

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*

		Three Months Ended December 31,		Twelve Months Ended December 31,	
		2005	2004	2005	2004
<i>(\$ millions, except per share amounts)</i>					
REVENUES, NET OF ROYALTIES	<i>(Note 2)</i>				
Upstream		\$ 3,452	\$ 2,003	\$ 10,465	\$ 7,256
Market Optimization		1,417	929	4,267	3,200
Corporate - Unrealized gain (loss) on risk management		991	610	(466)	(198)
- Other		-	-	-	1
		5,860	3,542	14,266	10,259
EXPENSES	<i>(Note 2)</i>				
Production and mineral taxes		162	95	453	311
Transportation and selling		138	106	538	490
Operating		452	309	1,438	1,099
Purchased product		1,376	905	4,159	3,092
Depreciation, depletion and amortization		751	636	2,769	2,379
Administrative		63	61	268	197
Interest, net	<i>(Note 5)</i>	104	114	524	398
Accretion of asset retirement obligation	<i>(Note 9)</i>	10	6	37	22
Foreign exchange (gain) loss, net	<i>(Note 6)</i>	37	(199)	(24)	(412)
Stock-based compensation - options	<i>(Note 10)</i>	3	3	15	17
(Gain) on divestitures	<i>(Note 4)</i>	-	(24)	-	(59)
		3,096	2,012	10,177	7,534
NET EARNINGS BEFORE INCOME TAX		2,764	1,530	4,089	2,725
Income tax expense	<i>(Note 7)</i>	895	475	1,260	632
NET EARNINGS FROM CONTINUING OPERATIONS		1,869	1,055	2,829	2,093
NET EARNINGS FROM DISCONTINUED OPERATIONS	<i>(Note 3)</i>	497	1,525	597	1,420
NET EARNINGS		\$ 2,366	\$ 2,580	\$ 3,426	\$ 3,513
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	<i>(Note 12)</i>				
Basic		\$ 2.19	\$ 1.15	\$ 3.26	\$ 2.27
Diluted		\$ 2.14	\$ 1.13	\$ 3.18	\$ 2.24
NET EARNINGS PER COMMON SHARE	<i>(Note 12)</i>				
Basic		\$ 2.77	\$ 2.81	\$ 3.95	\$ 3.82
Diluted		\$ 2.71	\$ 2.77	\$ 3.85	\$ 3.75

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*

		Twelve Months Ended December 31,	
		2005	2004
<i>(\$ millions)</i>			
RETAINED EARNINGS, BEGINNING OF YEAR		\$ 7,935	\$ 5,276
Net Earnings		3,426	3,513
Dividends on Common Shares		(238)	(183)
Charges for Normal Course Issuer Bid	<i>(Note 10)</i>	(1,642)	(671)
RETAINED EARNINGS, END OF YEAR		\$ 9,481	\$ 7,935

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET (unaudited)

		As at December 31, 2005	As at December 31, 2004
(\$ millions)			
ASSETS			
Current Assets			
Cash and cash equivalents	\$	105	\$ 593
Accounts receivable and accrued revenues		1,851	1,566
Risk management	(Note 13)	495	317
Inventories		103	58
Assets of discontinued operations	(Note 3)	1,050	971
		3,604	3,505
Property, Plant and Equipment, net	(Note 2)	24,881	22,503
Investments and Other Assets		496	334
Risk Management	(Note 13)	530	87
Assets of Discontinued Operations	(Note 3)	2,113	2,325
Goodwill		2,524	2,459
	(Note 2)	\$ 34,148	\$ 31,213
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	\$	2,741	\$ 1,742
Income tax payable		392	357
Risk management	(Note 13)	1,227	224
Liabilities of discontinued operations	(Note 3)	438	436
Current portion of long-term debt	(Note 8)	73	188
		4,871	2,947
Long-Term Debt	(Note 8)	6,703	7,742
Other Liabilities		93	118
Risk Management	(Note 13)	102	192
Asset Retirement Obligation	(Note 9)	816	611
Liabilities of Discontinued Operations	(Note 3)	267	213
Future Income Taxes		5,289	5,082
		18,141	16,905
Shareholders' Equity			
Share capital	(Note 10)	5,131	5,299
Share options, net		-	10
Paid in surplus		133	28
Retained earnings		9,481	7,935
Foreign currency translation adjustment		1,262	1,036
		16,007	14,308
		\$ 34,148	\$ 31,213

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*

(\$ millions)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net earnings from continuing operations	\$ 1,869	\$ 1,055	\$ 2,829	\$ 2,093
Depreciation, depletion and amortization	751	636	2,769	2,379
Future income taxes	(Note 7) 717	422	56	73
Cash tax on sale of assets	(13)	-	578	-
Unrealized (gain) loss on risk management	(Note 13) (985)	(610)	469	191
Unrealized foreign exchange loss (gain)	28	(163)	(50)	(285)
Accretion of asset retirement obligation	(Note 9) 10	6	37	22
(Gain) on divestitures	(Note 4) -	(24)	-	(59)
Other	13	36	274	88
Cash flow from continuing operations	2,390	1,358	6,962	4,502
Cash flow from discontinued operations	120	133	464	478
Cash flow	2,510	1,491	7,426	4,980
Net change in other assets and liabilities	(108)	(105)	(281)	(176)
Net change in non-cash working capital from continuing operations	1,165	1,936	497	1,565
Net change in non-cash working capital from discontinued operations	(140)	(2,034)	(212)	(1,778)
	3,427	1,288	7,430	4,591
INVESTING ACTIVITIES				
Business combination with Tom Brown, Inc.	-	-	-	(2,335)
Capital expenditures	(Note 2) (2,362)	(1,489)	(6,925)	(4,763)
Proceeds on disposal of assets	(Note 4) 30	94	2,523	1,456
Cash tax on sale of assets	13	-	(578)	-
Equity investments	-	(5)	-	47
Net change in investments and other	(161)	73	(109)	44
Net change in non-cash working capital from continuing operations	165	71	330	(29)
Discontinued operations	572	1,951	239	1,321
	(1,743)	695	(4,520)	(4,259)
FINANCING ACTIVITIES				
Net (repayment) issuance of revolving long-term debt	(1,513)	287	(538)	72
Repayment of long-term debt	(145)	(1,005)	(1,104)	(2,759)
Issuance of long-term debt	-	-	429	3,761
Issuance of common shares	(Note 10) 24	97	294	281
Purchase of common shares	(Note 10) -	(774)	(2,114)	(1,004)
Dividends on common shares	(64)	(46)	(238)	(183)
Other	(17)	6	(125)	(5)
	(1,715)	(1,435)	(3,396)	163
DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY				
	1	6	2	6
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32)	542	(488)	489
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	137	51	593	104
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 105	\$ 593	\$ 105	\$ 593

