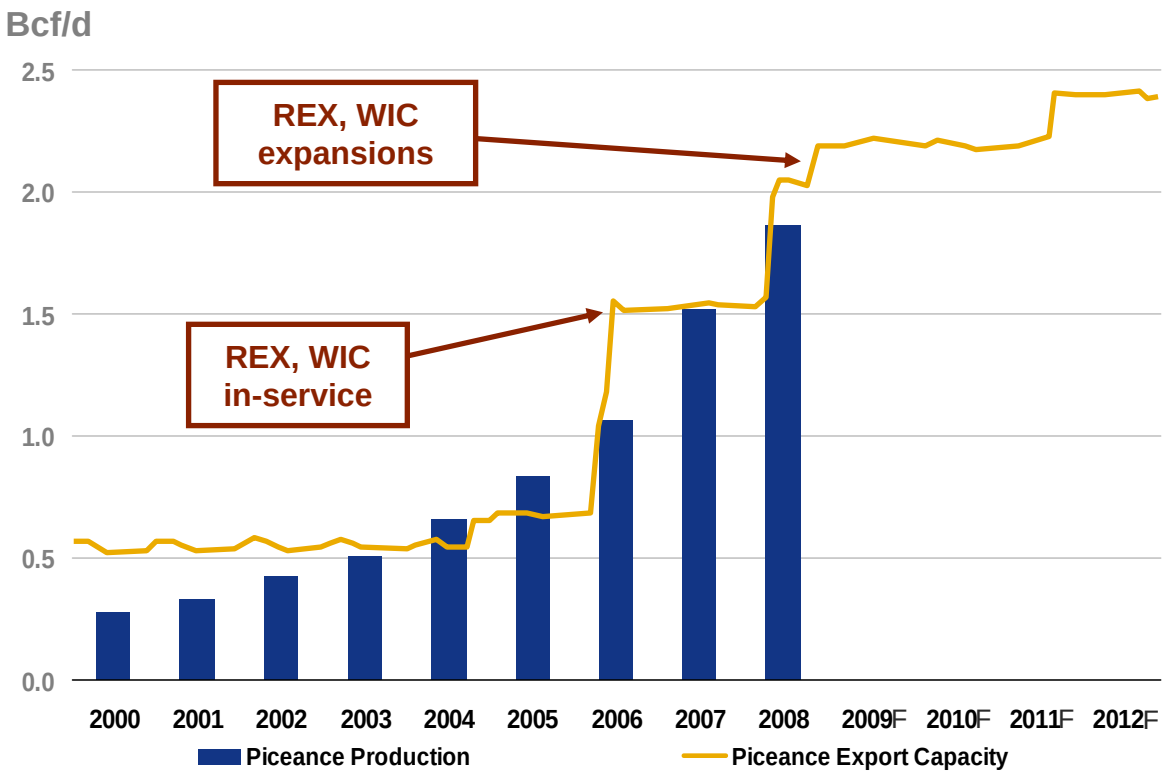


Source: Bentek

Piceance Production vs. Exports

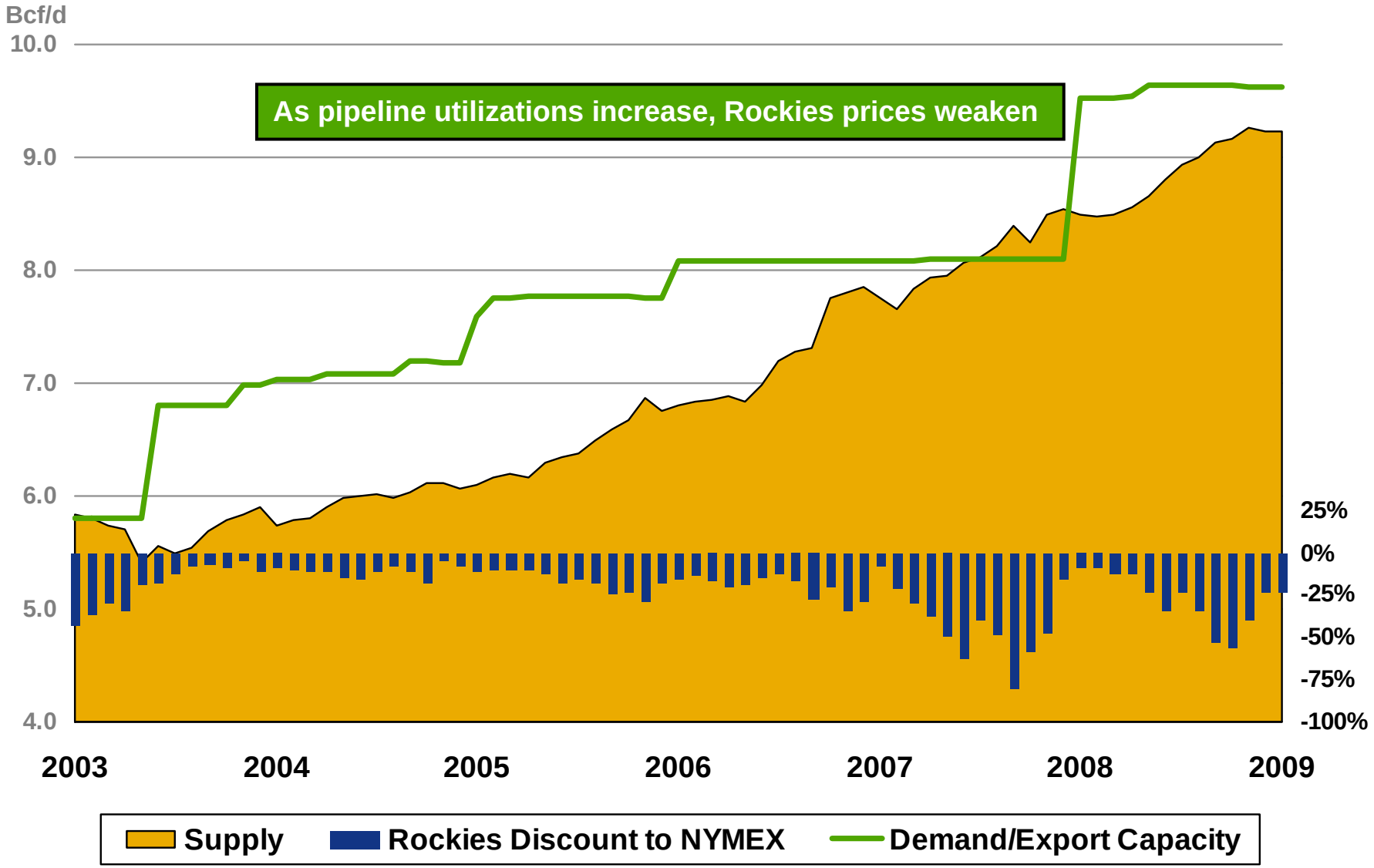


- Producers proactively committed to infrastructure (REX, WIC, TransColorado)
- Limited local (Meeker) differential to Rockies prices because infrastructure has led production



