Encana Corporation

Interim Condensed Consolidated Financial Statements
(unaudited)

For the period ended March 31, 2013

(U.S. Dollars)

Condensed Consolidated Statement of Earnings *(unaudited)*

($ millions, except per share amounts)		Three Months Ended March 31, 2013	2012
Revenues, Net of Royalties	*(Note 3)*	**$ 1,059**	$ 1,799
Expenses	*(Note 3)*		
Production and mineral taxes		**25**	24
Transportation and processing		**355**	313
Operating		**223**	210
Purchased product		**102**	105
Depreciation, depletion and amortization		**395**	587
Accretion of asset retirement obligation	*(Note 11)*	**14**	14
Administrative		**95**	102
Interest	*(Note 5)*	**140**	123
Foreign exchange (gain) loss, net	*(Note 6)*	**102**	(102)
Other		**(4)**	(2)
		1,447	1,374
Net Earnings (Loss) Before Income Tax		**(388)**	425
Income tax expense	*(Note 7)*	**43**	413
Net Earnings (Loss)		**$ (431)**	$ 12
Net Earnings (Loss) per Common Share	*(Note 12)*		
Basic		**$ (0.59)**	$ 0.02
Diluted		**$ (0.59)**	$ 0.02

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

($ millions)		Three Months Ended March 31, 2013	2012
Net Earnings (Loss)		**$ (431)**	$ 12
Other Comprehensive Income (Loss), Net of Tax			
Foreign currency translation adjustment	*(Note 13)*	**(19)**	24
Pension and other post-employment benefit plans	*(Notes 13, 15)*	**3**	4
Other Comprehensive Income (Loss)		**(16)**	28
Comprehensive Income (Loss)		**$ (447)**	$ 40

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

($ millions)		As at March 31, 2013	As at December 31, 2012
Assets			
Current Assets			
Cash and cash equivalents		**$ 2,878**	$ 3,179
Accounts receivable and accrued revenues		**982**	1,236
Risk management	*(Note 17)*	**147**	479
Income tax receivable		**621**	560
Deferred income taxes		**82**	23
		4,710	5,477
Property, Plant and Equipment, at cost:	*(Note 8)*		
Natural gas and oil properties, based on full cost accounting			
Proved properties		**51,234**	50,953
Unproved properties		**1,143**	1,295
Other		**3,303**	3,379
Property, plant and equipment		**55,680**	55,627
Less: Accumulated depreciation, depletion and amortization		**(45,770)**	(45,876)
Property, plant and equipment, net	*(Note 3)*	**9,910**	9,751
Cash in Reserve		**32**	54
Other Assets		**501**	466
Risk Management	*(Note 17)*	**110**	111
Deferred Income Taxes		**1,104**	1,116
Goodwill	*(Note 3)*	**1,699**	1,725
	(Note 3)	**$ 18,066**	$ 18,700
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 1,760**	$ 2,003
Income tax payable		**6**	45
Risk management	*(Note 17)*	**58**	5
Current portion of long-term debt	*(Note 9)*	**500**	500
Deferred income taxes		**235**	59
		2,559	2,612
Long-Term Debt	*(Note 9)*	**7,159**	7,175
Other Liabilities and Provisions	*(Note 10)*	**2,703**	2,672
Risk Management	*(Note 17)*	**9**	10
Asset Retirement Obligation	*(Note 11)*	**934**	936
		13,364	13,405
Commitments and Contingencies	*(Note 18)*		
Shareholders' Equity			
Share capital - authorized unlimited common shares, without par value			
735.7 and 736.3 million shares issued and outstanding, respectively	*(Note 12)*	**2,352**	2,354
Paid in surplus		**13**	10
Retained earnings		**1,683**	2,261
Accumulated other comprehensive income	*(Note 13)*	**654**	670
Total Shareholders' Equity		**4,702**	5,295
		$ 18,066	$ 18,700

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Three Months Ended March 31, 2013 ($ millions)		Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2012		**$ 2,354**	**$ 10**	**$ 2,261**	**$ 670**	**$ 5,295**
Share-Based Compensation		**-**	**1**	**-**	**-**	**1**
Net Earnings (Loss)		**-**	**-**	**(431)**	**-**	**(431)**
Common Shares Cancelled	*(Note 12)*	**(2)**	**2**	**-**	**-**	**-**
Dividends on Common Shares	*(Note 12)*	**-**	**-**	**(147)**	**-**	**(147)**
Other Comprehensive Income (Loss)	*(Note 13)*	**-**	**-**	**-**	**(16)**	**(16)**
Balance, March 31, 2013		**$ 2,352**	**$ 13**	**$ 1,683**	**$ 654**	**$ 4,702**

Three Months Ended March 31, 2012 ($ millions)		Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2011		$ 2,354	$ 5	$ 5,643	$ 576	$ 8,578
Share-Based Compensation		-	2	-	-	2
Net Earnings (Loss)		-	-	12	-	12
Dividends on Common Shares	*(Note 12)*	-	-	(147)	-	(147)
Other Comprehensive Income (Loss)	*(Note 13)*	-	-	-	28	28
Balance, March 31, 2012		$ 2,354	$ 7	$ 5,508	$ 604	$ 8,473