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. The Company is in the business of exploration for, and production and marketing of, natural gas, crude oil and natural gas liquids, as well as natural gas storage, 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, 2004. 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, 2004.

2. 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, crude oil and natural gas liquids and other related activities. The majority of the Company's Upstream operations are located in Canada and the United States. Frontier and international new venture exploration is mainly focused on opportunities in Chad, Brazil, the Middle East and Greenland.
- **Market Optimization** is conducted by the Midstream & Marketing division. The Marketing groups' primary responsibility is the sale of the Company's proprietary production. The results are included in the Upstream segment. Correspondingly, the Marketing groups' also undertake market optimization activities which comprise 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** 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.

Market Optimization purchases substantially all of the Company's North American Upstream production for sale to third party customers. 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 3.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

2. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the three months ended December 31)

	Upstream		Market Optimization	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 3,452	\$ 2,003	\$ 1,417	\$ 929
Expenses				
Production and mineral taxes	162	95	-	-
Transportation and selling	135	102	3	4
Operating	415	286	32	20
Purchased product	-	-	1,376	905
Depreciation, depletion and amortization	731	614	1	5
Segment Income (Loss)	\$ 2,009	\$ 906	\$ 5	\$ (5)

	Corporate *		Consolidated	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 991	\$ 610	\$ 5,860	\$ 3,542
Expenses				
Production and mineral taxes	-	-	162	95
Transportation and selling	-	-	138	106
Operating	5	3	452	309
Purchased product	-	-	1,376	905
Depreciation, depletion and amortization	19	17	751	636
Segment Income (Loss)	\$ 967	\$ 590	2,981	1,491
Administrative			63	61
Interest, net			104	114
Accretion of asset retirement obligation			10	6
Foreign exchange loss (gain), net			37	(199)
Stock-based compensation - options			3	3
(Gain) on divestitures			-	(24)
			217	(39)
Net Earnings Before Income Tax			2,764	1,530
Income tax expense			895	475
Net Earnings From Continuing Operations			\$ 1,869	\$ 1,055

* For the three months ended December 31, the pre-tax unrealized gain (loss) on risk management is recorded in the Consolidated Statement of Earnings as follows (see Note 13):

	2005	2004
Revenues, Net of Royalties - Corporate	\$ 991	\$ 610
Operating Expenses and Other - Corporate	6	-
Total Unrealized Gain on Risk Management before-tax - Continuing Operations	\$ 985	\$ 610

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

2. SEGMENTED INFORMATION (continued)

Results of Continuing Operations *(For the three months ended December 31)*

<i>Upstream</i>	Canada		United States	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 2,258	\$ 1,313	\$ 1,106	\$ 628
Expenses				
Production and mineral taxes	29	26	133	69
Transportation and selling	87	75	48	27
Operating	227	180	64	39
Depreciation, depletion and amortization	511	455	166	145
Segment Income	\$ 1,404	\$ 577	\$ 695	\$ 348

	Other		Total Upstream	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 88	\$ 62	\$ 3,452	\$ 2,003
Expenses				
Production and mineral taxes	-	-	162	95
Transportation and selling	-	-	135	102
Operating	124	67	415	286
Depreciation, depletion and amortization	54	14	731	614
Segment Income (Loss)	\$ (90)	\$ (19)	\$ 2,009	\$ 906

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

2. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (Continuing Operations) (For the three months ended December 31)

Produced Gas

	Produced Gas					
	Canada		United States		Total	
	2005	2004	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 1,852	\$ 1,041	\$ 1,041	\$ 578	\$ 2,893	\$ 1,619
Expenses						
Production and mineral taxes	20	19	127	63	147	82
Transportation and selling	72	74	48	27	120	101
Operating	144	103	64	39	208	142
Operating Cash Flow	\$ 1,616	\$ 845	\$ 802	\$ 449	\$ 2,418	\$ 1,294

Oil & NGLs

	Oil & NGLs					
	Canada		United States		Total	
	2005	2004	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 406	\$ 272	\$ 65	\$ 50	\$ 471	\$ 322
Expenses						
Production and mineral taxes	9	7	6	6	15	13
Transportation and selling	15	1	-	-	15	1
Operating	83	77	-	-	83	77
Operating Cash Flow	\$ 299	\$ 187	\$ 59	\$ 44	\$ 358	\$ 231

Other & Total Upstream

	Other		Total Upstream	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 88	\$ 62	\$ 3,452	\$ 2,003
Expenses				
Production and mineral taxes	-	-	162	95
Transportation and selling	-	-	135	102
Operating	124	67	415	286
Operating Cash Flow	\$ (36)	\$ (5)	\$ 2,740	\$ 1,520

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

2. SEGMENTED INFORMATION (continued)

Results of Continuing Operations (For the twelve months ended December 31)

