Interim Consolidated Financial Statements
(unaudited)
For the period ended September 30, 2004

EnCana Corporation

U.S. DOLLARS

EnCana Corporation

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

		September 30			
		Three Months Ended		Nine Months Ended	
(US$ millions, except per share amounts)		**2004**	2003	**2004**	2003
REVENUES, NET OF ROYALTIES	*(Note 5)*				
Upstream		**$ 2,070**	$ 1,509	**$ 5,853**	$ 4,651
Midstream & Marketing		**889**	781	**3,206**	2,713
Corporate		**(501)**	1	**(1,033)**	2
		2,458	2,291	**8,026**	7,366
EXPENSES	*(Note 5)*				
Production and mineral taxes		**97**	33	**258**	131
Transportation and selling		**144**	125	**468**	375
Operating		**382**	322	**1,081**	960
Purchased product		**800**	692	**2,909**	2,406
Depreciation, depletion and amortization		**694**	525	**2,051**	1,497
Administrative		**43**	41	**136**	121
Interest, net		**103**	71	**278**	202
Accretion of asset retirement obligation	*(Note 10)*	**8**	5	**20**	15
Foreign exchange (gain)	*(Note 7)*	**(288)**	(20)	**(209)**	(436)
Stock-based compensation		**5**	6	**14**	12
Gain on dispositions	*(Note 4)*	**-**	-	**(35)**	-
		1,988	1,800	**6,971**	5,283
NET EARNINGS BEFORE INCOME TAX		**470**	491	**1,055**	2,083
Income tax expense	*(Note 8)*	**77**	205	**122**	342
NET EARNINGS FROM CONTINUING OPERATIONS		**393**	286	**933**	1,741
NET EARNINGS FROM DISCONTINUED OPERATIONS	*(Note 6)*	**-**	4	**-**	193
NET EARNINGS		**$ 393**	$ 290	**$ 933**	$ 1,934
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 0.85**	$ 0.60	**$ 2.02**	$ 3.64
Diluted		**$ 0.84**	$ 0.60	**$ 2.00**	$ 3.60
NET EARNINGS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 0.85**	$ 0.61	**$ 2.02**	$ 4.05
Diluted		**$ 0.84**	$ 0.61	**$ 2.00**	$ 4.00

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

		Nine Months Ended September 30,	
(US$ millions)		**2004**	2003
RETAINED EARNINGS, BEGINNING OF YEAR			
As previously reported		**$ 5,276**	$ 3,457
Retroactive adjustment for changes in accounting policies		**-**	66
As restated		**5,276**	3,523
Net Earnings		**933**	1,934
Dividends on Common Shares		**(137)**	(103)
Charges for Normal Course Issuer Bid	*(Note 11)*	**(126)**	(360)
RETAINED EARNINGS, END OF PERIOD		**$ 5,946**	$ 4,994

See accompanying Notes to Consolidated Financial Statements.

PREPARED IN US$

EnCana Corporation

CONSOLIDATED BALANCE SHEET (unaudited)

(US$ millions)		As at September 30, 2004	As at December 31, 2003
ASSETS			
Current Assets			
Cash and cash equivalents		$ **107**	$ 148
Accounts receivable and accrued revenues		**2,066**	1,367
Risk management	*(Note 14)*	**84**	-
Inventories		**700**	573
		2,957	2,088
Property, Plant and Equipment, net	*(Note 5)*	**23,623**	19,545
Investments and Other Assets		**637**	566
Risk Management	*(Note 14)*	**46**	-
Goodwill		**2,410**	1,911
	(Note 5)	$ **29,673**	$ 24,110
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ **2,059**	$ 1,579
Risk management	*(Note 14)*	**800**	-
Income tax payable		**526**	65
Current portion of long-term debt	*(Note 9)*	**550**	287
		3,935	1,931
Long-Term Debt	*(Note 9)*	**8,036**	6,088
Other Liabilities		**85**	21
Risk Management	*(Note 14)*	**332**	-
Asset Retirement Obligation	*(Note 10)*	**490**	430
Future Income Taxes		**4,712**	4,362
		17,590	12,832
Shareholders' Equity			
Share capital	*(Note 11)*	**5,412**	5,305
Share options, net		**21**	55
Paid in surplus		**53**	18
Retained earnings		**5,946**	5,276
Foreign currency translation adjustment		**651**	624
		12,083	11,278
		$ **29,673**	$ 24,110

See accompanying Notes to Consolidated Financial Statements.

