



**Interim Consolidated Financial Statements**  
*(unaudited)*  
**For the period ended March 31, 2007**

**EnCana Corporation**

**U.S. DOLLARS**

**CONSOLIDATED STATEMENT OF EARNINGS (unaudited)**

		Three Months Ended March 31,	
		2007	2006
(\$ millions, except per share amounts)			
<b>REVENUES, NET OF ROYALTIES</b>	(Note 5)		
Upstream		\$ 2,739	\$ 2,604
Integrated Oilsands		1,556	189
Market Optimization		756	716
Corporate - Unrealized gain (loss) on risk management		(615)	1,263
		4,436	4,772
<b>EXPENSES</b>	(Note 5)		
Production and mineral taxes		92	139
Transportation and selling		278	254
Operating		551	412
Purchased product		1,851	689
Depreciation, depletion and amortization		843	765
Administrative		95	58
Interest, net	(Note 8)	101	88
Accretion of asset retirement obligation	(Note 14)	14	12
Foreign exchange (gain) loss, net	(Note 9)	(12)	44
(Gain) on divestitures	(Note 7)	(59)	(9)
		3,754	2,452
<b>NET EARNINGS BEFORE INCOME TAX</b>		682	2,320
Income tax expense	(Note 10)	185	848
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		497	1,472
<b>NET EARNINGS FROM DISCONTINUED OPERATIONS</b>	(Note 6)	-	2
<b>NET EARNINGS</b>		\$ 497	\$ 1,474
<b>NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE</b>	(Note 17)		
Basic		\$ 0.65	\$ 1.74
Diluted		\$ 0.64	\$ 1.70
<b>NET EARNINGS PER COMMON SHARE</b>	(Note 17)		
Basic		\$ 0.65	\$ 1.74
Diluted		\$ 0.64	\$ 1.70

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS** *(unaudited)*

	Three Months Ended March 31,	
	2007	2006
<i>(\$ millions)</i>		
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>\$ 11,344</b>	<b>\$ 9,481</b>
Net Earnings	497	1,474
Dividends on Common Shares	(153)	(64)
Charges for Normal Course Issuer Bid <i>(Note 15)</i>	(816)	(801)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ 10,872</b>	<b>\$ 10,090</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** *(unaudited)*

	Three Months Ended March 31,	
	2007	2006
<i>(\$ millions)</i>		
<b>NET EARNINGS</b>	<b>\$ 497</b>	<b>\$ 1,474</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		
Foreign Currency Translation Adjustment	111	94
<b>COMPREHENSIVE INCOME</b>	<b>\$ 608</b>	<b>\$ 1,568</b>

**CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME** *(unaudited)*

	Three Months Ended March 31,	
	2007	2006
<i>(\$ millions)</i>		
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR</b>	<b>\$ 1,375</b>	<b>\$ 1,262</b>
Foreign Currency Translation Adjustment	111	94
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD</b>	<b>\$ 1,486</b>	<b>\$ 1,356</b>

As at March 31, 2007, the accumulated other comprehensive income consists of foreign currency translation adjustments of \$1,486 million (December 31, 2006 - \$1,375 million; March 31, 2006 - \$1,356 million).

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED BALANCE SHEET** *(unaudited)*

		As at March 31, 2007	As at December 31, 2006
<i>(\$ millions)</i>			
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$	337	\$ 402
Accounts receivable and accrued revenues		2,014	1,721
Current portion of partnership contribution receivable	(Note 4, 11)	357	-
Risk management	(Note 18)	899	1,403
Inventories	(Note 12)	567	176
		4,174	3,702
Property, Plant and Equipment, net	(Note 5)	28,806	28,213
Investments and Other Assets		512	533
Partnership Contribution Receivable	(Note 4, 11)	3,299	-
Risk Management	(Note 18)	55	133
Goodwill		2,547	2,525
	(Note 5)	\$ 39,393	\$ 35,106
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$	3,210	\$ 2,494
Income tax payable		934	926
Current portion of partnership contribution payable	(Note 4, 11)	345	-
Risk management	(Note 18)	60	14
Current portion of long-term debt	(Note 13)	260	257
		4,809	3,691
Long-Term Debt	(Note 13)	6,977	6,577
Other Liabilities		151	79
Partnership Contribution Payable	(Note 4, 11)	3,311	-
Risk Management	(Note 18)	17	2
Asset Retirement Obligation	(Note 14)	1,085	1,051
Future Income Taxes		6,131	6,240
		22,481	17,640
Shareholders' Equity			
Share capital	(Note 15)	4,493	4,587
Paid in surplus		61	160
Retained earnings		10,872	11,344
Accumulated other comprehensive income		1,486	1,375
Total Shareholders' Equity		16,912	17,466
	\$	39,393	\$ 35,106

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS** *(unaudited)*

(\$ millions)	Three Months Ended March 31,	
	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net earnings from continuing operations	\$ 497	\$ 1,472
Depreciation, depletion and amortization	843	765
Future income taxes	(Note 10) (190)	517
Unrealized (gain) loss on risk management	(Note 18) 614	(1,261)
Unrealized foreign exchange (gain) loss	(11)	60
Accretion of asset retirement obligation	(Note 14) 14	12
(Gain) on divestitures	(Note 7) (59)	(9)
Other	44	23
Cash flow from discontinued operations	-	112
Net change in other assets and liabilities	20	(11)
Net change in non-cash working capital from continuing operations	137	2,044
Net change in non-cash working capital from discontinued operations	-	(1,427)
Cash From Operating Activities	1,909	2,297
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(Note 5) (1,490)	(1,961)
Proceeds on disposal of assets	(Note 7) 281	255
Net change in investments and other	19	77
Net change in non-cash working capital from continuing operations	(58)	119
Discontinued operations	-	1,313
Cash (Used in) Investing Activities	(1,248)	(197)
<b>FINANCING ACTIVITIES</b>		
Net issuance (repayment) of revolving long-term debt	-	(881)
Issuance of long-term debt	434	-
Issuance of common shares	(Note 15) 76	52
Purchase of common shares	(Note 15) (1,094)	(978)
Dividends on common shares	(153)	(64)
Other	11	(10)
Cash (Used in) Financing Activities	(726)	(1,881)
<b>DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY</b>	-	-
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(65)	219
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	402	105
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 337	\$ 324

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. EnCana's continuing operations are in the business of exploration for, and production and marketing of, natural gas, crude oil and natural gas liquids, refining operations 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, 2006, 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, 2006.

### **2. CHANGES IN ACCOUNTING POLICIES AND PRACTICES**

As disclosed in the December 31, 2006 annual audited Consolidated Financial Statements, on January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated, except to reclassify the foreign currency translation adjustment balance as described under Comprehensive Income.

The adoption of these standards has had no material impact on the Company's net earnings or cash flows. The other effects of the implementation of the new standards are discussed below.

#### ***Comprehensive Income***

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). The Company's Consolidated Financial Statements now include a Statement of Comprehensive Income, which includes the components of comprehensive income. For EnCana, OCI is currently comprised of the changes in the foreign currency translation adjustment balance.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the Consolidated Balance Sheet. The accumulated foreign currency translation adjustment, formerly presented as a separate category within shareholders' equity, is now included in AOCI. The Company's Consolidated Financial Statements now include a Statement of Accumulated Other Comprehensive Income, which provides the continuity of the AOCI balance.

The adoption of comprehensive income has been made in accordance with the applicable transitional provisions. Accordingly, the March 31, 2007 period end accumulated foreign currency translation adjustment balance of \$1,486 million has been reclassified to AOCI (December 31, 2006 - \$1,375 million; March 31, 2006 - \$1,356 million). In addition, the change in the accumulated foreign currency translation adjustment balance for the three months ended March 31, 2007 of \$111 million, is now included in OCI in the Statement of Comprehensive Income (three months ended March 31, 2006 - \$94 million).

#### ***Financial Instruments***

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets "available-for-sale" are measured at fair value, with changes in those fair values recognized in OCI. Financial assets "held-to-maturity", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and accrued revenues and the partnership contribution receivable are designated as "loans and receivables". Accounts payable and accrued liabilities, the partnership contribution payable and long-term debt are designated as "other liabilities".

The adoption of the financial instruments standard has been made in accordance with its transitional provisions. Accordingly, at January 1, 2007, \$52 million of other assets were reclassified to long-term debt to reflect the adopted policy of capitalizing long-term debt transaction costs, premiums and discounts within long-term debt. The costs capitalized within long-term debt will be amortized using the effective interest method. Previously, the Company deferred these costs within other assets and amortized them straight-line over the life of the related long-term debt. The adoption of the effective interest method of amortization had no effect on opening retained earnings.

Risk management assets and liabilities are derivative financial instruments classified as "held-for-trading" unless designated for hedge accounting. Additional information on the Company's accounting treatment of derivative financial instruments is contained in Note 1 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2006.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 3. UPDATE TO ACCOUNTING POLICIES AND PRACTICES

As a result of the new joint venture with ConocoPhillips, EnCana has updated the following significant accounting policies and practices to incorporate the refining business (see Note 4):

#### **Revenue Recognition**

Revenues associated with the sales of EnCana's natural gas, crude oil, NGLs and petroleum and chemical products are recognized when title passes from the Company to its customer. Natural gas and crude oil produced and sold by EnCana below or above its working interest share in the related resource properties results in production underliftings or overliftings. Underliftings are recorded as inventory and overliftings are recorded as deferred revenue. Realized gains and losses from the Company's natural gas and crude oil commodity price risk management activities are recorded in revenue when the product is sold.

Market optimization revenues and purchased product are recorded on a gross basis when EnCana takes title to product and has risks and rewards of ownership. Purchases and sales of inventory with the same counterparty that are entered into in contemplation of each other are recorded on a net basis. Revenues associated with the services provided where EnCana acts as agent are recorded as the services are provided. Revenues associated with the sale of natural gas storage services are recognized when the services are provided. Sales of electric power are recognized when power is provided to the customer.

Unrealized gains and losses from the Company's natural gas and crude oil commodity price risk management activities are recorded as revenue based on the related mark-to-market calculations at the end of the respective period.

#### **Inventory**

Product inventories, including petroleum and chemical products, are valued at the lower of average cost and net realizable value on a first-in, first-out basis. Materials and supplies are valued at cost.

#### **Property, Plant and Equipment**

##### *Upstream*

EnCana accounts for natural gas and crude oil properties in accordance with the Canadian Institute of Chartered Accountants' guideline on full cost accounting in the oil and gas industry. Under this method, all costs, including internal costs and asset retirement costs, directly associated with the acquisition of, exploration for and the development of, natural gas and crude oil reserves, are capitalized on a country-by-country cost centre basis.

Costs accumulated within each cost centre are depreciated, depleted and amortized using the unit-of-production method based on estimated proved reserves determined using estimated future prices and costs. For purposes of this calculation, oil is converted to gas on an energy equivalent basis. Capitalized costs subject to depletion include estimated future costs to be incurred in developing proved reserves. Proceeds from the divestiture of properties are normally deducted from the full cost pool without recognition of gain or loss unless that deduction would result in a change to the rate of depreciation, depletion and amortization of 20 percent or greater, in which case a gain or loss is recorded. Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded, on a cost centre basis, from the costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or impairment has occurred. Costs that have been impaired are included in the costs subject to depreciation, depletion and amortization.

An impairment loss is recognized in net earnings when the carrying amount of a cost centre is not recoverable and the carrying amount of the cost centre exceeds its fair value. The carrying amount of the cost centre is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of:

- i. the fair value of proved and probable reserves; and
- ii. the costs of unproved properties that have been subject to a separate impairment test.

##### *Downstream Refining*

Refining facilities are carried at cost, including asset retirement costs, and depreciated on a straight-line basis over the estimated service lives of the assets, which are approximately 25 years.

##### *Midstream facilities*

Midstream facilities, including natural gas storage facilities, natural gas liquids extraction plant facilities and power generation facilities, are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 20 to 25 years. Capital assets related to pipelines are carried at cost and depreciated or amortized using the straight-line method over their economic lives, which range from 20 to 35 years.

##### *Corporate*

Costs associated with office furniture, fixtures, leasehold improvements, information technology and aircraft are carried at cost and depreciated on a straight-line basis over the estimated service lives of the assets, which range from 3 to 25 years. Assets under construction are not subject to depreciation. Land is carried at cost.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 3. UPDATE TO ACCOUNTING POLICIES AND PRACTICES (continued)

#### Asset Retirement Obligation

The fair value of estimated asset retirement obligations is recognized in the Consolidated Balance Sheet when identified and a reasonable estimate of fair value can be made.

Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites, offshore production platforms, natural gas processing plants, and refining facilities. These obligations also include items for which the Company has made promissory estoppel. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs for natural gas and crude oil assets are amortized using the unit-of-production method. Asset retirement costs for refining facilities are amortized on a straight-line basis over the useful life of the related asset. Amortization of asset retirement costs are included in depreciation, depletion and amortization in the Consolidated Statement of Earnings. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statement of Earnings.

Actual expenditures incurred are charged against the accumulated obligation.

### 4. JOINT VENTURE WITH CONOCOPHILLIPS

On January 2, 2007, EnCana became a 50 percent partner in an integrated, North American heavy oil business with ConocoPhillips which consists of an upstream and a downstream entity. The upstream entity includes contributed assets from EnCana, primarily Foster Creek and Christina Lake oilsands properties, with a fair value of \$7.5 billion and a note receivable from ConocoPhillips of an equal amount. For the downstream entity, ConocoPhillips contributed its Wood River and Borger refineries, located in Illinois and Texas respectively, for a fair value of \$7.5 billion and EnCana contributed a note payable of \$7.5 billion. Further information about these notes is included in Note 11.

In accordance with Canadian generally accepted accounting principles, these entities have been accounted for using the proportionate consolidation method with the results of operations shown in a separate business segment, Integrated Oilsands.

### 5. SEGMENTED INFORMATION

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

- **Canada, United States and Other** includes the Company's upstream 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. Offshore and international exploration is mainly focused on opportunities in Brazil, the Middle East, Greenland and France.
- **Integrated Oilsands** is focused on two lines of business: the exploration for, and development and production of heavy oil from oilsands in Canada using in-situ recovery methods; and the refining of crude oil into petroleum and chemical products located in the United States. This segment represents EnCana's 50 percent interest in the joint venture with ConocoPhillips.
- **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 Canada, United States and Integrated Oilsands segments. 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 financial instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization markets substantially all of the Company's upstream production 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 6.



## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 5. SEGMENTED INFORMATION (continued)

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

	Upstream					
	Canada		United States		Other	
	2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$ 1,763	\$ 1,749	\$ 885	\$ 779	\$ 91	\$ 76
<b>Expenses</b>						
Production and mineral taxes	28	45	64	94	-	-
Transportation and selling	80	68	66	66	-	-
Operating	237	213	75	68	81	67
Purchased product	-	-	-	-	-	-
Depreciation, depletion and amortization	490	490	260	210	6	7
<b>Segment Income</b>	\$ 928	\$ 933	\$ 420	\$ 341	\$ 4	\$ 2

	Total Upstream		Integrated Oilsands		Market Optimization	
	2007	2006	2007	2006	2007	2006
	2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$ 2,739	\$ 2,604	\$ 1,556	\$ 189	\$ 756	\$ 716
<b>Expenses</b>						
Production and mineral taxes	92	139	-	-	-	-
Transportation and selling	146	134	124	117	8	3
Operating	393	348	152	45	7	18
Purchased product	-	-	1,119	-	732	689
Depreciation, depletion and amortization	756	707	66	37	3	3
<b>Segment Income (Loss)</b>	\$ 1,352	\$ 1,276	\$ 95	\$ (10)	\$ 6	\$ 3

	Corporate		Consolidated	
	2007	2006	2007	2006
	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$ (615)	\$ 1,263	\$ 4,436	\$ 4,772
<b>Expenses</b>				
Production and mineral taxes	-	-	92	139
Transportation and selling	-	-	278	254
Operating	(1)	1	551	412
Purchased product	-	-	1,851	689
Depreciation, depletion and amortization	18	18	843	765
<b>Segment Income (Loss)</b>	\$ (632)	\$ 1,244	\$ 821	\$ 2,513
Administrative			95	58
Interest, net			101	88
Accretion of asset retirement obligation			14	12
Foreign exchange (gain) loss, net			(12)	44
(Gain) on divestitures			(59)	(9)
			139	193
<b>Net Earnings Before Income Tax</b>			682	2,320
Income tax expense			185	848
<b>Net Earnings From Continuing Operations</b>			\$ 497	\$ 1,472

# Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

## 5. SEGMENTED INFORMATION (continued)

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

### Geographic and Product Information (Continuing Operations)

		Produced Gas					
		Canada		United States		Total	
		2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$	1,388	\$ 1,441	\$ 831	\$ 718	\$ 2,219	\$ 2,159
<b>Expenses</b>							
Production and mineral taxes		20	36	58	89	78	125
Transportation and selling		70	67	66	66	136	133
Operating		177	153	75	68	252	221
<b>Operating Cash Flow</b>	\$	1,121	\$ 1,185	\$ 632	\$ 495	\$ 1,753	\$ 1,680

		Oil & NGLs					
		Canada		United States		Total	
		2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$	375	\$ 308	\$ 54	\$ 61	\$ 429	\$ 369
<b>Expenses</b>							
Production and mineral taxes		8	9	6	5	14	14
Transportation and selling		10	1	-	-	10	1
Operating		60	60	-	-	60	60
<b>Operating Cash Flow</b>	\$	297	\$ 238	\$ 48	\$ 56	\$ 345	\$ 294

		Integrated Oilsands					
		Oil		Downstream Refining		Other	
		2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties</b>	\$	220	\$ 183	\$ 1,343	\$ -	\$ (7)	\$ 6
<b>Expenses</b>							
Transportation and selling		124	117	-	-	-	-
Operating		49	38	100	-	3	7
Purchased product		-	-	1,134	-	(15)	-
<b>Operating Cash Flow</b>	\$	47	\$ 28	\$ 109	\$ -	\$ 5	\$ (1)

		Integrated Oilsands					
				Total			
				2007	2006		
<b>Revenues, Net of Royalties</b>				\$ 1,556	\$ 189		
<b>Expenses</b>							
Transportation and selling				124	117		
Operating				152	45		
Purchased product				1,119	-		
<b>Operating Cash Flow</b>				\$ 161	\$ 27		

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 5. SEGMENTED INFORMATION (continued)

#### Capital Expenditures (Continuing Operations)

		Three Months Ended March 31,	
		2007	2006
Core Capital			
Canada	\$	871	\$ 1,129
United States		439	537
Other		8	18
Integrated Oilsands		115	220
Market Optimization		1	29
Corporate		49	13
		1,483	1,946
Acquisition Capital			
Canada		7	8
United States		-	7
		7	15
Total	\$	1,490	\$ 1,961

#### Property, Plant and Equipment and Total Assets

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Canada	\$ 15,199	\$ 17,702	\$ 16,502	\$ 19,060
United States	8,656	8,494	9,194	9,036
Other	118	263	138	300
Integrated Oilsands	4,361	1,322	8,904	1,379
Market Optimization	154	154	426	468
Corporate	318	278	4,229	4,863
Total	\$ 28,806	\$ 28,213	\$ 39,393	\$ 35,106

On February 9, 2007, EnCana announced that it had completed the next phase in the development of The Bow office project with the sale of project assets and has entered into a 25 year lease agreement with a third party developer. Corporate Property, Plant and Equipment includes EnCana's accrual to date of \$57 million related to this office project as an asset under construction. A corresponding liability is included in Other Liabilities in the Consolidated Balance Sheet. There is no effect on the Company's net earnings or cash flows related to the capitalization of The Bow office project.

### 6. DISCONTINUED OPERATIONS

All of the sales of discontinued operations were completed as of December 31, 2006.

#### Midstream

During 2006, EnCana completed, in two separate transactions with a single purchaser, the sale of its natural gas storage operations in Canada and the United States. Total proceeds received were approximately \$1.5 billion and an after-tax gain on sale of \$829 million was recorded.

#### Ecuador

On February 28, 2006, EnCana completed the sale of its Ecuador operations for proceeds of \$1.4 billion before indemnifications. A loss of \$279 million, including the impact of indemnifications, was recorded. Indemnifications are discussed further in this note.

Amounts recorded as depreciation, depletion and amortization in 2006 represent provisions which were recorded against the net book value of the Ecuador operations to recognize Management's best estimate of the difference between the selling price and the underlying accounting value of the related investments, as required by Canadian generally accepted accounting principles.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 6. 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 March 31,							
	Ecuador		United Kingdom		Midstream		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenues, Net of Royalties *</b>	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 435	\$ -	\$ 635
<b>Expenses</b>								
Production and mineral taxes	-	23	-	-	-	-	-	23
Transportation and selling	-	10	-	-	-	-	-	10
Operating	-	25	-	-	-	19	-	44
Purchased product	-	-	-	-	-	354	-	354
Depreciation, depletion and amortization	-	84	-	-	-	-	-	84
Interest, net	-	(2)	-	-	-	-	-	(2)
Foreign exchange (gain) loss, net	-	1	-	1	-	-	-	2
(Gain) loss on discontinuance	-	47	-	-	-	-	-	47
	-	188	-	1	-	373	-	562
<b>Net Earnings (Loss) Before Income Tax</b>	-	12	-	(1)	-	62	-	73
Income tax expense	-	59	-	-	-	12	-	71
<b>Net Earnings (Loss) From Discontinued Operations</b>	\$ -	\$ (47)	\$ -	\$ (1)	\$ -	\$ 50	\$ -	\$ 2

\* Revenues, net of royalties in Ecuador for 2006 include realized losses of \$1 million related to derivative financial instruments.

#### Contingencies

EnCana agreed to indemnify the purchaser of its Ecuador interests against losses that may arise in certain circumstances which are defined in the share sale agreements. The obligation to indemnify will arise should losses exceed amounts specified in the sale agreements and is limited to maximum amounts which are set forth in the share sale agreements.

During the second quarter of 2006, the Government of Ecuador seized the Block 15 assets, in relation to which EnCana previously held a 40 percent economic interest, from the operator which is an event requiring indemnification under the terms of EnCana's sale agreement with the purchaser. The purchaser requested payment and EnCana paid the maximum amount in the third quarter, calculated in accordance with the terms of the agreements, of approximately \$265 million. EnCana does not expect that any further significant indemnification payments relating to any other business matters addressed in the share sale agreements will be required to be made to the purchaser.

### 7. DIVESTITURES

Total proceeds received on sale of assets and investments was \$281 million (2006 - \$255 million) as described below:

#### Canada and United States

In 2007, the Company has completed the divestiture of mature conventional oil and natural gas assets for proceeds of \$17 million (2006 - \$11 million).

#### Other

In January 2007, the Company completed the sale of its interests in Chad, properties that are considered to be in the pre-production stage, for proceeds of \$207 million which results in a gain on sale of \$59 million.

#### Market Optimization

In February 2006, the Company sold its investment in Entrega Gas Pipeline LLC for approximately \$244 million which resulted in a gain on sale of \$17 million.

#### Corporate

In February 2007, the Company sold The Bow office project assets for proceeds of approximately \$57 million, representing its investment at the date of sale. Refer to Note 5 for further discussion of The Bow office project assets.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 8. INTEREST, NET

	Three Months Ended March 31,	
	2007	2006
Interest Expense - Long-Term Debt	\$ 100	\$ 94
Interest Expense - Other*	63	5
Interest Income*	(62)	(11)
	<b>\$ 101</b>	<b>\$ 88</b>

\* In 2007, Interest Expense - Other and Interest Income are primarily due to the Partnership Contribution Payable and Receivable, respectively. See Note 11.

### 9. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended March 31,	
	2007	2006
Unrealized Foreign Exchange (Gain) Loss on:		
Translation of U.S. dollar debt issued from Canada	\$ (41)	\$ 4
Translation of U.S. dollar partnership contribution receivable issued from Canada	38	-
Other Foreign Exchange (Gain) Loss	(9)	40
	<b>\$ (12)</b>	<b>\$ 44</b>

### 10. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended March 31,	
	2007	2006
Current		
Canada	\$ 282	\$ 308
United States	92	23
Other Countries	1	-
Total Current Tax	<b>375</b>	<b>331</b>
Future	<b>(190)</b>	<b>517</b>
	<b>\$ 185</b>	<b>\$ 848</b>

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

	Three Months Ended March 31,	
	2007	2006
Net Earnings Before Income Tax	\$ 682	\$ 2,320
Canadian Statutory Rate	32.3%	35.9%
Expected Income Tax	<b>220</b>	<b>833</b>
Effect on Taxes Resulting from:		
Non-deductible Canadian Crown payments	-	31
Canadian resource allowance	-	(20)
Statutory and other rate differences	5	(16)
Non-taxable downstream partnership income	(6)	-
Non-taxable capital (gains) losses	(20)	(1)
Large corporations tax	-	1
Other	(14)	20
	<b>\$ 185</b>	<b>\$ 848</b>
Effective Tax Rate	<b>27.1%</b>	<b>36.6%</b>

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 11. PARTNERSHIP CONTRIBUTION RECEIVABLE / PAYABLE

#### Partnership Contribution Receivable

On January 2, 2007, upon the creation of the integrated oilsands joint venture, ConocoPhillips entered into a subscription agreement for a 50 percent interest in FCCL Oil Sands Partnership, the upstream entity, in exchange for a promissory note of \$7.5 billion. The note bears interest at a rate of 5.3 percent per annum. Equal payments of principal and interest are payable quarterly, with final payment due January 2, 2017. The current and long-term partnership contribution receivable shown in the Consolidated Balance Sheet represent EnCana's 50 percent share of this promissory note.

#### Partnership Contribution Payable

On January 2, 2007, upon the creation of the integrated oilsands joint venture, EnCana issued a promissory note to WRB Refining LLC, the downstream entity, in the amount of \$7.5 billion in exchange for a 50 percent interest. The note bears interest at a rate of 6.0 percent per annum. Equal payments of principal and interest are payable quarterly, with final payment due January 2, 2017. The current and long-term partnership contribution payable amounts shown in the Consolidated Balance Sheet represent EnCana's 50 percent share of this promissory note.

### 12. INVENTORIES

	As at March 31, 2007	As at December 31, 2006
Product		
Canada	\$ 21	\$ 42
Integrated Oilsands	465	8
Market Optimization	81	126
	\$ 567	\$ 176

### 13. LONG-TERM DEBT

	As at March 31, 2007	As at December 31, 2006
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 1,399	\$ 1,456
Unsecured notes	1,236	793
	2,635	2,249
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	176	104
Unsecured notes	4,421	4,421
	4,597	4,525
Increase in Value of Debt Acquired *	59	60
Debt Discounts and Financing Costs	(54)	-
Current Portion of Long-Term Debt	(260)	(257)
	\$ 6,977	\$ 6,577

\* 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.

On March 12, 2007, EnCana completed a public offering in Canada of senior unsecured medium term notes in the aggregate principal amount of C\$500 million. The notes have a coupon rate of 4.3 percent and mature on March 12, 2012.

### 14. ASSET RETIREMENT OBLIGATION

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

	As at March 31, 2007	As at December 31, 2006
Asset Retirement Obligation, Beginning of Year	\$ 1,051	\$ 816
Liabilities Incurred	27	68
Liabilities Settled	(15)	(51)
Change in Estimated Future Cash Flows	2	172
Accretion Expense	14	50
Other	6	(4)
Asset Retirement Obligation, End of Period	\$ 1,085	\$ 1,051

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 15. SHARE CAPITAL

(millions)	March 31, 2007		December 31, 2006	
	Number	Amount	Number	Amount
Common Shares Outstanding, Beginning of Year	777.9	\$ 4,587	854.9	\$ 5,131
Common Shares Issued under Option Plans	3.8	76	8.6	179
Stock-based Compensation	-	2	-	11
Common Shares Purchased	(20.4)	(172)	(85.6)	(734)
Common Shares Outstanding, End of Period	761.3	\$ 4,493	777.9	\$ 4,587

#### Normal Course Issuer Bid

In 2007, the Company purchased 23.3 million Common Shares for total consideration of approximately \$1,094 million. Of the amount paid, \$196 million was charged to Share capital and \$898 million was charged to Retained earnings. Included in the Common Shares Purchased in 2007 are 2.9 million Common Shares distributed, valued at \$24 million, from the EnCana Employee Benefit Plan Trust that vested under EnCana's Performance Share Unit Plan (see Note 16). For these Common Shares distributed, there was an \$82 million adjustment to Retained earnings with a reduction to Paid in surplus of \$106 million.

EnCana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under five consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to approximately 80.2 million Common Shares under the renewed Bid which commenced on November 6, 2006 and terminates on November 5, 2007.

#### Stock Options

EnCana 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 date granted. Options granted under predecessor and/or related company replacement plans expire up to 10 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 ("TSARs") attached to them at March 31, 2007. Information related to TSARs is included in Note 16.

	Stock Options (millions)	Weighted Average Exercise Price (C\$)
Outstanding, Beginning of Year	11.8	23.17
Exercised	(3.8)	23.73
Forfeited	-	-
Outstanding, End of Period	8.0	22.92
Exercisable, End of Period	8.0	22.92

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\$)
11.00 to 16.99	0.7	2.5	11.59	0.7	11.59
17.00 to 22.99	0.2	0.8	22.41	0.2	22.41
23.00 to 23.99	4.8	1.1	23.86	4.8	23.86
24.00 to 24.99	2.1	0.2	24.21	2.1	24.21
25.00 to 25.99	0.2	1.5	25.58	0.2	25.58
	8.0	1.0	22.92	8.0	22.92

At March 31, 2007, the balance in Paid in surplus relates to stock-based compensation programs.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 16. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at March 31, 2007. Additional information is contained in Note 15 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2006.

#### A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended March 31,	
	2007	2006
Current Service Cost	\$ 4	\$ 3
Interest Cost	4	4
Expected Return on Plan Assets	(4)	(4)
Expected Actuarial Loss on Accrued Benefit Obligation	1	1
Expected Amortization of Past Service Costs	-	1
Expense for Defined Contribution Plan	7	5
Net Benefit Plan Expense	\$ 12	\$ 10

For the period ended March 31, 2007, no additional contributions have been made to the defined benefit pension plans (2006 - nil).

#### B) Share Appreciation Rights ("SARs")

The following table summarizes the information about SARs at March 31, 2007:

	Outstanding SARs	Weighted Average Exercise Price
<b>U.S. Dollar Denominated (US\$)</b>		
Outstanding, Beginning of Year	2,088	14.21
Exercised	-	-
Outstanding, End of Period	2,088	14.21
Exercisable, End of Period	2,088	14.21

For the period ended March 31, 2007, EnCana recorded no compensation costs related to the outstanding SARs (2006 - costs of \$4 million).

#### C) Tandem Share Appreciation Rights ("TSARs")

The following table summarizes the information about TSARs at March 31, 2007:

	Outstanding TSARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	17,276,191	44.99
Granted	3,801,988	55.21
Exercised - SARs	(573,100)	41.34
Exercised - Options	(2,340)	35.95
Forfeited	(336,374)	46.51
Outstanding, End of Period	20,166,365	45.23
Exercisable, End of Period	5,915,858	42.54

For the period ended March 31, 2007, EnCana recorded compensation costs of \$58 million related to the outstanding TSARs (2006 - \$28 million).



## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 16. COMPENSATION PLANS (continued)

#### D) Performance-based Tandem Share Appreciation Rights ("Performance TSARs")

In 2007, EnCana introduced a program whereby employees may be granted Performance TSARs under which the employee has the right to receive a cash payment equal to the excess of the market price of EnCana Common Shares at the time of exercise over the grant price. Performance TSARs vest and expire under the same terms and service conditions as the underlying option, and vesting is subject to the Company attaining prescribed performance as measured by the annual recycle ratio. Performance TSARs vest proportionately for a recycle ratio of greater than one; the maximum number of Performance TSARs vest if the recycle ratio is three or greater.

The following table summarizes the information about Performance TSARs at March 31, 2007:

	Outstanding TSARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	-	-
Granted	7,275,575	56.09
Forfeited	(97,800)	56.09
Outstanding, End of Period	7,177,775	56.09
Exercisable, End of Period	-	-

For the period ended March 31, 2007, EnCana recorded compensation costs of \$2 million related to the outstanding Performance TSARs.

#### E) Deferred Share Units ("DSUs")

The following table summarizes the information about DSUs at March 31, 2007:

	Outstanding DSUs	Average Share Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	866,577	29.56
Granted, Directors	66,140	56.48
Exercised	(294,922)	29.56
Units, in Lieu of Dividends	3,419	58.40
Outstanding, End of Period	641,214	32.49
Exercisable, End of Period	641,214	32.49

For the period ended March 31, 2007, EnCana recorded compensation costs of \$8 million related to the outstanding DSUs (2006 - \$6 million).

#### F) Performance Share Units ("PSUs")

The following table summarizes the information about PSUs at March 31, 2007:

	Outstanding PSUs	Average Share Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	4,766,329	27.48
Granted	6,937	58.40
Distributed	(2,937,491)	24.05
Forfeited	(106,323)	33.72
Outstanding, End of Period	1,729,452	33.03

For the period ended March 31, 2007, EnCana recorded compensation costs of \$10 million related to the outstanding PSUs (2006 - reduction to compensation costs of \$16 million).

At March 31, 2007, EnCana has approximately 2.6 million Common Shares held in trust for issuance upon vesting of the PSUs (2006 - 5.5 million).

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. PER SHARE AMOUNTS

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

(millions)	Three Months Ended March 31,	
	2007	2006
Weighted Average Common Shares Outstanding - Basic	768.4	847.9
Effect of Dilutive Securities	11.2	16.9
Weighted Average Common Shares Outstanding - Diluted	779.6	864.8

### 18. 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 Gain (Loss) on Risk Management Activities

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

	Realized Gain (Loss) Three Months Ended March 31,	
	2007	2006
Revenues, Net of Royalties	\$ 315	\$ (206)
Operating Expenses and Other	1	1
Gain (Loss) on Risk Management - Continuing Operations	316	(205)
Gain (Loss) on Risk Management - Discontinued Operations	-	1
	\$ 316	\$ (204)

	Unrealized Gain (Loss) Three Months Ended March 31,	
	2007	2006
Revenues, Net of Royalties	\$ (615)	\$ 1,263
Operating Expenses and Other	1	(2)
Gain (Loss) on Risk Management - Continuing Operations	(614)	1,261
Gain (Loss) on Risk Management - Discontinued Operations	-	23
	\$ (614)	\$ 1,284

#### Amounts Recognized on Transition

Upon initial adoption of the current accounting policy for risk management instruments 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.

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

**18. 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, 2007 to March 31, 2007:

	Fair Market Value	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ 1,416	\$ -
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During 2007	(301)	(301)
Fair Value of Contracts in Place at Transition that Expired During 2007	-	3
Fair Value of Contracts Realized During 2007	(316)	(316)
Fair Value of Contracts Outstanding	\$ 799	\$ (614)
Paid Premiums on Unexpired Options	78	
Fair Value of Contracts and Premiums Paid, End of Period	\$ 877	

At March 31, 2007, the risk management amounts are recorded in the Consolidated Balance Sheet as follows:

	As at March 31, 2007
Risk Management	
Current asset	\$ 899
Long-term asset	55
Current liability	60
Long-term liability	17
Net Risk Management Asset	\$ 877

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

	As at March 31, 2007
Commodity Price Risk	
Natural gas	\$ 868
Crude oil	(7)
Power	14
Interest Rate Risk	4
Credit Derivatives	(2)
Total Fair Value Positions	\$ 877

Information with respect to credit derivatives and interest rate risk contracts in place at December 31, 2006 is disclosed in Note 16 to the Company's annual audited Consolidated Financial Statements. No new power contracts have been entered into at March 31, 2007.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Natural Gas

At March 31, 2007, the Company's gas risk management activities from financial contracts had an unrealized gain of \$852 million and a fair market value position of \$868 million. The contracts were as follows:

	Notional Volumes (MMcf/d)	Term	Average Price	Fair Market Value
<b>Sales Contracts</b>				
Fixed Price Contracts				
NYMEX Fixed Price	1,501	2007	8.54 US\$/Mcf	\$ 129
Other	8	2007	8.97 US\$/Mcf	2
NYMEX Fixed Price	321	2008	8.24 US\$/Mcf	(43)
Options				
Purchased NYMEX Put Options	240	2007	6.00 US\$/Mcf	(10)
Basis Contracts				
Fixed NYMEX to AECO Basis	754	2007	(0.72) US\$/Mcf	60
Fixed NYMEX to Rockies Basis	533	2007	(0.65) US\$/Mcf	348
Fixed NYMEX to CIG Basis	390	2007	(0.76) US\$/Mcf	239
Fixed NYMEX to AECO Basis	191	2008	(0.78) US\$/Mcf	8
Fixed NYMEX to Rockies Basis	162	2008	(0.59) US\$/Mcf	59
Fixed NYMEX to CIG Basis	60	2008	(0.67) US\$/Mcf	20
Fixed NYMEX to Rockies Basis (NYMEX Adjusted)	329	2008	17% of NYMEX US\$/Mcf	31
Fixed NYMEX to Mid-Continent Basis (NYMEX Adjusted)	120	2008	12% of NYMEX US\$/Mcf	1
Fixed NYMEX to CIG Basis	20	2009	(0.71) US\$/Mcf	2
Fixed NYMEX to AECO Basis	41	2010	(0.40) US\$/Mcf	2
<b>Purchase Contracts</b>				
Fixed Price Contracts				
Other	8	2007	7.84 US\$/Mcf	-
				848
Other Financial Positions *				4
Total Unrealized Gain on Financial Contracts				852
Paid Premiums on Unexpired Options				16
Total Fair Value Positions				\$ 868

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

#### Crude Oil

At March 31, 2007, the Company's oil risk management activities from financial contracts had an unrealized loss of \$69 million and a fair market value position of \$(7) million. The contracts were as follows:

	Notional Volumes (bbls/d)	Term	Average Price	Fair Market Value
Fixed WTI NYMEX Price	34,500	2007	64.40 US\$/bbl	\$ (41)
Purchased WTI NYMEX Put Options	91,500	2007	55.34 US\$/bbl	(25)
				(66)
Other Financial Positions *				(3)
Total Unrealized Loss on Financial Contracts				(69)
Paid Premiums on Unexpired Options				62
Total Fair Value Positions				\$ (7)

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

#### Power

The Company has in place two derivative contracts, commencing January 1, 2007 for a period of 11 years, to manage its electricity consumption costs. At March 31, 2007, these contracts had an unrealized gain of \$14 million.

## **Notes to Consolidated Financial Statements** *(unaudited)*

*(All amounts in \$ millions unless otherwise specified)*

### **19. 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***

During the period between 2003 and 2005, EnCana and its indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. ("WD"), along with other energy companies, were named as defendants in several lawsuits, some of which were class action lawsuits, relating to sales of natural gas from 1999 to 2002. The lawsuits allege that the defendants engaged in a conspiracy with unnamed competitors in the natural gas markets in California in violation of U.S. and California anti-trust and unfair competition laws.

Without admitting any liability in the lawsuits, WD agreed to settle all of the class action lawsuits in both state and federal court, for payment, of \$20.5 million and \$2.4 million, respectively. Court approval of the federal court class action settlement of \$2.4 million is pending, court approval having been granted in the state court action. Also, as previously disclosed, without admitting any liability whatsoever, WD concluded settlements with the U.S. Commodity Futures Trading Commission ("CFTC") for \$20 million and of a previously disclosed consolidated class action lawsuit in the United States District Court in New York for \$8.2 million.

The remaining lawsuits were commenced by individual plaintiffs, one of which is E. & J. Gallo Winery ("Gallo"). The Gallo lawsuit claims damages in excess of \$30 million. The other remaining lawsuits do not specify the precise amount of damages claimed. California law allows for the possibility that the amount of damages assessed could be tripled.

The Company and WD intend to vigorously defend against the 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.

### **20. RECLASSIFICATION**

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2007.