	Upstream		Market Optimization	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 10,465	\$ 7,256	\$ 4,267	\$ 3,200
Expenses				
Production and mineral taxes	453	311	-	-
Transportation and selling	525	472	13	18
Operating	1,351	1,026	85	74
Purchased product	-	-	4,159	3,092
Depreciation, depletion and amortization	2,688	2,271	8	47
Segment Income (Loss)	\$ 5,448	\$ 3,176	\$ 2	\$ (31)

	Corporate *		Consolidated	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ (466)	\$ (197)	\$ 14,266	\$ 10,259
Expenses				
Production and mineral taxes	-	-	453	311
Transportation and selling	-	-	538	490
Operating	2	(1)	1,438	1,099
Purchased product	-	-	4,159	3,092
Depreciation, depletion and amortization	73	61	2,769	2,379
Segment Income (Loss)	\$ (541)	\$ (257)	\$ 4,909	\$ 2,888
Administrative			268	197
Interest, net			524	398
Accretion of asset retirement obligation			37	22
Foreign exchange (gain), net			(24)	(412)
Stock-based compensation - options			15	17
(Gain) on divestitures			-	(59)
			820	163
Net Earnings Before Income Tax			4,089	2,725
Income tax expense			1,260	632
Net Earnings From Continuing Operations			\$ 2,829	\$ 2,093

* For the twelve months ended December 31, the pre-tax unrealized loss on risk management is recorded in the Consolidated Statement of Earnings as follows (see Note 13):

	2005	2004
Revenues, Net of Royalties - Corporate	\$ (466)	\$ (197)
Operating Expenses and Other - Corporate	3	(6)
Total Unrealized (Loss) on Risk Management before-tax - Continuing Operations	\$ (469)	\$ (191)

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

2. SEGMENTED INFORMATION (continued)

Results of Continuing Operations *(For the twelve months ended December 31)*

<i>Upstream</i>	Canada		United States	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 7,005	\$ 5,083	\$ 3,177	\$ 1,941
Expenses				
Production and mineral taxes	104	87	349	224
Transportation and selling	343	352	182	120
Operating	826	685	212	119
Depreciation, depletion and amortization	1,927	1,751	682	475
Segment Income	\$ 3,805	\$ 2,208	\$ 1,752	\$ 1,003

	Other		Total Upstream	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 283	\$ 232	\$ 10,465	\$ 7,256
Expenses				
Production and mineral taxes	-	-	453	311
Transportation and selling	-	-	525	472
Operating	313	222	1,351	1,026
Depreciation, depletion and amortization	79	45	2,688	2,271
Segment Income (Loss)	\$ (109)	\$ (35)	\$ 5,448	\$ 3,176

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

2. SEGMENTED INFORMATION (continued)

Upstream Geographic and Product Information (Continuing Operations) (For the twelve months ended December 31)

Produced Gas

	Produced Gas					
	Canada		United States		Total	
	2005	2004	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 5,486	\$ 3,928	\$ 2,932	\$ 1,776	\$ 8,418	\$ 5,704
Expenses						
Production and mineral taxes	76	65	325	205	401	270
Transportation and selling	283	296	182	120	465	416
Operating	521	400	212	119	733	519
Operating Cash Flow	\$ 4,606	\$ 3,167	\$ 2,213	\$ 1,332	\$ 6,819	\$ 4,499

Oil & NGLs

	Oil & NGLs					
	Canada		United States		Total	
	2005	2004	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 1,519	\$ 1,155	\$ 245	\$ 165	\$ 1,764	\$ 1,320
Expenses						
Production and mineral taxes	28	22	24	19	52	41
Transportation and selling	60	56	-	-	60	56
Operating	305	285	-	-	305	285
Operating Cash Flow	\$ 1,126	\$ 792	\$ 221	\$ 146	\$ 1,347	\$ 938

Other & Total Upstream

	Other		Total Upstream	
	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 283	\$ 232	\$ 10,465	\$ 7,256
Expenses				
Production and mineral taxes	-	-	453	311
Transportation and selling	-	-	525	472
Operating	313	222	1,351	1,026
Operating Cash Flow	\$ (30)	\$ 10	\$ 8,136	\$ 5,447

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

2. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Upstream Core Capital				
Canada	\$ 1,370	\$ 733	\$ 4,150	\$ 3,015
United States	633	398	1,982	1,249
Other Countries	31	30	70	79
	2,034	1,161	6,202	4,343
Upstream Acquisition Capital				
Canada	4	9	30	64
United States	227	297	418	300
	231	306	448	364
Market Optimization	68	4	197	10
Corporate	29	18	78	46
Total	\$ 2,362	\$ 1,489	\$ 6,925	\$ 4,763

Property, Plant and Equipment and Total Assets

	Property, Plant and Equipment		Total Assets	
	As at December 31,		As at December 31,	
	2005	2004	2005	2004
Upstream	\$ 24,247	\$ 22,097	\$ 28,858	\$ 26,118
Market Optimization	371	167	597	414
Corporate	263	239	1,530	1,385
Assets of Discontinued Operations	(Note 3)		3,163	3,296
Total	\$ 24,881	\$ 22,503	\$ 34,148	\$ 31,213

3. DISCONTINUED OPERATIONS

Midstream

On December 13, 2005 EnCana completed the sale of its Midstream natural gas liquids processing operations for total proceeds of \$625 million (C\$720 million). The natural gas liquids processing operations included various interests in a number of processing and related facilities as well as a marketing entity. A gain on sale of approximately \$370 million, after-tax, was recorded.

During the fourth quarter of 2005, EnCana decided to divest of its natural gas storage operations. EnCana's natural gas storage operations include the 100 percent interest in the AECCO storage facility as well as facilities in the United States.

Ecuador

At December 31, 2004, EnCana decided to divest of its Ecuador operations and such operations have been accounted for as discontinued operations. EnCana's Ecuador operations include the 100 percent working interest in the Tarapoa Block, majority operating interest in Blocks 14, 17 and Shiripuno, the non-operated economic interest in relation to Block 15 and the 36.3 percent indirect equity investment in Oleoducto de Crudos Pesados (OCP) Ltd. ("OCP"), which is the owner of a crude oil pipeline in Ecuador that ships crude oil from the producing areas of Ecuador to an export marine terminal. The Company is a shipper on the OCP Pipeline and pays commercial rates for tariffs. The majority of the Company's crude oil produced in Ecuador is sold to a single marketing company. Payments are secured by letters of credit from a major financial institution which has a high quality investment grade credit rating.

In accordance with Canadian generally accepted accounting principles, depletion, depreciation and amortization expense has not been recorded in the Consolidated Statement of Earnings for discontinued operations.

On September 13, 2005, EnCana announced it had reached an agreement to sell all its interest in its Ecuador operations for \$1.42 billion, which is approximately equivalent to the asset's net book value at July 1, 2005, the referenced effective date of the transaction. Included in net earnings for 2005 is a provision of \$234 million which has been recorded against the net book value to recognize management's best estimate of the difference between the selling price and the December 31, 2005 underlying accounting value of the related investments at the sales date, as required under Canadian generally accepted accounting principles.

United Kingdom

On December 1, 2004, the Company completed the sale of its 100 percent interest in EnCana (U.K.) Limited for net cash consideration of approximately \$2.1 billion. EnCana's U.K. operations included crude oil and natural gas interests in the U.K. central North Sea including the Buzzard, Scott and Telford oil fields, as well as other satellite discoveries and exploration licenses. A gain on sale of approximately \$1.4 billion was recorded.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

3. DISCONTINUED OPERATIONS (continued)

Consolidated Statement of Earnings

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

	For the three months ended December 31,									
	Ecuador		United Kingdom		Midstream		Syncrude		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues, Net of Royalties	\$ 242	\$ 173	\$ -	\$ 27	\$ 645	\$ 666	\$ -	\$ (1)	\$ 887	\$ 865
Expenses										
Production and mineral taxes	30	19	-	-	-	-	-	-	30	19
Transportation and selling	12	11	-	7	3	3	-	-	15	21
Operating	38	36	-	4	110	81	-	-	148	121
Purchased product	-	-	-	-	343	462	-	-	343	462
Depreciation, depletion and amortization	111	66	-	25	8	5	-	-	119	96
Administrative	-	-	-	-	30	-	-	-	30	-
Interest, net	(2)	(2)	-	(4)	(1)	(1)	-	-	(3)	(7)
Accretion of asset retirement obligation	-	-	-	-	-	-	-	-	-	-
Foreign exchange (gain) loss, net	(4)	4	(37)	(5)	-	(5)	-	-	(41)	(6)
(Gain) loss on discontinuance	-	-	-	(1,365)	(364)	(54)	-	2	(364)	(1,417)
	185	134	(37)	(1,338)	129	491	-	2	277	(711)
Net Earnings (Loss) Before Income Tax	57	39	37	1,365	516	175	-	(3)	610	1,576
Income tax expense	57	(1)	4	10	52	42	-	-	113	51
Net Earnings (Loss) From Discontinued Operations	\$ -	\$ 40	\$ 33	\$ 1,355	\$ 464	\$ 133	\$ -	\$ (3)	\$ 497	\$ 1,525

For the twelve months ended December 31,											
	Ecuador		United Kingdom		Midstream		Syncrude		Total		
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
Revenues, Net of Royalties *	\$ 965	\$ 471	\$ -	\$ 153	\$ 1,570	\$ 1,551	\$ -	\$ (1)	\$ 2,535	\$ 2,174	
Expenses											
Production and mineral taxes	131	61	-	-	-	-	-	-	131	61	
Transportation and selling	58	60	-	36	9	9	-	-	67	105	
Operating	138	125	-	36	301	251	-	-	439	412	
Purchased product	-	-	-	-	1,100	1,184	-	-	1,100	1,184	
Depreciation, depletion and amortization	234	263	-	118	28	23	-	-	262	404	
Administrative	-	-	-	-	30	-	-	-	30	-	
Interest, net	(2)	(3)	-	(9)	(2)	(1)	-	-	(4)	(13)	
Accretion of asset retirement obligation	1	1	-	3	-	-	-	-	1	4	
Foreign exchange (gain) loss, net	(4)	5	(40)	(2)	(2)	(5)	-	-	(46)	(2)	
(Gain) loss on discontinuance	-	-	-	(1,365)	(364)	(54)	-	2	(364)	(1,417)	
	556	512	(40)	(1,183)	1,100	1,407	-	2	1,616	738	
Net Earnings (Loss) Before Income Tax	409	(41)	40	1,336	470	144	-	(3)	919	1,436	
Income tax expense (recovery)	278	(8)	5	(2)	39	26	-	-	322	16	
Net Earnings (Loss) From Discontinued Operations	\$ 131	\$ (33)	\$ 35	\$ 1,338	\$ 431	\$ 118	\$ -	\$ (3)	\$ 597	\$ 1,420	

* Revenues, net of royalties in Ecuador include realized losses of \$128 million related to derivative financial instruments. These losses are offset by the reversal of the December 31, 2004 unrealized mark to market losses of \$72 million. In 2004, revenues, net of royalties included realized losses of \$278 million in addition to the unrealized mark to market losses.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

3. DISCONTINUED OPERATIONS (continued)

Consolidated Balance Sheet

The impact of the discontinued operations in the Consolidated Balance Sheet is as follows:

	December 31, 2005				As at December 31, 2004				
	United				United				
	Ecuador	Kingdom	Midstream	Total	Ecuador	Kingdom	Midstream	Syncrude	Total
Assets									
Cash and cash equivalents	\$ 207	\$ 8	\$ (7)	\$ 208	\$ 2	\$ 12	\$ 9	\$ -	\$ 23
Accounts receivable and accrued revenues	137	-	271	408	111	13	332	-	456
Risk management	-	-	21	21	3	-	19	-	22
Inventories	23	-	390	413	15	-	455	-	470
	367	8	675	1,050	131	25	815	-	971
Property, plant and equipment, net	1,166	-	520	1,686	1,295	-	637	-	1,932
Investments and other assets	360	-	-	360	328	-	-	-	328
Goodwill	-	-	67	67	-	-	65	-	65
	\$ 1,893	\$ 8	\$ 1,262	\$ 3,163	\$ 1,754	\$ 25	\$ 1,517	\$ -	\$ 3,296
Liabilities									
Accounts payable and accrued liabilities	\$ 91	\$ 27	\$ 49	\$ 167	\$ 61	\$ 32	\$ 137	\$ 3	\$ 233
Income tax payable	184	6	40	230	101	-	2	-	103
Risk management	-	-	41	41	72	-	17	-	89
	275	33	130	438	234	32	156	3	425
Asset retirement obligation	21	-	-	21	22	-	-	-	22
Future income taxes	162	(2)	86	246	80	11	111	-	202
	458	31	216	705	336	43	267	3	649
Net Assets of Discontinued Operations	\$ 1,435	\$ (23)	\$ 1,046	\$ 2,458	\$ 1,418	\$ (18)	\$ 1,250	\$ (3)	\$ 2,647

Contingencies

In Ecuador, a subsidiary of EnCana has a 40 percent non-operated economic interest in relation to Block 15 pursuant to a contract with a subsidiary of Occidental Petroleum Corporation. In its 2004 filings with Securities regulatory authorities, Occidental Petroleum Corporation indicated 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 filings, 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. The subsidiary of Occidental Petroleum Corporation has delivered, to the Government of Ecuador, its written defense to the allegations. Upon review, the Government of Ecuador may decide whether there are grounds for termination of the Participation Contract.

In addition to the above, the Company continues to proceed with its arbitration related to value-added tax ("VAT") owed to subsidiaries of the Company and has been in discussions related to certain income tax matters related to the deductibility of interest expense and foreign currency losses in Ecuador.

4. DIVESTITURES

Total proceeds received on sale of assets and investments was \$2,523 million (2004 - \$1,500 million) as described below:

Upstream

In 2005, the Company has completed the disposition of mature conventional oil and natural gas assets for proceeds of \$471 million (2004 - \$1,430 million).

In May, the Company completed the sale of its Gulf of Mexico assets for approximately \$2.1 billion resulting in net proceeds of approximately \$1.5 billion after deducting \$578 million in tax plus other adjustments. In accordance with full cost accounting for oil and gas activities, proceeds were credited to property, plant and equipment.

Other

On December 15, 2004, EnCana sold its 25 percent limited partnership interest in Kingston CoGen Limited Partnership for net cash consideration of \$25 million, recording a gain on sale of \$28 million.

In March 2004, the Company sold its equity investment in a well servicing company for approximately \$44 million, recording a pre-tax gain of \$34 million.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

5. INTEREST, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Interest Expense - Long-Term Debt	\$ 107	\$ 108	\$ 417	\$ 385
Early Retirement of Long-Term Debt	-	(5)	121	(16)
Interest Expense - Other	6	16	18	42
Interest Income	(9)	(5)	(32)	(13)
	\$ 104	\$ 114	\$ 524	\$ 398

6. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Unrealized Foreign Exchange Loss (Gain) on Translation of U.S. Dollar Debt Issued in Canada	\$ 27	\$ (163)	\$ (113)	\$ (285)
Other Foreign Exchange Loss (Gain)	10	(36)	89	(127)
	\$ 37	\$ (199)	\$ (24)	\$ (412)

7. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Current				
Canada	\$ 205	\$ 86	\$ 493	\$ 586
United States	(25)	(30)	719	(12)
Other	(2)	(3)	(8)	(15)
Total Current Tax	178	53	1,204	559
Future	717	422	56	182
Future Tax Rate Reductions	-	-	-	(109)
Total Future Tax	717	422	56	73
	\$ 895	\$ 475	\$ 1,260	\$ 632

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Net Earnings Before Income Tax	\$ 2,764	\$ 1,530	\$ 4,089	\$ 2,725
Canadian Statutory Rate	37.9%	39.1%	37.9%	39.1%
Expected Income Tax	1,048	599	1,550	1,066
Effect on Taxes Resulting from:				
Non-deductible Canadian crown payments	68	38	207	192
Canadian resource allowance	(61)	(59)	(202)	(246)
Canadian resource allowance on unrealized risk management losses	(26)	(37)	-	(10)
Statutory and other rate differences	(124)	(3)	(235)	(50)
Effect of tax rate changes	-	-	-	(109)
Non-taxable capital (gains) losses	3	(50)	(24)	(91)
Previously unrecognized capital	-	7	-	17
Tax basis retained on dispositions	-	1	(68)	(169)
Large corporations tax	1	11	25	24
Other	(14)	(32)	7	8
	\$ 895	\$ 475	\$ 1,260	\$ 632
Effective Tax Rate	32.4%	31.0%	30.8%	23.2%

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

8. LONG-TERM DEBT

	As at December 31, 2005	As at December 31, 2004
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 1,425	\$ 1,515
Unsecured notes	793	1,309
	2,218	2,824
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	-	399
Unsecured notes and debentures	4,494	4,641
	4,494	5,040
Increase in Value of Debt Acquired *	64	66
Current Portion of Long-Term Debt	(73)	(188)
	\$ 6,703	\$ 7,742

* Certain of the notes and debentures of EnCana 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 21 years.

9. 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 December 31, 2005	As at December 31, 2004
Asset Retirement Obligation, Beginning of Year	\$ 611	\$ 383
Liabilities Incurred	77	98
Liabilities Settled	(42)	(16)
Liabilities Disposed	(23)	(35)
Change in Estimated Future Cash Flows	135	124
Accretion Expense	37	22
Other	21	35
Asset Retirement Obligation, End of Year	\$ 816	\$ 611

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

10. SHARE CAPITAL

(millions)	December 31, 2005		December 31, 2004	
	Number	Amount	Number	Amount
Common Shares Outstanding, Beginning of Year	900.6	\$ 5,299	921.2	\$ 5,305
Common Shares Issued under Option Plans	15.0	294	19.4	281
Common Shares Repurchased	(60.7)	(462)	(40.0)	(287)
Common Shares Outstanding, End of Year	854.9	\$ 5,131	900.6	\$ 5,299

Information related to common shares and stock options has been restated to reflect the effect of the common share split approved in April 2005.

Normal Course Issuer Bid

To December 31, 2005, the Company purchased 60,757,198 Common Shares for total consideration of approximately \$2,114 million. Of the amount paid, \$462 million was charged to Share capital, \$10 million was charged to Paid in surplus and \$1,642 million was charged to Retained earnings. Included in the above are 5.5 million Common Shares which have been purchased by an EnCana Employee Benefit Plan Trust and held for issuance upon vesting of units under EnCana's Performance Share Unit plan (see Note 11).

EnCana has obtained regulatory approval each year under Canadian securities laws to purchase Common Shares under four consecutive Normal Course Issuer Bids ("Bids") which commenced in October 2002 and may continue until October 30, 2006. EnCana is entitled to purchase for, cancellation, up to approximately 85.6 million Common Shares under the renewed Bid which commenced on October 31, 2005 and will terminate no later than October 30, 2006. During January 2006, EnCana purchased approximately 6.8 million Common Shares under the current Bid for total consideration of \$314 million. Under the prior Bid which commenced October 29, 2004 and expired October 28, 2005, EnCana purchased approximately 84.2 million Common Shares.

Stock Options

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 predecessor and/or related company replacement plans expire up to ten years from the date the options were granted.

The following tables summarize the information about options to purchase Common Shares that do not have Tandem Share Appreciation Rights ("TSAR's") attached to them at December 31, 2005. Information related to TSAR's is included in Note 11.

	Stock Options (millions)	Weighted Average Exercise Price (C\$)
Outstanding, Beginning of Year	36.2	23.15
Exercised	(14.9)	22.90
Forfeited	(0.6)	21.71
Outstanding, End of Year	20.7	23.36
Exercisable, End of Year	16.8	23.21

Range of Exercise Price (C\$)	Outstanding Options			Exercisable Options	
	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\$)
10.50 to 22.99	1.7	2.3	15.74	1.7	15.60
23.00 to 23.49	1.3	0.7	23.17	1.1	23.16
23.50 to 23.99	6.9	2.3	23.89	3.6	23.88
24.00 to 24.49	10.2	1.2	24.18	10.1	24.18
24.50 to 25.99	0.6	2.6	25.23	0.3	25.21
	20.7	1.7	23.36	16.8	23.21

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

10. SHARE CAPITAL (continued)

EnCana 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 subsequent to December 31, 2003 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 December 31, 2005 would be unchanged (three months ended 2004 - \$2,570 million; \$2.80 per common share - basic; \$2.76 per common share - diluted). Pro forma Net Earnings and Net Earnings per Common Share for the twelve months ended December 31, 2005 would be unchanged (2004 - \$3,476 million; \$3.77 per common share - basic; \$3.71 per common share - diluted).

11. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at December 31, 2005. Additional information is contained in Note 15 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2004.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2005	2004	2005	2004
Current Service Cost	\$ 6	\$ 2	\$ 11	\$ 6
Interest Cost	6	5	16	14
Expected Return on Plan Assets	(5)	(4)	(14)	(12)
Amortization of Net Actuarial Loss	3	-	5	4
Amortization of Transitional Obligation	(1)	-	(2)	(2)
Amortization of Past Service Cost	1	1	2	2
Expense for Defined Contribution Plan	6	9	22	19
Net Benefit Plan Expense	\$ 16	\$ 13	\$ 40	\$ 31

For the year ended December 31, 2005, contributions to the defined benefit pension plans were made totaling \$9 million as approved by the Board of Directors, and Management expects to contribute a similar amount in 2006.

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

The following table summarizes the information about SAR's at December 31, 2005:

	Outstanding SAR's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	930,510	18.31
Exercised	(682,241)	16.55
Forfeited	(1,530)	23.14
Outstanding, End of Year	246,739	23.13
Exercisable, End of Year	246,739	23.13
U.S. Dollar Denominated (US\$)		
Outstanding, Beginning of Year	771,860	14.40
Exercised	(452,349)	14.45
Outstanding, End of Year	319,511	14.33
Exercisable, End of Year	319,511	14.33

For the year ended December 31, 2005, EnCana recorded compensation costs of \$17 million related to the outstanding SAR's (2004 - \$17 million).

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

11. COMPENSATION PLANS (continued)

C) Tandem Share Appreciation Rights ("TSAR's")

The following table summarizes the information about Tandem SAR's at December 31, 2005:

	Outstanding TSAR's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	1,735,000	27.77
Granted	7,581,412	40.14
Exercised - SARs	(151,610)	27.51
Exercised - Options	(104,735)	27.60
Forfeited	(656,100)	34.44
Outstanding, End of Year	8,403,967	38.41
Exercisable, End of Year	229,705	28.00

For the year ended December 31, 2005, EnCana recorded compensation costs of \$60 million related to the outstanding TSAR's (2004 - \$3 million).

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

The following table summarizes the information about DSU's at December 31, 2005:

	Outstanding DSU's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	750,612	24.81
Granted, Directors	80,765	43.75
Units, in Lieu of Dividends	5,184	52.34
Outstanding, End of Year	836,561	26.81
Exercisable, End of Year	836,561	26.81

For the year ended December 31, 2005, EnCana recorded compensation costs of \$16 million related to the outstanding DSU's (2004 - \$10 million).

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

The following table summarizes the information about PSU's at December 31, 2005:

	Outstanding PSU's	Weighted Average Grant Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	3,294,206	26.71
Granted	1,734,089	38.13
Forfeited	(323,947)	30.48
Outstanding, End of Year	4,704,348	30.65
U.S. Dollar Denominated (US\$)		
Outstanding, Beginning of Year	449,230	20.56
Granted	390,171	30.92
Forfeited	(99,752)	26.50
Outstanding, End of Year	739,649	25.22

For the year ended December 31, 2005, EnCana recorded compensation costs of \$91 million related to the outstanding PSU's (2004 - \$25 million).

At December 31, 2005, EnCana has approximately 5.5 million Common Shares held in trust for issuance upon vesting of the PSU's.

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

12. PER SHARE AMOUNTS

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

	Three Months Ended				Twelve Months Ended	
	March 31,	June 30,	September 30,	December 31,	December 31,	
(millions)	2005	2005	2005	2005	2004	2004
Weighted Average Common Shares Outstanding - Basic	891.8	872.0	855.1	854.4	917.6	868.3
Effect of Dilutive Securities	17.2	19.9	20.7	18.1	12.2	20.9
Weighted Average Common Shares Outstanding - Diluted	909.0	891.9	875.8	872.5	929.8	889.2
						936.0

The amounts above have been restated to reflect the effect of the common share split approved in April 2005.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Realized and Unrealized (Loss) Gain on Risk Management Activities

The following tables summarize the gains and losses on risk management activities:

	Realized Gain (Loss)				
	Q1	Q2	Q3	Q4	YTD
Revenues, Net of Royalties	\$ (19)	\$ (114)	\$ (196)	\$ (355)	\$ (684)
Operating Expenses and Other	5	5	7	14	31
Loss on Risk Management - Continuing Operations	(14)	(109)	(189)	(341)	(653)
Loss on Risk Management - Discontinued Operations	(24)	(32)	(55)	(15)	(126)
	\$ (38)	\$ (141)	\$ (244)	\$ (356)	\$ (779)

	Unrealized Gain (Loss)				
	Q1	Q2	Q3	Q4	YTD
Revenues, Net of Royalties	\$ (962)	\$ 315	\$ (810)	\$ 991	\$ (466)
Operating Expenses and Other	3	(1)	1	(6)	(3)
(Loss) Gain on Risk Management - Continuing Operations	(959)	314	(809)	985	(469)
(Loss) Gain on Risk Management - Discontinued Operations	(30)	31	(90)	139	50
	\$ (989)	\$ 345	\$ (899)	\$ 1,124	\$ (419)

Amounts Recognized on Transition

As discussed in Note 2 to the annual audited Consolidated Financial Statements for the year ended December 31, 2004, on January 1, 2004, the fair value of all outstanding financial instruments that were not considered accounting hedges was recorded in the Consolidated Balance Sheet with an offsetting net deferred loss amount (the "transition amount"). The transition amount is recognized into net earnings over the life of the related contracts. Changes in fair value after that time are recorded in the Consolidated Balance Sheet with an 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.

At December 31, 2005, a net unrealized gain remains to be recognized over the next three years as follows:

	Unrealized Gain
2006	\$ 24
2007	15
2008	1
Total to be recognized	\$ 40

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value of Outstanding Risk Management Positions

The following table presents a reconciliation of the change in the unrealized amounts from January 1, 2005 to December 31, 2005:
common share:

	Transition Amount	Fair Market Value	Total Unrealized Gain (Loss)
Fair Value of Contracts and Premiums Paid, Beginning of Year	\$ (72)	\$ (189)	\$ -
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts entered into During 2005	-	(1,230)	(1,230)
Fair Value of Contracts in Place at Transition Expired During 2005	32	-	32
Fair Value of Contracts Realized During 2005	-	779	779
Fair Value of Contracts Outstanding	\$ (40)	\$ (640)	\$ (419)
Unamortized Premiums Paid on Collars and Options		316	
Fair Value of Contracts and Premiums Paid, End of Year		\$ (324)	
Amounts Allocated to Continuing Operations	\$ (40)	\$ (304)	\$ (469)
Amounts Allocated to Discontinued Operations	-	(20)	50
	\$ (40)	\$ (324)	\$ (419)

At December 31, 2005, the remaining net deferred amounts recognized on transition and the risk management amounts are recorded in the Consolidated Balance Sheet as follows:

	As at December 31, 2005
Remaining Deferred Amounts Recognized on Transition	
Accounts receivable and accrued revenues	\$ 1
Investments and other assets	1
Accounts payable and accrued liabilities	25
Other liabilities	17
Net Deferred Gain - Continuing Operations	\$ 40
Risk Management	
Current asset	\$ 495
Long-term asset	530
Current liability	1,227
Long-term liability	102
Net Risk Management Liability - Continuing Operations	(304)
Net Risk Management Liability - Discontinued Operations	(20)
	\$ (324)

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

	As at December 31, 2005
Commodity Price Risk	
Natural gas	\$ (247)
Crude oil	(66)
Credit Derivatives	(1)
Interest Rate Risk	10
Total Fair Value Positions - Continuing Operations	(304)
Total Fair Value Positions - Discontinued Operations	(20)
	\$ (324)

Information with respect to power and interest rate risk contracts in place at December 31, 2004 is disclosed in Note 16 to the Company's annual audited Consolidated Financial Statements. No significant new contracts have been entered into as at December 31, 2005.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Natural Gas

At December 31, 2005, the Company's gas risk management activities from financial contracts had an unrealized loss of \$(500) million and a fair market value position of \$(267) million. The contracts were as follows:

	Notional Volumes (MMcf/d)	Term	Average Price	Fair Market Value
Sales Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	525	2006	5.65 US\$/Mcf	\$ (954)
Colorado Interstate Gas (CIG)	100	2006	4.44 US\$/Mcf	(151)
Houston Ship Channel (HSC)	90	2006	5.08 US\$/Mcf	(146)
Other	81	2006	4.58 US\$/Mcf	(126)
NYMEX Fixed Price	240	2007	7.76 US\$/Mcf	(203)
Collars and Other Options				
Purchased NYMEX Put Options	2,602	2006	7.76 US\$/Mcf	(73)
Purchased NYMEX Put Options	240	2007	6.00 US\$/Mcf	(5)
Basis Contracts				
Fixed NYMEX to AECO Basis	799	2006	(0.69) US\$/Mcf	217
Fixed NYMEX to Rockies Basis	324	2006	(0.58) US\$/Mcf	162
Fixed NYMEX to CIG Basis	301	2006	(0.83) US\$/Mcf	133
Other	182	2006	(0.36) US\$/Mcf	52
Fixed NYMEX to AECO Basis	735	2007	(0.71) US\$/Mcf	101
Fixed NYMEX to Rockies Basis	538	2007	(0.65) US\$/Mcf	232
Fixed NYMEX to CIG Basis	390	2007	(0.76) US\$/Mcf	164
Fixed Rockies to CIG Basis	12	2007	(0.10) US\$/Mcf	-
Fixed NYMEX to AECO Basis	191	2008	(0.78) US\$/Mcf	12
Fixed NYMEX to Rockies Basis	162	2008	(0.59) US\$/Mcf	52
Fixed NYMEX to CIG Basis	40	2008-2009	(0.68) US\$/Mcf	23
Purchase Contracts				
Fixed Price Contracts				
Waha Purchase	23	2006	5.32 US\$/Mcf	33
				(477)
Other Financial Positions *				(23)
Total Unrealized Loss on Financial Contracts				(500)
Unamortized Premiums Paid on Options				233
Total Fair Value Positions				\$ (267)
Total Fair Value Positions - Continuing Operations				(247)
Total Fair Value Positions - Discontinued Operations				(20)
Total Fair Value Positions				\$ (267)

* Other financial positions are part of the ongoing operations of the Company's proprietary production management and gas storage optimization activities.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At December 31, 2005, the Company's oil risk management activities from financial contracts had an unrealized loss of \$(149) million and a fair market value position of \$(66) million. The contracts were as follows:

	Notional Volumes (bbls/d)	Term	Average Price (US\$/bbl)	Fair Market Value
Fixed WTI NYMEX Price	15,000	2006	34.56	\$ (153)
Unwind WTI NYMEX Fixed Price	(1,300)	2006	52.75	5
Purchased WTI NYMEX Put Options	57,000	2006	50.00	(10)
Purchased WTI NYMEX Call Options	(13,700)	2006	61.24	14
Purchased WTI NYMEX Put Options	43,000	2007	44.44	(6)
				(150)
Other Financial Positions *				1
Total Unrealized Loss on Financial Contracts				(149)
Unamortized Premiums Paid on Options				83
Total Fair Value Positions				\$ (66)
Total Fair Value Positions - Continuing Operations				\$ (66)
Total Fair Value Positions - Discontinued Operations				-
				\$ (66)

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

14. 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.

Discontinued Merchant Energy Operations

California

As disclosed previously, in July 2003, the Company's indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. ("WD"), concluded a settlement with the U.S. Commodity Futures Trading Commission ("CFTC") of a previously disclosed CFTC investigation whereby WD agreed to pay a civil monetary penalty in the amount of \$20 million without admitting or denying the findings in the CFTC's order.

EnCana Corporation and WD are defendants in a lawsuit filed by E. & J. Gallo Winery in the United States District Court in California, further described below. The Gallo lawsuit claims damages in excess of \$30 million. California law allows for the possibility that the amount of damages assessed could be tripled.

Along with other energy companies, EnCana Corporation and WD are defendants in several other lawsuits relating to sales of natural gas in California from 1999 to 2002 (some of which are class actions and some of which are brought by individual parties on their own behalf). As is customary, these lawsuits do not specify the precise amount of damages claimed. The Gallo and other California lawsuits contain allegations that the defendants engaged in a conspiracy with unnamed competitors in the natural gas and derivatives market in California in violation of U.S. and California anti-trust and unfair competition laws.

In all but one of the class actions in the United States District Court and in the Gallo action, decisions dealing with the issue of whether the scope of the Federal Energy Regulatory Commission's exclusive jurisdiction over natural gas prices precludes the plaintiffs from maintaining their claims are on appeal to the United States Court of Appeals for the Ninth Circuit.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

14. CONTINGENCIES (continued)

Without admitting any liability in the lawsuits, in November 2005, WD has agreed to pay \$20.5 million to settle the class action lawsuits that were consolidated in San Diego Superior Court, subject to final documentation and approval by the San Diego Superior Court. The individual parties who had brought their own actions are not parties to this settlement.

New York

WD is also a defendant in a consolidated class action lawsuit filed in the United States District Court in New York. The consolidated New York lawsuit claims that the defendants' alleged manipulation of natural gas price indices affected natural gas futures and option contracts traded on the NYMEX from 2000 to 2002. EnCana Corporation was dismissed from the New York lawsuit, leaving WD and several other companies unrelated to EnCana Corporation as the remaining defendants. Without admitting any liability in the lawsuit, WD has agreed to pay a maximum of \$9.1 million to settle the New York class action lawsuit, subject to final documentation and approval by the New York District Court.

Based on the aforementioned settlements, during the fourth quarter of 2005 a total of \$30 million was recorded, which amount has been included in Administrative costs in the Net Earnings from Discontinued Operations. EnCana Corporation and WD intend to vigorously defend against the remaining outstanding claims; however, the Company cannot predict the outcome of these proceedings or any future proceedings against the Company, whether these proceedings would lead to monetary damages which could have a material adverse effect on the Company's financial position, or whether there will be other proceedings arising out of these allegations.

15. RECLASSIFICATION

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2005.