EnCana Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

		September 30			
		Three Months Ended		Nine Months Ended	
(US$ millions)		**2004**	2003	**2004**	2003
OPERATING ACTIVITIES					
Net earnings from continuing operations		**$ 393**	$ 286	**$ 933**	$ 1,741
Depreciation, depletion and amortization		**694**	525	**2,051**	1,497
Future income taxes	*(Note 8)*	**(47)**	154	**(437)**	325
Unrealized loss on risk management	*(Note 14)*	**497**	-	**1,028**	-
Unrealized foreign exchange (gain)	*(Note 7)*	**(193)**	(15)	**(122)**	(404)
Accretion of asset retirement obligation	*(Note 10)*	**8**	5	**20**	15
Gain on dispositions	*(Note 4)*	**-**	-	**(35)**	-
Other		**11**	18	**51**	29
Cash flow from continuing operations		**1,363**	973	**3,489**	3,203
Cash flow from discontinued operations		**-**	4	**-**	2
Cash flow		**1,363**	977	**3,489**	3,205
Net change in other assets and liabilities		**(25)**	(111)	**(71)**	(82)
Net change in non-cash working capital from continuing operations		**(276)**	159	**(103)**	200
Net change in non-cash working capital from discontinued operations		**-**	(3)	**-**	54
		1,062	1,022	**3,315**	3,377
INVESTING ACTIVITIES					
Business combination with Tom Brown, Inc.	*(Note 3)*	**-**	-	**(2,335)**	-
Capital expenditures	*(Note 5)*	**(1,147)**	(1,345)	**(3,892)**	(3,438)
Proceeds on disposal of assets		**941**	-	**1,072**	19
Dispositions (acquisitions)	*(Note 4)*	**(1)**	(91)	**287**	(207)
Equity investments	*(Note 4)*	**8**	(25)	**52**	(158)
Net change in investments and other		**(46)**	(41)	**(68)**	(68)
Net change in non-cash working capital from continuing operations		**(24)**	46	**(70)**	(112)
Discontinued operations		**-**	307	**-**	1,585
		(269)	(1,149)	**(4,954)**	(2,379)
FINANCING ACTIVITIES					
Net (repayment) issuance of revolving long-term debt		**(662)**	722	**(215)**	262
Issuance of long-term debt		**1,000**	-	**3,761**	-
Repayment of long-term debt		**(1,205)**	(71)	**(1,754)**	(142)
Issuance of common shares	*(Note 11)*	**30**	12	**184**	95
Purchase of common shares	*(Note 11)*	**-**	(560)	**(230)**	(682)
Dividends on common shares		**(45)**	(35)	**(137)**	(103)
Other		**(6)**	8	**(11)**	(5)
Discontinued operations		**-**	-	**-**	(282)
		(888)	76	**1,598**	(857)
DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		**-**	1	**-**	9
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(95)**	(52)	**(41)**	132
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**202**	300	**148**	116
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 107**	$ 248	**$ 107**	$ 248

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation and its subsidiaries (the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The Company is in the business of exploration for, and production and marketing of, natural gas, natural gas liquids and crude oil, as well as natural gas storage operations, natural gas liquids processing and power generation operations.

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, 2003, except as noted below. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. 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, 2003.

2. CHANGE IN ACCOUNTING POLICIES AND PRACTICES

Hedging Relationships

On January 1, 2004, the Company adopted the amendments made to Accounting Guideline 13 (“AcG - 13”) “Hedging Relationships”, and EIC 128, “Accounting for Trading, Speculative or Non Trading Derivative Financial Instruments”. Derivative instruments that do not qualify as a hedge under AcG - 13, or are not designated as a hedge, are recorded in the Consolidated Balance Sheet as either an asset or liability with changes in fair value recognized in net earnings. The Company has elected not to designate any of its price risk management activities in place at September 30, 2004 as accounting hedges under AcG - 13 and, accordingly, will account for all these non-hedging derivatives using the mark-to-market accounting method. The impact on the Company’s Consolidated Financial Statements at January 1, 2004 resulted in the recognition of risk management assets with a fair value of $145 million, risk management liabilities with a fair value of $380 million and a net deferred loss of $235 million which will be recognized into net earnings as the contracts expire. At September 30, 2004, it is estimated that over the following 12 months, $42 million ($30 million, net of tax) will be reclassified into net earnings from net deferred losses.

The following table presents the deferred amounts expected to be recognized in net earnings as unrealized gains/(losses) over the years 2004 to 2008:

		Unrealized Gain/(Loss)
2004		
Quarter 4	$	(64)
Total remaining to be recognized in 2004	$	(64)
2005		
Quarter 1	$	-
Quarter 2		13
Quarter 3		9
Quarter 4		9
Total to be recognized in 2005	$	31
2006		24
2007		15
2008		1
Total to be recognized in 2006 to 2008	$	40
Total to be recognized	$	7

At September 30, 2004, the remaining net deferred loss totalled $7 million of which $72 million was recorded in Accounts receivable and accrued revenues, $3 million in Investments and other assets, $30 million in Accounts payable and accrued liabilities and $52 million in Other liabilities.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

3. BUSINESS COMBINATION WITH TOM BROWN, INC.

In May 2004, the Company completed the tender offer for the common shares of Tom Brown, Inc., a Denver based independent energy company for total cash consideration of $2.3 billion.

The business combination has been accounted for using the purchase method with results of operations of Tom Brown, Inc. included in the Consolidated Financial Statements from the date of acquisition.

The calculation of the purchase price and the preliminary allocation to assets and liabilities is shown below. The purchase price and goodwill allocation is preliminary because certain items such as determination of the final tax bases and fair values of the assets and liabilities as of the acquisition date have not been completed.

Calculation of Purchase Price		
Cash paid for common shares of Tom Brown, Inc.	$	2,341
Transaction costs		13
Total purchase price	$	2,354
Plus: Fair value of liabilities assumed		
Current liabilities		276
Long-term debt		406
Other non-current liabilities		39
Future income taxes		710
Total Purchase Price and Liabilities Assumed	$	3,785
Fair Value of Assets Acquired		
Current assets (including cash acquired of $19 million)	$	440
Property, plant, and equipment		2,879
Other non-current assets		9
Goodwill		457
Total Fair Value of Assets Acquired	$	3,785

Included in current assets as Assets held for sale is $278 million related to the value of certain oil and gas properties located in west Texas and southwestern New Mexico and the assets of Sauer Drilling Company, a subsidiary of Tom Brown, Inc., which the Company has entered into purchase and sale agreements. These sales were completed on July 30, 2004.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

4. DISPOSITIONS (ACQUISITIONS)

In March 2004, the Company sold its investment in a well servicing company for approximately $44 million, recording a gain on sale of $34 million.

On February 18, 2004, the Company sold its 53.3 percent interest in Petrovera Resources ("Petrovera") for approximately $287 million, including working capital adjustments. In order to facilitate the transaction, EnCana purchased the 46.7 percent interest of its partner for approximately $253 million, including working capital adjustments, and then sold the 100 percent interest in Petrovera for a total of approximately $540 million, including working capital adjustments. There was no gain or loss recorded on this sale.

On January 31, 2003, the Company acquired the Ecuadorian interests of Vintage Petroleum Inc. ("Vintage") for net cash consideration of $116 million. On July 18, 2003, the Company acquired the common shares of Savannah Energy Inc. ("Savannah") for net cash consideration of $91 million. Savannah's operations are in Texas, USA. These purchases were accounted for using the purchase method with the results reflected in the consolidated results of EnCana from the dates of acquisition.

Other dispositions of discontinued operations are disclosed in Note 6.

5. SEGMENTED INFORMATION

The Company has defined its continuing operations into the following segments:

- Upstream includes the Company's exploration for, and development and production of, natural gas, natural gas liquids and crude oil and other related activities. The majority of the Company's Upstream operations are located in Canada, the United States, the United Kingdom and Ecuador. International new venture exploration is mainly focused on opportunities in Africa, South America and the Middle East.

- Midstream & Marketing includes natural gas storage operations, natural gas liquids processing and power generation operations, as well as marketing activities. These marketing activities include the sale and delivery of produced product and the purchasing of third party product primarily for the optimization of midstream assets, as well as the optimization of transportation arrangements not fully utilized for the Company's own production.

- Corporate includes unrealized gains or losses recorded on derivative instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Midstream & Marketing purchases all of the Company's North American Upstream production. Transactions between business segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

Operations that have been discontinued are disclosed in Note 6.

PREPARED IN US$

Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

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

	Upstream		Midstream & Marketing	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 2,070**	$ 1,509	**$ 889**	$ 781
Expenses				
Production and mineral taxes	**97**	33	**-**	-
Transportation and selling	**140**	114	**4**	11
Operating	**304**	258	**77**	64
Purchased product	**-**	-	**800**	692
Depreciation, depletion and amortization	**672**	502	**8**	9
Segment Income	**$ 857**	$ 602	**$ -**	$ 5

	Corporate		Consolidated	
	2004	2003	**2004**	2003
Revenues, Net of Royalties *	**$ (501)**	$ 1	**$ 2,458**	$ 2,291
Expenses				
Production and mineral taxes	**-**	-	**97**	33
Transportation and selling	**-**	-	**144**	125
Operating	**1**	-	**382**	322
Purchased product	**-**	-	**800**	692
Depreciation, depletion and amortization	**14**	14	**694**	525
Segment Income	**$ (516)**	$ (13)	**341**	594
Administrative			**43**	41
Interest, net			**103**	71
Accretion of asset retirement obligation			**8**	5
Foreign exchange (gain)			**(288)**	(20)
Stock-based compensation			**5**	6
Gain on dispositions			**-**	-
			(129)	103
Net Earnings Before Income Tax			**470**	491
Income tax expense			**77**	205
Net Earnings from Continuing Operations			**$ 393**	$ 286

* Corporate revenue primarily reflects unrealized gains or losses recorded on derivative instruments. See also Note 14.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

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

Upstream	Canada		United States		Ecuador	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 1,283**	$ 1,072	**$ 512**	$ 281	**$ 159**	$ 81
Expenses						
Production and mineral taxes	**23**	4	**56**	28	**18**	1
Transportation and selling	**91**	80	**23**	22	**16**	9
Operating	**170**	170	**32**	18	**30**	16
Depreciation, depletion and amortization	**445**	377	**131**	78	**63**	33
Segment Income	**$ 554**	$ 441	**$ 270**	$ 135	**$ 32**	$ 22

	U.K. North Sea		Other		Total Upstream	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 50**	$ 17	**$ 66**	$ 58	**$ 2,070**	$ 1,509
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**97**	33
Transportation and selling	**10**	3	**-**	-	**140**	114
Operating	**12**	3	**60**	51	**304**	258
Depreciation, depletion and amortization	**26**	12	**7**	2	**672**	502
Segment Income	**$ 2**	$ (1)	**$ (1)**	$ 5	**$ 857**	$ 602

Midstream & Marketing	Midstream		Marketing		Total Midstream & Marketing	
	2004	2003	**2004**	2003	**2004**	2003
Revenues	**$ 158**	$ 180	**$ 731**	$ 601	**$ 889**	$ 781
Expenses						
Transportation and selling	**-**	-	**4**	11	**4**	11
Operating	**65**	57	**12**	7	**77**	64
Purchased product	**88**	112	**712**	580	**800**	692
Depreciation, depletion and amortization	**8**	7	**-**	2	**8**	9
Segment Income	**$ (3)**	$ 4	**$ 3**	$ 1	**$ -**	$ 5

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (For the three months ended September 30)

Produced Gas

	Produced Gas							
	Canada		United States		U.K. North Sea		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 970**	$ 806	**$ 462**	$ 259	**$ 10**	$ 2	**$ 1,442**	$ 1,067
Expenses								
Production and mineral taxes	**18**	15	**51**	25	**-**	-	**69**	40
Transportation and selling	**72**	71	**23**	22	**7**	1	**102**	94
Operating	**99**	89	**32**	18	**-**	-	**131**	107
Operating Cash Flow	**$ 781**	$ 631	**$ 356**	$ 194	**$ 3**	$ 1	**$ 1,140**	$ 826

Oil & NGLs

	Oil & NGLs					
	Canada		United States		Ecuador	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 313**	$ 266	**$ 50**	$ 22	**$ 159**	$ 81
Expenses						
Production and mineral taxes	**5**	(11)	**5**	3	**18**	1
Transportation and selling	**19**	9	**-**	-	**16**	9
Operating	**71**	81	**-**	-	**30**	16
Operating Cash Flow	**$ 218**	$ 187	**$ 45**	$ 19	**$ 95**	$ 55

	Oil & NGLs			
	U.K. North Sea		Total	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 40**	$ 15	**$ 562**	$ 384
Expenses				
Production and mineral taxes	**-**	-	**28**	(7)
Transportation and selling	**3**	2	**38**	20
Operating	**12**	3	**113**	100
Operating Cash Flow	**$ 25**	$ 10	**$ 383**	$ 271

Other & Total Upstream

	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 66**	$ 58	**$ 2,070**	$ 1,509
Expenses				
Production and mineral taxes	**-**	-	**97**	33
Transportation and selling	**-**	-	**140**	114
Operating	**60**	51	**304**	258
Operating Cash Flow	**$ 6**	$ 7	**$ 1,529**	$ 1,104

PREPARED IN US$

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Operations (For the nine months ended September 30)

	Upstream		Midstream & Marketing	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 5,853**	$ 4,651	**$ 3,206**	$ 2,713
Expenses				
Production and mineral taxes	**258**	131	**-**	-
Transportation and selling	**448**	331	**20**	44
Operating	**861**	719	**224**	241
Purchased product	**-**	-	**2,909**	2,406
Depreciation, depletion and amortization	**1,947**	1,444	**60**	21
Segment Income	**$ 2,339**	$ 2,026	**$ (7)**	$ 1

	Corporate		Consolidated	
	2004	2003	**2004**	2003
Revenues, Net of Royalties *	**$ (1,033)**	$ 2	**$ 8,026**	$ 7,366
Expenses				
Production and mineral taxes	**-**	-	**258**	131
Transportation and selling	**-**	-	**468**	375
Operating	**(4)**	-	**1,081**	960
Purchased product	**-**	-	**2,909**	2,406
Depreciation, depletion and amortization	**44**	32	**2,051**	1,497
Segment Income	**$ (1,073)**	$ (30)	**1,259**	1,997
Administrative			**136**	121
Interest, net			**278**	202
Accretion of asset retirement obligation			**20**	15
Foreign exchange (gain)			**(209)**	(436)
Stock-based compensation			**14**	12
Gain on dispositions			**(35)**	-
			204	(86)
Net Earnings Before Income Tax			**1,055**	2,083
Income tax expense			**122**	342
Net Earnings from Continuing Operations			**$ 933**	$ 1,741

* Corporate revenue primarily reflects unrealized gains or losses recorded on derivative instruments. See also Note 14.

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Results of Operations (For the nine months ended September 30)

Upstream	Canada		United States		Ecuador	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 3,770**	$ 3,343	**$ 1,313**	$ 845	**$ 432**	$ 243
Expenses						
Production and mineral taxes	**61**	33	**155**	81	**42**	17
Transportation and selling	**277**	241	**93**	56	**49**	24
Operating	**505**	482	**80**	43	**89**	50
Depreciation, depletion and amortization	**1,296**	1,089	**330**	211	**197**	87
Segment Income	**$ 1,631**	$ 1,498	**$ 655**	$ 454	**$ 55**	$ 65

Transportation and selling for the United States includes a one-time payment of $21 million made in Q2 2004 to terminate a long-term physical delivery contract.

	U.K. North Sea		Other		Total Upstream	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 168**	$ 73	**$ 170**	$ 147	**$ 5,853**	$ 4,651
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**258**	131
Transportation and selling	**29**	10	**-**	-	**448**	331
Operating	**32**	10	**155**	134	**861**	719
Depreciation, depletion and amortization	**93**	53	**31**	4	**1,947**	1,444
Segment Income	**$ 14**	$ -	**$ (16)**	$ 9	**$ 2,339**	$ 2,026

Midstream & Marketing	Midstream		Marketing		Total Midstream & Marketing	
	2004	2003	**2004**	2003	**2004**	2003
Revenues	**$ 881**	$ 649	**$ 2,325**	$ 2,064	**$ 3,206**	$ 2,713
Expenses						
Transportation and selling	**-**	-	**20**	44	**20**	44
Operating	**192**	188	**32**	53	**224**	241
Purchased product	**655**	423	**2,254**	1,983	**2,909**	2,406
Depreciation, depletion and amortization	**58**	18	**2**	3	**60**	21
Segment Income	**$ (24)**	$ 20	**$ 17**	$ (19)	**$ (7)**	$ 1

Midstream Depreciation, depletion and amortization includes a $35 million impairment charge made in Q2 2004 on the Company's interest in Oleoducto Trasandino in Argentina and Chile.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (For the nine months ended September 30)

Produced Gas

	Produced Gas							
	Canada		United States		U.K. North Sea		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 2,887**	$ 2,534	**$ 1,198**	$ 776	**$ 36**	$ 8	**$ 4,121**	$ 3,318
Expenses								
Production and mineral taxes	**46**	33	**142**	77	**-**	-	**188**	110
Transportation and selling	**222**	193	**93**	56	**19**	6	**334**	255
Operating	**297**	258	**80**	43	**-**	-	**377**	301
Operating Cash Flow	**$ 2,322**	$ 2,050	**$ 883**	$ 600	**$ 17**	$ 2	**$ 3,222**	$ 2,652

Transportation and selling for the United States includes a one-time payment of $21 million made in Q2 2004 to terminate a long-term physical delivery contract.

Oil & NGLs

	Oil & NGLs					
	Canada		United States		Ecuador	
	2004	2003	**2004**	2003	**2004**	2003
Revenues, Net of Royalties	**$ 883**	$ 809	**$ 115**	$ 69	**$ 432**	$ 243
Expenses						
Production and mineral taxes	**15**	-	**13**	4	**42**	17
Transportation and selling	**55**	48	**-**	-	**49**	24
Operating	**208**	224	**-**	-	**89**	50
Operating Cash Flow	**$ 605**	$ 537	**$ 102**	$ 65	**$ 252**	$ 152

	Oil & NGLs			
	U.K. North Sea		Total	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 132**	$ 65	**$ 1,562**	$ 1,186
Expenses				
Production and mineral taxes	**-**	-	**70**	21
Transportation and selling	**10**	4	**114**	76
Operating	**32**	10	**329**	284
Operating Cash Flow	**$ 90**	$ 51	**$ 1,049**	$ 805

Other & Total Upstream

	Other		Total Upstream	
	2004	2003	**2004**	2003
Revenues, Net of Royalties	**$ 170**	$ 147	**$ 5,853**	$ 4,651
Expenses				
Production and mineral taxes	**-**	-	**258**	131
Transportation and selling	**-**	-	**448**	331
Operating	**155**	134	**861**	719
Operating Cash Flow	**$ 15**	$ 13	**$ 4,286**	$ 3,470

EnCana Corporation

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

5. SEGMENTED INFORMATION (continued)

Capital Expenditures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	**2004**	2003
Upstream				
Canada	**$ 634**	$ 901	**$ 2,337**	$ 2,287
United States	**328**	280	**854**	626
Ecuador	**53**	65	**163**	172
United Kingdom	**92**	19	**421**	45
Other Countries	**15**	15	**49**	63
	1,122	1,280	**3,824**	3,193
Midstream & Marketing	**15**	58	**40**	207
Corporate	**10**	7	**28**	38
Total	**$ 1,147**	$ 1,345	**$ 3,892**	$ 3,438

Property, Plant and Equipment and Total Assets

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	September 30, 2004	December 31, 2003	**September 30, 2004**	December 31, 2003
Upstream	**$ 22,590**	$ 18,532	**$ 27,030**	$ 21,742
Midstream & Marketing	**808**	784	**1,977**	1,879
Corporate	**225**	229	**666**	489
Total	**$ 23,623**	$ 19,545	**$ 29,673**	$ 24,110

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

6. DISCONTINUED OPERATIONS

On February 28, 2003, the Company completed the sale of its 10 percent working interest in the Syncrude Joint Venture ("Syncrude") to Canadian Oil Sands Limited for net cash consideration of C$1,026 million ($690 million). On July 10, 2003, the Company completed the sale of the remaining 3.75 percent interest in Syncrude and a gross overriding royalty for net cash consideration of C$427 million ($309 million). There was no gain or loss on this sale.

On January 2, 2003 and January 9, 2003, the Company completed the sales of its interests in the Cold Lake Pipeline System and Express Pipeline System for total consideration of approximately C$1.6 billion ($1 billion), including assumption of related long-term debt by the purchaser, and recorded an after-tax gain on sale of C$263 million ($169 million).

As all discontinued operations have either been disposed of or wind up has been completed by December 31, 2003, there are no remaining assets or liabilities on the Consolidated Balance Sheet. The following tables present the effect of the discontinued operations on the Consolidated Statement of Earnings for 2003:

Consolidated Statement of Earnings	For the three months ended September 30, 2003		
	Syncrude	Midstream - Pipelines	Total
Revenues, Net of Royalties	$ 8	$ -	$ 8
Expenses			
Transportation and selling	-	-	-
Operating	4	-	4
Depreciation, depletion and amortization	1	-	1
Gain on discontinuance	-	-	-
	5	-	5
Net Earnings Before Income Tax	3	-	3
Income tax expense	(1)	-	(1)
Net Earnings from Discontinued Operations	$ 4	$ -	$ 4

Consolidated Statement of Earnings	For the nine months ended September 30, 2003		
	Syncrude	Midstream - Pipelines	Total
Revenues, Net of Royalties	$ 87	$ -	$ 87
Expenses			
Transportation and selling	2	-	2
Operating	46	-	46
Depreciation, depletion and amortization	7	-	7
Gain on discontinuance	-	(220)	(220)
	55	(220)	(165)
Net Earnings Before Income Tax	32	220	252
Income tax expense	8	51	59
Net Earnings from Discontinued Operations	$ 24	$ 169	$ 193

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

7. FOREIGN EXCHANGE (GAIN)

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Unrealized Foreign Exchange (Gain) on Translation of U.S. Dollar Debt Issued in Canada	**$ (193)**	$ (15)	**$ (122)**	$ (404)
Realized Foreign Exchange (Gain)	**(95)**	(5)	**(87)**	(32)
	$ (288)	$ (20)	**$ (209)**	$ (436)

8. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Current				
Canada	**$ 76**	$ 31	**$ 441**	$ (18)
United States	**3**	10	**18**	10
Ecuador	**44**	8	**98**	21
United Kingdom	**-**	1	**-**	3
Other	**1**	1	**2**	1
Total Current Tax	**124**	51	**559**	17
Future	**(47)**	154	**(328)**	687
Future Tax Rate Reductions *	**-**	-	**(109)**	(362)
Total Future Tax	**(47)**	154	**(437)**	325
	$ 77	$ 205	**$ 122**	$ 342

* On March 31, 2004, the Alberta government substantively enacted the income tax rate reduction previously announced in February 2004.

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual income taxes:

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Net Earnings Before Income Tax	**$ 470**	$ 491	**$ 1,055**	$ 2,083
Canadian Statutory Rate	**39.1%**	41.0%	**39.1%**	41.0%
Expected Income Taxes	**184**	201	**413**	853
Effect on Taxes Resulting from:				
Non-deductible Canadian crown payments	**51**	44	**154**	176
Canadian resource allowance	**(57)**	(56)	**(173)**	(206)
Canadian resource allowance on unrealized risk management losses	**13**	-	**40**	-
Statutory and other rate differences	**(19)**	1	**(49)**	(23)
Effect of tax rate changes	**-**	-	**(109)**	(362)
Non-taxable capital gains	**(55)**	(1)	**(41)**	(71)
Previously unrecognized capital losses	**(5)**	(71)	**10**	(71)
Tax basis retained on dispositions	**(59)**	-	**(162)**	-
Large corporations tax	**6**	8	**13**	25
Other	**18**	79	**26**	21
	$ 77	$ 205	**$ 122**	$ 342
Effective Tax Rate	**16.4%**	41.8%	**11.6%**	16.4%

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

9. LONG-TERM DEBT

		As at September 30, 2004		As at December 31, 2003
Canadian Dollar Denominated Debt				
Revolving credit and term loan borrowings	**$**	**1,509**	$	1,425
Unsecured notes and debentures		**1,325**		1,335
Preferred securities		**-**		252
		2,834		3,012
U.S. Dollar Denominated Debt				
Revolving credit and term loan borrowings		**965**		417
Unsecured notes and debentures		**4,716**		2,713
Preferred securities		**-**		150
		5,681		3,280
Increase in Value of Debt Acquired *		**71**		83
Current Portion of Long-Term Debt		**(550)**		(287)
	$	**8,036**	$	6,088

* Certain of the notes and debentures of the Company were acquired in business combinations and were accounted for at their fair value at the dates of acquisition. The difference between the fair value and the principal amount of the debt is being amortized over the remaining life of the outstanding debt acquired, approximately 22 years.