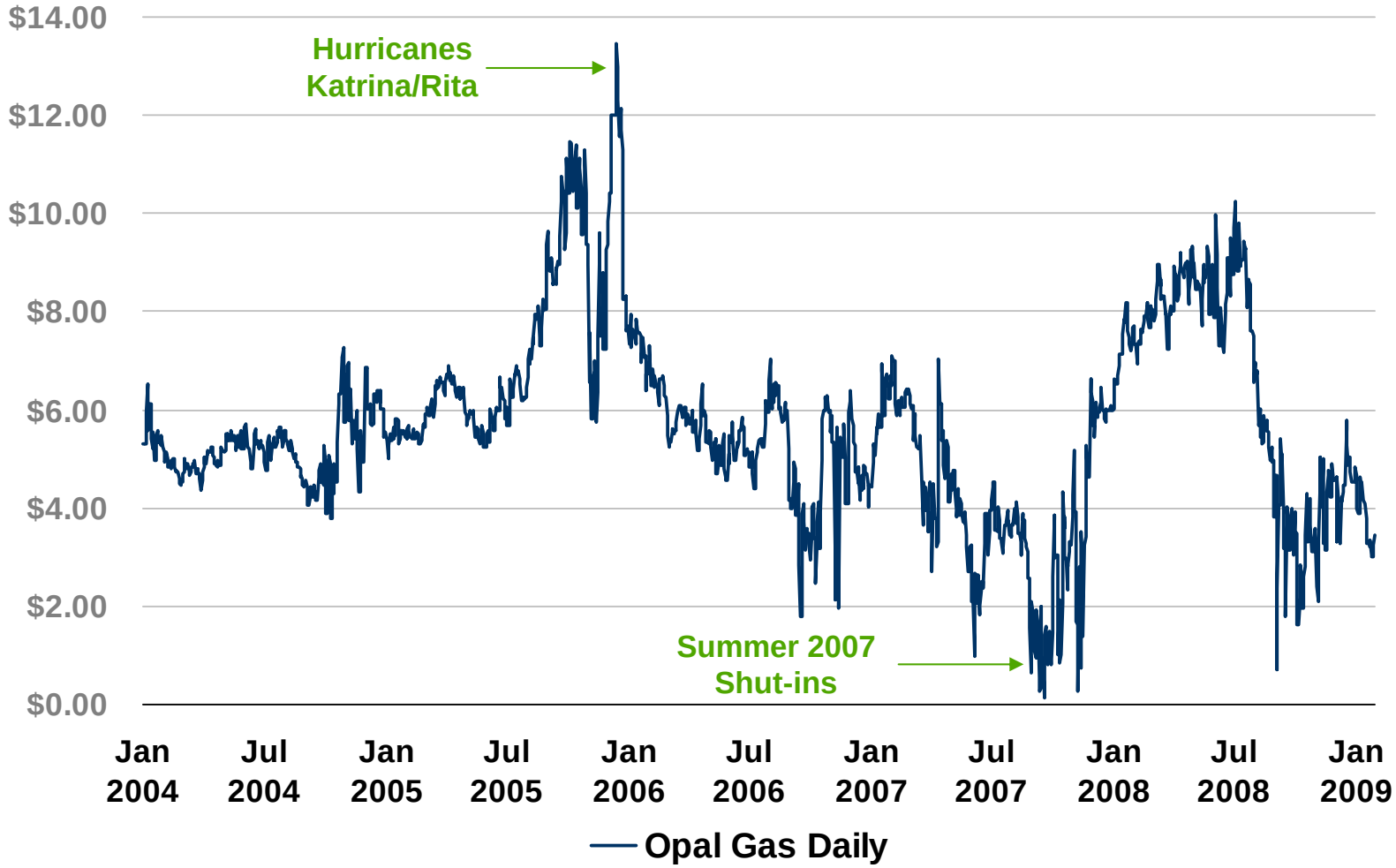
Source: Bentek

Rockies Supply, Demand, and Price Relationship



Source: NYMEX, IHS

Historical Volatility – Rockies Daily Pricing



Source: Platts

What’s in store for the future…

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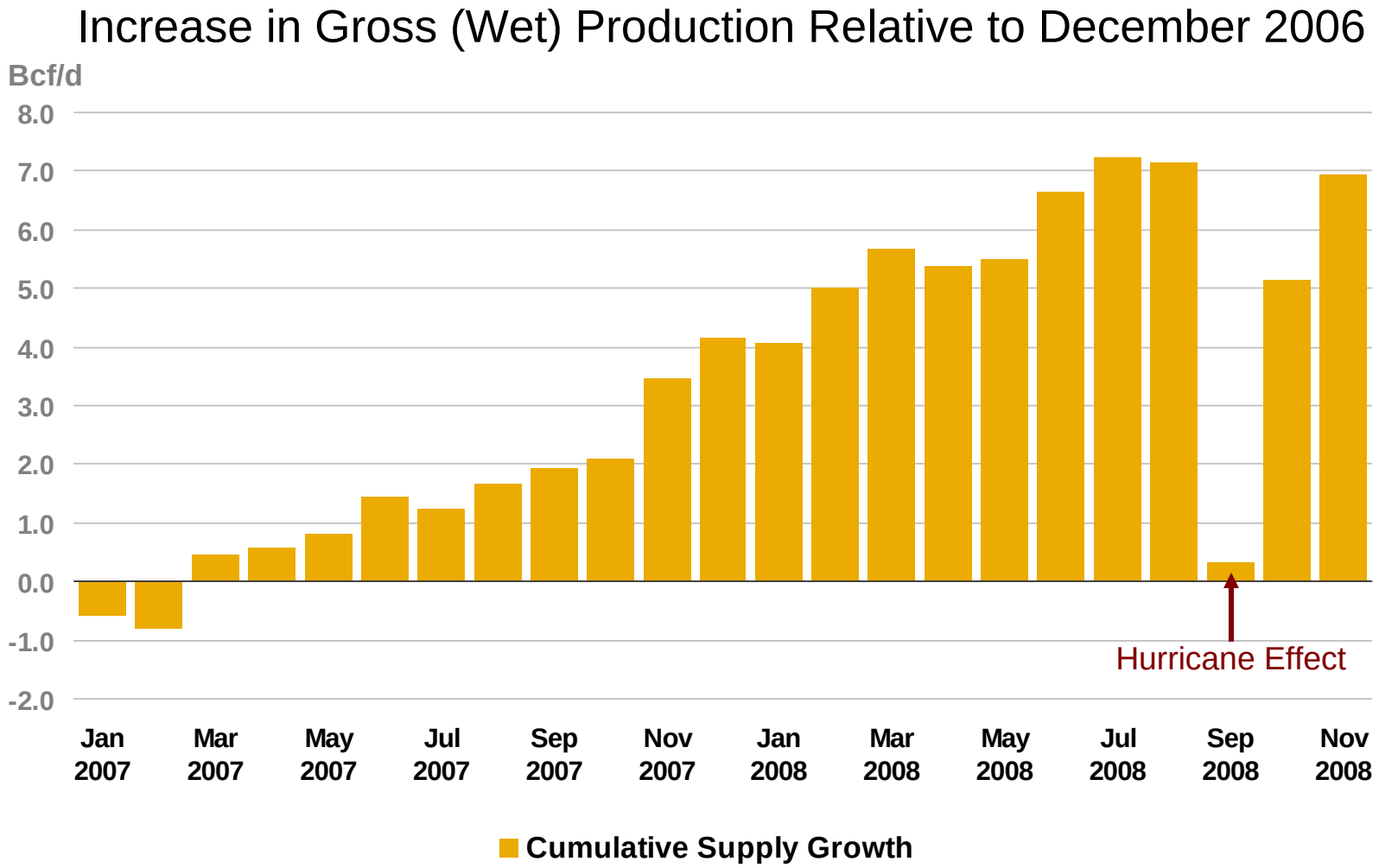
Lower 48 Supply Growth