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

($ millions)		Three Months Ended March 31, 2013	2012
Operating Activities			
Net earnings (loss)		**$ (431)**	$ 12
Depreciation, depletion and amortization		**395**	587
Accretion of asset retirement obligation	*(Note 11)*	**14**	14
Deferred income taxes	*(Note 7)*	**110**	547
Unrealized (gain) loss on risk management	*(Note 17)*	**385**	(63)
Unrealized foreign exchange (gain) loss	*(Note 6)*	**114**	(90)
Other		**(12)**	5
Net change in other assets and liabilities		**(22)**	(20)
Net change in non-cash working capital		**(215)**	(375)
Cash From (Used in) Operating Activities		**338**	617
Investing Activities			
Capital expenditures	*(Note 3)*	**(715)**	(1,120)
Acquisitions	*(Note 4)*	**(22)**	(153)
Proceeds from divestitures	*(Note 4)*	**108**	2,513
Cash in reserve		**22**	421
Net change in investments and other		**153**	(23)
Cash From (Used in) Investing Activities		**(454)**	1,638
Financing Activities			
Issuance of revolving long-term debt		**-**	1,721
Repayment of revolving long-term debt		**-**	(1,724)
Repayment of long-term debt		**-**	(503)
Dividends on common shares	*(Note 12)*	**(147)**	(147)
Capital lease payments		**(2)**	(13)
Cash From (Used in) Financing Activities		**(149)**	(666)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**(36)**	4
Increase (Decrease) in Cash and Cash Equivalents		**(301)**	1,593
Cash and Cash Equivalents, Beginning of Period		**3,179**	800
Cash and Cash Equivalents, End of Period		**$ 2,878**	$ 2,393
Cash, End of Period		**$ 132**	$ 104
Cash Equivalents, End of Period		**2,746**	2,289
Cash and Cash Equivalents, End of Period		**$ 2,878**	$ 2,393

See accompanying Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

1. Basis of Presentation

Encana Corporation and its subsidiaries ("Encana" or "the Company") are in the business of the exploration for, the development of, and the production and marketing of natural gas, oil and natural gas liquids ("NGLs"). The term liquids is used to represent Encana's oil, NGLs and condensate.

The interim Condensed Consolidated Financial Statements include the accounts of Encana and are presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2012, except as noted below in Note 2. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. Certain information and disclosures normally required to be included in the notes to the annual audited Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2012.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

On January 1, 2013, Encana adopted the following accounting standards updates issued by the Financial Accounting Standards Board ("FASB"), which have not had a material impact on the Company's interim Condensed Consolidated Financial Statements:

- Accounting Standards Update 2011-11, “Disclosures about Offsetting Assets and Liabilities”, and Accounting Standards Update 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities”, require disclosure of both gross and net information about certain financial instruments eligible for offset in the balance sheet and certain financial instruments subject to master netting arrangements. The amendments have been applied retrospectively.

- Accounting Standards Update 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”, requires enhanced disclosures about amounts reclassified out of accumulated other comprehensive income. The amendments have been applied prospectively.

New Standards Issued Not Yet Adopted

As of January 1, 2014, Encana will be required to adopt the following accounting standards updates issued by the FASB, which are not expected to have a material impact on the Company’s Consolidated Financial Statements:

- Accounting Standards Update 2013-04, “Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date”, clarifies guidance for the recognition, measurement and disclosure of liabilities resulting from joint and several liability arrangements. The amendments will be applied retrospectively.

- Accounting Standards Update 2013-05, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity”, clarifies the applicable guidance for certain transactions that result in the release of the cumulative translation adjustment into net earnings. The amendments will be applied prospectively.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information

Encana's reportable segments are determined based on the Company's operations and geographic locations as follows:

- **Canadian Division** includes the exploration for, development of, and production of natural gas, oil and NGLs and other related activities within the Canadian cost centre.

- **USA Division** includes the exploration for, development of, and production of natural gas, oil and NGLs 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 Canadian and USA Divisions. 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 reporting 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 are eliminated on consolidation.

Encana has reclassified unrealized financial hedging gains and losses of $7 million related to the Company’s power financial derivative contracts to transportation and processing within the Corporate and Other segment for the three months ended March 31, 2012. Formerly, these were presented in operating expense. Encana has updated its presentation to align the treatment with realized financial hedging gains and losses, which are included in the Canadian Division transportation and processing expense. The Condensed Consolidated Statement of Earnings and the accompanying segmented information disclosed in this note, along with the impact of realized and unrealized gains and losses on risk management activities disclosed in Note 17, have been updated accordingly.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the three months ended March 31)

Segment and Geographic Information

	Canadian Division		USA Division		Market Optimization	
	2013	2012	**2013**	2012	**2013**	2012
Revenues, Net of Royalties	**$ 643**	$ 723	**$ 662**	$ 878	**$ 117**	$ 121
Expenses						
Production and mineral taxes	**2**	3	**23**	21	**-**	-
Transportation and processing	**172**	133	**184**	173	**-**	-
Operating	**103**	97	**112**	101	**1**	10
Purchased product	**-**	-	**-**	-	**102**	105
	366	490	**343**	583	**14**	6
Depreciation, depletion and amortization	**151**	234	**208**	330	**3**	3
	$ 215	$ 256	**$ 135**	$ 253	**$ 11**	$ 3

	Corporate & Other		Consolidated	
	2013	2012	**2013**	2012
Revenues, Net of Royalties	**$ (363)**	$ 77	**$ 1,059**	$ 1,799
Expenses				
Production and mineral taxes	**-**	-	**25**	24
Transportation and processing	**(1)**	7	**355**	313
Operating	**7**	2	**223**	210
Purchased product	**-**	-	**102**	105
	(369)	68	**354**	1,147
Depreciation, depletion and amortization	**33**	20	**395**	587
	$ (402)	$ 48	**(41)**	560
Accretion of asset retirement obligation			**14**	14
Administrative			**95**	102
Interest			**140**	123
Foreign exchange (gain) loss, net			**102**	(102)
Other			**(4)**	(2)
			347	135
Net Earnings (Loss) Before Income Tax			**(388)**	425
Income tax expense			**43**	413
Net Earnings (Loss)			**$ (431)**	$ 12