To fund the acquisition of Tom Brown, Inc., the Company arranged a $3 billion non-revolving term loan facility with a group of the Company's lenders. The facility size has been reduced to an outstanding amount of $846 million as at September 30, 2004. The remaining facility amount is to be reduced to $450 million by August 20, 2005 and to zero on May 20, 2006.

During the quarter, the Company completed an issue of notes under its shelf prospectus. The US$250 million notes are due in 2009 and bear interest at 4.60%. The US$750 million notes are due in 2034 and bear interest at 6.50%. The proceeds from the note issue were used to repay bank and commercial paper indebtedness. In addition, the Company also redeemed, at par value, the C$200 million 8.50% Preferred Securities and the US$150 million 9.50% Preferred Securities.

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 properties:

		As at September 30, 2004		As at December 31, 2003
Asset Retirement Obligation, Beginning of Year	**$**	**430**	$	309
Liabilities Incurred		**64**		64
Liabilities Settled		**(9)**		(23)
Liabilities Disposed		**(35)**		-
Accretion Expense		**20**		19
Other		**20**		61
Asset Retirement Obligation, End of Period	**$**	**490**	$	430

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

11. SHARE CAPITAL

(millions)	**September 30, 2004 Number**	**September 30, 2004 Amount**	December 31, 2003 Number	December 31, 2003 Amount
Common Shares Outstanding, Beginning of Year	**460.6**	**$ 5,305**	478.9	$ 5,511
Shares Issued under Option Plans	**6.9**	**184**	5.5	114
Shares Repurchased	**(5.5)**	**(77)**	(23.8)	(320)
Common Shares Outstanding, End of Period	**462.0**	**$ 5,412**	460.6	$ 5,305

To September 30, 2004, the Company purchased, for cancellation, 5,490,000 Common Shares for total consideration of approximately C$304 million ($230 million). Of the amount paid, C$101 million ($77 million) was charged to Share capital, C$36 million ($27 million) was charged to Paid in surplus and C$167 million ($126 million) was charged to Retained earnings.

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

The following tables summarize the information about options to purchase Common Shares at September 30, 2004:

	Stock Options *(millions)*	**Weighted Average Exercise Price *(C$)***
Outstanding, Beginning of Year	**28.8**	**43.13**
Exercised	**(6.9)**	**35.46**
Forfeited	**(0.6)**	**47.30**
Outstanding, End of Period	**21.3**	**45.42**
Exercisable, End of Period	**13.4**	**43.90**

	Outstanding Options			**Exercisable Options**	
Range of Exercise Price (C$)	Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(C$)*	Number of Options Outstanding *(millions)*	Weighted Average Exercise Price *(C$)*
13.50 to 19.99	0.4	0.6	18.62	0.4	18.62
20.00 to 24.99	0.8	1.1	22.53	0.8	22.53
25.00 to 29.99	0.7	1.2	26.23	0.7	26.23
30.00 to 43.99	0.7	1.7	39.87	0.6	39.41
44.00 to 53.00	18.7	3.1	47.96	10.9	47.87
	21.3	2.4	45.42	13.4	43.90

The Company has recorded stock-based compensation expense in the Consolidated Statement of Earnings for stock options granted to employees and directors in 2003 using the fair-value method. Stock options granted in 2004 have an associated Tandem Share Appreciation Right attached. Compensation expense has not been recorded in the Consolidated Statement of Earnings related to stock options granted prior to 2003. If the Company had applied the fair-value method to options granted prior to 2003, pro forma Net Earnings and Net Earnings per Common Share for the three months ended September 30, 2004 would have been $384 million; $0.83 per common share - basic; $0.82 per common share - diluted (2003 - $281 million; $0.59 per common share - basic; $0.59 per common share - diluted). Pro forma Net Earnings and Net Earnings per Common Share for the nine months ended September 30, 2004 would have been $906 million; $1.97 per common share - basic; $1.94 per common share - diluted (2003 - $1,908 million; $3.99 per common share - basic; $3.94 per common share - diluted).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

11. SHARE CAPITAL (continued)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	September 30, 2003
Weighted Average Fair Value of Options Granted *(C$)*	$ 12.21
Risk Free Interest Rate	3.89%
Expected Lives *(years)*	3.00
Expected Volatility	0.33
Annual Dividend per Share *(C$)*	$ 0.40

12. COMPENSATION PLANS

The tables below outline certain information related to the Company's compensation plans at September 30, 2004. Additional information is contained in Note 16 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2003.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	**2004**	2003
Current Service Cost	**$ 1**	$ 2	**$ 4**	$ 5
Interest Cost	**3**	3	**9**	9
Expected Return on Plan Assets	**(2)**	(2)	**(8)**	(7)
Amortization of Net Actuarial Loss	**1**	1	**3**	3
Amortization of Transitional Obligation	**-**	(1)	**(1)**	(2)
Amortization of Past Service Cost	**-**	-	**1**	1
Expense for Defined Contribution Plan	**3**	3	**10**	9
Net Benefit Plan Expense	**$ 6**	$ 6	**$ 18**	$ 18

At September 30, 2004, $17 million has been contributed to the pension plans and the Company expects to make no additional contributions during the remainder of 2004.

B) Share Appreciation Rights ("SAR's")

The following table summarizes the information about SAR's at September 30, 2004:

	Outstanding SAR's	**Weighted Average Exercise Price *($)***
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**1,175,070**	**35.87**
Exercised	**(497,785)**	**35.15**
Forfeited	**(11,040)**	**29.25**
Outstanding, End of Period	**666,245**	**36.52**
Exercisable, End of Period	**666,245**	**36.52**
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	**753,417**	**28.98**
Exercised	**(279,258)**	**29.27**
Forfeited	**(1,472)**	**24.08**
Outstanding, End of Period	**472,687**	**28.82**
Exercisable, End of Period	**472,687**	**28.82**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

12. COMPENSATION PLANS (continued)

B) Share Appreciation Rights ("SAR's") (continued)

The following table summarizes the information about Tandem SAR's at September 30, 2004:

	Outstanding Tandem SAR's	Weighted Average Exercise Price *(C$)*
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	-	-
Granted	976,650	54.58
Forfeited	(77,500)	54.24
Outstanding, End of Period	899,150	54.61
Exercisable, End of Period	-	-

C) Deferred Share Units ("DSU's")

The following table summarizes the information about DSU's at September 30, 2004:

	Outstanding DSU's	Weighted Average Exercise Price *(C$)*
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	319,250	48.68
Granted, Directors	58,145	53.69
Granted, Senior Executives	1,686	57.54
Outstanding, End of Period	379,081	49.49
Exercisable, End of Period	297,874	51.82

D) Performance Share Units ("PSU's")

The following table summarizes the information about PSU's at September 30, 2004:

	Outstanding PSU's	Weighted Average Exercise Price *($)*
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	126,283	46.52
Granted	1,687,571	53.97
Forfeited	(70,540)	53.17
Outstanding, End of Period	1,743,314	53.46
Exercisable, End of Period	-	-
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	-	-
Granted	249,830	41.12
Forfeited	(19,547)	41.12
Outstanding, End of Period	230,283	41.12
Exercisable, End of Period	-	-

EnCana Corporation
Notes to Consolidated Financial Statements *(unaudited)*
(All amounts in US$ millions unless otherwise specified)

13. PER SHARE AMOUNTS

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

	Three Months Ended				Nine Months Ended	
	March 31,	June 30,	September 30,		September 30,	
(millions)	2004	2004	**2004**	2003	**2004**	2003
Weighted Average Common Shares Outstanding - Basic	460.9	460.3	**461.7**	473.4	**461.0**	478.0
Effect of Dilutive Securities	6.2	5.2	**4.5**	4.5	**6.1**	5.7
Weighted Average Common Shares Outstanding - Diluted	467.1	465.5	**466.2**	477.9	**467.1**	483.7

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As a means of managing commodity price volatility, the Company has entered into various financial instrument agreements and physical contracts. The following information presents all positions for financial instruments only.

As discussed in Note 2, on January 1, 2004, the fair value of all outstanding financial instruments that were not considered accounting hedges was recorded on the Consolidated Balance Sheet with an offsetting net deferred loss amount. The deferred loss is recognized into net earnings over the life of the related contracts. Changes in fair value after that time are recorded on the Consolidated Balance Sheet with the associated unrealized gain or loss recorded in net earnings. The estimated fair value of all derivative instruments is based on quoted market prices or, in their absence, third party market indications and forecasts.

The following table presents a reconciliation of the change in the unrealized amounts from January 1, 2004 to September 30, 2004:

		Acquired	Net Deferred Amounts Recognized on Transition	Fair Market Value	**Total Unrealized Gain/(Loss)**
Fair Value of Contracts, January 1, 2004	*(Note 2)*	$ -	$ 235	$ (235)	**$ -**
Fair Value of Contracts Acquired with Tom Brown, Inc., Net of Amortization		5	-	(5)	**-**
Change in Fair Value of Contracts Still Outstanding at September 30, 2004		-	-	(328)	**(328)**
Fair Value of Contracts Realized During the Period		-	(242)	242	**-**
Fair Value of Contracts Entered into During the Period		-	-	(700)	**(700)**
Fair Value of Contracts Outstanding		$ 5	$ (7)	$ (1,026)	**$ (1,028)**
Premiums Paid on Collars and Options				24	
Fair Value of Contracts Outstanding and Premiums Paid, End of Period				$ (1,002)	

The total realized loss recognized in net earnings for the quarter and year-to-date ended September 30, 2004 was $256 million ($173 million, net of tax) and $664 million ($449 million, net of tax), respectively.

(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

At September 30, 2004, the net deferred amounts recognized on transition and the risk management amounts are recorded on the Consolidated Balance Sheet as follows:

		As at September 30, 2004
Deferred Amounts Recognized on Transition		
Accounts receivable and accrued revenues	$	72
Investments and other assets		3
Accounts payable and accrued liabilities		30
Other liabilities		52
Total Net Deferred Loss	$	(7)
Risk Management		
Current asset	$	84
Long-term asset		46
Current liability		800
Long-term liability		332
Total Net Risk Management Liability	$	(1,002)

A summary of all unrealized estimated fair value financial positions is as follows:

		As at September 30, 2004
Commodity Price Risk		
Natural gas	$	(500)
Crude oil		(537)
Power		6
Foreign Currency Risk		-
Interest Rate Risk		29
	$	(1,002)

Information with respect to power, foreign currency risk and interest rate risk contracts in place at December 31, 2003 is disclosed in Note 17 to the Company's annual audited Consolidated Financial Statements. No significant new contracts have been entered into as at September 30, 2004.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Natural Gas

At September 30, 2004, the Company's gas risk management activities for financial contracts had an unrealized loss of $(495) million and a fair market value position of $(500) million. The contracts were as follows:

	Notional Volumes *(MMcf/d)*	Term	Average Price		Fair Market Value
Sales Contracts					
Fixed Price Contracts					
Fixed AECO price	454	2004	6.19	C$/Mcf	$ (34)
NYMEX Fixed price	702	2004	5.15	US$/Mcf	(96)
Colorado Interstate Gas (CIG)	52	2004	5.55	US$/Mcf	(1)
Other [(1)]	162	2004	5.57	US$/Mcf	(10)
NYMEX Fixed Price	180	2005	5.66	US$/Mcf	(79)
Colorado Interstate Gas (CIG)	113	2005	4.87	US$/Mcf	(51)
Other [(1)]	110	2005	5.21	US$/Mcf	(50)
NYMEX Fixed Price	525	2006	5.66	US$/Mcf	(99)
Colorado Interstate Gas (CIG)	100	2006	4.44	US$/Mcf	(35)
Other [(1)]	171	2006	4.85	US$/Mcf	(60)
Collars and Other Options					
AECO Collars	73	2004	5.36 - 7.54	C$/Mcf	(3)
NYMEX Collars	24	2004	4.45 - 5.95	US$/Mcf	(1)
Purchased NYMEX Put Options	33	2004	5.00	US$/Mcf	-
Other [(2)]	57	2004	4.31- 6.53	US$/Mcf	(1)
Purchased NYMEX Put Options	474	2005	5.00	US$/Mcf	(17)
Other [(2)]	5	2005	4.56 - 7.23	US$/Mcf	(2)
NYMEX 3-Way Call Spread	180	2005	5.00/6.69/7.69	US$/Mcf	(28)
Basis Contracts					
Fixed NYMEX to AECO Basis	325	2004	(0.54)	US$/Mcf	9
Fixed NYMEX to Rockies Basis	303	2004	(0.50)	US$/Mcf	12
Other [(3)]	240	2004	(0.39)	US$/Mcf	3
Fixed NYMEX to AECO Basis	877	2005	(0.66)	US$/Mcf	38
Fixed NYMEX to Rockies Basis	268	2005	(0.49)	US$/Mcf	21
Other [(3)]	442	2005	(0.47)	US$/Mcf	2
Fixed NYMEX to AECO Basis	464	2006-2008	(0.65)	US$/Mcf	22
Fixed NYMEX to Rockies Basis	249	2006-2008	(0.57)	US$/Mcf	6
Fixed NYMEX to CIG Basis	150	2006-2008	(0.76)	US$/Mcf	(10)
Fixed Rockies to CIG Basis	31	2006-2008	(0.10)	US$/Mcf	-
Other [(3)]	132	2006	(0.45)	US$/Mcf	(1)
Purchase Contracts					
Fixed Price Contracts					
Waha Purchase	30	2004	6.18	US$/Mcf	(1)
Waha Purchase	27	2005	5.90	US$/Mcf	5
Waha Purchase	23	2006	5.32	US$/Mcf	4
Premiums Paid on 3-Way Call Spread					3
Total Natural Gas Financial Positions					(454)
Gas Storage Financial Positions					(49)
Gas Marketing Financial Positions [(4)]					3
Total Fair Value Positions					(500)
Contracts Acquired					5
Total Unrealized Loss on Financial Contracts					$ (495)

(1) Other Fixed Price Contracts relate to various price points at Chicago, San Juan, Waha, Houston Ship Channel (HSC), Mid-Continent, Rockies and Texas Oklahoma.

(2) Other Collars and Other Options relate to collars at Permian, San Juan, Waha, Colorado Interstate Gas (CIG), HSC, Mid-Continent, Rockies and Texas Oklahoma.

(3) Other Basis Contracts relate to Chicago, San Juan, CIG, HSC, Mid-Continent, Waha and Ventura.

(4) The gas marketing activities are part of the daily ongoing operations of the Company's proprietary production management.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in US$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At September 30, 2004, the Company's oil risk management activities for all financial contracts had an unrealized loss of $(558) million and a fair market value position of $(537) million. The contracts were as follows:

	Notional Volumes *(bbl/d)*	Term	Average Price *(US$/bbl)*	Fair Market Value
Fixed WTI NYMEX Price	62,500	2004	23.13	$ (148)
Collars on WTI NYMEX	62,500	2004	20.00-25.69	(133)
Unwind WTI NYMEX Fixed Price	(9,000)	2004	39.22	8
Purchased WTI NYMEX Call Options	(111,000)	2004	46.64	29
Fixed WTI NYMEX Price	45,000	2005	28.41	(260)
Costless 3-Way Put Spread	10,000	2005	20.00/25.00/28.78	(56)
Unwind WTI NYMEX Fixed Price	(4,500)	2005	35.90	14
Purchased WTI NYMEX Call Options	(38,000)	2005	49.76	18
Fixed WTI NYMEX Price	15,000	2006	34.56	(27)
Purchased WTI NYMEX Put Options	17,000	2006	26.59	(3)
				(558)
Crude Oil Marketing Financial Positions (1)				-
Total Unrealized Loss on Financial Contracts				(558)
Premiums Paid on Call Options				21
Total Fair Value Positions				$ (537)

(1) The crude oil marketing activities are part of the daily ongoing operations of the Company's proprietary production management.

15. COMMITMENTS AND CONTINGENCIES

Ecuador

In Ecuador, a subsidiary of the Company has a 40 percent economic interest in relation to Block 15 pursuant to a contract with a subsidiary of Occidental Petroleum Corporation. During the third quarter, Occidental Petroleum Corporation filed a Form 8-K indicating that its subsidiary had received formal notification from Petroecuador, the state oil company of Ecuador, initiating proceedings to determine if the subsidiary had violated the Hydrocarbons Law and its Participation Contract for Block 15 with Petroecuador and whether such violations constitute grounds for terminating the Participation Contract.

In its Form 8-K, Occidental Petroleum Corporation indicated that it believes it has complied with all material obligations under the Participation Contract and that any termination of the Participation Contract by Ecuador based upon these stated allegations would be unfounded and would constitute an unlawful expropriation under international treaties.

16. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2004.