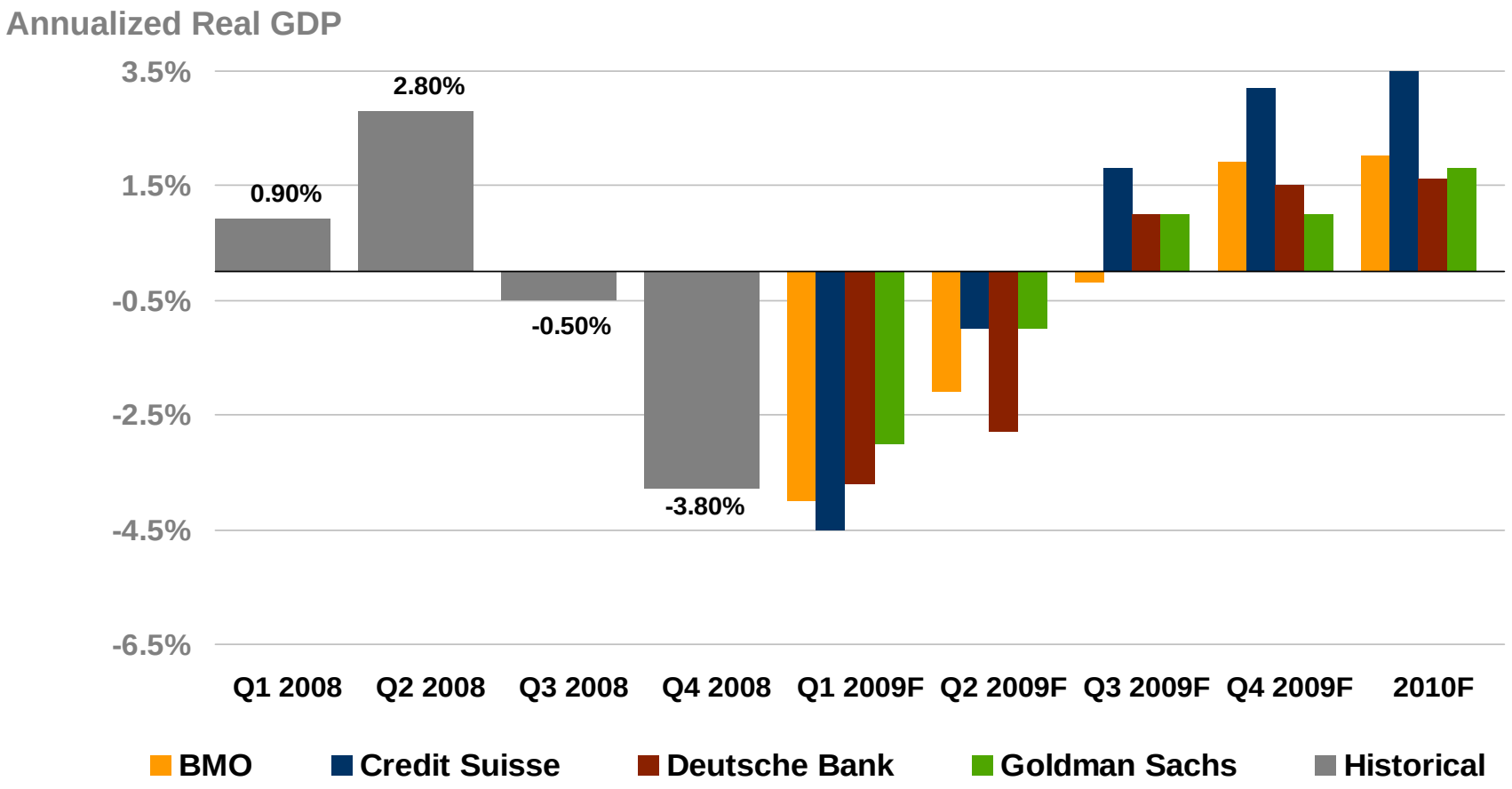


Lower 48 Supply growth has been robust despite hurricane related disruptions

Source: EIA-914 Gross Withdrawals

U.S. Economic Outlook

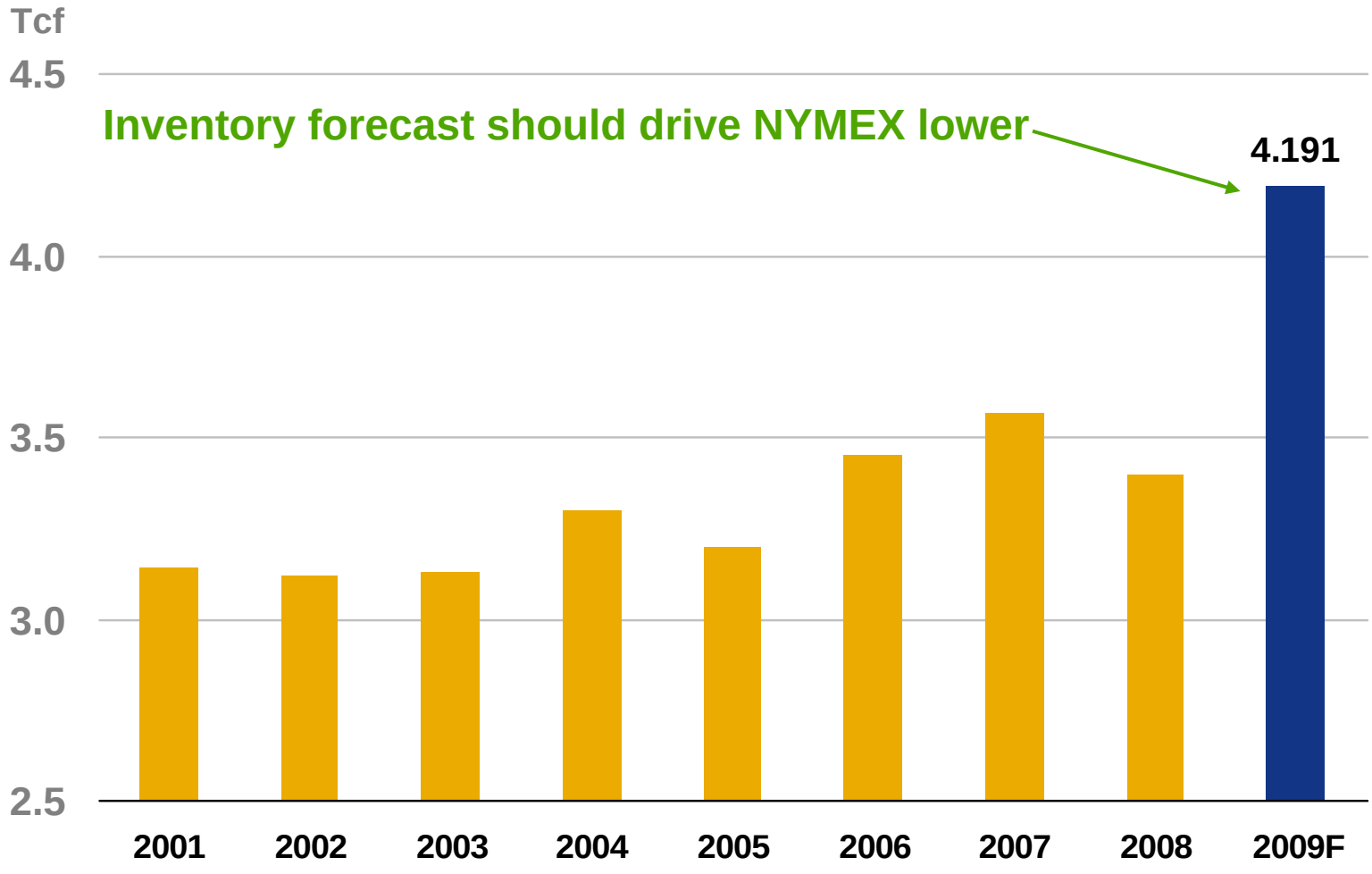
Consensus suggests that the recession will end by Q2 2009 with growth returning at a modest pace