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the three months ended March 31)

Intersegment Information

	Marketing Sales		Market Optimization Upstream Eliminations		Total	
	2013	2012	**2013**	2012	**2013**	2012
Revenues, Net of Royalties	**$ 1,350**	$ 1,205	**$ (1,233)**	$ (1,084)	**$ 117**	$ 121
Expenses						
Transportation and processing	**127**	132	**(127)**	(132)	**-**	-
Operating	**12**	22	**(11)**	(12)	**1**	10
Purchased product	**1,189**	1,039	**(1,087)**	(934)	**102**	105
Operating Cash Flow	**$ 22**	$ 12	**$ (8)**	$ (6)	**$ 14**	$ 6

Capital Expenditures

	Three Months Ended March 31,	
	2013	2012
Canadian Division	**$ 409**	$ 515
USA Division	**283**	563
Market Optimization	**-**	6
Corporate & Other	**23**	36
	$ 715	$ 1,120

Goodwill, Property, Plant and Equipment and Total Assets by Segment

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	March 31, 2013	December 31, 2012	**March 31, 2013**	December 31, 2012	**March 31, 2013**	December 31, 2012
Canadian Division	**$ 1,226**	$ 1,252	**$ 3,089**	$ 2,960	**$ 4,819**	$ 4,748
USA Division	**473**	473	**4,479**	4,405	**5,755**	5,664
Market Optimization	**-**	-	**101**	106	**182**	161
Corporate & Other	**-**	-	**2,241**	2,280	**7,310**	8,127
	$ 1,699	$ 1,725	**$ 9,910**	$ 9,751	**$ 18,066**	$ 18,700

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Acquisitions and Divestitures

	Three Months Ended March 31, 2013	2012
Acquisitions		
Canadian Division	**$ 16**	$ 56
USA Division	**6**	97
Total Acquisitions	**22**	153
Divestitures		
Canadian Division	**(98)**	(2,399)
USA Division	**(10)**	(114)
Total Divestitures	**(108)**	(2,513)
Net Acquisitions & (Divestitures)	**$ (86)**	$ (2,360)

Acquisitions

For the three months ended March 31, 2013, acquisitions in the Canadian and USA Divisions totaled $22 million (2012 - $153 million), which primarily included land and property purchases with oil and liquids rich natural gas production potential.

Divestitures

For the three months ended March 31, 2013, divestitures were $98 million in the Canadian Division and $10 million in the USA Division, which primarily included the sale of non-core assets.

For the three months ended March 31, 2012, divestitures were $2,399 million in the Canadian Division and $114 million in the USA Division. The Canadian Division included C$1.45 billion received from a Mitsubishi Corporation subsidiary. The Canadian Division also received approximately C$920 million from the sale of two natural gas processing plants in British Columbia and Alberta. The USA Division received proceeds of $114 million from the remainder of the North Texas asset sale.

Amounts received from these transactions have been deducted from the respective Canadian and U.S. full cost pools.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Interest

	Three Months Ended March 31, 2013	2012
Interest Expense on:		
Debt	**$ 115**	$ 121
Other [(1)]	**25**	2
	$ 140	$ 123

(1) Other interest for 2013 primarily includes interest related to the Bow office project.

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended March 31, 2013	2012
Unrealized Foreign Exchange (Gain) Loss on:		
Translation of U.S. dollar debt issued from Canada	**$ 120**	$ (106)
Translation of U.S. dollar risk management contracts issued from Canada	**(6)**	16
	114	(90)
Foreign Exchange on Intercompany Transactions	**-**	(7)
Other Monetary Revaluations and Settlements	**(12)**	(5)
	$ 102	$ (102)

7. Income Taxes

	Three Months Ended March 31, 2013	2012
Current Tax		
Canada	**$ (73)**	$ (124)
United States	**-**	(26)
Other Countries	**6**	16
Total Current Tax Expense (Recovery)	**(67)**	(134)
Deferred Tax		
Canada	**84**	240
United States	**51**	190
Other Countries	**(25)**	117
Total Deferred Tax Expense	**110**	547
	$ 43	$ 413

Encana's interim income tax expense is calculated using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax, plus amounts in respect of prior periods. The estimated annual effective income tax rate is impacted by the expected annual earnings, along with the tax benefits and expenses resulting from permanent differences including tax on divestitures and related pool adjustments, international financing, the non-taxable portions of capital gains or losses and the effect of legislative changes.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

8. Property, Plant and Equipment, Net

	As at March 31, 2013			As at December 31, 2012		
	Cost	Accumulated DD&A*	Net	Cost	Accumulated DD&A*	Net
Canadian Division						
Proved properties	$ 25,951	$ (23,626)	$ 2,325	$ 26,024	$ (23,962)	$ 2,062
Unproved properties	617	-	617	716	-	716
Other	147	-	147	182	-	182
	26,715	(23,626)	3,089	26,922	(23,962)	2,960
USA Division						
Proved properties	25,179	(21,449)	3,730	24,825	(21,236)	3,589
Unproved properties	526	-	526	579	-	579
Other	223	-	223	237	-	237
	25,928	(21,449)	4,479	25,641	(21,236)	4,405
Market Optimization	231	(130)	101	235	(129)	106
Corporate & Other	2,806	(565)	2,241	2,829	(549)	2,280
	$ 55,680	$ (45,770)	$ 9,910	$ 55,627	$ (45,876)	$ 9,751

* Depreciation, depletion and amortization.

The Canadian Division and USA Division property, plant and equipment include internal costs directly related to exploration, development and construction activities of $96 million capitalized during the three months ended March 31, 2013 (2012 - $118 million). Included in Corporate and Other are $104 million ($104 million as at December 31, 2012) of international property costs, which have been fully impaired.

As at March 31, 2013, Canadian Division property, plant and equipment and total assets include Encana's accrual to date of $612 million ($612 million as at December 31, 2012) related to the Production Field Centre ("PFC") for the Deep Panuke offshore facility capitalized as an asset under construction.

As at March 31, 2013, Corporate and Other property, plant and equipment and total assets include accumulated costs to date of $1,640 million ($1,668 million as at December 31, 2012) related to The Bow office project. In 2012, Encana assumed partial occupancy of The Bow office premises and commenced payments to the third party developer under a 25-year lease agreement. As at March 31, 2013, Encana has assumed full occupancy of the building. The Bow asset is being depreciated over the 60-year estimated life of the building. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized (See Note 10).

Liabilities for the PFC and The Bow office project are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 10.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

9. Long-Term Debt

	C$ Principal Amount	As at March 31, 2013	As at December 31, 2012
Canadian Dollar Denominated Debt			
5.80% due January 18, 2018	$ 750	$ 738	$ 754
	$ 750	738	754
U.S. Dollar Denominated Debt			
4.75% due October 15, 2013		500	500
5.80% due May 1, 2014		1,000	1,000
5.90% due December 1, 2017		700	700
6.50% due May 15, 2019		500	500
3.90% due November 15, 2021		600	600
8.125% due September 15, 2030		300	300
7.20% due November 1, 2031		350	350
7.375% due November 1, 2031		500	500
6.50% due August 15, 2034		750	750
6.625% due August 15, 2037		500	500
6.50% due February 1, 2038		800	800
5.15% due November 15, 2041		400	400
		6,900	6,900
Total Principal		7,638	7,654
Increase in Value of Debt Acquired		44	46
Debt Discounts		(23)	(25)
Current Portion of Long-Term Debt		(500)	(500)
		$ 7,159	$ 7,175

Long-term debt is accounted for at amortized cost using the effective interest method of amortization. As at March 31, 2013, total long-term debt had a carrying value of $7,659 million and a fair value of $8,737 million (as at December 31, 2012 - $7,675 million carrying value and a fair value of $9,043 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company at period end.

10. Other Liabilities and Provisions

	As at March 31, 2013	As at December 31, 2012
The Bow Office Project (See Note 8)	$ 1,652	$ 1,674
Asset under Construction - Production Field Centre (See Note 8)	612	612
Obligation under Capital Lease	73	69
Unrecognized Tax Benefits	137	134
Pensions and Other Post-Employment Benefits	173	165
Other	56	18
	$ 2,703	$ 2,672

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

10. Other Liabilities and Provisions (continued)

The Bow Office Project

As described in Note 8, Encana has recognized the accumulated costs for The Bow office project as an asset with a related liability. In 2012, Encana commenced payments to the third party developer under a 25-year agreement. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized. Encana has also subleased part of The Bow office space to a subsidiary of Cenovus Energy Inc. ("Cenovus"). The total undiscounted future payments related to the lease agreement and the total undiscounted future amounts expected to be recovered from the Cenovus sublease are outlined below.

(undiscounted)	2013	2014	2015	2016	2017	Thereafter	Total
Expected future lease payments	$ 67	$ 91	$ 92	$ 92	$ 93	$ 2,076	**$ 2,511**
Sublease recoveries	$ (32)	$ (43)	$ (43)	$ (43)	$ (44)	$ (978)	**$ (1,183)**

Production Field Centre

As described in Note 8, during the construction phase of the PFC, Encana has recognized an asset under construction with a corresponding liability. Upon commencement of operations, Encana will recognize the PFC as a capital lease. Encana's total discounted future payments related to the PFC total $564 million. The total undiscounted future payments related to the PFC are outlined below.

(undiscounted)	2013	2014	2015	2016	2017	Thereafter	Total
Expected future lease payments	$ 51	$ 89	$ 89	$ 89	$ 89	$ 304	**$ 711**

11. Asset Retirement Obligation

	As at March 31, 2013	As at December 31, 2012
Asset Retirement Obligation, Beginning of Year	**$ 969**	$ 921
Liabilities Incurred	**10**	43
Liabilities Settled	**(14)**	(90)
Change in Estimated Future Cash Outflows	**-**	28
Accretion Expense	**14**	53
Foreign Currency Translation and Other	**(12)**	14
Asset Retirement Obligation, End of Period	**$ 967**	$ 969
Current Portion	**$ 33**	$ 33
Long-Term Portion	**934**	936
	$ 967	$ 969

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. Share Capital

Authorized

The Company is authorized to issue an unlimited number of no par value common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

Issued and Outstanding

	As at March 31, 2013		As at December 31, 2012	
	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	736.3	$ 2,354	736.3	$ 2,354
Common Shares Cancelled	(0.6)	(2)	-	-
Common Shares Outstanding, End of Period	735.7	$ 2,352	736.3	$ 2,354

During the three months ended March 31, 2013, Encana cancelled 650,000 common shares reserved for issuance to shareholders upon exchange of predecessor companies' shares. In accordance with the terms of the merger agreement which formed Encana, shares which have remained unexchanged were extinguished. Accordingly, the weighted average book value of the common shares extinguished has been transferred to paid in surplus.

Earnings Per Common Share

The following table presents the computation of net earnings per common share:

(millions, except per share amounts)	Three Months Ended March 31, 2013	2012
Net Earnings (Loss)	$ (431)	$ 12
Number of Common Shares:		
Weighted average common shares outstanding - Basic	736.2	736.3
Effect of dilutive securities	-	-
Weighted average common shares outstanding - Diluted	736.2	736.3
Net Earnings (Loss) per Common Share		
Basic	$ (0.59)	$ 0.02
Diluted	$ (0.59)	$ 0.02

Dividends

During the three months ended March 31, 2013, Encana paid dividends of $0.20 per common share totaling $147 million (2012 - $0.20 per common share totaling $147 million).

Encana Stock Option Plan

Encana has share-based compensation plans that allow employees to purchase common shares of the Company. Option exercise prices are not less than the market value of the common shares on the date the options are granted.

All options outstanding as at March 31, 2013 have associated Tandem Stock Appreciation Rights ("TSARs") attached. In lieu of exercising the option, the associated TSARs give the option holder the right to receive a cash payment equal to the excess of the market price of Encana's common shares at the time of the exercise over the original grant price. In addition, certain stock options granted are performance-based whereby vesting is also subject to Encana attaining prescribed performance relative to predetermined key measures. Historically, most holders of options with TSARs have elected to exercise their stock options as a Stock Appreciation Right ("SAR") in exchange for a cash payment. As a result, Encana does not consider outstanding TSARs to be dilutive securities.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. Share Capital (continued)

Encana Restricted Share Units ("RSUs")

Encana has a share-based compensation plan whereby eligible employees are granted RSUs. An RSU is a conditional grant to receive an Encana common share, or the cash equivalent, as determined by Encana, upon vesting of the RSUs and in accordance with the terms of the RSU Plan and Grant Agreement. The Company intends to settle vested RSUs in cash on the vesting date. As a result, Encana does not consider RSUs to be dilutive securities.

Encana Share Units Held by Cenovus Employees

On November 30, 2009, Encana completed a corporate reorganization to split into two independent publicly traded energy companies - Encana Corporation and Cenovus Energy Inc. (the "Split Transaction"). In conjunction with the Split Transaction, each holder of Encana share units disposed of their right in exchange for the grant of new Encana share units and Cenovus share units. Share units include TSARs, Performance TSARs, SARs, and Performance SARs. The terms and conditions of the share units are similar to the terms and conditions of the original share units.

With respect to the Encana share units held by Cenovus employees and the Cenovus share units held by Encana employees, both Encana and Cenovus have agreed to reimburse each other for share units exercised for cash by their respective employees. Accordingly, for Encana share units held by Cenovus employees, Encana has recorded a payable to Cenovus employees and a receivable due from Cenovus. The payable to Cenovus employees and the receivable due from Cenovus are based on the fair value of the Encana share units determined using the Black-Scholes-Merton model (See Notes 14 and 16). There is no impact on Encana's net earnings for the share units held by Cenovus employees. TSARs and Performance TSARs held by Cenovus employees will expire by December 2014.

Cenovus employees may exercise Encana TSARs and Encana Performance TSARs in exchange for Encana common shares. As at March 31, 2013, there were 1.8 million Encana TSARs and 2.5 million Encana Performance TSARs with a weighted average exercise price of C$30.50 and C$29.04, respectively, held by Cenovus employees, which were outstanding and exercisable.

13. Accumulated Other Comprehensive Income

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Foreign Currency Translation Adjustment		
Balance, Beginning of Year	**$ 739**	$ 658
Current Period Change in Foreign Currency Translation Adjustment	**(19)**	24
Balance, End of Period	**$ 720**	$ 682
Pension and Other Post-Employment Benefit Plans		
Balance, Beginning of Year	**$ (69)**	$ (82)
Reclassification of Net Actuarial Gains and Losses to Net Earnings (See Note 15)	**4**	4
Income Taxes	**(1)**	-
Balance, End of Period	**$ (66)**	$ (78)
Total Accumulated Other Comprehensive Income	**$ 654**	$ 604

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Compensation Plans

Encana has a number of compensation arrangements that form the Company's long-term incentive plan awarded to eligible employees. These primarily include TSARs, Performance TSARs, SARs, Performance SARs, Performance Share Units ("PSUs"), Deferred Share Units ("DSUs") and RSUs. These compensation arrangements are share-based.

Encana accounts for TSARs, Performance TSARs, SARs, Performance SARs, PSUs and RSUs held by Encana employees as cash-settled share-based payment transactions and accordingly, accrues compensation costs over the vesting period based on the fair value of the rights determined using the Black-Scholes-Merton and other fair value models.

As at March 31, 2013, the following weighted average assumptions were used to determine the fair value of the share units held by Encana employees:

	Encana US$ Share Units	Encana C$ Share Units	Cenovus C$ Share Units
Risk Free Interest Rate	1.01%	1.01%	1.01%
Dividend Yield	4.11%	4.08%	3.08%
Expected Volatility Rate	34.34%	30.92%	29.18%
Expected Term	2.1 yrs	2.3 yrs	0.5 yrs
Market Share Price	US$19.46	C$19.76	C$31.46

For the three months ended March 31, 2013, the Company has recognized the following share-based compensation costs:

	Three Months Ended March 31, 2013	2012
Compensation Costs of Transactions Classified as Cash-Settled	**$ 16**	$ 33
Compensation Costs of Transactions Classified as Equity-Settled [1]	**1**	2
Total Share-Based Compensation Costs	**17**	35
Less: Total Share-Based Compensation Costs Capitalized	**(4)**	(11)
Total Share-Based Compensation Expense	**$ 13**	$ 24
Recognized on the Consolidated Statement of Earnings in:		
Operating expense	**$ 5**	$ 9
Administrative expense	**8**	15
	$ 13	$ 24

(1) RSUs may be settled in cash or equity as determined by Encana. The Company's decision to cash settle RSUs was made subsequent to the grant date.

As at March 31, 2013, the liability for share-based payment transactions totaled $138 million as follows, of which $96 million is recognized in accounts payable and accrued liabilities.

	As at March 31, 2013	As at December 31, 2012
Liability for Unvested Cash-Settled Share-Based Payment Transactions	**$ 73**	$ 85
Liability for Vested Cash-Settled Share-Based Payment Transactions	**65**	71
Liability for Cash-Settled Share-Based Payment Transactions	**$ 138**	$ 156

The following units were granted primarily in conjunction with the Company's February annual long-term incentive award. The TSARs and SARs were granted at the market price of Encana's common shares on the grant date.

Three Months Ended March 31, 2013 (thousands of units)	
TSARs	8,961
SARs	4,757
PSUs	695
DSUs	139
RSUs	6,149

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Pension and Other Post-Employment Benefits

The Company has recognized total benefit plans expense which includes pension benefits and other post-employment benefits ("OPEB") for the three months ended March 31 as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	**2013**	2012	**2013**	2012
Defined Benefit Plan Expense	**$ 5**	$ 5	**$ 5**	$ 5	**$ 10**	$ 10
Defined Contribution Plan Expense	**10**	10	**-**	-	**10**	10
Total Benefit Plans Expense	**$ 15**	$ 15	**$ 5**	$ 5	**$ 20**	$ 20

Of the total benefit plans expense, $16 million (2012 - $16 million) was included in operating expense and $4 million (2012 - $4 million) was included in administrative expense.

The defined periodic pension and OPEB expense for the three months ended March 31 is as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	**2013**	2012	**2013**	2012
Current service costs	**$ 2**	$ 2	**$ 4**	$ 4	**$ 6**	$ 6
Interest cost	**3**	3	**1**	1	**4**	4
Expected return on plan assets	**(4)**	(4)	**-**	-	**(4)**	(4)
Amounts reclassified from accumulated other comprehensive income:						
Amortization of net actuarial gains and losses	**4**	4	**-**	-	**4**	4
Total Defined Benefit Plan Expense	**$ 5**	$ 5	**$ 5**	$ 5	**$ 10**	$ 10

The amounts recognized in other comprehensive income for the three months ended March 31 are as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	**2013**	2012	**2013**	2012
Total Amounts Recognized in Other Comprehensive (Income) Loss, Before Tax	**$ (4)**	$ (4)	**$ -**	$ -	**$ (4)**	$ (4)
Total Amounts Recognized in Other Comprehensive (Income) Loss, After Tax	**$ (3)**	$ (4)	**$ -**	$ -	**$ (3)**	$ (4)

16. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments except for the amounts associated with share units issued as part of the Split Transaction, as disclosed below. The fair value of cash in reserve approximates its carrying amount due to the nature of the instrument held.

Recurring fair-value measurements are performed for risk management assets and liabilities and for share units resulting from the Split Transaction, which are discussed further in Notes 17 and 12, respectively. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the tables below. There have been no transfers between the hierarchy levels during the period.

(All amounts in $ millions unless otherwise specified)

16. Fair Value Measurements (continued)

As at March 31, 2013	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting [4]	Carrying Amount
Risk Management						
Risk Management Assets						
Current	**$ -**	**$ 187**	**$ -**	**$ 187**	**$ (40)**	**$ 147**
Long-term	**-**	**117**	**-**	**117**	**(7)**	**110**
Risk Management Liabilities						
Current	**-**	**83**	**15**	**98**	**(40)**	**58**
Long-term	**-**	**11**	**5**	**16**	**(7)**	**9**
Share Units Resulting from the Split Transaction						
Encana Share Units Held by Cenovus Employees						
Accounts receivable and accrued revenues [1]	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Accounts payable and accrued liabilities [2]	**-**	**-**	**-**	**-**	**-**	**-**
Cenovus Share Units Held by Encana Employees						
Accounts payable and accrued liabilities [3]	**-**	**-**	**22**	**22**	**-**	**22**

As at December 31, 2012	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting [4]	Carrying Amount
Risk Management						
Risk Management Assets						
Current	$ 2	$ 505	$ -	$ 507	$ (28)	$ 479
Long-term	-	112	-	112	(1)	111
Risk Management Liabilities						
Current	-	25	8	33	(28)	5
Long-term	-	7	4	11	(1)	10
Share Units Resulting from the Split Transaction						
Encana Share Units Held by Cenovus Employees						
Accounts receivable and accrued revenues [1]	$ -	$ -	$ 1	$ 1	$ -	$ 1
Accounts payable and accrued liabilities [2]	-	-	1	1	-	1
Cenovus Share Units Held by Encana Employees						
Accounts payable and accrued liabilities [3]	-	-	36	36	-	36

(1) Receivable from Cenovus.

(2) Payable to Cenovus employees.

(3) Payable to Cenovus.

(4) Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts and basis swaps with terms to 2016. The fair values of these contracts are based on a market approach and are estimated using inputs which are either directly or indirectly observable at the reporting date, such as exchange and other published prices, broker quotes and observable trading activity.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Fair Value Measurements (continued)

Level 3 Fair Value Measurements

The Company's Level 3 risk management assets and liabilities consist of natural gas options and power purchase contracts with terms to 2013 and 2017, respectively. The fair values of both the natural gas options and the power purchase contracts are based on an income approach and are modeled internally using observable and unobservable inputs such as natural gas price volatilities and forward power prices in less active markets. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

Amounts related to risk management assets and liabilities are recognized in revenues and transportation and processing expense according to their purpose. Amounts related to share units resulting from the Split Transaction are recognized in operating expense, administrative expense and capitalized within property, plant and equipment as described in Note 14.

A summary of changes in Level 3 fair value measurements for the three months ended March 31 is presented below:

	Risk Management		Share Units Resulting from Split Transaction	
	2013	2012	**2013**	2012
Balance, Beginning of Year	**$ (12)**	$ 18	**$ (36)**	$ (83)
Total gains (losses)	**(10)**	(12)	**10**	(21)
Purchases, issuances and settlements:				
Purchases	**-**	-	**-**	-
Settlements	**2**	2	**4**	36
Transfers in and out of Level 3	**-**	-	**-**	-
Balance, End of Period	**$ (20)**	$ 8	**$ (22)**	$ (68)
Change in unrealized gains (losses) related to assets and liabilities held at end of period	**$ (9)**	$ (8)	**$ 15**	$ (11)

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below:

	Valuation Technique	Unobservable Input	**As at March 31, 2013**	As at December 31, 2012
Risk Management - Natural Gas Options	Option Model	Price volatility	**27.0% - 30.5%**	0.3% - 28.3%
Risk Management - Power	Discounted Cash Flow	Forward prices ($/Megawatt Hour)	**$49.25 - $60.36**	$48.25 - $57.97
Share Units Resulting from the Split Transaction	Option Model	Cenovus share unit volatility	**29.18%**	30.18%

A five percentage point increase or decrease in natural gas price volatility would cause no decrease or increase (nil as at December 31, 2012) to net risk management assets. A 10 percent increase or decrease in estimated forward power prices would cause a corresponding $7 million ($6 million as at December 31, 2012) increase or decrease to net risk management assets. A five percentage point increase or decrease in Cenovus share unit estimated volatility would cause a corresponding $1 million ($2 million as at December 31, 2012) increase or decrease to accounts payable and accrued liabilities.

17. Financial Instruments and Risk Management

A) Financial Instruments

Encana's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, cash in reserve, accounts payable and accrued liabilities, risk management assets and liabilities and long-term debt.

B) Risk Management Assets and Liabilities

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 16 for a discussion of fair value measurements.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Unrealized Risk Management Position	**As at March 31, 2013**	As at December 31, 2012
Risk Management Asset		
Current	**$ 147**	$ 479
Long-term	**110**	111
	257	590
Risk Management Liability		
Current	**58**	5
Long-term	**9**	10
	67	15
Net Risk Management Asset	**$ 190**	$ 575

Commodity Price Positions as at March 31, 2013

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	1,515 MMcf/d	2013	4.39 US$/Mcf	**$ 110**
NYMEX Fixed Price	1,498 MMcf/d	2014	4.19 US$/Mcf	**(22)**
NYMEX Fixed Price	825 MMcf/d	2015	4.37 US$/Mcf	**18**
Options		2013		**(12)**
Basis Contracts [(1)]		2013-2016		**68**
Other Financial Positions				**1**
Natural Gas Fair Value Position				**163**
Crude Oil Contracts				
Fixed Price Contracts				
Brent Fixed Price	9.3 Mbbls/d	2013	108.22 US$/bbl	**1**
WTI Fixed Price	5.7 Mbbls/d	2013	97.45 US$/bbl	**1**
WTI Fixed Price	5.8 Mbbls/d	2014	93.80 US$/bbl	**2**
Basis Contracts [(2)]		2013-2015		**31**
Crude Oil Fair Value Position				**35**
Power Purchase Contracts				
Fair Value Position				**(8)**
Total Fair Value Position				**$ 190**

(1) Encana has entered into swaps to protect against widening natural gas price differentials between production areas in Canada. These basis swaps are priced using both fixed price differentials and differentials determined as a percentage of NYMEX.

(2) Encana has entered into swaps to protect against widening oil price differentials between Brent and WTI. These basis swaps are priced using fixed price differentials.

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Realized Gain (Loss) Three Months Ended March 31,		Unrealized Gain (Loss) Three Months Ended March 31,	
	2013	2012	**2013**	2012
Revenues, Net of Royalties	**$ 145**	$ 529	**$ (386)**	$ 70
Transportation and Processing	**(2)**	(2)	**1**	(7)
Gain (Loss) on Risk Management	**$ 143**	$ 527	**$ (385)**	$ 63

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Reconciliation of Unrealized Risk Management Positions from January 1 to March 31

	2013		2012
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	$ 575		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	(242)	$ (242)	$ 590
Fair Value of Contracts Realized During the Period	(143)	(143)	(527)
Fair Value of Contracts, End of Period	$ 190	$ (385)	$ 63

C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks including market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. Future cash flows may fluctuate due to movement in market prices and the exposure to credit and liquidity risks.

Commodity Price Risk

Commodity price risk arises from the effect fluctuations in future commodity prices may have on future cash flows. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board. The Company's policy is to not use derivative financial instruments for speculative purposes.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses contracts such as NYMEX based swaps and options. Encana also enters into basis swaps to manage against widening price differentials between various production areas and various sales points.

Crude Oil - To help protect against widening crude oil price differentials between North American and world prices, Encana has entered into fixed price contracts and basis swaps.

Power - The Company has entered into Canadian dollar denominated derivative contracts to manage its electricity consumption costs.

The table below summarizes the sensitivity of the fair value of the Company's risk management positions to fluctuations in commodity prices, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting pre-tax net earnings as at March 31 as follows:

	2013		2012	
	10% Price Increase	10% Price Decrease	10% Price Increase	10% Price Decrease
Natural gas price	$ (541)	$ 533	$ (195)	$ 195
Crude oil price	(48)	48	-	-
Power price	7	(7)	5	(5)

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. As at March 31, 2013, the Company had no significant collateral balances posted or received and there were no credit derivatives in place.

As at March 31, 2013, cash equivalents include high-grade, short-term securities, placed primarily with financial institutions and companies with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions in Canada and the U.S. or with counterparties having investment grade credit ratings.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

Credit Risk (continued)

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at March 31, 2013, approximately 87 percent (88 percent at December 31, 2012) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at March 31, 2013, Encana had four counterparties (2012 - four counterparties) whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net risk management contracts by counterparty. As at March 31, 2013, these counterparties accounted for 24 percent, 21 percent, 14 percent and 13 percent of the fair value of the outstanding in-the-money net risk management contracts.

Liquidity Risk

Liquidity risk arises from the potential that the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages liquidity risk using cash and debt management programs.

The Company has access to cash equivalents and a range of funding alternatives at competitive rates through committed revolving bank credit facilities and debt capital markets. As at March 31, 2013, Encana had available unused committed revolving bank credit facilities totaling $4.9 billion which include C$4.0 billion ($3.9 billion) on a revolving bank credit facility for Encana and $999 million on a revolving bank credit facility for a U.S. subsidiary. The facilities remain committed through October 2015.

Encana also had unused capacity under two shelf prospectuses for up to $6.0 billion, or the equivalent in foreign currencies, the availability of which is dependent on market conditions, to issue up to C$2.0 billion ($2.0 billion) of debt securities in Canada and up to $4.0 billion in the U.S. These shelf prospectuses expire in June 2013 and June 2014, respectively. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

The Company minimizes its liquidity risk by managing its capital structure. The Company's capital structure consists of shareholders' equity plus long-term debt, including the current portion. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve Encana's access to capital markets and its ability to meet financial obligations and finance internally generated growth, as well as potential acquisitions. To manage the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

The timing of expected cash outflows relating to financial liabilities is outlined in the table below:

	Less Than 1 Year	1 - 3 Years	4 - 5 Years	6 - 9 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	$ 1,760	$ -	$ -	$ -	$ -	**$ 1,760**
Risk Management Liabilities	58	7	2	-	-	**67**
Long-Term Debt [(1)]	963	1,791	2,200	2,206	6,795	**13,955**

(1) Principal and interest.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As Encana operates primarily in North America, fluctuations in the exchange rate between the U.S. and Canadian dollars can have a significant effect on the Company's reported results. Encana's financial results are consolidated in Canadian dollars; however, the Company reports its results in U.S. dollars as most of its revenue is closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American oil and gas companies. As the effects of foreign exchange fluctuations are embedded in the Company's results, the total effect of foreign exchange fluctuations is not separately identifiable.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

Foreign Exchange Risk (continued)

To mitigate the exposure to the fluctuating U.S./Canadian dollar exchange rate, Encana maintains a mix of both U.S. dollar and Canadian dollar debt and may also enter into foreign exchange derivatives. As at March 31, 2013, Encana had $5.9 billion in U.S. dollar debt issued from Canada that was subject to foreign exchange exposure ($5.9 billion as at December 31, 2012) and $1.7 billion in debt that was not subject to foreign exchange exposure ($1.8 billion as at December 31, 2012). There were no foreign exchange derivatives outstanding as at March 31, 2013.

Encana's foreign exchange (gain) loss primarily includes unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated debt issued from Canada, unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated risk management assets and liabilities held in Canada and foreign exchange gains and losses on U.S. dollar denominated cash and short-term investments held in Canada. A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a $50 million change in foreign exchange (gain) loss as at March 31, 2013 (2012 - $49 million).

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company’s financial assets or liabilities. The Company may partially mitigate its exposure to interest rate changes by holding a mix of both fixed and floating rate debt and may also enter into interest rate derivatives to partially mitigate effects of fluctuations in market interest rates. There were no interest rate derivatives outstanding as at March 31, 2013.

As at March 31, 2013, the Company had no floating rate debt. Accordingly, the sensitivity in net earnings for each one percent change in interest rates on floating rate debt was nil (2012 - nil).

18. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at March 31, 2013:

	Expected Future Payments						
(undiscounted)	2013	2014	2015	2016	2017	Thereafter	Total
Transportation and Processing	$ 682	$ 951	$ 969	$ 869	$ 826	$ 4,771	**$ 9,068**
Drilling and Field Services	284	125	76	51	21	51	**608**
Operating Leases	35	52	43	39	30	71	**270**
Commitments	$ 1,001	$ 1,128	$ 1,088	$ 959	$ 877	$ 4,893	**$ 9,946**

Contingencies

Encana is involved in various legal claims and actions arising in the course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Encana’s financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation and claims are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims.