Q2 2010

encana natural gas

Encana generates second quarter cash flow of US$1.2 billion, or $1.65 per share

Daily natural gas production per share grows 12 percent

Calgary, Alberta (July 21, 2010) – Encana Corporation (TSX, NYSE: ECA) delivered strong operating performance and solid financial results in the second quarter of 2010. Cash flow was $1.2 billion, or $1.65 per share, and operating earnings were $81 million, or 11 cents per share. Encana's favourable commodity price hedges contributed $263 million in realized after-tax gains, or 36 cents per share, to cash flow. Total production in the second quarter was approximately 3.3 billion cubic feet of gas equivalent per day (Bcfe/d). Second quarter natural gas production per share increased 12 percent compared to the second quarter of 2009 on a pro forma basis.

Strong operating performance boosts 2010 production forecast, capital investment increased by $500 million
Encana continued to deliver strong operating performance in the second quarter, with current daily production already higher than the company's full-year 2010 average daily production guidance. Given the strong performance of key resource plays this year, Encana has increased its 2010 production guidance by 65 million cubic feet of gas equivalent per day (MMcfe/d) to 3.365 Bcfe/d. To accelerate long-term growth projects and build productive capacity of the company's vast North American natural gas portfolio for 2011, Encana is increasing capital investment by $500 million to approximately $5 billion in 2010.

Optimization through gas factories holds additional promise for cost improvement, 2010 operating costs trimmed
"Our production is ahead of target and we are gaining ground on costs through continual optimization programs that help us pursue our cornerstone goal of being the industry's lowest-cost producer. To date, 2010 operating costs are tracking about 17 percent below guidance and as a result we have lowered our operating cost guidance by 10 cents to 80 cents per thousand cubic feet of gas equivalent. As we look ahead, we expect to see substantial additional cost savings through expanded use of multi-well gas factories and as we continue to extend the reach of our horizontal wells," said Randy Eresman, Encana's President & Chief Executive Officer.

Haynesville joins key resource plays; Encana captures Michigan shale lands, pursues joint venture with CNPC
In recognition of its very strong production growth and huge resource potential, Encana's Haynesville shale play has been added to the company's list of key resource plays. During the second quarter, Encana also expanded its shale portfolio capturing a significant land position in Michigan's Collingwood shale play and the company is progressing joint-venture negotiations with China National Petroleum Corporation (CNPC), an initiative that holds significant promise for sizable investment in Canada that would help accelerate growth from the company's enormous natural gas resource base.

First half financial performance strong
In the first half of 2010, Encana generated cash flow of $2.4 billion, or $3.22 per share, and operating earnings of $499 million, or 67 cents per share. Net earnings were $972 million, or $1.31 per share.

Second quarter net earnings impacted by unrealized foreign exchange and hedging
Second quarter net earnings, a $505 million loss, illustrate how net earnings can be impacted by unrealized hedging gains or losses and unrealized foreign exchange gains or losses on long-term debt. Second quarter net earnings include unrealized after-tax losses on commodity hedging and non-operating foreign exchange of $340 million and $246 million, respectively. Encana's first quarter 2010 net earnings were $1.48 billion, nearly $2 billion higher than the second quarter. The decrease in quarter-over-quarter earnings was largely driven by a change in unrealized hedging; in the first quarter of 2010, Encana recorded an after-tax gain of $912 million compared to a $340 million after-tax loss in the second quarter.

"We are reporting a loss in second quarter net earnings as a consequence of mark-to-market accounting despite the fact that our price hedges, covering about 60 percent of our production, were almost 50 percent higher than benchmark natural gas prices, and our natural gas production is about 10 percent more than one year ago. That's why we believe cash flow and operating earnings are a far better measure of Encana's financial performance," Eresman said.

Encana continues to manage natural gas price risks with an attractive hedge position on about 55 percent of forecast production for the remainder of 2010. Second quarter operating earnings were down due largely to lower realized gas prices compared to the second quarter of 2009 on a pro forma basis – a year when Encana had very attractive hedges at a price above $9 per thousand cubic feet (Mcf) on about two-thirds of the company's natural gas production.

IMPORTANT NOTE: Pro forma results defined
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. To provide more useful comparative information, financial and operating results in this news release highlight Encana's 2009 and 2008 results on a pro forma basis, which reflect the company as if the split transaction had been completed prior to those periods. In this pro forma comparative 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. Encana's actual financial results for the comparative 2009 period are included in Encana's Interim Consolidated Financial Statements. Additional financial information that reconciles the 2009 consolidated and pro forma financial information is included in this news release at the end of the financial statements.

Per share amounts for cash flow and earnings are on a diluted basis. Encana reports in U.S. dollars unless otherwise noted and follows U.S. protocols, which report production, sales and reserves on an after-royalties basis. The company's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Second Quarter 2010 Highlights

Financial

- Cash flow of $1.2 billion, or $1.65 per share
- Operating earnings of $81 million, or 11 cents per share
- Net earnings, a loss of $505 million, or 68 cents per share
- Capital investment, excluding acquisitions and divestitures, of $1.1 billion
- Free cash flow of $118 million (Free cash flow is defined in Note 1 on page 7)
- Total production realized average price of $5.74 per thousand cubic feet equivalent (Mcfe), realized natural gas price of $5.50 per Mcf and realized liquids price of $67.05 per barrel (bbl). These prices include realized financial hedges
- At the end of the quarter, debt to capitalization was 32 percent and debt to adjusted EBITDA was 1.6 times
- Paid dividend of 20 cents per share

Operating

- Total production was 3.3 Bcfe/d
- Natural gas production was 3.2 billion cubic feet per day (Bcf/d)
- Natural gas liquids (NGLs) and oil production of about 24,000 barrels per day (bbls/d)
- Operating and administrative costs of $1.11 per Mcfe

Strategic developments

- Signed a memorandum of understanding with CNPC that outlines a framework to negotiate a potential joint-venture investment in the development of certain lands in Encana's natural gas plays in British Columbia
- Announced accumulation of significant land position of about 250,000 net acres of land in the Collingwood shale play in Michigan
- Drilled exploration well into Encana's new Brent Miller field in Texas that showed promising results, flowing at 32 million cubic feet per day (MMcf/d)
- Divested non-core natural gas and oil assets in North America for approximately $208 million.

Financial Summary

(for the period ended June 30) ($ millions, except per share amounts)	**Q2 2010**	Q2 2009[1]	**6 months 2010**	6 months 2009[1]
Cash flow[2]	**1,217**	1,430	**2,390**	2,817
Per share diluted	**1.65**	1.90	**3.22**	3.75
Operating earnings[2]	**81**	472	**499**	1,016
Per share diluted	**0.11**	0.63	**0.67**	1.35

Earnings Reconciliation Summary

Net earnings (loss)	**(505)**	92	**972**	569
Deduct (Add back):				
Unrealized hedging gain (loss), after tax	**(340)**	(570)	**572**	(532)
Non-operating foreign exchange gain (loss), after tax	**(246)**	190	**(99)**	85
Operating earnings[2]	**81**	472	**499**	1,016
Per share diluted	**0.11**	0.63	**0.67**	1.35

1 Q2 and 6 months 2009 represent pro forma results.
2 Cash flow and operating earnings are non-GAAP measures as defined in Note 1 on Page 7.

Production & Drilling Summary

(for the period ended June 30) (After royalties)	**Q2 2010**	Q2 2009[1]	% Δ	**6 months 2010**	6 months 2009[1]	% Δ
Natural gas (MMcf/d)	**3,202**	2,924	+ 10	**3,162**	2,975	+ 6
Natural gas production per 1,000 shares (Mcf/d)	**4.34**	3.89	+ 12	**4.26**	3.96	+ 8
NGLs and Oil (Mbbls/d)	**24**	29	- 17	**24**	29	- 17
NGLs and Oil production per 1,000 shares (Mcfe/d)	**0.19**	0.24	- 21	**0.19**	0.24	- 21
Total production (MMcfe/d)	**3,344**	3,100	+ 8	**3,304**	3,151	+ 5
Total production per 1,000 shares (Mcfe/d)	**4.53**	4.13	+ 10	**4.45**	4.20	+ 6
Total net wells drilled	**151**	151		**599**	634	

1 Q2 and 6 months 2009 represent pro forma volumes and drilling.

Second quarter natural gas production up 12 percent per share

Total production in the second quarter of 2010 was 3.3 Bcfe/d, up about 10 percent per share from 3.1 Bcfe/d in the second quarter of 2009, on a pro forma basis. Stronger production was primarily due to successful drilling in U.S. key resource plays, and was partially offset by lower volumes of about 150 MMcf/d due to divestitures. Natural gas production was 3.2 Bcf/d compared to 2.9 Bcf/d in the second quarter of 2009, on a pro forma basis. USA Division second quarter production increased 17 percent to 1.9 Bcfe/d, led by very strong growth in the Haynesville shale, where production averaged about 269 MMcfe/d, up from 54 MMcfe/d in the second quarter of 2009. Piceance production grew close to 29 percent to average about 470 MMcfe/d. Canadian Division production averaged about 1.4 Bcfe/d in the second quarter, down about 3 percent largely as a result of divestitures. Production growth remained steady in Cutbank Ridge, Bighorn and the Greater Sierra resource play, which includes the Horn River shale play, where production averaged about 24 MMcfe/d in the second quarter.

Canadian Division capital investment in the second quarter was $490 million, focused mainly on continuing steady growth from across the division. USA Division capital investment was $596 million, with about half directed to land retention drilling that is already delivering strong growth from the Haynesville shale.

Fast-growing Haynesville shale play joins Encana's key resource play list

"In the Haynesville shale, we've had some very exciting results to date, where production is expected to average 325 MMcfe/d this year, and exit the year at about 500 MMcfe/d. With such strong performance, Haynesville has been added to our list of key resource plays – projects that deliver close to 90 percent of the company's production. Our 2010 program is focused on drilling to retain land and we have plenty of opportunities to capture future efficiencies by optimizing our surface and drilling operations. This year, we have one gas factory pilot planned that will see eight wells drilled from a single pad. With careful and continual optimization, we believe that when we are operating in full gas factory mode, we can achieve substantial reductions in our drilling, completion, tie-in and operating costs," Eresman said.

New Brent Miller field in Texas shows promise

"During the second quarter, we drilled a promising well in the new Brent Miller field, a sizable Texas extension of the Haynesville and Mid-Bossier trends. Our well initially flowed at 25 MMcf/d, but when a second wing valve was added, production from the 14,500-foot well increased to 32 MMcf/d. This is a very promising well in this new play where we have about 45,000 net acres across the heart of very prospective lands," Eresman said.

Encana establishes strong land position in Michigan's Collingwood shale

Over the past two years, Encana has assembled a significant land position in a promising new natural gas shale play in Michigan. Encana has acquired about 250,000 net acres of land in the Collingwood shale play. The company's first exploration well delivered encouraging test results, flowing during a 30-day initial production test at about 2.5 MMcf/d, including natural gas liquids constituents and condensate. With further drilling, Encana hopes to demonstrate stronger gas rates as the company optimizes well completion practices and proves up liquids-rich potential in some parts of the play.

Production from key North American resource plays

	Average Daily Production (MMcfe/d)								
	2010			2009[1]					2008[1]
Key Resource Play	**YTD**	**Q2**	Q1	Full Year	Q4	Q3	Q2	Q1	Full Year
USA Division									
Jonah	**585**	**574**	595	601	596	549	607	656	635
Piceance	**476**	**470**	482	373	389	341	365	397	400
East Texas	**403**	**369**	437	324	281	306	304	409	335
Haynesville	**232**	**269**	194	71	122	83	54	25	10
Fort Worth	**133**	**123**	142	139	126	137	141	152	145
Canadian Division									
Greater Sierra	**232**	**247**	218	204	182	194	222	221	226
Cutbank Ridge	**354**	**388**	319	314	257	326	344	326	300
Bighorn	**225**	**252**	197	175	158	171	202	172	189
CBM	**313**	**311**	315	316	306	318	330	309	304
Total key resource plays	**2,953**	**3,003**	2,899	2,517	2,417	2,425	2,569	2,667	2,544
Other production[2]	**351**	**341**	366	486	414	458	531	536	588
Total production	**3,304**	**3,344**	3,265	3,003	2,831	2,883	3,100	3,203	3,132

1 2009 and 2008 represent pro forma results, restated on a MMcfe/d basis.
2 Other – includes natural gas and liquids production outside of key resource plays.

Drilling activity in key North American resource plays

	Net Wells Drilled								
	2010			2009[1]					2008[1]
Key Resource Play	YTD	Q2	Q1	Full Year	Q4	Q3	Q2	Q1	Full Year
USA Division									
Jonah	**59**	**31**	28	108	23	20	30	35	175
Piceance	**62**	**29**	33	129	16	25	35	53	328
East Texas	**6**	**3**	3	38	8	4	11	15	78
Haynesville	**41**	**21**	20	49	18	11	11	9	16
Fort Worth	**16**	**9**	7	26	3	1	6	16	83
Canadian Division									
Greater Sierra	**30**	**14**	16	57	15	17	10	15	106
Cutbank Ridge	**33**	**18**	15	71	15	18	18	20	82
Bighorn	**25**	**10**	15	69	17	17	14	21	64
CBM	**295**	**-**	295	490	174	37	1	278	698
Total key resource plays	**567**	**135**	432	1,037	289	150	136	462	1,630
Other wells[2]	**32**	**16**	16	52	5	11	15	21	185
Total wells drilled	**599**	**151**	448	1,089	294	161	151	483	1,815

1 2009 and 2008 represent pro forma results.
2 Other – includes wells outside of key resource plays.

Second quarter Natural gas and Oil prices				
	Q2 2010	Q2 2009[1]	**6 months 2010**	6 months 2009[1]
Natural gas				
NYMEX ($/MMBtu)	**4.09**	3.50	**4.69**	4.19
Encana realized gas price[2] ($/Mcf)	**5.50**	7.02	**5.81**	7.12
NGLs and Oil ($/bbl)				
WTI	**77.99**	59.79	**78.39**	51.68
Encana realized liquids price[2]	**67.05**	46.42	**67.06**	39.69

1 Q2 and 6 months 2009 Encana realized prices represent pro forma results.
2 Realized prices include the impact of financial hedging.

Solid operating results in a low price environment

Encana focuses on operating earnings as a better measure of quarter-over-quarter earnings performance because it excludes the variability associated with unrealized hedging gains/losses and non-operating foreign exchange gains/losses. Second quarter operating earnings were $81 million in 2010 compared to $472 million in the same period last year, which is down largely due to a quarter-over-quarter decrease in average realized prices from $7.05 to $5.74 per Mcfe. In the second quarter of 2010, realized after-tax hedging gains were $263 million, down from $686 million in the second quarter of 2009, on a pro forma basis. Also impacting second quarter operating earnings was a $128 million increase in depletion compared to the same quarter last year due to increased production and higher foreign exchange rates.

About 55 percent of natural gas production hedged for remainder of 2010

Encana has hedged approximately 1.9 Bcf/d, about 55 percent of expected 2010 natural gas production, at an average NYMEX price of $6.05 per Mcf as of June 30, 2010. In addition, Encana has hedged approximately 1.2 Bcf/d of expected 2011 natural gas production at an average price of about $6.33 per Mcf and approximately 1.0 Bcf/d of expected 2012 natural gas production at an average price of $6.46 per Mcf. This price hedging strategy helps increase certainty in cash flow to assist Encana's ability to meet its anticipated capital requirements and projected dividends. Encana continually assesses its hedging needs and the opportunities available prior to establishing its capital program for the upcoming year. Risk management positions at June 30, 2010 are presented in Note 14 to the unaudited Interim Consolidated Financial Statements.

Corporate developments

Quarterly dividend of 20 cents per share declared

Encana's Board of Directors has declared a quarterly dividend of 20 cents per share payable on September 30, 2010 to common shareholders of record as of September 15, 2010. Based on the July 20, 2010 closing share price on the New York Stock Exchange of $32.91, this represents an annualized yield of about 2.4 percent.

Guidance updated

Encana has increased its 2010 guidance for total production by 65 MMcfe/d to 3.365 Bcfe/d. Encana has also increased its capital investment guidance by $500 million, taking 2010 capital investment from $4.5 billion to $5.0 billion, and has reduced operating cost guidance by 10 cents to 80 cents per Mcfe. Encana has provided 2010 guidance for a weighted average number of outstanding shares of approximately 740 million. Total cash flow guidance is unchanged. Based on Encana's guidance in 2010 of 740 million shares, the range of cash flow per share has been increased by 10 cents to between $5.95 and $6.50. Encana has also lowered its natural gas price expectation for the remainder of the year to NYMEX $5.00 per Mcf, from $5.75 per Mcf. Updated guidance and key resource play information, which includes the addition of Haynesville to Encana's list of key resource plays, is posted on the company's website at www.encana.com.

Encana and CNPC look to jointly develop Canadian unconventional natural gas

On June 24, 2010 Encana and CNPC signed a memorandum of understanding that outlines a framework for the two companies to negotiate a potential joint-venture investment in the development of certain lands in Encana's natural gas plays in Horn River, Greater Sierra (Jean Marie formation) and Cutbank Ridge (Montney formation) in northeast British Columbia. Under a potential joint venture, Encana would be the operator of all developments, meaning it would drill and complete the wells, build the processing facilities and pipelines and conduct all field work for the joint venture. CNPC would invest capital to earn an interest in the assets and gain an advanced understanding of unconventional natural gas development through an ongoing sharing of technical knowledge. The companies expect that it will take several months to negotiate a potential joint venture, which would be subject to typical conditions precedent, including the negotiation of acceptable terms and conditions, receipt of the Encana Board of Directors' approval of the final terms of the proposed joint venture and receipt of any necessary regulatory approvals.

Normal Course Issuer Bid

In the second quarter of 2010, Encana purchased for cancellation approximately 5.5 million common shares at an average share price of $32.54 under the company's current Normal Course Issuer Bid for a total cost of approximately $179 million. In the first half of 2010, Encana has purchased for cancellation about 15.4 million common shares at an average share price of $32.42 for a total cost of about $499 million.

Financial strength

Encana has a strong balance sheet, with 100 percent of its outstanding debt composed of long-term, fixed-rate debt with an average remaining term of approximately 13 years. The company has upcoming debt maturities of $200 million in September 2010 and $500 million in 2011. At June 30, 2010, Encana had $4.8 billion in unused committed credit facilities. With Encana's bank facilities undrawn and $1.5 billion of cash and cash equivalents on the balance sheet at the end of the quarter, the company's liquidity position is extremely strong. Encana is focused on maintaining investment grade credit ratings, capital discipline and financial flexibility. Encana targets a debt to capitalization ratio of less than 40 percent and a debt to adjusted EBITDA ratio of less than 2.0 times. At June 30, 2010, the company's debt to capitalization ratio was 32 percent and debt to adjusted EBITDA was 1.6 times, on a trailing 12-month basis, using 2009 pro forma results.

In the second quarter of 2010, Encana invested $1.1 billion in capital, excluding acquisitions and divestitures, with a focus on continued development of the company's key resource plays. Encana invested about $124 million in acquisitions in the second quarter and divested about $208 million of non-core properties.

NOTE 1: Non-GAAP measures

This news release contains references to non-GAAP measures as follows:

- 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, which are defined on the Consolidated Statement of Cash Flows, in this news release and Encana's interim consolidated financial statements.
- Free cash flow is a non-GAAP measure that Encana defines as cash flow in excess of capital investment, excluding net acquisitions and divestitures, and is used to determine the funds available for other investing and/or financing activities.
- Operating earnings is a non-GAAP measure that shows net earnings excluding non-operating items such as the after-tax impacts of a gain/loss on discontinuance, the after-tax gain/loss of unrealized mark-to-market accounting for derivative instruments, the after-tax gain/loss on translation of U.S. dollar denominated debt issued from Canada and the partnership contribution receivable, the after-tax foreign exchange gain/loss 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. Management believes that these excluded items reduce the comparability of the company's underlying financial performance between periods. The majority of the U.S. dollar debt issued from Canada has maturity dates in excess of five years.
- Capitalization is a non-GAAP measure defined as debt plus shareholders' equity. Debt to capitalization and debt to adjusted EBITDA are two ratios that management uses as measures of the company's overall financial strength to steward the company's overall debt position.
- 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 depreciation, depletion and amortization.

These measures have been described and presented in this news release in order to provide shareholders and potential investors with additional information regarding Encana's liquidity and its ability to generate funds to finance its operations.

Encana Corporation

Encana is a leading North American natural gas producer that is focused on growing its strong portfolio of prolific shale and other unconventional natural gas developments, called resource plays, in key basins from northeast British Columbia to east Texas and Louisiana. A pure-play natural gas company, Encana applies advanced technology and operational innovation to reduce costs and maximize margins. The company believes North American natural gas is an abundant, affordable and reliable energy supply that can play a significantly expanded role in serving the continent's growing energy needs while enhancing environmental performance and generating economic growth. By partnering with employees, community organizations and other businesses, Encana contributes to the strength and sustainability of the communities where it operates. Encana common shares trade on the Toronto and New York stock exchanges under the symbol ECA.

ADVISORY REGARDING RESERVES DATA AND OTHER OIL AND GAS INFORMATION – 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 certain of such disclosure in accordance with the relevant legal requirements of the U.S. Securities and Exchange Commission (SEC). Some of 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). 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. On March 16, 2010 Encana issued a news release disclosing revised estimates of proved, probable and possible reserves in accordance with the applicable SEC definitions, together with low, best and high estimate economic contingent resources based upon definitions contained in the Canadian Oil and Gas Evaluation Handbook. For further information concerning these reserves and economic contingent resources, including the number of potential drilling locations in respect thereof, please refer to Encana's news release dated March 16, 2010 available at www.encana.com and www.sedar.com.

In this news release, 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 well head.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS - In the interests of providing Encana shareholders and potential investors with information regarding Encana, including management's assessment of Encana's and its subsidiaries' future plans and operations, certain statements contained in this news release are forward-looking statements or information within the meaning of applicable securities legislation, collectively referred to herein as "forward-looking statements." Forward-looking statements in this news release include, but are not limited to: projections contained in the company's guidance forecasts and the anticipated ability to meet the company's guidance forecasts; projected increase in 2010 production guidance and estimated additional capital investment for 2010; expected costs savings through expansion of multi-well gas factories and extension of the reach of horizontal wells; potential of new play in Michigan; the potential completion of a joint venture transaction with China National Petroleum Corporation (CNPC), including the potential terms, timing for completion, and possible effects on operations of the same; potential dividends; anticipated success of Encana's price risk management strategy; potential of exploration well into Brent Miller field in Texas, including expected increase in production in the Haynesville shale; future share buybacks; and projected financial metrics, including maintaining investment grade credit ratings, target debt to capitalization ratio and debt to adjusted EBITDA ratio; projected strategy of not shutting-in or curtailing volumes for 2010 given current forward curve; projected continued decrease in supply costs; and estimated number of years of inventory of drilling locations at current pace of development. 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: the risk that the company may not conclude potential joint venture arrangements with CNPC or others; volatility of and assumptions regarding commodity prices; assumptions based upon the company's current guidance; 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; 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 replace and expand gas reserves; its ability to generate sufficient cash flow from operations to meet its current and future obligations; its ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the company's 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 operates; terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the company; 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 which are discussed in further detail in this news release, including a projected capital program averaging approximately $6 billion per year from 2011 to 2014, achieving an average rate of approximately 2,500 net wells per year from 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 and emerging resource plays, Encana's estimates of proved, probable and possible 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. In addition, assumptions relating to such forward-looking statements generally include Encana's current expectations and projections made in light of, and generally consistent with, its historical experience and its perception of historical trends, including the conversion of resources into reserves and production 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 news release.

Forward-looking information respecting anticipated 2010 cash flow for Encana is based upon achieving average production of oil and gas for 2010 of approximately 3.365 Bcfe/d, commodity prices for natural gas of NYMEX $5.00/Mcf, crude oil (WTI) $75 for commodity prices and an estimated U.S./Canadian dollar foreign exchange rate of $0.94 and a weighted average number of outstanding shares for Encana of approximately 740 million.

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

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 unaudited Interim Consolidated Financial Statements for the period ended June 30, 2010 ("Interim Financial Statements"), the unaudited Pro Forma Consolidated Financial Information for the period ended June 30, 2009 presented in Encana's Supplemental Information, as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2009.

The Interim 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"). Production volumes are presented on an after royalties basis consistent with U.S. oil and gas disclosures reporting. The term "liquids" is used to represent crude oil, natural gas liquids ("NGLs") and condensate volumes. This document is dated July 20, 2010.

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

Encana's Strategic Objectives

Encana is one of North America's leading natural gas producers, focusing on the development of unconventional natural gas resources and holds a diversified portfolio of prolific shale and other natural gas assets in key basins stretching from northeast British Columbia to 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 is focused on sustainable, high-growth production from unconventional natural gas plays in major North American basins. Encana has a history of entering resource plays early and leveraging technology to unlock unconventional resources. During the first quarter of 2010, the Company disclosed independent evaluations of its probable and possible reserves as well as economic contingent resources. With this significant inventory of estimated natural gas resources, Encana intends to double its production over the next five years on a per share basis. Encana targets 2010 natural gas production growth of approximately 10 percent, with average production of 3,365 million cubic feet equivalent ("MMcfe") per day ("MMcfe/d") and drilling of approximately 1,525 wells.

Encana has a strong balance sheet and employs a conservative capital structure and market risk mitigation strategy. Encana targets a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times. At June 30, 2010, the Company's Debt to Capitalization ratio was 32 percent and pro forma Debt to Adjusted EBITDA was 1.6 times. Debt to Capitalization and Debt to Adjusted EBITDA are non-GAAP measures and are defined in the Non-GAAP Measures section of this MD&A.

As of June 30, 2010, Encana has hedged approximately 1,863 MMcf/d of expected July to December 2010 gas production using NYMEX fixed price contracts at an average price of $6.05 per thousand cubic feet ("Mcf"). In addition, Encana has hedged approximately 1,158 MMcf/d of expected 2011 gas production at an average price of $6.33 per Mcf, and approximately 1,040 MMcf/d of expected 2012 gas production at an average price of $6.46 per Mcf.

Encana updated its Corporate Guidance to reflect expected operational results for 2010. Encana's news release dated July 21, 2010 and financial statements are available on www.sedar.com.

Encana's Business

Encana's operating and reportable segments are as follows:

- **Canada** includes the Company's exploration for, development and production of natural gas and liquids and other related activities within the Canadian cost centre.
- **USA** includes the Company's exploration for, development 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**, formerly the Canadian Foothills Division, which includes natural gas 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 on the Alberta and British Columbia border, including Montney; (iii) Bighorn in west central Alberta; and (iv) Coalbed Methane ("CBM") in southern Alberta.
- **USA Division**, which includes the natural gas 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.

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.

- Encana's 2009 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 consolidated results for the three months and six months ended June 30 include both Encana and Cenovus operations.

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, Free Cash Flow, Capitalization, Debt to Capitalization, Adjusted EBITDA and Debt to Adjusted EBITDA. Further information can be found in the Non-GAAP Measures section of this MD&A.

2010 Results Overview

In the three months ended June 30, 2010, Encana reported:

- Cash Flow of $1,217 million;
- Operating Earnings of $81 million;
- Net Earnings, a loss of $505 million, which includes non-operating foreign exchange losses of $246 million after tax and unrealized financial hedging losses of $340 million after tax;
- Total average production of 3,344 MMcfe/d, with 3,003 MMcfe/d from key resource plays;
- Realized financial natural gas, crude oil and other commodity hedging gains of $263 million after tax;
- Capital investment of $1,099 million; and
- Average commodity prices, excluding financial hedges, of $4.52 per thousand cubic feet equivalent ("Mcfe").

In the six months ended June 30, 2010, Encana reported:

- Cash Flow of $2,390 million;
- Operating Earnings of $499 million;
- Net Earnings of $972 million, which includes unrealized financial hedging gains of $572 million after tax;
- Total average production of 3,304 MMcfe/d, with 2,953 MMcfe/d from key resource plays;
- Realized financial natural gas, crude oil and other commodity hedging gains of $388 million after tax;
- Capital investment of $2,119 million; and
- Average commodity prices, excluding financial hedges, of $5.15 per Mcfe.

Business Environment

Encana's financial results are influenced by fluctuations in commodity prices, which include price differentials, and the U.S./Canadian dollar exchange rate. Encana has taken steps to reduce pricing risk through a commodity price hedging program. Further information regarding this program can be found in Note 14 to the Interim Consolidated Financial Statements. The following table shows benchmark information on a quarterly basis to assist in understanding quarterly volatility in prices and foreign exchange rates that have impacted Encana's financial results.

	Six months ended June 30		2010		2009			
(average for the period)	**2010**	2009	**Q2**	Q1	Q4	Q3	Q2	Q1
Natural Gas Price Benchmarks								
AECO (C$/Mcf)	**$ 4.61**	$ 4.65	**$ 3.86**	$ 5.36	$ 4.23	$ 3.02	$ 3.66	$ 5.63
NYMEX ($/MMBtu)	**4.69**	4.19	**4.09**	5.30	4.17	3.39	3.50	4.89
Rockies (Opal) ($/MMBtu)	**4.40**	2.84	**3.66**	5.14	3.97	2.69	2.37	3.31
Texas (HSC) ($/MMBtu)	**4.69**	3.82	**4.04**	5.36	4.16	3.31	3.44	4.21
Basis Differential ($/MMBtu)								
AECO/NYMEX	**0.25**	0.37	**0.32**	0.19	0.19	0.67	0.39	0.35
Rockies/NYMEX	**0.29**	1.35	**0.43**	0.16	0.20	0.70	1.13	1.58
Texas/NYMEX (1)	**-**	0.37	**0.05**	(0.06)	0.01	0.08	0.06	0.68
Foreign Exchange								
U.S./Canadian Dollar Exchange Rate	**0.967**	0.829	**0.973**	0.961	0.947	0.911	0.857	0.803

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

Financial Results

	Six months ended June 30		2010		2009 Pro Forma			
($ millions, except per share amounts)	**2010**	2009	**Q2**	Q1	Q4	Q3	Q2	Q1
Cash Flow (1)	**$ 2,390**	$ 2,817	**$ 1,217**	$ 1,173	$ 930	$ 1,274	$ 1,430	$ 1,387
per share – diluted	**3.22**	3.75	**1.65**	1.57	1.24	1.70	1.90	1.85
Operating Earnings (1)	**499**	1,016	**81**	418	373	378	472	544
per share – diluted	**0.67**	1.35	**0.11**	0.56	0.50	0.50	0.63	0.72
Net Earnings (Loss)	**972**	569	**(505)**	1,477	233	(53)	92	477
per share – diluted	**1.31**	0.76	**(0.68)**	1.97	0.31	(0.07)	0.12	0.63

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

Cash Flow

Three months ended June 30, 2010 versus 2009

($ millions)	Three months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Cash From (Used In) Operating Activities	**$ 893**	$ 1,121	$ 1,961
(Add back) deduct:			
Net change in other assets and liabilities	**(38)**	13	11
Net change in non-cash working capital from continuing operations	**(286)**	(322)	(383)
Net change in non-cash working capital from discontinued operations	**-**	-	180
Cash Flow	**$ 1,217**	$ 1,430	$ 2,153

Cash Flow of $1,217 million decreased $213 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher interest expense and higher transportation and selling expenses, partially offset by increased commodity prices and production volumes. In the three months ended June 30, 2010:

- Realized financial hedging gains were $263 million after tax compared to $686 million after-tax gains in 2009.
- Interest expense increased $51 million primarily due to a lower debt carrying value used to determine pro forma interest for 2009.
- Transportation and selling expenses increased $51 million primarily due to increased USA Division production volumes and higher firm transportation costs.
- Average commodity prices, excluding financial hedges, were $4.52 per Mcfe compared to $3.35 per Mcfe in 2009.
- Average production volumes increased 8 percent to 3,344 MMcfe/d compared to 3,100 MMcfe/d in 2009.

Cash flow decreased $936 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Six months ended June 30, 2010 versus 2009

($ millions)	Six months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Cash From (Used In) Operating Activities	**$ 121**	$ 2,565	$ 3,752
(Add back) deduct:			
Net change in other assets and liabilities	**(69)**	30	26
Net change in non-cash working capital from continuing operations	**(2,200)**	(282)	(835)
Net change in non-cash working capital from discontinued operations	**-**	-	464
Cash Flow	**$ 2,390**	$ 2,817	$ 4,097

Cash Flow of $2,390 million decreased $427 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher interest expense and higher transportation and selling expenses, partially offset by increased commodity prices and production volumes. In the six months ended June 30, 2010:

- Realized financial hedging gains were $388 million after tax compared to $1,227 million after-tax gains in 2009.
- Interest expense increased $113 million primarily due to a lower debt carrying value used to determine pro forma interest for 2009.

- Transportation and selling expenses increased $102 million primarily due to increased USA Division production volumes and higher firm transportation costs.
- Average commodity prices, excluding financial hedges, were $5.15 per Mcfe compared to $3.81 per Mcfe in 2009.
- Average production volumes increased 5 percent to 3,304 MMcfe/d compared to 3,151 MMcfe/d in 2009.

Cash flow decreased $1,707 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Operating Earnings

Three months ended June 30, 2010 versus 2009

	Three months ended June 30					
	2010		Pro Forma 2009		Consolidated 2009	
($ millions, except per share amounts)		**Per share (1)**		Per share (1)		Per share (1)
Net Earnings (Loss), as reported	**$ (505)**	**$ (0.68)**	$ 92	$ 0.12	$ 239	$ 0.32
Add back (losses) and deduct gains:						
Unrealized hedging gain (loss), after tax	**(340)**	**(0.46)**	(570)	(0.76)	(750)	(1.00)
Non-operating foreign exchange gain (loss), after tax	**(246)**	**(0.33)**	190	0.25	72	0.10
Operating Earnings	**$ 81**	**$ 0.11**	$ 472	$ 0.63	$ 917	$ 1.22

(1) Per Common Share – diluted.

Operating Earnings of $81 million decreased $391 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher interest expense, higher transportation and selling expenses and higher DD&A, partially offset by increased commodity prices and production volumes. Further to the items described in the Cash Flow section, DD&A increased $128 million as a result of increased production volumes, a higher U.S./Canadian dollar exchange rate and a higher depletion rate.

Operating Earnings decreased $836 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Six months ended June 30, 2010 versus 2009

	Six months ended June 30					
	2010		Pro Forma 2009		Consolidated 2009	
($ millions, except per share amounts)		**Per share (1)**		Per share (1)		Per share (1)
Net Earnings, as reported	**$ 972**	**$ 1.31**	$ 569	$ 0.76	$ 1,201	$ 1.60
Add back (losses) and deduct gains:						
Unrealized hedging gain (loss), after tax	**572**	**0.77**	(532)	(0.70)	(661)	(0.88)
Non-operating foreign exchange gain (loss), after tax	**(99)**	**(0.13)**	85	0.11	(3)	-
Operating Earnings	**$ 499**	**$ 0.67**	$ 1,016	$ 1.35	$ 1,865	$ 2.48

(1) Per Common Share – diluted.

Operating Earnings of $499 million decreased $517 million from pro forma 2009 primarily due to lower realized financial hedging gains, higher interest expense, higher transportation and selling expenses and higher DD&A, partially offset by increased commodity prices and production volumes. Further to the items described in the Cash Flow section, DD&A increased $219 million as a result of a higher U.S./Canadian dollar exchange rate, increased production volumes and a higher depletion rate.

Operating Earnings decreased $1,366 million from consolidated 2009 primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Net Earnings

Three months ended June 30, 2010 versus 2009

Net Earnings, a loss of $505 million, decreased $597 million from pro forma 2009 primarily due to realized and unrealized financial hedging impacts, non-operating foreign exchange losses, higher interest expense, higher transportation and selling expenses and higher DD&A. This is partially offset by increased commodity prices and production volumes. Further to the items discussed in the Cash Flow and Operating Earnings sections, in the three months ended June 30, 2010:

- Unrealized financial hedging losses were $340 million after tax compared to losses of $570 million after tax in 2009.
- Non-operating foreign exchange losses were $246 million after tax compared to gains of $190 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.

Net Earnings in 2010 decreased $744 million from consolidated 2009 for the same period primarily due to the factors described above and the inclusion of the Cenovus results in the 2009 consolidated comparatives.

Six months ended June 30, 2010 versus 2009

Net Earnings of $972 million increased $403 million from pro forma 2009 primarily due to higher realized and unrealized financial hedging gains and increased commodity prices and production volumes. This is partially offset by non-operating foreign exchange losses, higher interest expense, higher transportation and selling expenses and higher DD&A. Further to the items discussed in the Cash Flow and Operating Earnings sections, in the six months ended June 30, 2010:

- Unrealized financial hedging gains were $572 million after tax compared to losses of $532 million after tax in 2009.
- Non-operating foreign exchange losses were $99 million after tax compared to gains of $85 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.

Net Earnings for 2010 decreased $229 million from consolidated 2009 for the same period 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

	Three months ended June 30			Six months ended June 30		
($ millions)	**2010**	Pro Forma 2009	Consolidated 2009	**2010**	Pro Forma 2009	Consolidated 2009
Unrealized Hedging Gains (Losses), after tax [(1)]	**$ (340)**	$ (570)	$ (750)	**$ 572**	$ (532)	$ (661)
Realized Hedging Gains (Losses), after tax	**263**	686	900	**388**	1,227	1,599
Hedging Impacts on Net Earnings	**$ (77)**	$ 116	$ 150	**$ 960**	$ 695	$ 938

(1) Included in Corporate and Other financial results. Further detail on unrealized hedging gains and losses can be found in the Corporate and Other section of this MD&A.

Summary of Consolidated Net Earnings

	2010		2009				2008	
($ millions, except per share amounts)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Continuing Operations								
Net Earnings (Loss) from Continuing Operations	**$ (505)**	$ 1,477	$ 589	$ 39	$ 211	$ 991	$ 1,469	$ 3,833
per share – basic	**(0.68)**	1.97	0.78	0.05	0.28	1.32	1.96	5.11
per share – diluted	**(0.68)**	1.97	0.78	0.05	0.28	1.32	1.96	5.10
Total Consolidated								
Net Earnings (Loss)	**(505)**	1,477	636	25	239	962	1,077	3,553
per share – basic	**(0.68)**	1.97	0.85	0.03	0.32	1.28	1.44	4.74
per share – diluted	**(0.68)**	1.97	0.85	0.03	0.32	1.28	1.43	4.73
Revenues, Net of Royalties	**1,469**	3,545	2,712	2,271	2,449	3,682	4,862	8,150

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 includes 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 classified as discontinued operations.

Net Capital Investment

	Three months ended June 30			Six months ended June 30		
($ millions)	**2010**	Pro Forma 2009	Consolidated 2009	**2010**	Pro Forma 2009	Consolidated 2009
Canadian Division	**$ 490**	$ 325	$ 325	**$ 1,033**	$ 862	$ 862
USA Division	**596**	374	374	**1,068**	948	948
Market Optimization	**1**	1	-	**1**	-	(3)
Corporate & Other	**12**	13	14	**17**	24	33
Canada – Other [(1)]	**-**	-	190	**-**	-	508
Discontinued Operations [(2)]	**-**	-	227	**-**	-	429
Capital Investment	**1,099**	713	1,130	**2,119**	1,834	2,777
Acquisitions	**124**	33	34	**152**	112	113
Divestitures	**(208)**	(17)	(20)	**(354)**	(50)	(53)
Net Capital Investment	**$ 1,015**	$ 729	$ 1,144	**$ 1,917**	$ 1,896	$ 2,837

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

(2) The former Integrated Oil U.S. Downstream Refining operations transferred to Cenovus are included in Discontinued Operations.

Capital investment during the first six months of 2010 was primarily focused on continued development of Encana's North American key resource plays. Capital investment of $2,119 million was higher compared to 2009 pro forma primarily due to increased spending on developing Haynesville and an increase in the average U.S./Canadian dollar exchange rate.

The Company had non-core asset divestitures in the second quarter of 2010 for proceeds of $20 million in the Canadian Division and $188 million in the USA Division. In the first six months of 2010, the Company had non-core asset divestitures for proceeds of $29 million in the Canadian Division and $325 million in the USA Division.

Free Cash Flow

($ millions)	Three months ended June 30 2010	Pro Forma 2009	Consolidated 2009	Six months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Cash Flow [1]	**$ 1,217**	$ 1,430	$ 2,153	**$ 2,390**	$ 2,817	$ 4,097
Capital Investment	**1,099**	713	1,130	**2,119**	1,834	2,777
Free Cash Flow [1]	**$ 118**	$ 717	$ 1,023	**$ 271**	$ 983	$ 1,320

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

Encana's Free Cash Flow for the second quarter of $118 million and Free Cash Flow for the six months ended June 30, 2010 of $271 million were lower compared to the same periods in 2009 on a pro forma basis. The variances in Cash Flow and Capital Investment are discussed under the Cash Flow and Net Capital Investment sections of this MD&A.

Production Volumes Summary

	Six months ended June 30		2010		2009			
	2010	2009	**Q2**	Q1	Q4	Q3	Q2	Q1
Produced Gas *(MMcf/d)*								
Canadian Division	**1,252**	1,312	**1,327**	1,177	1,071	1,201	1,343	1,281
USA Division	**1,910**	1,663	**1,875**	1,946	1,616	1,524	1,581	1,746
	3,162	2,975	**3,202**	3,123	2,687	2,725	2,924	3,027
Liquids *(bbls/d)*								
Canadian Division	**13,510**	17,595	**13,462**	13,558	12,477	15,909	17,624	17,567
USA Division	**10,110**	11,685	**10,112**	10,108	11,586	10,325	11,699	11,671
	23,620	29,280	**23,574**	23,666	24,063	26,234	29,323	29,238
Volumes *(MMcfe/d)* [1,2]	**3,304**	3,151	**3,344**	3,265	2,831	2,883	3,100	3,203
Canada – Other *(MMcfe/d)* [1,3]	**-**	1,487	**-**	-	970	1,504	1,502	1,472
Total Volumes *(MMcfe/d)* [1]	**3,304**	4,638	**3,344**	3,265	3,801	4,387	4,602	4,675

(1) Liquids converted to thousand cubic feet equivalent at 1 barrel = 6 thousand cubic feet.

(2) Quarterly volumes for 2009 represent Encana's pro forma volumes.

(3) Canada – Other represents former volumes from Canadian Plains and Integrated Oil – Canada which were transferred to Cenovus as a result of the November 30, 2009 Split Transaction.

Average production volumes of 3,344 MMcfe/d increased 8 percent, or 244 MMcfe/d, in the second quarter of 2010 compared to 2009 pro forma volumes for the same period. Higher volumes were primarily due to increased production in USA Division key resource plays due to successful drilling programs, partially offset by lower volumes of 154 MMcfe/d resulting from divestitures in both the USA and Canadian Divisions. Average production volumes of 3,304 MMcfe/d increased 5 percent, or 153 MMcfe/d, in the six months of 2010 compared to 2009 pro forma volumes for the same period. Higher volumes were primarily due to increased production in USA Division key resource plays, partially offset by lower volumes of 138 MMcfe/d resulting from divestitures in both the USA and Canadian Divisions.

Divisional Results

Canadian Division

Operating Cash Flow and Netbacks

	Three months ended June 30				Six months ended June 30			
	2010		2009		**2010**		2009	
($ millions, except $/Mcfe)		*($/Mcfe)*		*($/Mcfe)*		*($/Mcfe)*		*($/Mcfe)*
Revenues, Net of Royalties and excluding Hedging	**$ 574**	**$ 4.30**	$ 473	$ 3.51	**$ 1,231**	**$ 4.91**	$ 1,068	$ 4.09
Realized Financial Hedging Gain	**150**		434		**213**		754	
Expenses								
Production and mineral taxes	**4**	**0.03**	6	0.04	**5**	**0.02**	11	0.04
Transportation and selling	**48**	**0.37**	38	0.28	**93**	**0.38**	75	0.29
Operating	**129**	**0.97**	133	0.99	**268**	**1.07**	263	1.00
Operating Cash Flow/ Netback	**$ 543**	**$ 2.93**	$ 730	$ 2.20	**$ 1,078**	**$ 3.44**	$ 1,473	$ 2.76
Realized Financial Hedging Gain		**1.16**		3.29		**0.87**		2.94
Netback including Realized Financial Hedging		**$ 4.09**		$ 5.49		**$ 4.31**		$ 5.70

Three months ended June 30, 2010 versus 2009

Operating Cash Flow of $543 million decreased $187 million primarily due to lower realized financial hedging gains and a decrease in production volumes, partially offset by increased commodity prices. In the three months ended June 30, 2010:

- Realized financial hedging gains were $150 million before tax compared to $434 million before-tax gains in 2009.
- Average production volumes were 1,408 MMcfe/d compared to 1,449 MMcfe/d in 2009, resulting in a decrease of $17 million in revenues.
- Higher commodity prices, excluding the impact of financial hedging, resulted in an increase of $110 million, which reflects the changes in benchmark prices and in basis differentials.

Six months ended June 30, 2010 versus 2009

Operating Cash Flow of $1,078 million decreased $395 million primarily due to lower realized financial hedging gains and a decrease in production volumes, partially offset by increased commodity prices. In the six months ended June 30, 2010:

- Realized financial hedging gains were $213 million before tax compared to $754 million before-tax gains in 2009.
- Average production volumes were 1,333 MMcfe/d compared to 1,418 MMcfe/d in 2009, resulting in a decrease of $73 million in revenues.
- Higher commodity prices, excluding the impact of financial hedging, resulted in an increase of $228 million, which reflects the changes in benchmark prices and in basis differentials.

Results by Key Area

Three months ended June 30

	Daily Production (MMcfe/d)		Capital ($ millions)		Drilling Activity (net wells drilled)	
	2010	2009	**2010**	2009	**2010**	2009
Greater Sierra (1)	**247**	222	**$ 111**	$ 42	**14**	10
Cutbank Ridge (2)	**388**	344	**146**	88	**18**	18
Bighorn	**252**	202	**82**	50	**10**	14
CBM	**311**	330	**34**	23	**-**	1
Key Resource Plays	**1,198**	1,098	**373**	203	**42**	43
Other	**210**	351	**117**	122	**-**	-
Total Canadian Division	**1,408**	1,449	**$ 490**	$ 325	**42**	43

(1) 2010 includes Horn River, which has production of 24 MMcfe/d (2009 - 4 MMcfe/d), capital of $82 million (2009 - $30 million) and 4 net wells drilled (2009 – 6 net wells).

(2) 2010 includes Montney, which has production of 260 MMcfe/d (2009 - 189 MMcfe/d), capital of $110 million (2009 - $74 million) and 15 net wells drilled (2009 – 16 net wells).

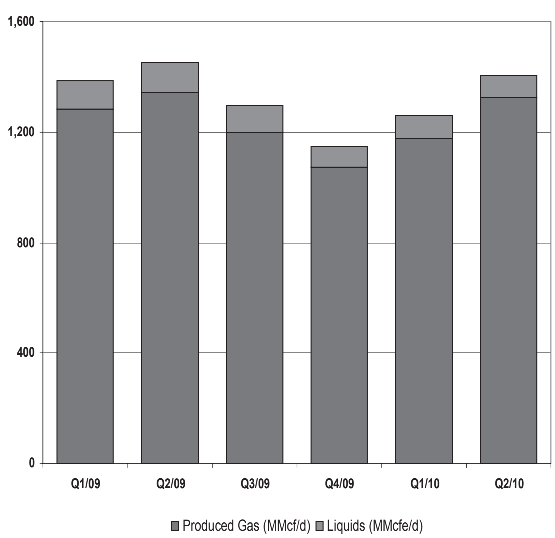
Six months ended June 30

	Daily Production (MMcfe/d)		Capital ($ millions)		Drilling Activity (net wells drilled)	
	2010	2009	**2010**	2009	**2010**	2009
Greater Sierra (1)	**232**	221	**$ 252**	$ 129	**30**	25
Cutbank Ridge (2)	**354**	336	**264**	196	**33**	38
Bighorn	**225**	187	**190**	119	**25**	35
CBM	**313**	319	**154**	162	**295**	279
Key Resource Plays	**1,124**	1,063	**860**	606	**383**	377
Other	**209**	355	**173**	256	**5**	8
Total Canadian Division	**1,333**	1,418	**$ 1,033**	$ 862	**388**	385

(1) 2010 includes Horn River, which has production of 18 MMcfe/d (2009 - 4 MMcfe/d), capital of $192 million (2009 - $94 million) and 10 net wells drilled (2009 – 8 net wells).

(2) 2010 includes Montney, which has production of 230 MMcfe/d (2009 - 179 MMcfe/d), capital of $218 million (2009 - $157 million) and 30 net wells drilled (2009 – 32 net wells).

Production Volumes



- Average production volumes of 1,408 MMcfe/d decreased 3 percent in the second quarter of 2010 compared to the same period of 2009. Average production volumes of 1,333 MMcfe/d decreased 6 percent in the first six months of 2010 compared to the same period of 2009.
- This decrease in production is due to lower volumes resulting from divestitures, partially offset by successful drilling programs at Bighorn and Cutbank Ridge. Volumes were 98 MMcfe/d lower in both the second quarter and first six months of 2010 due to divestitures.
- Average production for the Canadian Division is forecasted to be 1,388 MMcfe/d for the current year, with 1,200 MMcfe/d from key resource plays.

Capital Investment

Capital investment of $1,033 million in the six months ended June 30, 2010 was primarily focused on the Canadian Division key resource plays, as well as Deep Panuke. Encana plans to drill 1,050 wells in 2010 in relation to Canadian Division key resource plays.

USA Division

Operating Cash Flow and Netbacks

	Three months ended June 30				Six months ended June 30			
	2010		2009		**2010**		2009	
($ millions, except $/Mcfe)		*($/Mcfe)*		*($/Mcfe)*		*($/Mcfe)*		*($/Mcfe)*
Revenues, Net of Royalties and excluding Hedging	**$ 854**	**$ 4.68**	$ 515	$ 3.21	**$ 1,962**	**$ 5.32**	$ 1,181	$ 3.58
Realized Financial Hedging Gain	**224**		611		**324**		1,119	
Expenses								
Production and mineral taxes	**48**	**0.28**	15	0.10	**116**	**0.33**	61	0.20
Transportation and selling	**166**	**0.94**	125	0.83	**332**	**0.93**	248	0.79
Operating	**121**	**0.60**	99	0.52	**230**	**0.53**	214	0.51
Operating Cash Flow/ Netback	**$ 743**	**$ 2.86**	$ 887	$ 1.76	**$ 1,608**	**$ 3.53**	$ 1,777	$ 2.08
Realized Financial Hedging Gain		**1.27**		4.07		**0.91**		3.57
Netback including Realized Financial Hedging		**$ 4.13**		$ 5.83		**$ 4.44**		$ 5.65

Three months ended June 30, 2010 versus 2009

Operating Cash Flow of $743 million decreased $144 million primarily due to lower realized financial hedging gains and higher expenses, partially offset by increased commodity prices and production volumes. In the three months ended June 30, 2010:

- Realized financial hedging gains were $224 million before tax compared to $611 million before-tax gains in 2009.
- Transportation and selling expenses increased $41 million primarily due to increased production volumes and higher firm transportation costs.
- Production and mineral taxes increased $33 million primarily due to higher natural gas prices.
- Higher commodity prices, excluding the impact of financial hedging, resulted in an increase of $267 million, which reflects the changes in benchmark prices and changes in the basis differentials.
- Average production volumes of 1,936 MMcfe/d increased 285 MMcfe/d compared to 2009, resulting in an increase of $74 million in revenues.

Six months ended June 30, 2010 versus 2009

Operating Cash Flow of $1,608 million decreased $169 million primarily due to lower realized financial hedging gains and higher expenses, partially offset by increased commodity prices and production volumes. In the six months ended June 30, 2010:

- Realized financial hedging gains were $324 million before tax compared to $1,119 million before-tax gains in 2009.
- Transportation and selling expenses increased $84 million primarily due to increased production volumes and higher firm transportation costs.
- Production and mineral taxes increased $55 million primarily due to higher natural gas prices.

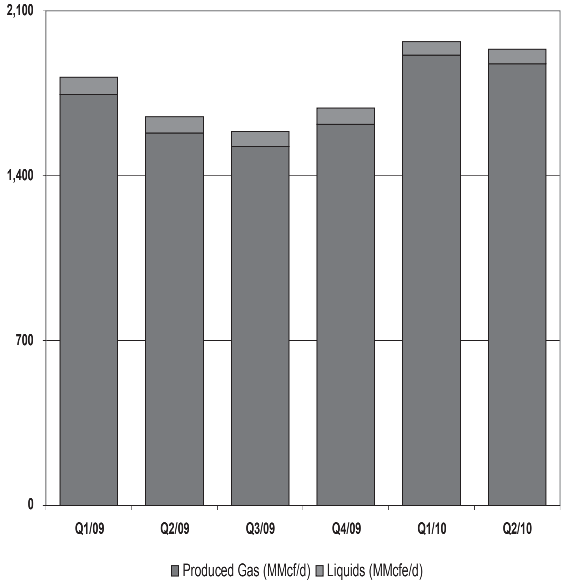
- Higher commodity prices, excluding the impact of financial hedging, resulted in an increase of $635 million, which reflects the changes in benchmark prices and changes in the basis differentials.
- Average production volumes of 1,971 MMcfe/d increased 238 MMcfe/d compared to 2009, resulting in an increase of $140 million in revenues.

Results by Key Area

Three months ended June 30	Daily Production *(MMcfe/d)*		Capital *($ millions)*		Drilling Activity *(net wells drilled)*	
	2010	2009	**2010**	2009	**2010**	2009
Jonah	**574**	607	**$ 98**	$ 66	**31**	30
Piceance	**470**	365	**35**	16	**29**	35
East Texas	**369**	304	**54**	81	**3**	11
Haynesville	**269**	54	**291**	134	**21**	11
Fort Worth	**123**	141	**25**	21	**9**	6
Key Resource Plays	**1,805**	1,471	**503**	318	**93**	93
Other	**131**	180	**93**	56	**16**	15
Total	**1,936**	1,651	**$ 596**	$ 374	**109**	108

Six months ended June 30	Daily Production *(MMcfe/d)*		Capital *($ millions)*		Drilling Activity *(net wells drilled)*	
	2010	2009	**2010**	2009	**2010**	2009
Jonah	**585**	632	**$ 182**	$ 196	**59**	65
Piceance	**476**	382	**58**	85	**62**	88
East Texas	**403**	356	**106**	216	**6**	26
Haynesville	**232**	40	**529**	220	**41**	20
Fort Worth	**133**	147	**36**	71	**16**	22
Key Resource Plays	**1,829**	1,557	**911**	788	**184**	221
Other	**142**	176	**157**	160	**27**	28
Total	**1,971**	1,733	**$ 1,068**	$ 948	**211**	249

Production Volumes



- Average production volumes of 1,936 MMcfe/d increased 17 percent in the second quarter of 2010 compared to the same period of 2009. Average production volumes of 1,971 MMcfe/d increased 14 percent in the first six months of 2010 compared to the same period of 2009.
- This increase in production is primarily due to drilling and operational success in Haynesville, Piceance and East Texas as well as bringing on shut-in and curtailed production. This is partially offset by lower volumes of 56 MMcfe/d in the second quarter and 40 MMcfe/d lower in the first six months of 2010 due to divestitures.
- Second quarter 2010 production volumes decreased 71 MMcfe/d from the first quarter of 2010 mainly due to divestitures and flush production in the first quarter of 2010 associated with bringing on previously shut-in production.
- Average production for the USA Division is forecasted to be 1,975 MMcfe/d for the current year, with 1,830 MMcfe/d from key resource plays.

Capital Investment

Capital investment of $1,068 million in the six months ended June 30, 2010 was focused on Haynesville as well as other USA Division key resource plays. Encana plans to drill a total of 385 wells in 2010 in relation to USA Division key resource plays.

Canada - Other

Canada – Other is comprised of Upstream results formerly from Canadian Plains and Integrated Oil – Canada 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.

	Three months ended June 30			Six months ended June 30		
		Pro Forma	Consolidated		Pro Forma	Consolidated
($ millions)	**2010**	2009	2009	**2010**	2009	2009
Revenues, Net of Royalties and excluding Hedging	**$ -**	$ -	$ 860	**$ -**	$ -	$ 1,587
Realized Financial Hedging Gain	**-**	-	303	**-**	-	544
Expenses						
Production and mineral taxes	**-**	-	11	**-**	-	21
Transportation and selling	**-**	-	158	**-**	-	291
Operating	**-**	-	158	**-**	-	314
Purchased product	**-**	-	(18)	**-**	-	(31)
Operating Cash Flow	**$ -**	$ -	$ 854	**$ -**	$ -	$ 1,536

Market Optimization

($ millions)	Three months ended June 30 2010	Pro Forma 2009	Consolidated 2009	Six months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Revenues	**$ 170**	$ 166	$ 366	**$ 398**	$ 474	$ 858
Expenses						
Operating	**5**	4	7	**14**	9	15
Purchased product	**160**	159	356	**371**	456	829
Operating Cash Flow	**5**	3	3	**13**	9	14
DD&A	**3**	2	4	**6**	5	9
Segment Income	**$ 2**	$ 1	$ (1)	**$ 7**	$ 4	$ 5

Market Optimization revenues and purchased product expenses relate to activities that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification that enhance the sale of Encana's production.

Revenues and purchased product expenses decreased in the six months of 2010 compared to the same period of 2009 pro forma mainly due to lower volumes required for Market Optimization partially offset by increased prices.

Corporate and Other

Segment Income

($ millions)	Three months ended June 30 2010	Pro Forma 2009	Consolidated 2009	Six months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Revenues	**$ (503)**	$ (866)	$ (1,113)	**$ 886**	$ (817)	$ (980)
Expenses						
Operating	**(9)**	-	3	**(6)**	10	29
DD&A	**16**	17	28	**32**	34	55
Segment Income	**$ (510)**	$ (883)	$ (1,144)	**$ 860**	$ (861)	$ (1,064)

Revenues primarily represent unrealized hedging gains or losses related to financial natural gas and liquids hedge contracts. Operating expenses in the six months of 2010 primarily relate to mark-to-market losses on long-term power generation contracts. DD&A includes corporate assets, such as computer equipment, office furniture and leasehold improvements.

Summary of Unrealized Hedging Gains (Losses)

($ millions)	Three months ended June 30 2010	Pro Forma 2009	Consolidated 2009	Six months ended June 30 2010	Pro Forma 2009	Consolidated 2009
Revenues						
Natural Gas	**$ (540)**	$ (869)	$ (1,099)	**$ 819**	$ (819)	$ (941)
Crude Oil	**22**	1	(15)	**30**	1	(40)
	(518)	(868)	(1,114)	**849**	(818)	(981)
Expenses	**(7)**	-	4	**(3)**	7	26
	(511)	(868)	(1,118)	**852**	(825)	(1,007)
Income Tax Expense (Recovery)	**(171)**	(298)	(368)	**280**	(293)	(346)
Unrealized Hedging Gains (Loss), after tax	**$ (340)**	$ (570)	$ (750)	**$ 572**	$ (532)	$ (661)

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. The financial hedge agreements were recorded at the date of the financial statements based on the fair value of the contracts. Changes in the fair value result in a gain or loss reflected in Corporate revenues and are the result of volatility between periods in the forward curves of commodity prices and changes in the balance of unsettled contracts. Further information regarding financial instrument agreements can be found in Note 14 to the Interim Consolidated Financial Statements.

Expenses

	Three months ended June 30			Six months ended June 30		
		Pro Forma (1)	Consolidated		Pro Forma (1)	Consolidated
($ millions)	**2010**	2009	2009	**2010**	2009	2009
Administrative	**$ 107**	$ 87	$ 114	**$ 189**	$ 150	$ 193
Interest, net	**131**	80	83	**261**	148	141
Accretion of asset retirement obligation	**11**	10	18	**23**	18	35
Foreign exchange (gain) loss, net	**266**	(179)	(61)	**122**	(80)	(3)
(Gain) loss on divestitures	**1**	3	3	**-**	2	2
Total Corporate Expenses	**$ 516**	$ 1	$ 157	**$ 595**	$ 238	$ 368

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

Three months ended June 30, 2010 versus 2009

Total Corporate expenses of $516 million increased $515 million from pro forma 2009 as a result of foreign exchange losses and higher interest and administrative expenses. In the three months ended June 30, 2010:

- Foreign exchange losses were $266 million compared to $179 million foreign exchange gains 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.
- Interest expense increased primarily due to a lower debt carrying value used to determine pro forma interest for 2009.
- Administrative expenses were higher primarily due to transition costs and a higher U.S./Canadian dollar exchange rate.

Total Corporate expenses increased $359 million from consolidated 2009 primarily due to the factors described above and inclusion of the Cenovus results in the 2009 consolidated comparatives.

Six months ended June 30, 2010 versus 2009

Total Corporate expenses of $595 million increased $357 million from pro forma 2009 as a result of foreign exchange losses and higher interest and administrative expenses. In the six months ended June 30, 2010:

- Foreign exchange losses were $122 million compared to $80 million foreign exchange gains 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.
- Interest expense increased primarily due to a lower debt carrying value used to determine pro forma interest for 2009.
- Administrative expenses were higher primarily due to transition costs and a higher U.S./Canadian dollar exchange rate, partially offset by lower long-term compensation costs.

Total Corporate expenses increased $227 million from consolidated 2009 primarily due to the factors described above and inclusion of the Cenovus results in the 2009 consolidated comparatives.

Income Tax

($ millions)	Three months ended June 30 2010	Three months Pro Forma 2009	Three months Consolidated 2009	Six months ended June 30 2010	Six months Pro Forma 2009	Six months Consolidated 2009
Current Income Tax	**$ (104)**	$ 83	$ 328	**$ (92)**	$ 202	$ 567
Future Income Tax	**76**	(108)	(272)	**502**	28	(212)
Total Income Tax	**$ (28)**	$ (25)	$ 56	**$ 410**	$ 230	$ 355

In the first six months of 2010, total income tax expense of $410 million increased $180 million from the same pro forma period of 2009, due to higher earnings before tax primarily resulting from the net impact of realized and unrealized hedges.

Current income tax expense decreased $294 million on a pro forma basis resulting in a current income tax recovery of $92 million. This reflects the decrease in current tax expense related to lower realized hedging gains partially offset by an increase in current tax resulting from an increase in taxable income, excluding realized hedging gains.

In the first six months of 2010, total income tax expense increased $55 million from consolidated 2009 primarily due to the factors described above and inclusion of the Cenovus results in the 2009 consolidated comparatives.

For the six months ended June 30, Encana's effective tax rate was approximately 30 percent for 2010, 29 percent for pro forma 2009 and 23 percent for consolidated 2009. 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 expected for the year. The effective tax rate differs from the statutory tax rate as it takes into consideration permanent differences, adjustment for changes to tax rates and other tax legislation, variation in the estimation of reserves and the estimate to actual differences. 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.

Depreciation, Depletion and Amortization

($ millions)	Three months ended June 30 2010	Three months Pro Forma 2009	Three months Consolidated 2009	Six months ended June 30 2010	Six months Pro Forma 2009	Six months Consolidated 2009
Canada	**$ 313**	$ 288	$ 523	**$ 600**	$ 561	$ 1,007
USA	**482**	379	379	**976**	795	795
Market Optimization	**3**	2	4	**6**	5	9
Corporate & Other	**16**	17	28	**32**	34	55
Total DD&A	**$ 814**	$ 686	$ 934	**$ 1,614**	$ 1,395	$ 1,866

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

Three and six months ended June 30, 2010 versus 2009

Total DD&A of $814 million in the second quarter of 2010 and $1,614 million in the first six months of 2010 increased $128 million and $219 million, respectively, compared to the same period of 2009 on a pro forma basis. The increases were the result of increased production volumes, a higher U.S./Canadian dollar exchange rate and a higher depletion rate.

DD&A decreased $120 million in the second quarter of 2010 and $252 million in the first six months of 2010 from the consolidated 2009 results primarily due to the factors described above and the inclusion of Cenovus in the 2009 consolidated comparatives.

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 the second quarter of 2009 was $28 million and a loss of $1 million in the first six months of 2009.

Liquidity and Capital Resources

	Three months ended June 30		Six months ended June 30	
($ millions)	**2010**	2009	**2010**	2009
Net Cash From (Used In)				
Operating activities	**$ 893**	$ 1,961	**$ 121**	$ 3,752
Investing activities	**(1,073)**	(1,317)	**(2,113)**	(3,101)
Financing activities	**(325)**	(956)	**(790)**	(749)
Foreign exchange gain/(loss) on cash and cash equivalents held in foreign currency	**(8)**	9	**(12)**	5
Increase (Decrease) in Cash and Cash Equivalents	**$ (513)**	$ (303)	**$ (2,794)**	$ (93)
Pro Forma Net Cash from Operating Activities		$ 1,121		$ 2,565

Operating Activities

Net cash from operating activities decreased $228 million in the second quarter of 2010 and decreased $2,444 million in the six months of 2010 compared to pro forma 2009. 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 ($2,200) million for the first six months of 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 Canadian oil and gas partnership, which resulted from the Split Transaction.

Excluding the impact of current risk management assets and liabilities, the Company had a working capital surplus of $758 million at June 30, 2010 compared to a surplus of $1,348 million at December 31, 2009. Encana expects that it will continue to meet the payment terms of its suppliers.

Investing Activities

In the first six months of 2010, net cash used for investing activities decreased $988 million compared to 2009. The 2009 investing activities included $944 million of capital expenditures related to Cenovus operations.

In the first six months of 2010, capital investment for the Canadian and USA Divisions increased $291 million and divestitures increased $306 million. Reasons for these changes are discussed under the Net Capital Investment and Divisional Results sections of this MD&A.

Financing Activities

Credit Facilities and Shelf Prospectuses

Net issuance of long-term debt in the six months of 2010 was nil compared to a net repayment of $169 million for the same period in 2009. Encana's total long-term debt, including current portion was $7,753 million at June 30, 2010 compared to $7,768 at December 31, 2009.

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

As at June 30, 2010, Encana had available unused committed bank credit facilities in the amount of $4.8 billion.

- Encana has in place a revolving bank credit facility for C$4.5 billion ($4.2 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 June 30, 2010, Encana had available unused capacity under shelf prospectuses for up to $5.9 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 June 30, 2010, C$2.0 billion ($1.9 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 June 30, 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.

Credit Ratings

Encana maintains investment grade credit ratings on its senior unsecured debt. The following table outlines the credit ratings and outlooks of the Company's debt as of June 30, 2010, which have remained unchanged from December 31, 2009:

	Standard & Poor's Ratings Services	Moody's Investors Service	DBRS Limited
Senior Unsecured			
Long-Term Rating	BBB+	Baa2	A (low)
Outlook	Stable	Stable	Stable

Normal Course Issuer Bid ("NCIB")

Encana has obtained regulatory approval under Canadian securities laws to purchase up to approximately 37.5 million Common Shares under a NCIB, which commenced on December 14, 2009 and expires on December 13,

2010. To June 30, 2010, the Company purchased 15.4 million Common Shares at an average price of approximately $32.42 under the current NCIB for total consideration of approximately $499 million. During 2009, under the current NCIB and prior NCIB, Encana did not purchase any of its Common Shares. 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 were $147 million ($0.20 per share) for the second quarter of 2010 and $296 million ($0.40 per share) for the six months ended June 30, 2010.

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 targets a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times.

		December 31, 2009	
	June 30, 2010	Pro Forma	Consolidated
Debt to Capitalization [1,2]	**32%**	32%	32%
Debt to Adjusted EBITDA [1,2,3]	**1.6x**	2.1x	1.3x

(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. June 30, 2010 debt to adjusted EBITDA is on a pro forma basis.

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.

Financial Risks

Encana partially mitigates its exposure to financial risks through the use of various financial instruments and physical contracts. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. All financial derivative agreements are with major financial institutions in Canada and the U.S. or with counterparties having investment grade credit ratings. Financial risks include market pricing of natural gas, credit and liquidity.

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.

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.

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. Encana closely monitors the Company's ability to access cost effective credit and ensures that sufficient cash resources are in place to fund capital expenditures and dividend payments.

Operational Risks

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. 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. 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'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. The Company is committed to safety in its operations and has high regard for the environment and stakeholders, including regulators. 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 government 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.

Refer to the December 31, 2009 MD&A for a comprehensive discussion on Risk Management.

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 will impact 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 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 International Financial Reporting Standards ("IFRS"). Encana will be required to report its results in accordance with IFRS beginning in 2011.

International Financial Reporting Standards (“IFRS”)

The Company is executing a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of 2010 required comparative information. Encana expects IFRS will not have a major impact on the Company’s operations or strategic decisions. 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 June 30, 2010, Encana has made 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 existing 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 and these sessions will continue throughout 2010.

Encana is in the process of completing its January 1, 2010 IFRS opening balance sheet based on its draft accounting policies. In addition, the Company is preparing the March 31, 2010 IFRS adjustments. Encana’s external auditors have started reviewing the Company’s draft IFRS accounting policies and the IFRS opening balance sheet impacts. Communication of the quantitative impacts to external stakeholders is expected to occur in the latter half of 2010.

Encana will continue to update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board.

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.

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 of 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 costs will be equal to the Canadian GAAP unproved properties balance and the IFRS development costs will be equal to the full cost pool balance. Encana will allocate this upstream full cost pool over 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.

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 the 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.

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.

Income Taxes
In transitioning to IFRS, the Company's future tax liability will be impacted by the tax effects resulting from the IFRS changes discussed above. Encana continues to assess the impact that the IFRS income tax principles may have on the Company.

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 will be reclassified to retained earnings on January 1, 2010. Accordingly, 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.

Critical Accounting Policies and Estimates

Refer to the December 31, 2009 MD&A for a comprehensive discussion of the Critical Accounting Policies and Estimates.

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.

Free Cash Flow

Free Cash Flow is a non-GAAP measure that Encana defines as Cash Flow in excess of Capital Investment, excluding net acquisitions and divestitures, and is used by Management to determine the funds available for other investing activities, dividends and/or other financing activities.

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

		June 30, 2009	
($ millions, except per share amounts)		Three months ended	Six months ended
Cash Flow		$ 2,153	$ 4,097
Less: Cenovus Carve-out [(1)]		811	1,406
Add/(Deduct) Pro Forma adjustments		88	126
Pro Forma Cash Flow		$ 1,430	$ 2,817
Per share amounts			
Consolidated Cash Flow	- Basic	$ 2.87	$ 5.46
	- Diluted	$ 2.87	$ 5.46
Pro Forma Cash Flow	- Basic	$ 1.90	$ 3.75
	- Diluted	$ 1.90	$ 3.75

(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

		June 30, 2009	
($ millions, except per share amounts)		Three months ended	Six months ended
Operating Earnings		$ 917	$ 1,865
Less: Cenovus Carve-out [(1)]		447	778
Add/(Deduct) Pro Forma adjustments		2	(71)
Pro Forma Operating Earnings		$ 472	$ 1,016
Per share amounts			
Consolidated Operating Earnings	- Diluted	$ 1.22	$ 2.48
Pro Forma Operating Earnings	- Diluted	$ 0.63	$ 1.35

(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

		June 30, 2009	
($ millions, except per share amounts)		Three months ended	Six months ended
Net Earnings		$ 239	$ 1,201
Less: Cenovus Carve-out [(1)]		149	561
Add/(Deduct) Pro Forma adjustments		2	(71)
Pro Forma Net Earnings		$ 92	$ 569
Per share amounts			
Consolidated Net Earnings	- Basic	$ 0.32	$ 1.60
	- Diluted	$ 0.32	$ 1.60
Pro Forma Net Earnings	- Basic	$ 0.12	$ 0.76
	- Diluted	$ 0.12	$ 0.76

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

Advisory

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: projection to double the Company's production on a per share basis over the next five years; projected natural gas production level and growth for 2010; projected number of wells to be drilled, including their locations, for 2010; projected daily production by Divisions and from certain key resource plays; ability of the Company to achieve its Corporate Guidance for 2010; projections relating to the adequacy of the Company's provision for taxes; projections with respect to natural gas production from unconventional resource plays; the Company's projected capital investment levels for 2010, the flexibility of capital spending plans and the source of funding therefor; 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 2010 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; 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; 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 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 which are discussed in further detail in this document, including a projected capital program averaging approximately $6 billion per year for 2011 to 2014, 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 proved, probable and possible 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 2010 cash flow, operating cash flow and pre-tax cash flow for Encana is based upon achieving average production of oil and gas for 2010 of approximately 3.365 billion cubic feet equivalent ("Bcfe") per day ("Bcfe/d"), commodity prices for natural gas of NYMEX $5.00/Mcf, crude oil (WTI) $75.00/bbl, U.S./Canadian dollar foreign exchange rate of $0.94 and a weighted average number of outstanding shares for Encana of approximately 740 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 July 21, 2010, which is available on Encana's website at www.encana.com and on SEDAR at www.sedar.com.

Oil and Gas Information

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 that permits it to provide certain of such disclosure in accordance with the relevant legal requirements of the U.S. SEC. Some of the information provided by Encana may differ from the corresponding information prepared in accordance with Canadian disclosure standards under NI 51-101. 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.

Natural Gas, Crude Oil and Natural Gas Liquids ("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 well head.

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 the previous years presented. 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, Free Cash Flow, 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.

Consolidated Statement of Earnings *(unaudited)*

($ millions, except per share amounts)		Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues, Net of Royalties	*(Note 3)*	**$ 1,469**	$ 2,449	**$ 5,014**	$ 6,131
Expenses	*(Note 3)*				
Production and mineral taxes		**52**	32	**121**	93
Transportation and selling		**214**	321	**425**	614
Operating		**246**	400	**506**	835
Purchased product		**160**	338	**371**	798
Depreciation, depletion and amortization		**814**	934	**1,614**	1,866
Administrative		**107**	114	**189**	193
Interest, net	*(Note 6)*	**131**	83	**261**	141
Accretion of asset retirement obligation	*(Note 10)*	**11**	18	**23**	35
Foreign exchange (gain) loss, net	*(Note 7)*	**266**	(61)	**122**	(3)
(Gain) loss on divestitures		**1**	3	**-**	2
		2,002	2,182	**3,632**	4,574
Net Earnings (Loss) Before Income Tax		**(533)**	267	**1,382**	1,557
Income tax expense (recovery)	*(Note 8)*	**(28)**	56	**410**	355
Net Earnings (Loss) From Continuing Operations		**(505)**	211	**972**	1,202
Net Earnings (Loss) From Discontinued Operations	*(Note 4)*	**-**	28	**-**	(1)
Net Earnings (Loss)		**$ (505)**	$ 239	**$ 972**	$ 1,201
Net Earnings (Loss) From Continuing Operations per Common Share	*(Note 12)*				
Basic		**$ (0.68)**	$ 0.28	**$ 1.31**	$ 1.60
Diluted		**$ (0.68)**	$ 0.28	**$ 1.31**	$ 1.60
Net Earnings (Loss) per Common Share	*(Note 12)*				
Basic		**$ (0.68)**	$ 0.32	**$ 1.31**	$ 1.60
Diluted		**$ (0.68)**	$ 0.32	**$ 1.31**	$ 1.60

Consolidated Statement of Comprehensive Income *(unaudited)*

($ millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net Earnings (Loss)	**$ (505)**	$ 239	**$ 972**	$ 1,201
Other Comprehensive Income (Loss), Net of Tax				
Foreign Currency Translation Adjustment	**(177)**	916	**(18)**	645
Comprehensive Income (Loss)	**$ (682)**	$ 1,155	**$ 954**	$ 1,846

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet *(unaudited)*

($ millions)		**As at June 30, 2010**	As at December 31, 2009
Assets			
Current Assets			
Cash and cash equivalents		**$ 1,481**	$ 4,275
Accounts receivable and accrued revenues		**1,157**	1,180
Risk management	*(Note 14)*	**725**	328
Income tax receivable		**318**	-
Inventories		**3**	12
		3,684	5,795
Property, Plant and Equipment, net	*(Note 3)*	**26,510**	26,173
Investments and Other Assets		**376**	164
Risk Management	*(Note 14)*	**469**	32
Goodwill		**1,648**	1,663
	(Note 3)	**$ 32,687**	$ 33,827
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,001**	$ 2,143
Income tax payable		**-**	1,776
Risk management	*(Note 14)*	**96**	126
Current portion of long-term debt	*(Note 9)*	**200**	200
		2,297	4,245
Long-Term Debt	*(Note 9)*	**7,553**	7,568
Other Liabilities	*(Note 3)*	**1,400**	1,185
Risk Management	*(Note 14)*	**16**	42
Asset Retirement Obligation	*(Note 10)*	**768**	787
Future Income Taxes		**3,873**	3,386
		15,907	17,213
Shareholders' Equity			
Share capital	*(Note 12)*	**2,319**	2,360
Paid in surplus	*(Note 12)*	**-**	6
Retained earnings		**13,724**	13,493
Accumulated other comprehensive income		**737**	755
Total Shareholders' Equity		**16,780**	16,614
		$ 32,687	$ 33,827

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity *(unaudited)*

($ millions)		Six Months Ended June 30, 2010	2009
Share Capital			
Balance, Beginning of Year		**$ 2,360**	$ 4,557
Common Shares Issued under Option Plans	*(Note 12)*	**5**	2
Common Shares Issued from PSU Trust	*(Note 12)*	**-**	19
Stock-Based Compensation	*(Note 12)*	**2**	1
Common Shares Purchased	*(Note 12)*	**(48)**	-
Balance, End of Period		**$ 2,319**	$ 4,579
Paid in Surplus			
Balance, Beginning of Year		**$ 6**	$ -
Common Shares Issued from PSU Trust		**-**	6
Common Shares Purchased	*(Note 12)*	**(6)**	-
Balance, End of Period		**$ -**	$ 6
Retained Earnings			
Balance, Beginning of Year		**$ 13,493**	$ 17,584
Net Earnings		**972**	1,201
Dividends on Common Shares		**(296)**	(601)
Charges for Normal Course Issuer Bid	*(Note 12)*	**(445)**	-
Balance, End of Period		**$ 13,724**	$ 18,184
Accumulated Other Comprehensive Income			
Balance, Beginning of Year		**$ 755**	$ 833
Foreign Currency Translation Adjustment		**(18)**	645
Balance, End of Period		**$ 737**	$ 1,478
Total Shareholders' Equity		**$ 16,780**	$ 24,247

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows *(unaudited)*

($ millions)		Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Activities					
Net earnings (loss) from continuing operations		**$ (505)**	$ 211	**$ 972**	$ 1,202
Depreciation, depletion and amortization		**814**	934	**1,614**	1,866
Future income taxes	*(Note 8)*	**76**	(272)	**502**	(212)
Unrealized (gain) loss on risk management	*(Note 14)*	**511**	1,118	**(852)**	1,007
Unrealized foreign exchange (gain) loss		**242**	(69)	**73**	(49)
Accretion of asset retirement obligation	*(Note 10)*	**11**	18	**23**	35
(Gain) loss on divestitures		**1**	3	**-**	2
Other		**67**	94	**58**	131
Cash flow from discontinued operations		**-**	116	**-**	115
Net change in other assets and liabilities		**(38)**	11	**(69)**	26
Net change in non-cash working capital from continuing operations		**(286)**	(383)	**(2,200)**	(835)
Net change in non-cash working capital from discontinued operations		**-**	180	**-**	464
Cash From (Used in) Operating Activities		**893**	1,961	**121**	3,752
Investing Activities					
Capital expenditures	*(Note 3)*	**(1,223)**	(913)	**(2,271)**	(2,437)
Proceeds from divestitures	*(Note 5)*	**208**	20	**354**	53
Corporate acquisition		**-**	(24)	**-**	(24)
Net change in investments and other		**(94)**	79	**(217)**	155
Net change in non-cash working capital from continuing operations		**36**	(181)	**21**	(267)
Discontinued operations		**-**	(298)	**-**	(581)
Cash From (Used in) Investing Activities		**(1,073)**	(1,317)	**(2,113)**	(3,101)
Financing Activities					
Net issuance (repayment) of revolving long-term debt		**-**	(1,170)	**-**	(665)
Issuance of long-term debt		**-**	496	**-**	496
Issuance of common shares	*(Note 12)*	**1**	19	**5**	21
Purchase of common shares	*(Note 12)*	**(179)**	-	**(499)**	-
Dividends on common shares		**(147)**	(301)	**(296)**	(601)
Cash From (Used in) Financing Activities		**(325)**	(956)	**(790)**	(749)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**(8)**	9	**(12)**	5
Increase (Decrease) in Cash and Cash Equivalents		**(513)**	(303)	**(2,794)**	(93)
Cash and Cash Equivalents, Beginning of Period		**1,994**	564	**4,275**	354
Cash and Cash Equivalents, End of Period		**$ 1,481**	$ 261	**$ 1,481**	$ 261
Cash (Bank Overdraft), End of Period		**$ (26)**	$ (5)	**$ (26)**	$ (5)
Cash Equivalents, End of Period		**1,507**	266	**1,507**	266
Cash and Cash Equivalents, End of Period		**$ 1,481**	$ 261	**$ 1,481**	$ 261

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

1. Basis of Presentation

The interim Consolidated Financial Statements include the accounts of Encana Corporation and its subsidiaries ("Encana" or the "Company"), and are presented in accordance with Canadian generally accepted accounting principles ("GAAP"). Encana's operations are in the business of the exploration for, the development of, and the production and marketing of natural gas and crude oil and natural gas liquids ("NGLs").

The interim 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, 2009, except as noted below. 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 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, 2009.

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.

Encana's 2009 comparative results in the Consolidated Statement of Earnings and Consolidated Statement of Cash Flows include Cenovus's upstream operations prior to the November 30, 2009 Split Transaction in continuing operations, while the U.S. Downstream Refining results are reported as discontinued operations.

2. Changes in Accounting Policies and Practices

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 will impact the accounting treatment of future 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 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 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 International Financial Reporting Standards ("IFRS"). Encana will be required to report its results in accordance with IFRS beginning in 2011. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on Encana's financial results of operations, financial position and disclosures.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information

The Company's operating and reportable segments are as follows:

- **Canada** includes the Company's exploration for, and development and production of natural gas, crude oil and NGLs and other related activities within the Canadian cost centre.

- **USA** includes the Company's exploration for, and development and production of natural gas, NGLs and other related activities within the United States cost centre.

- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canada and 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. The tables in this note present financial information on an after eliminations basis.

In conjunction with the Split Transaction, the assets formerly included in Encana's Canadian Plains Division and Integrated Oil Division were transferred to Cenovus. As a result, the former Canadian Foothills Division is reported as the Canadian Division and the Canadian Plains Division and Integrated Oil - Canada are now presented as Canada – Other. Prior periods have been restated to reflect this presentation.

Encana has a decentralized decision-making and reporting structure. Accordingly, the Company reports its divisional results as follows:

- **Canadian Division**, formerly the Canadian Foothills Division, which includes natural gas 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 on the Alberta and British Columbia border, including Montney; (iii) Bighorn in west central Alberta; and (iv) Coalbed Methane in southern Alberta.

- **USA Division,** which includes the natural gas 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.

- **Canada - Other** includes the combined results from the former Canadian Plains Division and Integrated Oil - Canada.

Operations that have been discontinued are disclosed in Note 4.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the three months ended June 30)

Segment and Geographic Information

	Canada		USA		Market Optimization	
	2010	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 724**	$ 2,070	**$ 1,078**	$ 1,126	**$ 170**	$ 366
Expenses						
Production and mineral taxes	**4**	17	**48**	15	**-**	-
Transportation and selling	**48**	196	**166**	125	**-**	-
Operating	**129**	291	**121**	99	**5**	7
Purchased product	**-**	(18)	**-**	-	**160**	356
	543	1,584	**743**	887	**5**	3
Depreciation, depletion and amortization	**313**	523	**482**	379	**3**	4
Segment Income (Loss)	**$ 230**	$ 1,061	**$ 261**	$ 508	**$ 2**	$ (1)

	Corporate & Other		Consolidated	
	2010	2009	**2010**	2009
Revenues, Net of Royalties	**$ (503)**	$ (1,113)	**$ 1,469**	$ 2,449
Expenses				
Production and mineral taxes	**-**	-	**52**	32
Transportation and selling	**-**	-	**214**	321
Operating	**(9)**	3	**246**	400
Purchased product	**-**	-	**160**	338
	(494)	(1,116)	**797**	1,358
Depreciation, depletion and amortization	**16**	28	**814**	934
Segment Income (Loss)	**$ (510)**	$ (1,144)	**(17)**	424
Administrative			**107**	114
Interest, net			**131**	83
Accretion of asset retirement obligation			**11**	18
Foreign exchange (gain) loss, net			**266**	(61)
(Gain) loss on divestitures			**1**	3
			516	157
Net Earnings (Loss) Before Income Tax			**(533)**	267
Income tax expense (recovery)			**(28)**	56
Net Earnings (Loss) from Continuing Operations			**$ (505)**	$ 211

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the three months ended June 30)

Product and Divisional Information

Canada Segment	Canadian Division		Canada - Other		Total	
	2010	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 724**	$ 907	**$ -**	$ 1,163	**$ 724**	$ 2,070
Expenses						
Production and mineral taxes	**4**	6	**-**	11	**4**	17
Transportation and selling	**48**	38	**-**	158	**48**	196
Operating	**129**	133	**-**	158	**129**	291
Purchased product	**-**	-	**-**	(18)	**-**	(18)
Operating Cash Flow	**$ 543**	$ 730	**$ -**	$ 854	**$ 543**	$ 1,584

Canadian Division *	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 627**	$ 823	**$ 79**	$ 74	**$ 18**	$ 10	**$ 724**	$ 907
Expenses								
Production and mineral taxes	**3**	5	**1**	1	**-**	-	**4**	6
Transportation and selling	**47**	37	**1**	1	**-**	-	**48**	38
Operating	**123**	124	**2**	6	**4**	3	**129**	133
Operating Cash Flow	**$ 454**	$ 657	**$ 75**	$ 66	**$ 14**	$ 7	**$ 543**	$ 730

USA Division	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 983**	$ 1,044	**$ 65**	$ 50	**$ 30**	$ 32	**$ 1,078**	$ 1,126
Expenses								
Production and mineral taxes	**42**	11	**6**	4	**-**	-	**48**	15
Transportation and selling	**166**	125	**-**	-	**-**	-	**166**	125
Operating	**106**	77	**-**	-	**15**	22	**121**	99
Operating Cash Flow	**$ 669**	$ 831	**$ 59**	$ 46	**$ 15**	$ 10	**$ 743**	$ 887

Canada - Other **	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ -**	$ 475	**$ -**	$ 618	**$ -**	$ 70	**$ -**	$ 1,163
Expenses								
Production and mineral taxes	**-**	5	**-**	6	**-**	-	**-**	11
Transportation and selling	**-**	10	**-**	143	**-**	5	**-**	158
Operating	**-**	51	**-**	93	**-**	14	**-**	158
Purchased product	**-**	-	**-**	-	**-**	(18)	**-**	(18)
Operating Cash Flow	**$ -**	$ 409	**$ -**	$ 376	**$ -**	$ 69	**$ -**	$ 854

* Formerly known as the Canadian Foothills Division.

** Includes the operations formerly known as the Canadian Plains Division and Integrated Oil - Canada.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the six months ended June 30)

Segment and Geographic Information

	Canada		USA		Market Optimization	
	2010	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 1,444**	$ 3,953	**$ 2,286**	$ 2,300	**$ 398**	$ 858
Expenses						
Production and mineral taxes	**5**	32	**116**	61	**-**	-
Transportation and selling	**93**	366	**332**	248	**-**	-
Operating	**268**	577	**230**	214	**14**	15
Purchased product	**-**	(31)	**-**	-	**371**	829
	1,078	3,009	**1,608**	1,777	**13**	14
Depreciation, depletion and amortization	**600**	1,007	**976**	795	**6**	9
Segment Income (Loss)	**$ 478**	$ 2,002	**$ 632**	$ 982	**$ 7**	$ 5

	Corporate & Other		Consolidated	
	2010	2009	**2010**	2009
Revenues, Net of Royalties	**$ 886**	$ (980)	**$ 5,014**	$ 6,131
Expenses				
Production and mineral taxes	**-**	-	**121**	93
Transportation and selling	**-**	-	**425**	614
Operating	**(6)**	29	**506**	835
Purchased product	**-**	-	**371**	798
	892	(1,009)	**3,591**	3,791
Depreciation, depletion and amortization	**32**	55	**1,614**	1,866
Segment Income (Loss)	**$ 860**	$ (1,064)	**1,977**	1,925
Administrative			**189**	193
Interest, net			**261**	141
Accretion of asset retirement obligation			**23**	35
Foreign exchange (gain) loss, net			**122**	(3)
(Gain) loss on divestitures			**-**	2
			595	368
Net Earnings Before Income Tax			**1,382**	1,557
Income tax expense			**410**	355
Net Earnings from Continuing Operations			**$ 972**	$ 1,202

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Results of Operations (For the six months ended June 30)

Product and Divisional Information

	Canada Segment					
	Canadian Division		Canada - Other		Total	
	2010	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 1,444**	$ 1,822	**$ -**	$ 2,131	**$ 1,444**	$ 3,953
Expenses						
Production and mineral taxes	**5**	11	**-**	21	**5**	32
Transportation and selling	**93**	75	**-**	291	**93**	366
Operating	**268**	263	**-**	314	**268**	577
Purchased product	**-**	-	**-**	(31)	**-**	(31)
Operating Cash Flow	**$ 1,078**	$ 1,473	**$ -**	$ 1,536	**$ 1,078**	$ 3,009

	Canadian Division *							
	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 1,256**	$ 1,671	**$ 160**	$ 131	**$ 28**	$ 20	**$ 1,444**	$ 1,822
Expenses								
Production and mineral taxes	**4**	9	**1**	2	**-**	-	**5**	11
Transportation and selling	**92**	71	**1**	4	**-**	-	**93**	75
Operating	**253**	244	**8**	12	**7**	7	**268**	263
Operating Cash Flow	**$ 907**	$ 1,347	**$ 150**	$ 113	**$ 21**	$ 13	**$ 1,078**	$ 1,473

	USA Division							
	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ 2,095**	$ 2,162	**$ 126**	$ 79	**$ 65**	$ 59	**$ 2,286**	$ 2,300
Expenses								
Production and mineral taxes	**104**	54	**12**	7	**-**	-	**116**	61
Transportation and selling	**332**	248	**-**	-	**-**	-	**332**	248
Operating	**190**	159	**-**	-	**40**	55	**230**	214
Operating Cash Flow	**$ 1,469**	$ 1,701	**$ 114**	$ 72	**$ 25**	$ 4	**$ 1,608**	$ 1,777

	Canada - Other **							
	Gas		Oil & NGLs		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Revenues, Net of Royalties	**$ -**	$ 996	**$ -**	$ 1,033	**$ -**	$ 102	**$ -**	$ 2,131
Expenses								
Production and mineral taxes	**-**	8	**-**	13	**-**	-	**-**	21
Transportation and selling	**-**	21	**-**	260	**-**	10	**-**	291
Operating	**-**	102	**-**	184	**-**	28	**-**	314
Purchased product	**-**	-	**-**	-	**-**	(31)	**-**	(31)
Operating Cash Flow	**$ -**	$ 865	**$ -**	$ 576	**$ -**	$ 95	**$ -**	$ 1,536

* Formerly known as the Canadian Foothills Division.

** Includes the operations formerly known as the Canadian Plains Division and Integrated Oil - Canada.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. Segmented Information (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Capital				
Canadian Division	**$ 490**	$ 325	**$ 1,033**	$ 862
Canada - Other	**-**	190	**-**	508
Canada	**490**	515	**1,033**	1,370
USA	**596**	374	**1,068**	948
Market Optimization	**1**	-	**1**	(3)
Corporate & Other	**12**	14	**17**	33
	1,099	903	**2,119**	2,348
Acquisition Capital				
Canada	**46**	2	**59**	75
USA	**78**	8	**93**	14
	124	10	**152**	89
Total	**$ 1,223**	$ 913	**$ 2,271**	$ 2,437

Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	June 30, 2010	December 31, 2009	**June 30, 2010**	December 31, 2009
Canada	**$ 11,542**	$ 11,162	**$ 13,102**	$ 12,748
USA	**13,750**	13,929	**15,124**	14,962
Market Optimization	**118**	124	**168**	303
Corporate & Other	**1,100**	958	**4,293**	5,814
Total	**$ 26,510**	$ 26,173	**$ 32,687**	$ 33,827

In January 2008, Encana signed the contract for the design and construction of the Production Field Centre ("PFC") for the Deep Panuke project. As at June 30, 2010, Canada Property, Plant, and Equipment and Total Assets includes Encana's accrual to date of $495 million ($427 million at December 31, 2009) related to this offshore facility as an asset under construction.

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. As at June 30, 2010, Corporate and Other Property, Plant and Equipment and Total Assets includes Encana's accrual to date of $797 million ($649 million at December 31, 2009) related to this office project as an asset under construction.

Corresponding liabilities for these projects are included in Other Liabilities in the Consolidated Balance Sheet. There is no effect on the Company's net earnings or cash flows related to the capitalization of The Bow office project or the Deep Panuke PFC.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Discontinued Operations

As a result of the Split Transaction on November 30, 2009, Encana transferred its Downstream Refining operations to Cenovus. These operations have been accounted for as discontinued operations.

Consolidated Statement of Earnings

The following table presents the effect of discontinued operations in the Consolidated Statement of Earnings:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Revenues, Net of Royalties	**$ -**	$ 1,313	**$ -**	$ 2,239
Expenses				
Operating	**-**	112	**-**	230
Purchased product	**-**	1,047	**-**	1,796
Depreciation, depletion and amortization	**-**	46	**-**	97
Administrative	**-**	6	**-**	12
Interest, net	**-**	46	**-**	92
Accretion of asset retirement obligation	**-**	1	**-**	1
Foreign exchange (gain) loss, net	**-**	1	**-**	1
(Gain) loss on divestitures	**-**	-	**-**	-
	-	1,259	**-**	2,229
Net Earnings (Loss) Before Income Tax	**-**	54	**-**	10
Income tax expense	**-**	26	**-**	11
Net Earnings (Loss) From Discontinued Operations	**$ -**	$ 28	**$ -**	$ (1)
Net Earnings (Loss) From Discontinued Operations per Common Share				
Basic	**$ -**	$ 0.04	**$ -**	$ -
Diluted	**$ -**	$ 0.04	**$ -**	$ -

5. Acquisitions and Divestitures

Acquisitions

On May 5, 2009, the Company acquired the common shares of Kerogen Resources Canada, ULC for net cash consideration of $24 million. The acquisition included $37 million of property, plant and equipment and the assumption of $6 million of current liabilities and $7 million of future income taxes. The operations are included in the Canadian Division.

Divestitures

Total year-to-date proceeds received on the sale of assets were $354 million (2009 - $53 million). The significant items are described below:

Canada and USA

In 2010, the Company completed the divestiture of non-core oil and natural gas assets for proceeds of $29 million (2009 - $44 million) in the Canadian Division and $325 million (2009 - $4 million) in the USA Division.

6. Interest, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Interest Expense - Long-Term Debt	**$ 122**	$ 123	**$ 242**	$ 241
Interest Expense - Other	**11**	4	**23**	(3)
Interest Income *	**(2)**	(44)	**(4)**	(97)
	$ 131	$ 83	**$ 261**	$ 141

* In 2009, Interest Income is primarily due to the Partnership Contribution Receivable which was transferred to Cenovus under the Split Transaction on November 30, 2009.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

7. Foreign Exchange (Gain) Loss, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	**$ 245**	$ (439)	**$ 74**	$ (289)
Translation of U.S. dollar partnership contribution receivable issued from Canada *	**-**	247	**-**	160
Other Foreign Exchange (Gain) Loss on:				
Monetary revaluations and settlements	**21**	131	**48**	126
	$ 266	$ (61)	**$ 122**	$ (3)

* The Partnership Contribution Receivable was transferred to Cenovus under the Split Transaction on November 30, 2009.

8. Income Taxes

The provision (recovery) for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	**2010**	2009
Current				
Canada	**$ (112)**	$ 268	**$ (102)**	$ 440
United States	**6**	53	**7**	121
Other Countries	**2**	7	**3**	6
Total Current Tax	**(104)**	328	**(92)**	567
Future	**76**	(272)	**502**	(212)
	$ (28)	$ 56	**$ 410**	$ 355

9. Long-Term Debt

	As at June 30, 2010	As at December 31, 2009
Canadian Dollar Denominated Debt		
Unsecured notes	**$ 1,179**	$ 1,194
U.S. Dollar Denominated Debt		
Unsecured notes	**6,600**	6,600
Increase in Value of Debt Acquired	**49**	52
Debt Discounts and Financing Costs	**(75)**	(78)
Current Portion of Long-Term Debt	**(200)**	(200)
	$ 7,553	$ 7,568

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

10. Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas assets:

	As at June 30, 2010	As at December 31, 2009
Asset Retirement Obligation, Beginning of Year	**$ 787**	$ 1,230
Liabilities Incurred	**19**	21
Liabilities Settled	**(10)**	(52)
Liabilities Divested	**(45)**	(26)
Liabilities Transferred to Cenovus	**-**	(692)
Change in Estimated Future Cash Outflows	**1**	74
Accretion Expense	**23**	71
Foreign Currency Translation	**(7)**	161
Asset Retirement Obligation, End of Period	**$ 768**	$ 787

11. Capital Structure

The Company's capital structure consists of Shareholders' Equity plus Debt, defined as Long-term Debt including the current portion. The Company's objectives when managing its capital structure are to:

i) maintain financial flexibility to preserve Encana's access to capital markets and its ability to meet its financial obligations; and
ii) finance internally generated growth, as well as potential acquisitions.

The Company monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). These metrics are measures of the Company's overall financial strength and are used to steward the Company's overall debt position.

Encana targets a Debt to Capitalization ratio of less than 40 percent. At June 30, 2010, Encana's Debt to Capitalization ratio was 32 percent (December 31, 2009 - 32 percent) calculated as follows:

	As at	
	June 30, 2010	December 31, 2009
Debt	**$ 7,753**	$ 7,768
Shareholders' Equity	**16,780**	16,614
Capitalization	**$ 24,533**	$ 24,382
Debt to Capitalization Ratio	**32%**	32%

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

11. Capital Structure (continued)

Encana targets a Debt to Adjusted EBITDA of less than 2.0 times. At June 30, 2010, Debt to Adjusted EBITDA was 1.3x (December 31, 2009 - 1.3x) calculated on a trailing 12-month basis as follows:

	As at	
	June 30, 2010	December 31, 2009
Debt	**$ 7,753**	$ 7,768
Net Earnings from Continuing Operations	**$ 1,600**	$ 1,830
Add (deduct):		
Interest, net	**525**	405
Income tax expense	**164**	109
Depreciation, depletion and amortization	**3,452**	3,704
Accretion of asset retirement obligation	**59**	71
Foreign exchange (gain) loss, net	**103**	(22)
(Gain) loss on divestitures	**-**	2
Adjusted EBITDA	**$ 5,903**	$ 6,099
Debt to Adjusted EBITDA	**1.3x**	1.3x

Encana has a long-standing practice of maintaining capital discipline, managing its capital structure and adjusting its capital structure according to market conditions to maintain flexibility while achieving the objectives stated above. 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 Company's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented. Encana is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

12. Share Capital

	June 30, 2010		December 31, 2009	
(millions)	**Number**	**Amount**	Number	Amount
Common Shares Outstanding, Beginning of Year	**751.3**	**$ 2,360**	750.4	$ 4,557
Common Shares Issued under Option Plans	**0.3**	**5**	0.4	5
Common Shares Issued from PSU Trust	**-**	**-**	0.5	19
Stock-Based Compensation	**-**	**2**	-	1
Common Shares Purchased	**(15.4)**	**(48)**	-	-
Common Shares Cancelled	**-**	**-**	(751.3)	(4,582)
New Encana Common Shares Issued	**-**	**-**	751.3	2,360
Encana Special Shares Issued	**-**	**-**	751.3	2,222
Encana Special Shares Cancelled	**-**	**-**	(751.3)	(2,222)
Common Shares Outstanding, End of Period	**736.2**	**$ 2,319**	751.3	$ 2,360

Normal Course Issuer Bid

Encana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under eight consecutive Normal Course Issuer Bids ("NCIB"). Encana is entitled to purchase, for cancellation, up to 37.5 million Common Shares under the renewed NCIB which commenced on December 14, 2009 and terminates on December 13, 2010. To June 30, 2010, the Company purchased 15.4 million Common Shares for total consideration of approximately $499 million. Of the amount paid, $6 million was charged to Paid in surplus, $48 million was charged to Share capital and $445 million was charged to Retained earnings. During 2009, there were no purchases under the current or prior NCIB.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. Share Capital (continued)

Stock Options

Encana has stock-based compensation plans that allow employees to purchase Common Shares of the Company. Option exercise prices approximate the market price for the Common Shares on the date the options were granted. Options granted under the plans are generally fully exercisable after three years and expire five years after the date granted. Options granted under predecessor and/or related company replacement plans expire up to 10 years from the date the options were granted.

As at June 30, 2010, Encana had 20,520 stock options (2009 - 351,740) outstanding and exercisable with a weighted average exercise price of C$7.54 per stock option (2009 - C$11.79). The weighted average remaining contractual life of the stock options is 0.2 years. These stock options do not have Tandem Share Appreciation Rights ("TSARs") attached.

Encana Share Units Held by Cenovus Employees

As part of the Split Transaction on November 30, 2009, each holder of Encana share units disposed of their right in exchange for the grant of new Encana share units and Cenovus share units. The terms and conditions of the new share units are similar to the terms and conditions of the original share units. Additional information is contained in Note 17 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2009.

Refer to Note 13 for information regarding share units held by Encana employees.

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 is based on the fair value of the Encana share units determined using the Black-Scholes-Merton model (See Note 14). There is no material impact on Encana's net earnings for these share units held by Cenovus employees. No further Encana share units will be granted to Cenovus employees.

As Cenovus employees may exercise Encana TSARs and Encana Performance TSARs in exchange for Encana Common Shares, the following table is provided as at June 30, 2010:

Canadian Dollar Denominated (C$)	Number of Encana Share Units *(millions)*	Weighted Average Exercise Price
Encana TSARs held by Cenovus Employees		
Outstanding, June 30, 2010	**7.1**	**30.41**
Exercisable, June 30, 2010	**4.9**	**29.65**
Encana Performance TSARs held by Cenovus Employees		
Outstanding, June 30, 2010	**7.3**	**31.62**
Exercisable, June 30, 2010	**3.7**	**31.77**

Per Share Amounts

The following table summarizes the Common Shares used in calculating Net Earnings per Common Share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(millions)	**2010**	2009	**2010**	2009
Weighted Average Common Shares Outstanding - Basic	**737.6**	751.0	**743.1**	750.8
Effect of Dilutive Securities	**-**	0.4	**0.1**	0.6
Weighted Average Common Shares Outstanding - Diluted	**737.6**	751.4	**743.2**	751.4

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

13. Compensation Plans

The following tables outline certain information related to Encana's compensation plans at June 30, 2010.

As part of the Split Transaction on November 30, 2009, each holder of Encana share units disposed of their right in exchange for the grant of new Encana share units and Cenovus share units. The terms and conditions of the new share units are similar to the terms and conditions of the original share units. Share units include TSARs, Performance TSARs, Share Appreciation Rights ("SARs") and Performance SARs. Additional information is contained in Note 19 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2009.

Refer to Note 12 for information regarding new Encana share units held by Cenovus employees.

A) Tandem Share Appreciation Rights

The following table summarizes information related to the Encana and Cenovus TSARs held by Encana employees at June 30, 2010:

	Encana TSARs		Cenovus TSARs	
Canadian Dollar Denominated (C$)	Outstanding	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
Outstanding, Beginning of Year	12,473,214	28.85	12,482,694	26.08
Granted	4,243,060	32.90	-	-
Exercised - SARs	(1,859,555)	23.24	(1,820,079)	20.79
Exercised - Options	(94,434)	20.73	(101,591)	19.17
Forfeited	(164,278)	32.82	(182,431)	29.40
Outstanding, End of Period	14,598,007	30.75	10,378,593	27.01
Exercisable, End of Period	7,847,957	29.11	7,881,964	26.33

For the period ended June 30, 2010, Encana recorded a reduction of compensation costs of $11 million related to the Encana TSARs and no compensation costs related to the Cenovus TSARs (2009 - compensation costs of $32 million related to the outstanding TSARs prior to the November 30, 2009 Split Transaction).

B) Performance Tandem Share Appreciation Rights

The following table summarizes information related to the Encana and Cenovus Performance TSARs held by Encana employees at June 30, 2010:

	Encana Performance TSARs		Cenovus Performance TSARs	
Canadian Dollar Denominated (C$)	Outstanding	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
Outstanding, Beginning of Year	10,461,901	31.42	10,462,643	28.42
Exercised - SARs	(212,155)	29.37	(214,794)	26.53
Exercised - Options	(171)	29.04	(171)	26.27
Forfeited	(965,503)	31.41	(975,648)	28.39
Outstanding, End of Period	9,284,072	31.46	9,272,030	28.46
Exercisable, End of Period	5,069,831	31.43	5,056,893	28.44

For the period ended June 30, 2010, Encana recorded a reduction of compensation costs of $3 million related to the Encana Performance TSARs and compensation costs of $2 million related to the Cenovus Performance TSARs (2009 - compensation costs of $14 million related to the outstanding Performance TSARs prior to the November 30, 2009 Split Transaction).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

13. Compensation Plans (continued)

C) Share Appreciation Rights

Beginning in January 2010, U.S. dollar denominated SARs were granted to eligible employees. The terms and conditions are similar to the Canadian dollar denominated SARs.

The following table summarizes information related to the Encana and Cenovus SARs held by Encana employees at June 30, 2010:

	Encana SARs		Cenovus SARs	
Canadian Dollar Denominated (C$)	Outstanding	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
Outstanding, Beginning of Year	2,343,485	33.75	2,323,960	30.55
Exercised	(23,146)	29.02	(22,214)	26.25
Forfeited	(46,906)	32.45	(46,830)	29.36
Outstanding, End of Period	2,273,433	33.82	2,254,916	30.62
Exercisable, End of Period	926,683	35.15	927,691	31.78

	Encana SARs	
U.S. Dollar Denominated (US$)	Outstanding	Weighted Average Exercise Price
Outstanding, Beginning of Year	-	-
Granted	4,282,840	30.99
Outstanding, End of Period	4,282,840	30.99
Exercisable, End of Period	-	-

For the period ended June 30, 2010, Encana recorded no compensation costs related to the Encana SARs and no compensation costs related to the Cenovus SARs (2009 - compensation costs of $1 million related to the outstanding SARs prior to the November 30, 2009 Split Transaction).

D) Performance Share Appreciation Rights

The following table summarizes information related to the Encana and Cenovus Performance SARs held by Encana employees at June 30, 2010:

	Encana Performance SARs		Cenovus Performance SARs	
Canadian Dollar Denominated (C$)	Outstanding	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
Outstanding, Beginning of Year	3,471,998	32.00	3,471,998	28.94
Exercised	(34,286)	29.04	(31,876)	26.27
Forfeited	(301,702)	32.21	(301,644)	29.14
Outstanding, End of Period	3,136,010	32.01	3,138,478	28.95
Exercisable, End of Period	1,105,088	33.39	1,107,618	30.19

For the period ended June 30, 2010, Encana recorded no compensation costs related to the Encana Performance SARs and no compensation costs related to the Cenovus Performance SARs (2009 - compensation costs of $1 million related to the outstanding Performance SARs prior to the November 30, 2009 Split Transaction).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

13. Compensation Plans (continued)

E) Performance Share Units ("PSUs")

In February 2010, PSUs were granted to eligible employees which entitle the employee to receive, upon vesting, a cash payment equal to the value of one Common Share of Encana for each PSU held, depending upon the terms of the amended PSU plan. PSUs vest three years from the date of grant, provided the employee remains actively employed with Encana on the vesting date.

The ultimate value of the PSUs will depend upon Encana's performance measured over the three year period. Each year, Encana's performance will be assessed by the Board of Directors (the "Board") to determine whether the performance criteria have been met. Based on this assessment, up to a maximum of two times the original PSU grant may be awarded. The respective proportion of the original PSU grant for each year will be valued, based on an average share price, and the notional cash value deposited to a PSU account, with payout deferred to the final vesting date.

The following table summarizes information related to the PSUs at June 30, 2010:

Canadian Dollar Denominated	Outstanding PSUs
Outstanding, Beginning of Year	-
Granted	880,735
Units, in Lieu of Dividends	11,229
Forfeited	(14,481)
Outstanding, End of Period	877,483

U.S. Dollar Denominated	Outstanding PSUs
Outstanding, Beginning of Year	-
Granted	810,910
Units, in Lieu of Dividends	10,460
Forfeited	(20,376)
Outstanding, End of Period	800,994

For the period ended June 30, 2010, Encana recorded compensation costs of $8 million related to the outstanding PSUs (2009 - nil).

F) Deferred Share Units ("DSUs")

The following table summarizes information related to the DSUs at June 30, 2010:

Canadian Dollar Denominated	Outstanding DSUs
Outstanding, Beginning of Year	672,147
Granted	102,091
Converted from HPR awards	21,732
Units, in Lieu of Dividends	10,110
Outstanding, End of Period	806,080

For the period ended June 30, 2010, Encana recorded compensation costs of $2 million related to the outstanding DSUs (2009 - $5 million).

G) Pensions

Encana's net benefit plan expense for the six months ended June 30, 2010 was $30 million (2009 - $38 million) and for the three months ended June 30, 2010 was $15 million (2009 - $19 million). Encana's contribution to the defined benefit pension plans for the six months ended June 30, 2010 was $6 million (2009 - $3 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Financial Instruments and Risk Management

Encana's financial assets and liabilities include cash and cash equivalents, accounts receivable and accrued revenues, investments and other assets, accounts payable and accrued liabilities, risk management assets and liabilities and long-term debt. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows:

A) Fair Value of Financial Assets and Liabilities

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 new share units issued as part of the November 30, 2009 Split Transaction as discussed in Notes 12 and 13.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts.

The fair value of investments and other assets approximate their carrying amount due to the nature of the instruments held.

Long-term debt is carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings have been determined based on market information where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company at period end.

The fair value of financial assets and liabilities were as follows:

	As at June 30, 2010		As at December 31, 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	**$ 1,481**	**$ 1,481**	$ 4,275	$ 4,275
Accounts receivable and accrued revenues (1)	**68**	**68**	75	75
Risk management assets (2)	**1,194**	**1,194**	360	360
Investments and other assets	**218**	**218**	-	-
Loans and Receivables:				
Accounts receivable and accrued revenues	**1,089**	**1,089**	1,105	1,105
Financial Liabilities				
Held-for-Trading:				
Accounts payable and accrued liabilities (3, 4)	**$ 136**	**$ 136**	$ 155	$ 155
Risk management liabilities (2)	**112**	**112**	168	168
Other Financial Liabilities:				
Accounts payable and accrued liabilities	**1,865**	**1,865**	1,988	1,988
Long-term debt (2)	**7,753**	**8,667**	7,768	8,527

(1) Represents amounts due from Cenovus for Encana share units held by Cenovus employees (See Note 12).
(2) Including current portion.
(3) Includes amounts due to Cenovus employees for Encana share units held (See Note 12).
(4) Includes amounts due to Cenovus for Cenovus share units held by Encana employees (See Notes 12 and 13).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities

Net Risk Management Position	As at June 30, 2010	As at December 31, 2009
Risk Management		
Current asset	$ 725	$ 328
Long-term asset	469	32
	1,194	360
Risk Management		
Current liability	96	126
Long-term liability	16	42
	112	168
Net Risk Management Asset	$ 1,082	$ 192

Summary of Unrealized Risk Management Positions

	As at June 30, 2010			As at December 31, 2009		
	Risk Management			Risk Management		
	Asset	Liability	Net	Asset	Liability	Net
Commodity Prices						
Natural gas	$ 1,192	$ 105	$ 1,087	$ 298	$ 88	$ 210
Crude oil	2	2	-	62	72	(10)
Power	-	5	(5)	-	8	(8)
Total Fair Value	$ 1,194	$ 112	$ 1,082	$ 360	$ 168	$ 192

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

The total net fair value of Encana's unrealized risk management positions is $1,082 million as at June 30, 2010 ($192 million as at December 31, 2009) and has been calculated using both quoted prices in active markets and observable market-corroborated data.

Net Fair Value of Commodity Price Positions at June 30, 2010

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	1,863 MMcf/d	2010	6.05 US$/Mcf	$ 438
NYMEX Fixed Price	1,158 MMcf/d	2011	6.33 US$/Mcf	411
NYMEX Fixed Price	1,040 MMcf/d	2012	6.46 US$/Mcf	293
Basis Contracts *				
Canada		2010		(1)
United States		2010		(4)
Canada and United States		2011-2013		(49)
				1,088
Other Financial Positions **				(1)
Natural Gas Fair Value Position				$ 1,087

* Encana has entered into swaps to protect against widening natural gas price differentials between production areas, including Canada, the U.S. Rockies and Texas, and various sales points. These basis swaps are priced using both fixed prices and basis prices determined as a percentage of NYMEX.

** Other financial positions are part of the ongoing operations of the Company's proprietary production management.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Net Fair Value of Commodity Price Positions at June 30, 2010 (continued)

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
WTI NYMEX Fixed Price	5,400 bbls/d	2010	76.99 US$/bbl	$ -
Crude Oil Fair Value Position				$ -

	Fair Value
Power Purchase Contracts	
Power Fair Value Position	$ (5)

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

	Realized Gain (Loss) Three Months Ended June 30,		Realized Gain (Loss) Six Months Ended June 30,	
	2010	2009	**2010**	2009
Revenues, Net of Royalties	**$ 389**	$ 1,345	**$ 577**	$ 2,414
Operating Expenses and Other	**1**	(5)	**(1)**	(29)
Gain (Loss) on Risk Management	**$ 390**	$ 1,340	**$ 576**	$ 2,385

	Unrealized Gain (Loss) Three Months Ended June 30,		Unrealized Gain (Loss) Six Months Ended June 30,	
	2010	2009	**2010**	2009
Revenues, Net of Royalties	**$ (518)**	$ (1,114)	**$ 849**	$ (981)
Operating Expenses and Other	**7**	(4)	**3**	(26)
Gain (Loss) on Risk Management	**$ (511)**	$ (1,118)	**$ 852**	$ (1,007)

Reconciliation of Unrealized Risk Management Positions from January 1 to June 30, 2010

	2010		2009
	Fair Value	**Total Unrealized Gain (Loss)**	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ 192**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	**1,428**	**$ 1,428**	$ 1,378
Settlement of Contracts Transferred to Cenovus	**38**	**-**	-
Fair Value of Contracts Realized During the Period	**(576)**	**(576)**	(2,385)
Fair Value of Contracts, End of Period	**$ 1,082**	**$ 852**	$ (1,007)

Commodity Price Sensitivities

The following table 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 June 30, 2010 as follows:

	10% Price Increase	**10% Price Decrease**
Natural gas price	**$ (612)**	**$ 612**
Crude oil price	**(8)**	**8**
Power price	**6**	**(6)**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The fair value or future cash flows of financial assets or liabilities 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 that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities. To partially mitigate exposure to commodity price risk, the Company has entered into various financial derivative 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 the natural gas commodity price risk, the Company has entered into swaps which fix the NYMEX prices. To help protect against widening 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.

Crude Oil - The Company has partially mitigated its commodity price risk on crude oil with swaps which fix WTI NYMEX prices.

Power - The Company has in place two Canadian dollar denominated derivative contracts, which commenced January 1, 2007 for a period of 11 years, to manage its electricity consumption costs.

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 and with credit practices that limit transactions according to counterparties' credit quality. At June 30, 2010, cash equivalents include high-grade, short-term securities, placed primarily with Governments and financial institutions with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions in Canada and the United States or with counterparties having investment grade credit ratings. 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 June 30, 2010, approximately 96 percent (93 percent at December 31, 2009) of Encana's accounts receivable and financial derivative credit exposures are with investment grade counterparties.

At June 30, 2010, Encana had four counterparties (2009 - three counterparties) whose net settlement position individually account for more than 10 percent of the fair value of the outstanding in-the-money net financial instrument contracts by counterparty. The maximum credit risk exposure associated with accounts receivable and accrued revenues and risk management assets is the total carrying value.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages its liquidity risk through cash and debt management. As disclosed in Note 11, Encana targets a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times to steward the Company's overall debt position.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through commercial paper, capital markets and banks. As at June 30, 2010, Encana had available unused committed bank credit facilities in the amount of $4.8 billion and unused capacity under shelf prospectuses, the availability of which is dependent on market conditions, in the amount of $5.9 billion. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Financial Instruments and Risk Management (continued)

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

Encana maintains investment grade ratings on its senior unsecured debt. As at June 30, 2010, Standard & Poor's Ratings Services has assigned a rating of "BBB+" , Moody's Investors Service has assigned a rating of "Baa2", and DBRS Limited has assigned a rating of "A (low)". Each ratings service has assigned a "Stable" outlook. These credit ratings have remained unchanged since December 31, 2009.

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

	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	$ 2,001	$ -	$ -	$ -	$ 2,001
Risk Management Liabilities	96	16	-	-	112
Long-Term Debt *	676	1,841	2,240	9,757	14,514

* Principal and interest, including current portion.

Encana's total long-term debt obligations were $14.5 billion at June 30, 2010. Further information on Long-Term Debt is contained in Note 9.

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./Canadian dollar can have a significant effect on the Company's reported results. Encana's functional currency is 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 are not separately identifiable.

To mitigate the exposure to the fluctuating U.S./Canadian exchange rate, Encana maintains a mix of both U.S. dollar and Canadian dollar debt. At June 30, 2010, Encana had $5.6 billion in U.S. dollar debt issued from Canada ($5.6 billion at December 31, 2009) subject to foreign exchange exposure.

Encana's foreign exchange (gain) loss primarily includes foreign exchange gains and losses on U.S. dollar cash and short-term investments held in Canada, unrealized foreign exchange gains and losses on the translation of U.S. dollar 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, in the prior year, foreign exchange gains and losses on the translation of the U.S. dollar partnership contribution receivable issued from Canada. A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a $44 million change in foreign exchange (gain) loss at June 30, 2010 (2009 - $15 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. Typically, the Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

At June 30, 2010, the Company had no floating rate debt. Therefore, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt was nil (2009 - $7 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Contingencies

Legal Proceedings

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

16. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2010.

Supplemental Financial Information *(unaudited)*

Financial Results

($ millions, except per share amounts)	2010 Year-to-date	2010 Q2	2010 Q1	2009 [1] Year	2009 Q4	2009 Q3	2009 Q2 Year-to-date	2009 Q2	2009 Q1
Encana Results									
Cash Flow [2]	**2,390**	**1,217**	1,173	5,021	930	1,274	2,817	1,430	1,387
Per share - Diluted	**3.22**	**1.65**	1.57	6.68	1.24	1.70	3.75	1.90	1.85
Net Earnings (Loss)	**972**	**(505)**	1,477	749	233	(53)	569	92	477
Per share - Diluted	**1.31**	**(0.68)**	1.97	1.00	0.31	(0.07)	0.76	0.12	0.63
Operating Earnings [3]	**499**	**81**	418	1,767	373	378	1,016	472	544
Per share - Diluted	**0.67**	**0.11**	0.56	2.35	0.50	0.50	1.35	0.63	0.72
Effective Tax Rates using									
Net Earnings	**29.7%**			13.0%					
Canadian Statutory Rate	**28.2%**			29.2%					
Foreign Exchange Rates *(US$ per C$1)*									
Average	**0.967**	**0.973**	0.961	0.876	0.947	0.911	0.829	0.857	0.803
Period end	**0.943**	**0.943**	0.985	0.956	0.956	0.933	0.860	0.860	0.794
Cash Flow Summary									
Cash From (Used in) Operating Activities	**121**	**893**	(772)	5,041	1,061	1,415	2,565	1,121	1,444
Deduct (Add back):									
Net change in other assets and liabilities	**(69)**	**(38)**	(31)	38	(5)	13	30	13	17
Net change in non-cash working capital from continuing operations	**(2,200)**	**(286)**	(1,914)	(18)	136	128	(282)	(322)	40
Cash Flow [2]	**2,390**	**1,217**	1,173	5,021	930	1,274	2,817	1,430	1,387
Operating Earnings Summary									
Net Earnings (Loss)	**972**	**(505)**	1,477	749	233	(53)	569	92	477
Deduct (Add back):									
Unrealized hedging gain (loss), after tax	**572**	**(340)**	912	(1,352)	(135)	(685)	(532)	(570)	38
Non-operating foreign exchange gain (loss), after tax	**(99)**	**(246)**	147	334	(5)	254	85	190	(105)
Operating Earnings [3]	**499**	**81**	418	1,767	373	378	1,016	472	544

(1) 2009 reflects pro forma results.

(2) 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, which are defined on the Consolidated Statement of Cash Flows and the Pro Forma Consolidated Statement of Cash from Operating Activities.

(3) Operating Earnings is a non-GAAP measure defined as Net Earnings excluding the after-tax gain/loss 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, 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.

Financial Metrics	2010 Year-to-date	2009 Year
Debt to Capitalization [1]	**32%**	32%
Debt to Adjusted EBITDA [1, 2]	**1.6x**	2.1x
Return on Capital Employed [1, 2]	**6%**	4%
Return on Common Equity [2]	**7%**	5%

(1) Calculated using Debt defined as the current and long-term portions of Long-Term Debt.
(2) Calculated on a trailing twelve-month basis using available 2009 pro forma results.

Supplemental Financial & Operating Information *(unaudited)*

Net Capital Investment *($ millions)*	**2010**			2009 [1]					
	Year-to-date	**Q2**	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Capital Investment									
Canadian Division	**1,033**	**490**	543	1,869	575	432	862	325	537
USA Division	**1,068**	**596**	472	1,821	515	358	948	374	574
	2,101	**1,086**	1,015	3,690	1,090	790	1,810	699	1,111
Market Optimization	**1**	**1**	-	-	-	-	-	1	(1)
Corporate & Other	**17**	**12**	5	65	37	4	24	13	11
Capital Investment	**2,119**	**1,099**	1,020	3,755	1,127	794	1,834	713	1,121
Acquisitions									
Property									
Canadian Division	**59**	**46**	13	190	108	8	74	1	73
USA Division	**93**	**78**	15	46	25	7	14	8	6
Corporate									
Canadian Division [2]	**-**	**-**	-	24	-	-	24	24	-
Divestitures									
Property									
Canadian Division	**(29)**	**(20)**	(9)	(1,000)	(43)	(913)	(44)	(11)	(33)
USA Division	**(325)**	**(188)**	(137)	(73)	(3)	(66)	(4)	(4)	-
Corporate & Other	**-**	**-**	-	(2)	-	-	(2)	(2)	-
Net Acquisition and Divestiture Activity	**(202)**	**(84)**	(118)	(815)	87	(964)	62	16	46
Net Capital Investment	**1,917**	**1,015**	902	2,940	1,214	(170)	1,896	729	1,167

[1] 2009 reflects pro forma results.
[2] Acquisition of Kerogen Resources Canada, ULC on May 5, 2009.

Production Volumes	**2010**			2009 [1]					
	Year-to-date	**Q2**	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Produced Gas *(MMcf/d)*									
Canadian Division	**1,252**	**1,327**	1,177	1,224	1,071	1,201	1,312	1,343	1,281
USA Division	**1,910**	**1,875**	1,946	1,616	1,616	1,524	1,663	1,581	1,746
	3,162	**3,202**	3,123	2,840	2,687	2,725	2,975	2,924	3,027
Liquids *(bbls/d)*									
Canadian Division	**13,510**	**13,462**	13,558	15,880	12,477	15,909	17,595	17,624	17,567
USA Division	**10,110**	**10,112**	10,108	11,317	11,586	10,325	11,685	11,699	11,671
	23,620	**23,574**	23,666	27,197	24,063	26,234	29,280	29,323	29,238
Total *(MMcfe/d)*									
Canadian Division	**1,333**	**1,408**	1,258	1,319	1,145	1,297	1,418	1,449	1,387
USA Division	**1,971**	**1,936**	2,007	1,684	1,686	1,586	1,733	1,651	1,816
	3,304	**3,344**	3,265	3,003	2,831	2,883	3,151	3,100	3,203

[1] 2009 reflects pro forma results.

Supplemental Oil and Gas Operating Statistics *(unaudited)*

Operating Statistics - After Royalties

Per-unit Results *(excluding impact of realized financial hedging)*	**2010**			2009 [1]					
	Year-to-date	**Q2**	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Produced Gas - Canadian Division *($/Mcf)*									
Price	**4.52**	**3.92**	5.21	3.71	4.21	2.92	3.86	3.19	4.58
Production and mineral taxes	**0.02**	**0.02**	0.01	0.03	-	0.02	0.04	0.04	0.03
Transportation and selling	**0.40**	**0.38**	0.41	0.33	0.40	0.35	0.30	0.30	0.30
Operating	**1.10**	**1.01**	1.20	1.13	1.43	1.09	1.03	1.02	1.04
Netback	**3.00**	**2.51**	3.59	2.22	2.38	1.46	2.49	1.83	3.21
Produced Gas - USA Division *($/Mcf)*									
Price	**5.12**	**4.45**	5.78	3.75	4.64	3.41	3.46	3.01	3.88
Production and mineral taxes	**0.30**	**0.25**	0.35	0.17	0.23	0.08	0.18	0.08	0.27
Transportation and selling	**0.96**	**0.97**	0.95	0.90	0.96	0.99	0.82	0.87	0.78
Operating	**0.55**	**0.62**	0.48	0.55	0.61	0.56	0.53	0.54	0.51
Netback	**3.31**	**2.61**	4.00	2.13	2.84	1.78	1.93	1.52	2.32
Produced Gas - Total *($/Mcf)*									
Price	**4.88**	**4.23**	5.56	3.73	4.47	3.19	3.64	3.09	4.18
Production and mineral taxes	**0.19**	**0.15**	0.22	0.11	0.14	0.06	0.12	0.06	0.17
Transportation and selling	**0.73**	**0.73**	0.74	0.66	0.74	0.71	0.59	0.61	0.58
Operating	**0.77**	**0.78**	0.75	0.80	0.93	0.79	0.75	0.76	0.74
Netback	**3.19**	**2.57**	3.85	2.16	2.66	1.63	2.18	1.66	2.69
Liquids - Canadian Division *($/bbl)*									
Price	**65.75**	**63.80**	67.71	47.86	60.37	52.48	41.23	45.86	36.51
Production and mineral taxes	**0.44**	**0.53**	0.35	0.45	0.34	0.48	0.47	0.47	0.47
Transportation and selling	**0.81**	**1.10**	0.53	1.06	0.49	1.41	1.11	0.62	1.61
Operating	**3.44**	**2.22**	4.67	3.62	3.25	3.04	4.02	4.09	3.94
Netback	**61.06**	**59.95**	62.16	42.73	56.29	47.55	35.63	40.68	30.49
Liquids - USA Division *($/bbl)*									
Price	**68.91**	**70.62**	67.18	48.56	64.39	55.60	37.42	47.27	27.43
Production and mineral taxes	**6.46**	**6.68**	6.25	4.39	5.84	5.12	3.33	4.18	2.48
Transportation and selling	**-**	**-**	-	-	-	-	-	-	-
Netback	**62.45**	**63.94**	60.93	44.17	58.55	50.48	34.09	43.09	24.95
Total Liquids *($/bbl)*									
Price	**67.10**	**66.73**	67.48	48.15	62.31	53.71	39.71	46.42	32.88
Production and mineral taxes	**3.02**	**3.17**	2.87	2.09	2.99	2.31	1.61	1.95	1.27
Transportation and selling	**0.47**	**0.63**	0.30	0.62	0.26	0.85	0.67	0.38	0.96
Operating	**1.96**	**1.26**	2.67	2.11	1.68	1.84	2.42	2.46	2.37
Netback	**61.65**	**61.67**	61.64	43.33	57.38	48.71	35.01	41.63	28.28
Total Netback - Canadian Division *($/Mcfe)*									
Price	**4.91**	**4.30**	5.60	4.02	4.59	3.36	4.09	3.51	4.70
Production and mineral taxes	**0.02**	**0.03**	0.01	0.03	0.01	0.02	0.04	0.04	0.04
Transportation and selling	**0.38**	**0.37**	0.39	0.32	0.38	0.34	0.29	0.28	0.30
Operating	**1.07**	**0.97**	1.17	1.09	1.37	1.05	1.00	0.99	1.01
Netback	**3.44**	**2.93**	4.03	2.58	2.83	1.95	2.76	2.20	3.35
Total Netback - USA Division *($/Mcfe)*									
Price	**5.32**	**4.68**	5.94	3.92	4.89	3.64	3.58	3.21	3.91
Production and mineral taxes	**0.33**	**0.28**	0.38	0.19	0.26	0.11	0.20	0.10	0.28
Transportation and selling	**0.93**	**0.94**	0.92	0.86	0.92	0.95	0.79	0.83	0.75
Operating	**0.53**	**0.60**	0.46	0.53	0.58	0.54	0.51	0.52	0.49
Netback	**3.53**	**2.86**	4.18	2.34	3.13	2.04	2.08	1.76	2.39
Total Netback *($/Mcfe)*									
Price	**5.15**	**4.52**	5.81	3.96	4.77	3.51	3.81	3.35	4.25
Production and mineral taxes	**0.20**	**0.17**	0.23	0.12	0.16	0.07	0.13	0.08	0.17
Transportation and selling	**0.71**	**0.70**	0.71	0.63	0.70	0.68	0.57	0.58	0.56
Operating [2]	**0.75**	**0.76**	0.74	0.78	0.90	0.76	0.73	0.74	0.72
Netback	**3.49**	**2.89**	4.13	2.43	3.01	2.00	2.38	1.95	2.80

(1) 2009 results reflect pro forma results.
(2) 2010 operating costs include a recovery of costs related to long-term incentives of $0.01/Mcfe (2009 - costs of $0.01/Mcfe).

Impact of Realized Financial Hedging	**2010**			2009 [1]					
	Year-to-date	**Q2**	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas *($/Mcf)*	**0.93**	**1.27**	0.58	3.30	1.97	4.25	3.48	3.93	3.04
Liquids *($/bbl)*	**(0.04)**	**0.32**	(0.41)	(0.01)	-	-	(0.02)	-	(0.03)
Total *($/Mcfe)*	**0.89**	**1.22**	0.55	3.12	1.87	4.02	3.28	3.70	2.87
Canadian Division *($/Mcfe)*	**0.87**	**1.16**	0.55	2.93	1.91	3.84	2.94	3.29	2.56
USA Division *($/Mcfe)*	**0.91**	**1.27**	0.55	3.27	1.84	4.16	3.57	4.07	3.11
Total *($/Mcfe)*	**0.89**	**1.22**	0.55	3.12	1.87	4.02	3.28	3.70	2.87

(1) 2009 results reflects pro forma results.

Supplemental Financial Information

The following financial information presents selected consolidated financial and operating information related to the ongoing operations of Encana Corporation ("Encana") for the three and six months ended June 30, 2010 compared to historical pro forma financial and operating information for the three and six months ended June 30, 2009. The pro forma comparative information excludes the results of operations from assets transferred to Cenovus Energy Inc. on November 30, 2009; See Note 3 to the December 31, 2009 Annual Consolidated Financial Statements.

The financial and operating information for the three and six months ended June 30, 2010 can be found in Encana's Interim Consolidated Financial Statements for the period ended June 30, 2010. The pro forma financial and operating information for the six months ended June 30, 2009 can be found in Appendix J to the Company's Information Circular Relating to an Arrangement Involving Cenovus Energy Inc. dated October 20, 2009 and on the following page.

Consolidated Statement of Earnings *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
($ millions, except per share amounts)	**2010**	Pro Forma 2009	**2010**	Pro Forma 2009
Revenues, Net of Royalties	**$ 1,469**	$ 1,333	**$ 5,014**	$ 3,779
Expenses				
Production and mineral taxes	**52**	21	**121**	72
Transportation and selling	**214**	163	**425**	323
Operating	**246**	236	**506**	496
Purchased product	**160**	159	**371**	456
Depreciation, depletion and amortization	**814**	686	**1,614**	1,395
Administrative	**107**	87	**189**	150
Interest, net	**131**	80	**261**	148
Accretion of asset retirement obligation	**11**	10	**23**	18
Foreign exchange (gain) loss, net	**266**	(179)	**122**	(80)
(Gain) loss on divestitures	**1**	3	**-**	2
	2,002	1,266	**3,632**	2,980
Net Earnings (Loss) Before Income Tax	**(533)**	67	**1,382**	799
Income tax expense (recovery)	**(28)**	(25)	**410**	230
Net Earnings (Loss)	**$ (505)**	$ 92	**$ 972**	$ 569
Net Earnings (Loss) per Common Share				
Basic	**$ (0.68)**	$ 0.12	**$ 1.31**	$ 0.76
Diluted	**$ (0.68)**	$ 0.12	**$ 1.31**	$ 0.76

Consolidated Statement of Cash from Operating Activities *(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
($ millions)	**2010**	Pro Forma 2009	**2010**	Pro Forma 2009
Operating Activities				
Net earnings (loss)	**$ (505)**	$ 92	**$ 972**	$ 569
Depreciation, depletion and amortization	**814**	686	**1,614**	1,395
Future income taxes	**76**	(108)	**502**	28
Unrealized (gain) loss on risk management	**511**	868	**(852)**	825
Unrealized foreign exchange (gain) loss	**242**	(198)	**73**	(133)
Accretion of asset retirement obligation	**11**	10	**23**	18
(Gain) loss on divestitures	**1**	3	**-**	2
Other	**67**	77	**58**	113
Net change in other assets and liabilities	**(38)**	13	**(69)**	30
Net change in non-cash working capital from continuing operations	**(286)**	(322)	**(2,200)**	(282)
Cash From Operating Activities	**$ 893**	$ 1,121	**$ 121**	$ 2,565

Supplemental Financial Information

The following Pro Forma Information presents selected historical pro forma financial and operating information related to the ongoing operations of Encana. The information excludes the results of operations from assets transferred to Cenovus Energy Inc. on November 30, 2009; See Note 3 to the December 31, 2009 Annual Consolidated Financial Statements.

For background on the pro forma information please refer to Note 1 - Basis of Presentation in the Notes to Encana Pro Forma Consolidated Statements of Earnings and Cash from Operating Activities.

Pro Forma Consolidated Statement of Earnings *(unaudited)*

For the six months ended June 30, 2009

($ millions, except per share amounts)	Encana Consolidated	Deduct Cenovus Carve-out	Add/(Deduct) Pro Forma Adjustments	Note 2	Encana Pro Forma
Revenues, Net of Royalties	$ 6,131	$ 2,352	$		$ 3,779
Expenses					
Production and mineral taxes	93	21			72
Transportation and selling	614	291			323
Operating	835	339			496
Purchased product	798	342			456
Depreciation, depletion and amortization	1,866	536	65	(A)	1,395
Administrative	193	66	25	(B)	150
			(2)	(C)	
Interest, net	141	(7)			148
Accretion of asset retirement obligation	35	17			18
Foreign exchange (gain) loss, net	(3)	77			(80)
(Gain) loss on divestitures	2	-			2
Net Earnings Before Income Tax	1,557	670	(88)		799
Income tax expense	355	108	(17)	(D i,ii,iii,iv)	230
Net Earnings from Continuing Operations	1,202	562	(71)		569
Net Earnings (Loss) from Discontinued Operations	(1)	(1)	-		-
Net Earnings	$ 1,201	$ 561	$ (71)		$ 569
Net Earnings from Continuing Operations per Common Share				(E)	
Basic	$ 1.60				$ 0.76
Diluted	$ 1.60				$ 0.76
Net Earnings per Common Share				(E)	
Basic	$ 1.60				$ 0.76
Diluted	$ 1.60				$ 0.76

Pro Forma Consolidated Statement of Cash from Operating Activities *(unaudited)*

For the six months ended June 30, 2009

($ millions)	Encana Consolidated	Deduct Cenovus Carve-out	Add/(Deduct) Pro Forma Adjustments	Note 2	Encana Pro Forma
Operating Activities					
Net earnings from continuing operations	$ 1,202	$ 562	$ (71)		$ 569
Depreciation, depletion and amortization	1,866	536	65	(A)	1,395
Future income taxes	(212)	(108)	132	(D i,ii,iii,iv)	28
Unrealized (gain) loss on risk management	1,007	182			825
Unrealized foreign exchange (gain) loss	(49)	84			(133)
Accretion of asset retirement obligation	35	17			18
(Gain) loss on divestitures	2	-			2
Other	131	18			113
Cash flow from discontinued operations	115	115			-
Net change in other assets and liabilities	26	(4)			30
Net change in non-cash working capital from continuing operations	(835)	(553)			(282)
Net change in non-cash working capital from discontinued operations	464	464			-
Cash From Operating Activities	$ 3,752	$ 1,313	$ 126		$ 2,565

Notes to Pro Forma Consolidated Statements of Earnings and Cash from Operating Activities *(unaudited)*

1. Basis of Presentation

On November 30, 2009, Encana completed a corporate reorganization (the "Split Transaction") involving the division of Encana into two independent publicly traded energy companies – Encana and Cenovus Energy Inc. The unaudited Pro Forma Consolidated Statement of Earnings and Pro Forma Consolidated Statement of Cash from Operating Activities have been prepared for information purposes and assumes the Split Transaction occurred on January 1, 2008. Pro forma adjustments are detailed in Note 2.

The unaudited Pro Forma Consolidated Statement of Earnings and Pro Forma Consolidated Statement of Cash from Operating Activities are expressed in United States dollars and have been prepared for information purposes using information contained in the following:

a) Encana's audited Consolidated Financial Statements for the year ended December 31, 2009.
b) Cenovus Energy unaudited Carve-out Consolidated Financial Statements for the 11 months ended November 30, 2009. The Cenovus unaudited Carve-out Consolidated Financial Statements were derived from the accounting records of Encana on a carve-out basis.

In the opinion of Management of Encana, the unaudited Pro Forma Consolidated Financial Statements include all the adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles.

The unaudited Pro Forma Statement of Earnings and Pro Forma Consolidated Statement of Cash from Operating Activities are for illustrative purposes only and may not be indicative of the results that actually would have occurred if the Split Transaction had been in effect on the dates indicated or of the results that may be obtained in the future. In addition to the pro forma adjustments to the historical carve-out financial statements, various other factors will have an effect on the results of operations.

2. Pro Forma Assumptions and Adjustments

The following adjustments reflect expected changes to Encana's historical results which would arise from the Split Transaction.

A. Reflects the expected difference in depreciation, depletion and amortization expense arising from a change in the depletion rate calculated for Encana's Canadian cost centre.

B. Increases administrative expense for additional compensation costs arising from the separation of compensation plans and the estimated increase in the number of employees required to operate Encana as a separate entity, after removing those costs associated with Cenovus's employees.

C. Reduces administrative expense to remove Encana's share of the transaction costs incurred related to the Split Transaction.

D. Pro forma adjustments to income tax expense,
   i. adjustments for the tax effect of items A, B and C above;
   ii. adjustments for the effect of the loss of tax deferrals resulting from the wind up of Encana's Canadian upstream oil and gas partnership;
   iii. acceleration of the intangible drilling costs deduction in the U.S. as a result of a change in the status of Encana being considered an independent producer; and
   iv. remove tax benefits solely resulting from the Split Transaction.

E. The Pro Forma Net Earnings per Common Share is calculated using the same weighted average number of pre-Arrangement Encana Corporation Common Shares outstanding as at June 30, 2009.

(millions)	For the period ended June 30, 2009
Weighted Average Common Shares Outstanding - Basic	750.8
Effects of Stock Options and Other Dilutive Securities	0.6
Weighted Average Common Shares Outstanding - Diluted	751.4

Supplemental Financial Information *(unaudited)*

Pro Forma Reconciliations

($ millions, except per share amounts)		2009				
		Year	Q4	Q3	Q2	Q1
Cash Flow (1)						
Encana Corporation, Consolidated		6,779	603	2,079	2,153	1,944
Less: Cenovus Carve-out (2)		2,232	(15)	841	811	595
Add/(Deduct) Pro Forma adjustments		474	312	36	88	38
Encana Pro Forma		5,021	930	1,274	1,430	1,387
Per share amounts						
Encana Corporation, Consolidated	- Basic	9.03	0.80	2.77	2.87	2.59
	- Diluted	9.02	0.80	2.77	2.87	2.59
Encana Pro Forma	- Basic	6.69	1.24	1.70	1.90	1.85
	- Diluted	6.68	1.24	1.70	1.90	1.85
Net Earnings						
Encana Corporation, Consolidated		1,862	636	25	239	962
Less: Cenovus Carve-out (2)		609	(15)	63	149	412
Add/(Deduct) Pro Forma adjustments		(504)	(418)	(15)	2	(73)
Encana Pro Forma		749	233	(53)	92	477
Per share amounts						
Encana Corporation, Consolidated	- Basic	2.48	0.85	0.03	0.32	1.28
	- Diluted	2.48	0.85	0.03	0.32	1.28
Encana Pro Forma	- Basic	1.00	0.31	(0.07)	0.12	0.64
	- Diluted	1.00	0.31	(0.07)	0.12	0.63
Operating Earnings (3)						
Encana Corporation, Consolidated		3,495	855	775	917	948
Less: Cenovus Carve-out (2)		1,224	64	382	447	331
Add/(Deduct) Pro Forma adjustments		(504)	(418)	(15)	2	(73)
Encana Pro Forma		1,767	373	378	472	544
Per share amounts						
Encana Corporation, Consolidated	- Diluted	4.65	1.14	1.03	1.22	1.26
Encana Pro Forma	- Diluted	2.35	0.50	0.50	0.63	0.72

(1) 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, which are defined on the Consolidated Statement of Cash Flows and the Pro Forma Consolidated Statement of Cash from Operating Activities.

(2) Cenovus Energy was spun-off on November 30, 2009. As a result, carve-out information for the fourth quarter is for the two months ended November 30, 2009 and the 2009 Year information is for the 11 months ended November 30, 2009.

(3) Operating Earnings is a non-GAAP measure defined as Net Earnings excluding the after-tax gain/loss 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, 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.

Encana Corporation

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