Source: Blue Chip Survey

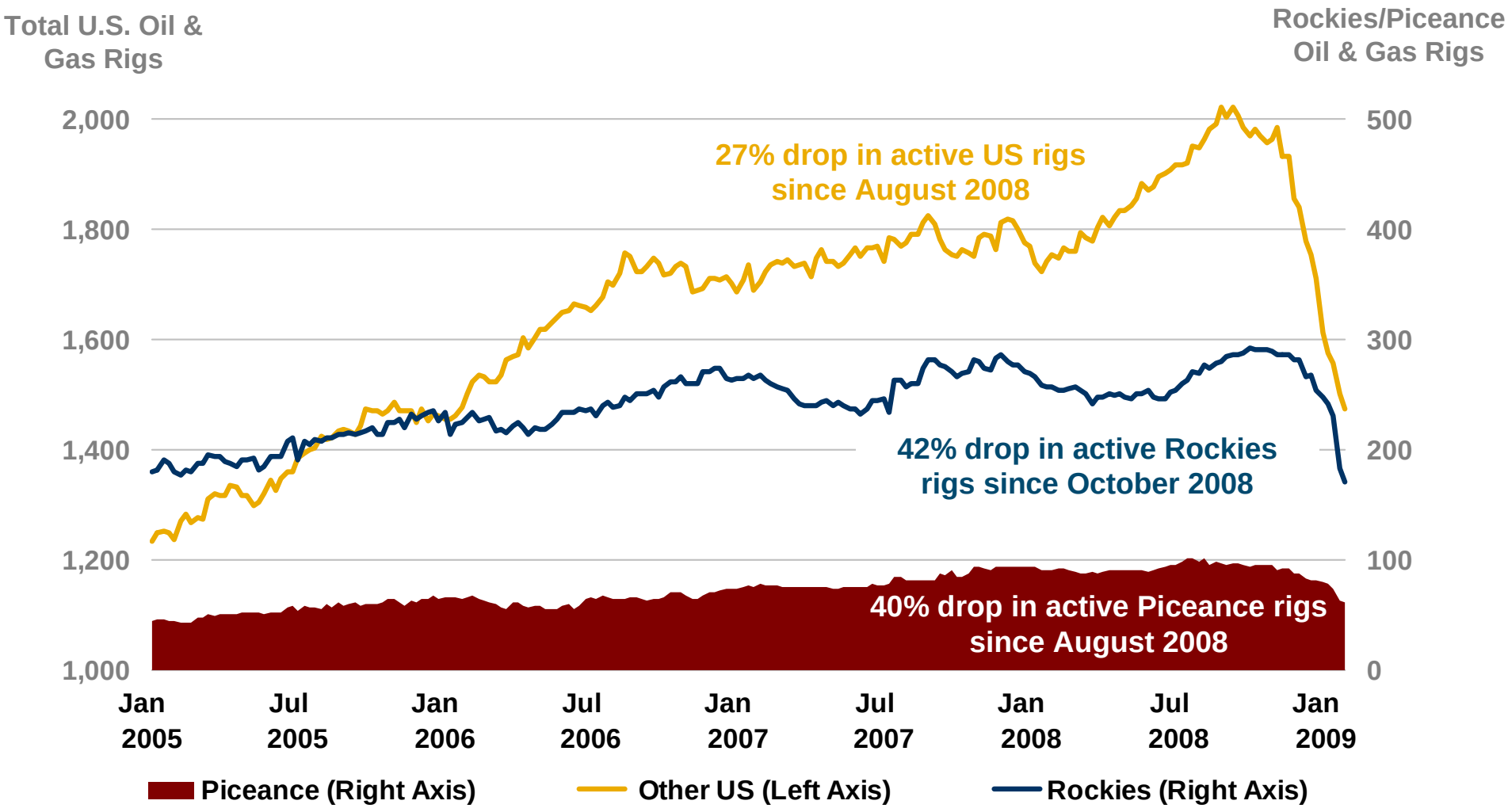
October 31 US Storage Inventory Levels

Recent inventory draws indicate a supply surplus of roughly 7 Bcf/d



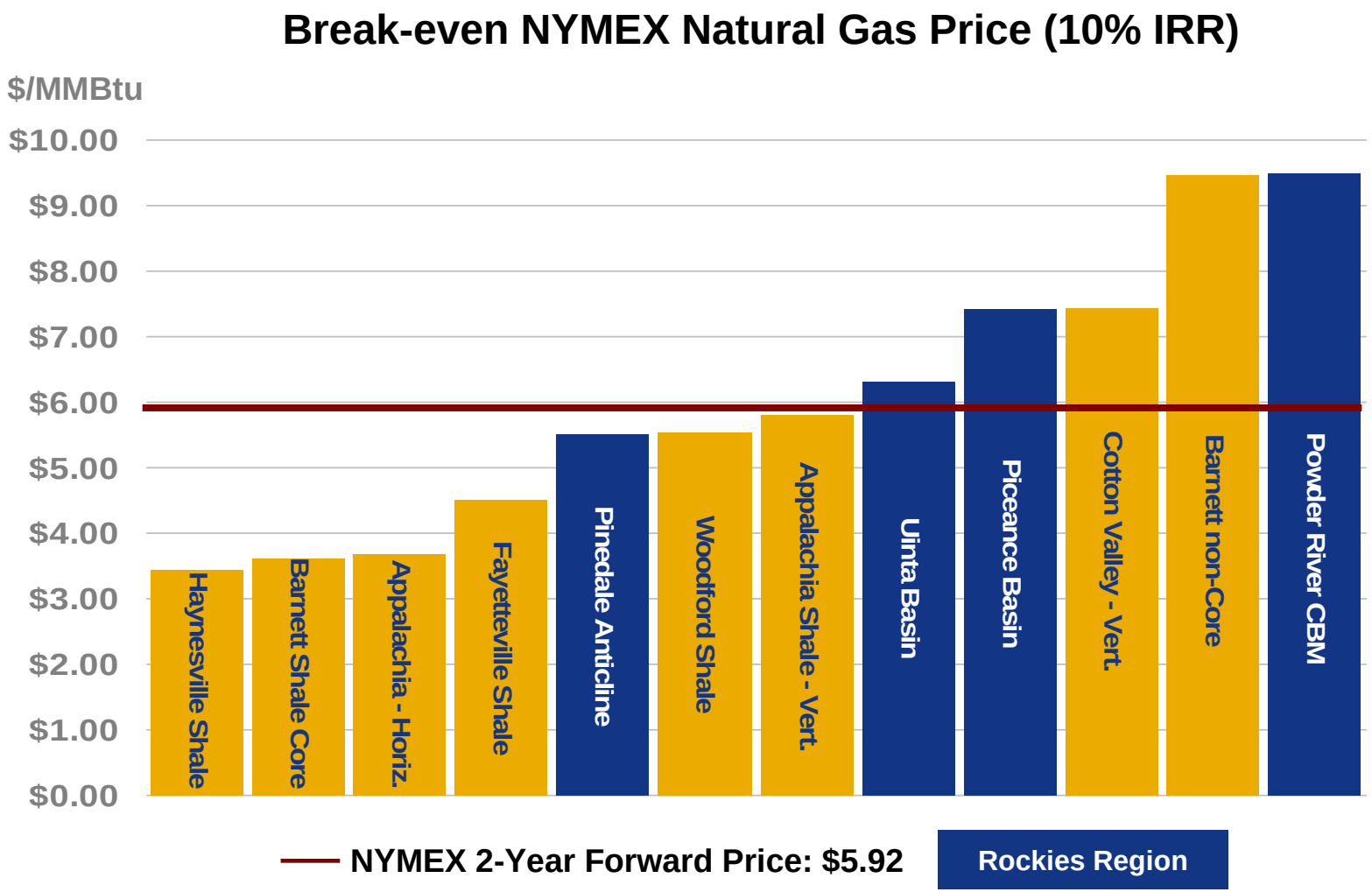
Source: RBS Sempra

Lower 48 Weekly Rig Counts



Source: Baker Hughes, Drilling Records

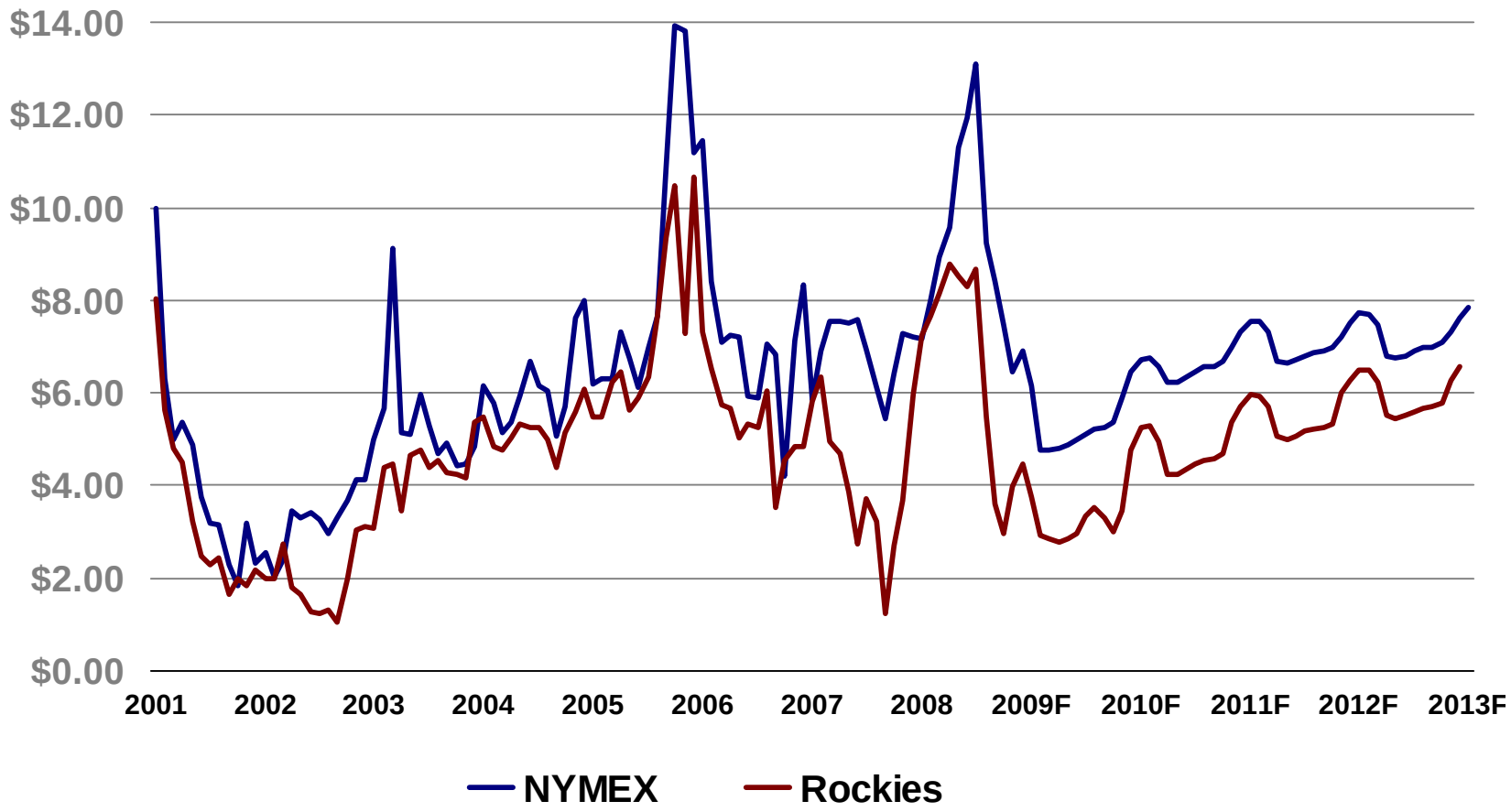
North American Supply Costs



Source: Credit Suisse Estimates (December 12, 2008), NYMEX price as of: 1/28/2009

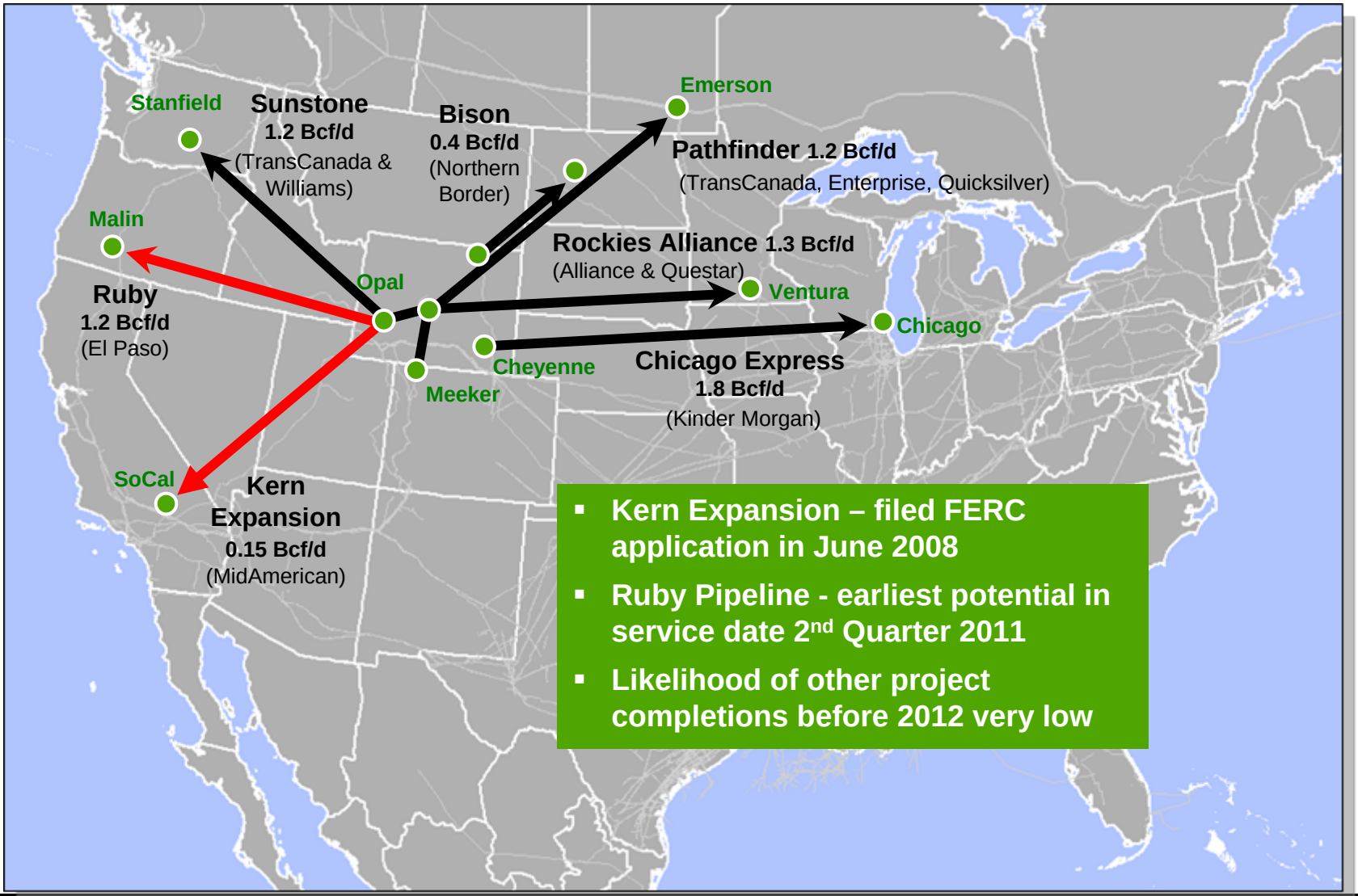
NYMEX vs. Rockies Prices

Supply and demand imbalances cause large variations in price. However, the long-term trend is toward the cost of producing unconventional supply.



Source: NYMEX, Platts, Prices as of January 22, 2009

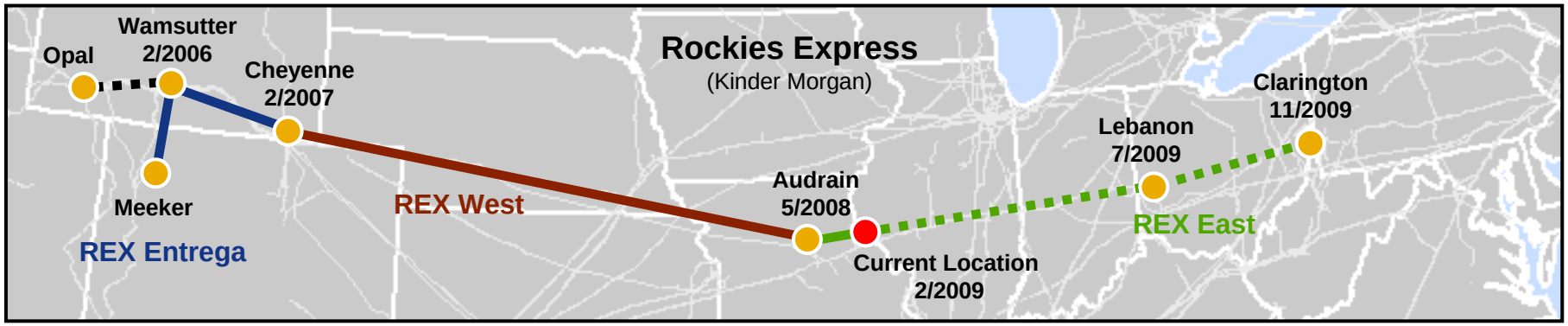
Proposed Rockies Pipelines



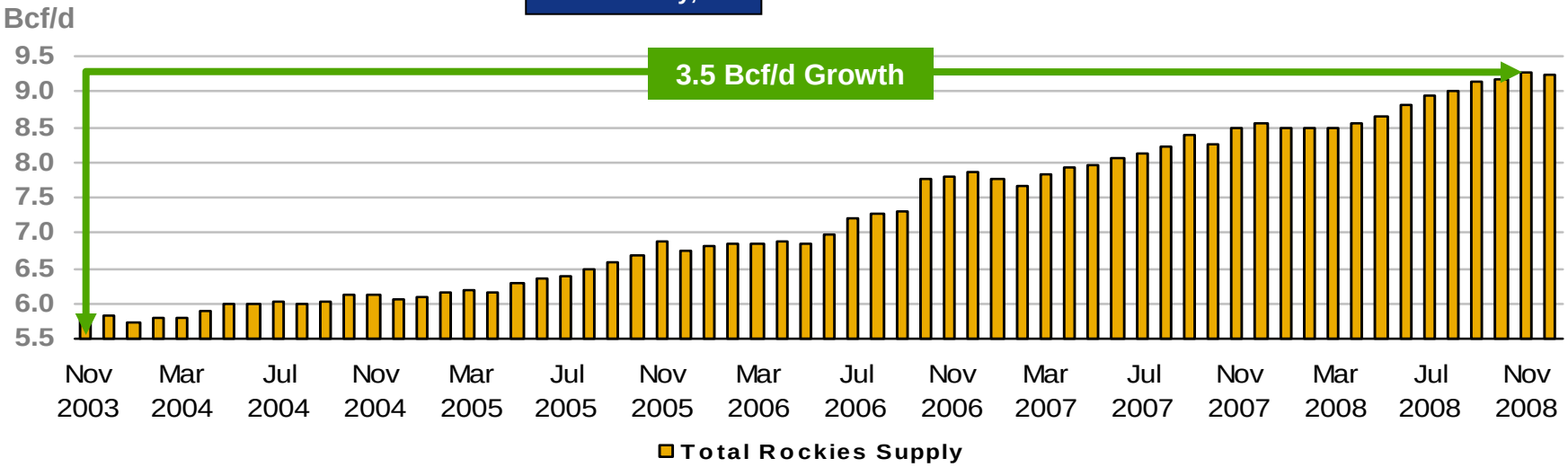
- Kern Expansion – filed FERC application in June 2008
- Ruby Pipeline - earliest potential in service date 2nd Quarter 2011
- Likelihood of other project completions before 2012 very low

Source: EnCana, pipeline project developers

Rockies Express Development Timeline



Q4 2003	November 2005	February 2007	April 2007	May 2008	June 2008
Entrega pipeline development process (EnCana)	REX-West initiates FERC regulatory process	REX Entrega pipeline placed in service to Cheyenne Hub in Weld County, CO	FERC approves construction of REX-West	REX-West fully operational to Audrain County, MO	FERC approves construction of REX-East



Source: Bentek, Rockies Express Pipeline

Current Rockies Dynamics

- **Challenges**
  - The majority of Rockies plays have high development cost
  - New pipeline timing uncertainty
    - Lack of pipeline capacity increases price volatility
  - Regulatory uncertainty

- **Opportunities**
  - Support infrastructure
    - Producers being proactive in support of infrastructure
    - Support Governor Ritter's call for economic stimulus package funds for pipeline construction
  - Support demand side initiatives
    - Gas-fired power generation, peaking fuel for renewable projects
    - CNG
    - Industrial base

Supplemental Slides

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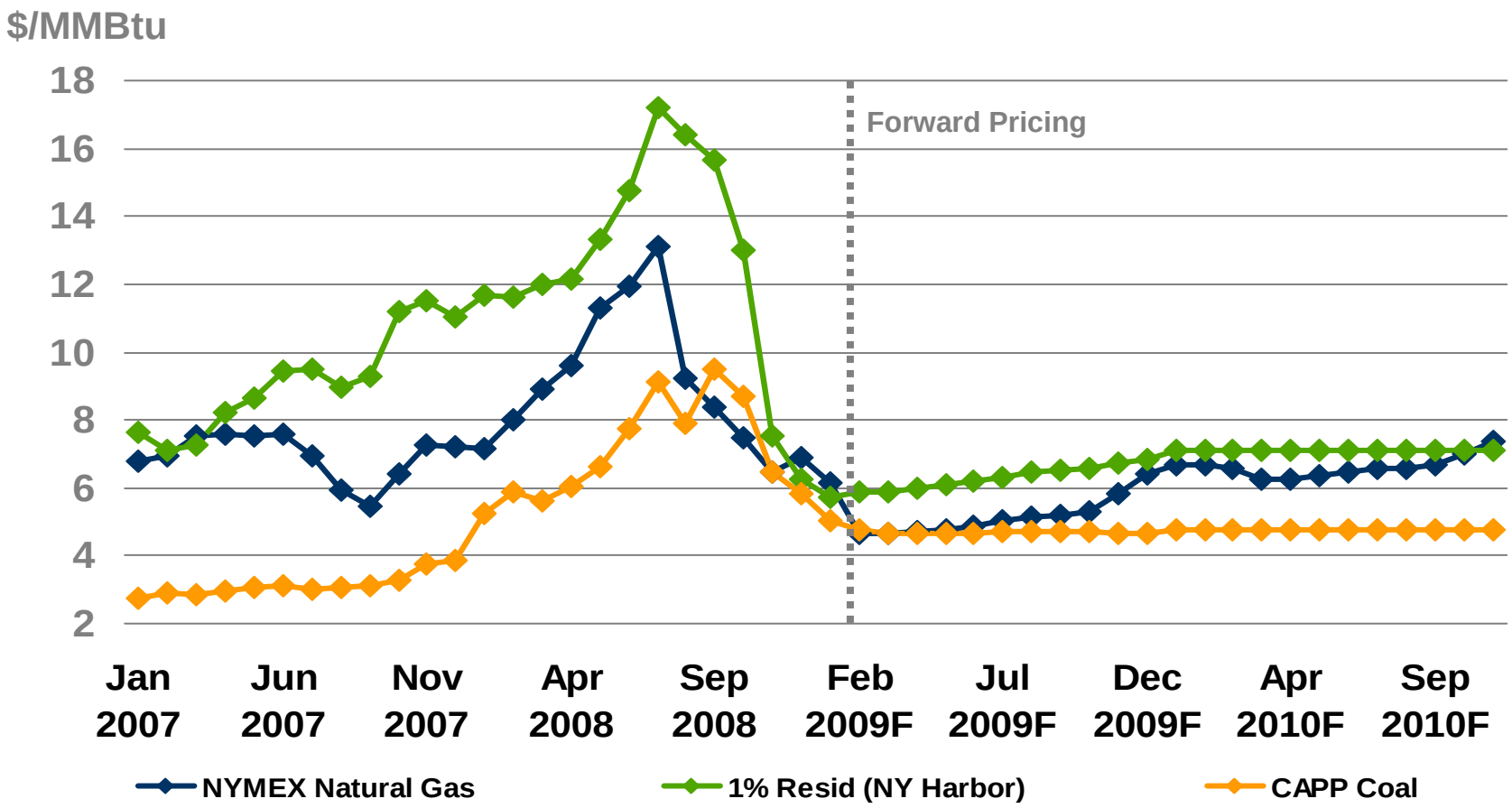
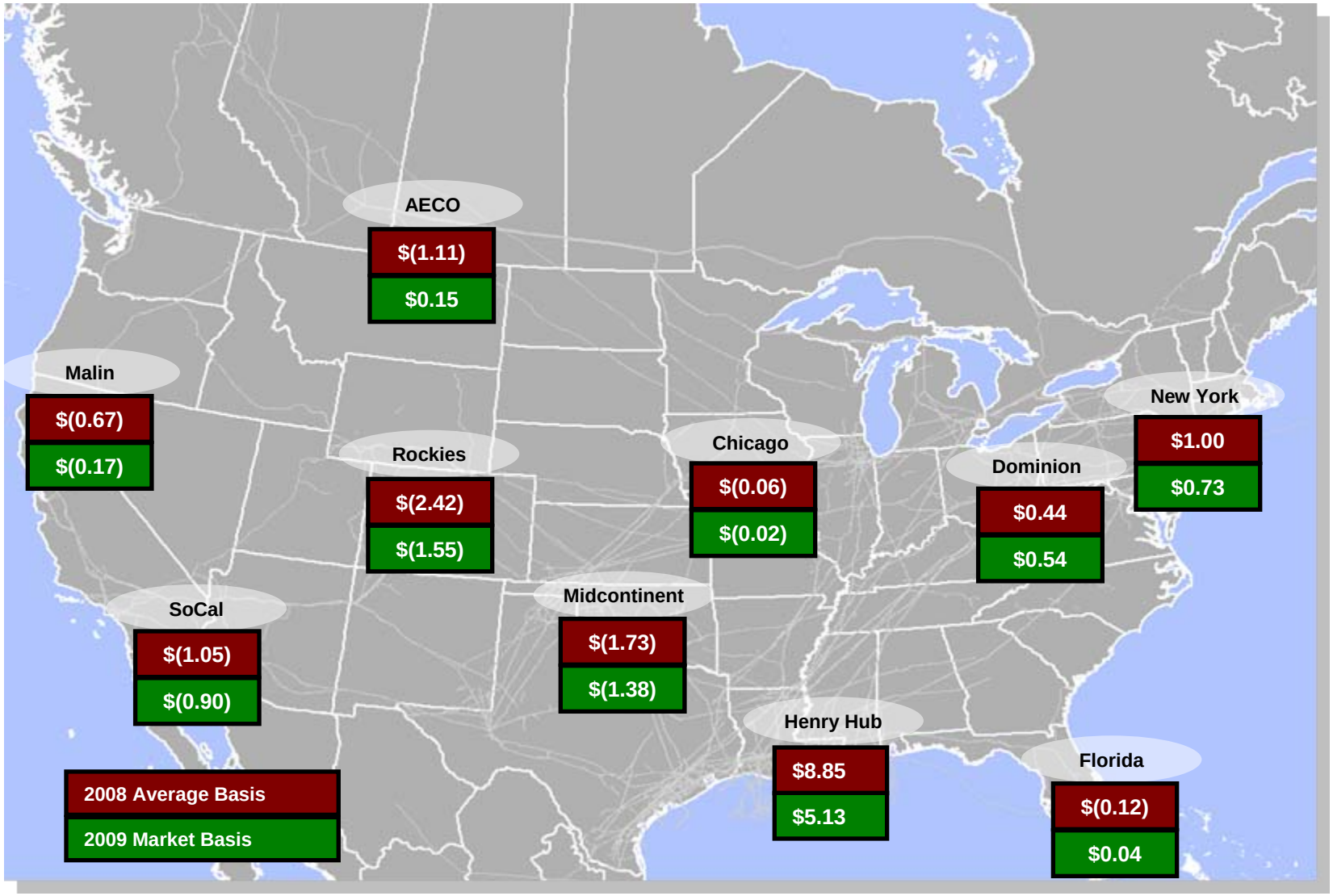
Relative Fuel Pricing

Residual fuel oil prices have fallen dramatically (with crude prices) and are now competitive with natural gas in certain power generation markets



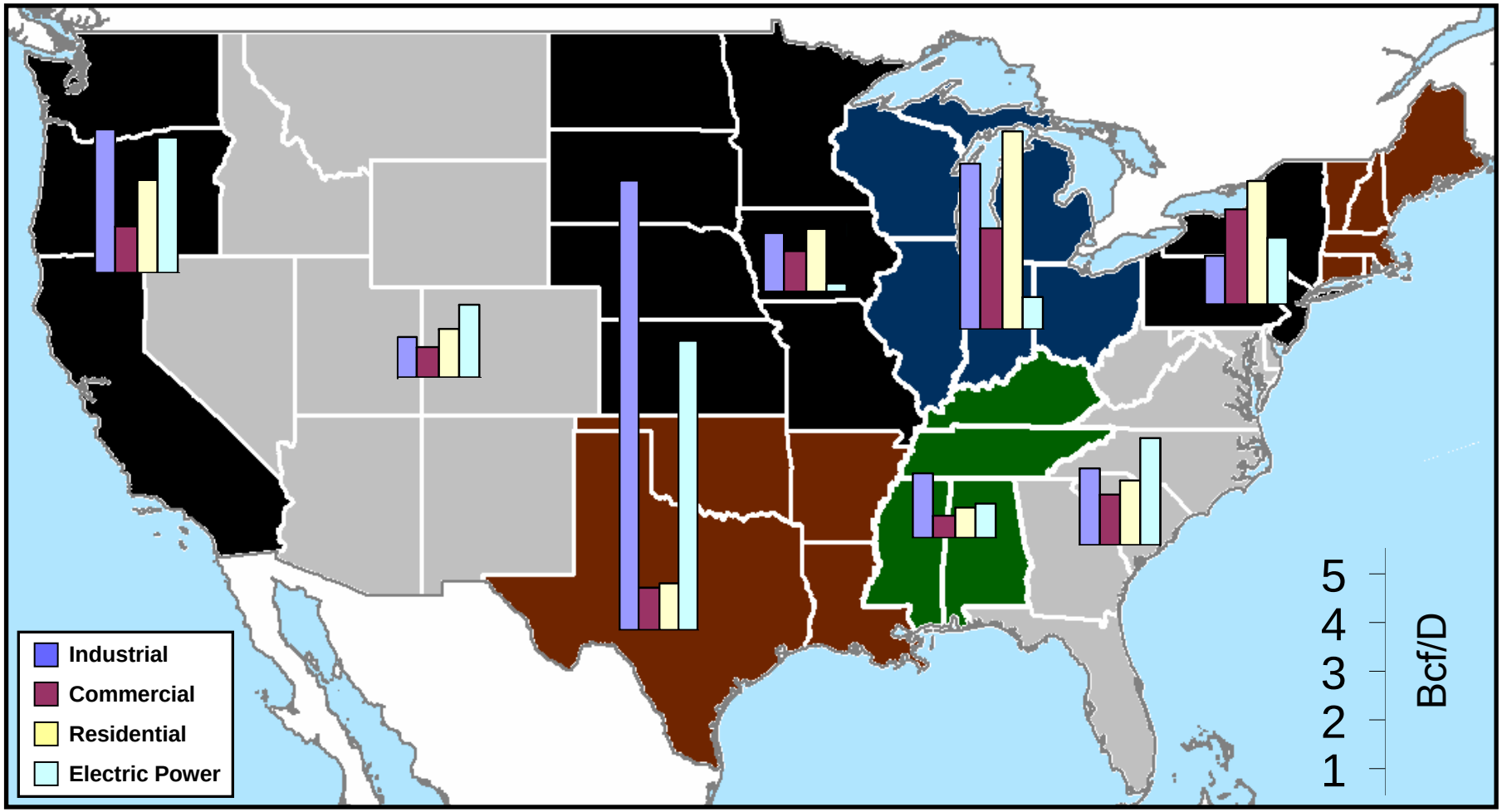
Source: NYMEX

Regional Index Price Differentials



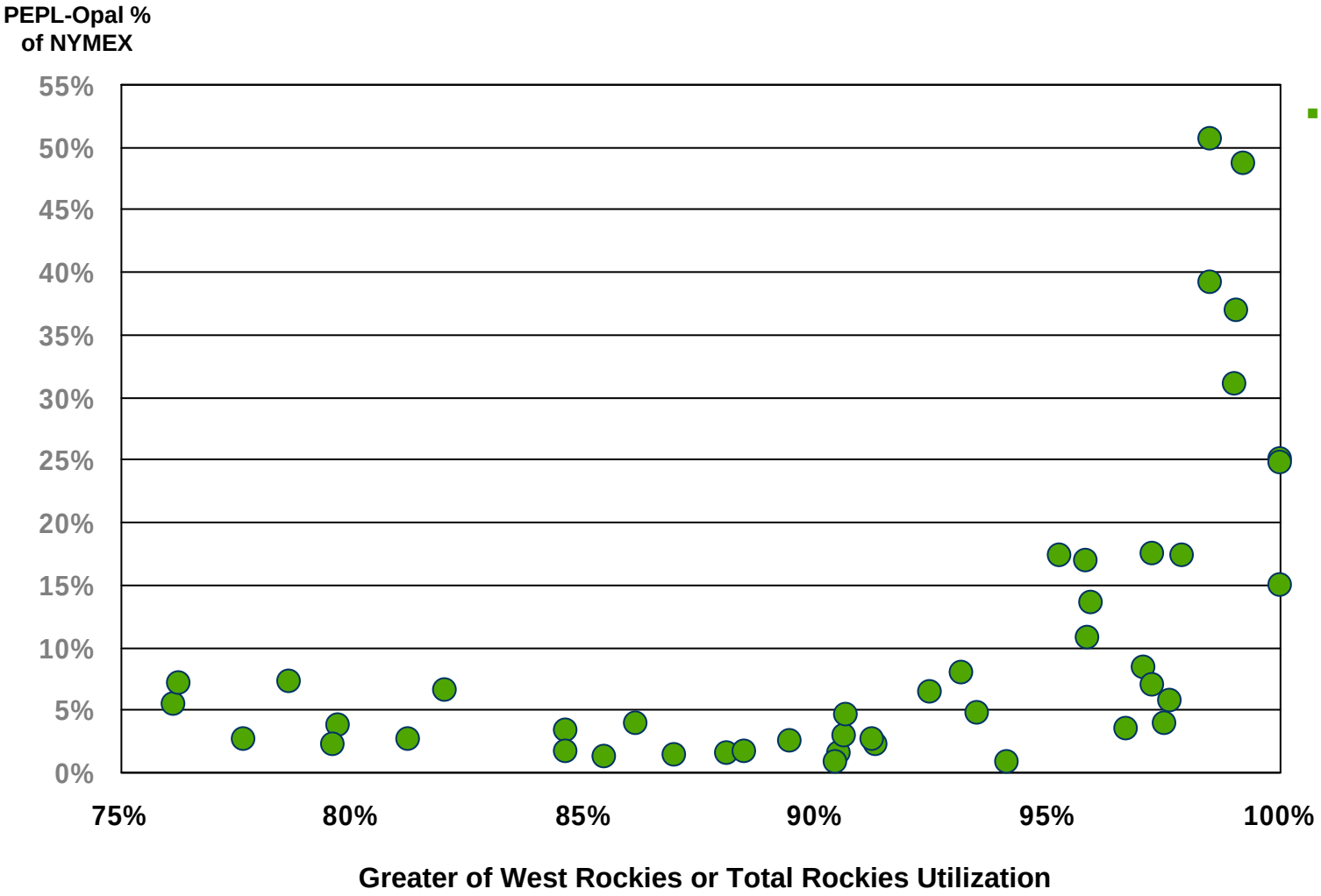
Source: Platts Gas Daily, NYMEX, Counterparty Quotations Effective Date: 1/26/2009

Regional Gas Use per Specific Sector



Source: EIA

Export Utilization Versus Rockies Relative Price



- As Rockies export utilizations approach full capacity, the Panhandle to Rockies spread basis, as a percentage of NYMEX, increases

Source: