

**Q1**

First quarter report for the period ended March 31, 2007

ENCANA
energy for people

EnCana generates first quarter cash flow of US\$1.8 billion, or \$2.25 per share – up 15 percent

Calgary, Alberta, (April 25, 2007) – EnCana Corporation's (TSX & NYSE: ECA) first quarter 2007 cash flow per share diluted increased 15 percent to US\$2.25, or about \$1.8 billion, compared to the first quarter of 2006. Operating earnings per share increased 38 percent to \$1.10, or \$858 million. Strong growth in cash flow and operating earnings were due to higher natural gas production, improved heavy oil differentials, strong refinery margins and gains from EnCana's hedging program, which more than offset significantly lower benchmark WTI oil and NYMEX natural gas prices.

"Our first quarter results illustrate, for the first time, the recently completed transformation of EnCana into its unique position as an integrated North American resource play company focused on developing unconventional natural gas and in-situ oilsands. We have assembled a portfolio of high-quality assets and an extensive land base where our company can apply its expertise in unconventional resource development to deliver sustainable results and returns for our shareholders. Cash flow and gas production are on track with our 2007 forecasts while production from our integrated oilsands business is ramping up," said Randy Eresman, President & Chief Executive Officer.

One year ago, EnCana's 100 percent interest in Foster Creek and Christina Lake in-situ oilsands projects generated less than 1 percent of the company's total operating cash flow. In the first quarter of this year, EnCana's integrated oilsands business, which is composed of a 50 percent interest in each of Foster Creek, Christina Lake, and the refineries at Borger and Wood River, generated \$161 million, or more than 9 percent of total operating cash flow. This increased significance to EnCana's financial performance is a result of steady production growth and the addition of the company's participation in the refining business.

First Quarter 2007 Highlights

(all year-over-year comparisons are to the first quarter of 2006)

Financial

- Cash flow per share diluted increased 15 percent to \$2.25, or \$1.8 billion
- Operating earnings per share diluted up 38 percent to \$1.10, or \$858 million
- Net earnings of 64 cents per share, or \$497 million, were negatively impacted by a \$423 million unrealized after-tax loss due to mark-to-market accounting of commodity price hedges
- Generated \$269 million in free cash flow (as defined in Note 1 on page 7)
- Achieved a return on capital employed of 21 percent
- Purchased 23.3 million EnCana shares at an average share price of \$46.90 under the Normal Course Issuer Bid, representing 3 percent of shares outstanding at December 31, 2006
- In February, EnCana doubled its quarterly dividend to 20 cents per share, representing an annual yield of approximately 1.5 percent at April 24, 2007

Operating (after establishing integrated oilsands business)

- Natural gas production of 3.4 billion cubic feet per day (Bcf/d), slightly ahead of budget and in line with guidance
- Oil and NGLs production of 131,000 bbls/d, which is marginally behind budget, primarily due to a slower than expected ramp up of production at EnCana's oilsands projects. Consequently, full-year liquids production guidance has been adjusted and posted on the company's website at www.encana.com.
- Operating and administrative costs of \$1.20 per thousand cubic feet equivalent (Mcfte), in line with budget and guidance
- Core capital investment in continuing operations of \$1.48 billion, which is tracking below budget and guidance due to fewer wells drilled than planned and lower than expected costs

Strategic events

- Created an integrated oilsands business with ConocoPhillips composed of two 50-50 businesses – one upstream and one downstream – which became effective January 2, 2007
- Completed sale of Chad assets for about \$203 million, resulting in a \$59 million gain

Natural gas production on track with 2007 forecast, capital inflation lower

"Natural gas production rose steadily in the first quarter due to strong additions in coalbed methane (CBM), Bighorn, Jonah, Cutbank Ridge and East Texas. Current gas production is about 3.48 billion cubic feet per day – slightly ahead of our 2007 budget and solidly positioning us to achieve our full-year guidance of 3.46 Bcf/d. Our 2007 capital program is also on track to meet guidance. We are starting to see capital inflation lower than forecast in some areas," Eresman said.

Integrated oilsands business generating strong cash flow, upstream production up 11 percent in past year

EnCana's new integrated oilsands business generated first quarter operating cash flow of \$161 million, on track with the company's full-year operating cash flow guidance of between \$550 million and \$650 million. In the downstream business, the first quarter U.S. Gulf Coast 3-2-1 crack spread of more than \$10 per barrel is up 21 percent in the past year, and compares favourably to a long-term average of between \$5 to \$6 per barrel. At the Borger refinery in Texas, the addition of 20,000 barrels per day of upgrading capacity is on schedule for completion this summer. In the upstream business, first quarter total production from the Foster Creek and Christina Lake in-situ oilsands projects increased about 11 percent in the past year, to about 46,500 bbls/d (about 23,250 bbls/d net to EnCana). The ramp up of production has been slower than expected due to operational upsets in the water treatment facilities at Foster Creek and a delayed start up of two wells at Christina Lake. However, these impediments have been resolved and upstream production is ramping up from both Foster Creek and Christina Lake with current levels of about 55,000 bbls/d (about 27,500 bbls/d net to EnCana).

IMPORTANT NOTE: EnCana reports in U.S. dollars unless otherwise noted and follows U.S. protocols, which report production, sales and reserves on an after-royalties basis. The company has reported its Ecuador operations and its natural gas storage business as discontinued because EnCana sold them in 2006. Total results, which include results from Ecuador and natural gas storage, are reported in the company's financial statements included in this interim report and in supplementary documents posted on its website – www.encana.com. The company's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Financial Summary – Total Consolidated			
(for the three months ended March 31) (\$ millions, except per share amounts)	Q1 2007	Q1 2006	% Δ
Cash flow	1,752	1,691	+ 4
Per share diluted	2.25	1.96	+ 15
Net earnings	497	1,474	n/a
Per share diluted	0.64	1.70	n/a
Operating earnings ¹	858	694	+ 24
Per share diluted	1.10	0.80	+ 38
Core capital investment from continuing operations	1,483	1,946	- 24
Earnings Reconciliation Summary – Total Consolidated			
Net earnings from continuing operations	497	1,472	n/a
Net earnings from discontinued operations	-	2	n/a
Net earnings (loss)	497	1,474	
(Add back losses & deduct gains)			
Unrealized mark-to-market hedging gain (loss), after-tax	(423)	830	
Unrealized foreign exchange gain (loss) on translation of U.S. dollar Notes issued from Canada, after-tax	3	(3)	
Gain (loss) on discontinuance	59	(47)	
Operating earnings¹	858	694	+ 24
Per share diluted	1.10	0.80	+ 38

¹ Operating earnings is a non-GAAP measure that shows net earnings excluding non-operating items such as the after-tax impacts of the gain on discontinuance, the after-tax gain/loss on unrealized mark-to-market accounting for derivative instruments, the after-tax gain/loss on translation of U.S. dollar denominated Notes issued from Canada and the effect of the reduction in income tax rates.

Production & Drilling Summary			
Total Consolidated			
(for the three months ended March 31) (After royalties)	Q1 2007	Q1 2006¹	% Δ
Natural Gas (MMcf/d)	3,400	3,343	+ 2
Natural gas production per 1,000 shares (Mcf)	398	355	+ 12
Oil and NGLs (Mbbls/d)	131	194	- 32
Oil and NGLs production per 1,000 shares (Mcfe)	92	123	- 25
Total Production (MMcfe/d)	4,184	4,505	- 7
Total per 1,000 shares (Mcfe)	490	478	+ 3
Net wells drilled	1,264	1,285	- 2

¹ First quarter 2006 information has been adjusted on a pro forma basis to reflect the integrated oilsands transaction and includes Ecuador production, which was sold in the first quarter 2006.

Key resource play natural gas production up 9 percent in first quarter

First quarter 2007 natural gas production from key North American resource plays increased 9 percent compared to the first quarter of 2006. This was driven mainly by increases in gas production from Cutbank Ridge in northeast British Columbia, Bighorn in west central Alberta, CBM in central and southern Alberta, the Barnett Shale play in the Fort Worth basin and Jonah in Wyoming.

Growth from key North American resource plays

Resource Play (After royalties)	Daily Production						
	2007	2006					2005
	Q1	Full Year	Q4	Q3	Q2	Q1	Full Year
Natural Gas (MMcf/d)							
Jonah	504	464	487	455	450	461	435
Piceance	334	326	335	331	324	316	307
East Texas	103	99	95	106	93	99	90
Fort Worth	106	101	99	104	108	93	70
Greater Sierra	186	213	212	209	224	208	219
Cutbank Ridge	210	170	199	167	173	140	92
Bighorn	104	91	99	97	95	72	55
CBM	251	194	211	209	179	177	112
Shallow Gas ¹	735	739	737	734	730	756	765
Total natural gas (MMcf/d)	2,533	2,397	2,474	2,412	2,376	2,322	2,145
Oil (Mbbls/d)							
Foster Creek ²	20	18	21	19	16	18	14
Christina Lake ²	3	3	3	3	3	3	3
Pelican Lake	23	24	20	23	22	29	26
Total oil (Mbbls/d)	46	45	44	45	41	50	43
Total (MMcfe/d)	2,811	2,667	2,736	2,680	2,624	2,624	2,403
% change from Q1 2006	7.1						
% change from prior period	5.4	11.0	2.1	2.1	-	- 2.9	

1 Shallow Gas volumes and net wells drilled have been restated to report commingled volumes from multiple zones within the same geographic area based upon regulatory approval.

2 Foster Creek and Christina Lake production volumes in 2006 and 2005 have been restated on a pro forma basis to reflect the integrated oilsands transaction.

Drilling activity in key North American resource plays

Resource Play	Net Wells Drilled						
	2007	2006					2005
	Q1	Full year	Q4	Q3	Q2	Q1	Full Year
Natural Gas							
Jonah	39	163	41	48	48	26	104
Piceance	65	220	50	48	59	63	266
East Texas	7	59	11	12	17	19	84
Fort Worth	14	97	19	22	27	29	59
Greater Sierra	23	115	5	16	34	60	164
Cutbank Ridge	27	116	19	35	36	26	135
Bighorn	28	52	7	7	18	20	51
CBM	408	729	157	156	35	381	1,245
Shallow Gas ¹	416	1,310	389	475	217	229	1,389
Oil							
Foster Creek ²	8	3	-	-	-	3	20
Christina Lake ²	-	1	-	-	-	1	-
Pelican Lake	-	-	-	-	-	-	52
Total	1,035	2,865	698	819	491	857	3,568

1 Shallow Gas volumes and net wells drilled have been restated to report commingled volumes from multiple zones within the same geographic area based upon regulatory approval.

2 Foster Creek and Christina Lake net wells in 2006 and 2005 have been restated on a pro forma basis to reflect the integrated oilsands transaction.

First quarter 2007 natural gas and oil prices			
Natural gas (\$/Mcf, realized prices include hedging)	Q1 2007	Q1 2006	% Δ
NYMEX	6.77	8.98	- 25
EnCana Realized Gas Price	7.24	7.15	+ 1
Oil and NGLs (\$/bbl, realized prices include hedging)			
WTI	58.23	63.48	- 8
Western Canadian Select (WCS)	41.77	34.72	+ 20
Differential WTI/WCS	16.46	28.76	- 43
EnCana Realized Liquids Price	42.59	30.75	+ 39
U.S. Gulf Coast 3-2-1 Crack Spread	10.06	8.28	+ 21

Price risk management

Detailed risk management positions at March 31, 2007 are presented in Note 18 to the unaudited Interim Consolidated Financial Statements. In the first quarter of 2007, EnCana's commodity price risk management measures resulted in realized gains of approximately \$208 million after-tax, composed of a \$187 million gain on gas hedges, a \$20 million gain on oil hedges and a \$1 million gain on other hedges.

More than 50 percent of expected natural gas and liquids production during the last nine months of 2007 has downside price protection

For the last nine months of 2007, EnCana has about 1.77 Bcf/d of expected gas production with downside price protection, composed of 1.53 Bcf/d under fixed price contracts at an average NYMEX equivalent price of \$8.47 per Mcf and 240 million cubic feet per day with put options at a NYMEX equivalent strike price of \$6.00 per Mcf. EnCana also has about 126,000 bbls/d of expected 2007 oil production with downside price protection, composed of 34,500 bbls/d under fixed price contracts at an average West Texas Intermediate (WTI) price of \$64.40 per bbl, plus put options on 91,500 bbls/d at an average strike price of WTI \$55.34 per bbl. This price hedging strategy helps reduce uncertainty in cash flow during periods of commodity price volatility.

North American natural gas prices are impacted by volatile pricing disconnects caused primarily by transportation constraints between producing regions and consuming regions. These price discounts are called basis differentials. For 2007 EnCana has hedged 100 percent of its U.S. Rockies basis exposure using a combination of downstream transportation and basis hedges at NYMEX less \$0.67 per Mcf. During the first quarter of 2007 the U.S. Rockies-NYMEX natural gas price differential averaged NYMEX less \$1.23 per Mcf. In Canada for 2007, EnCana has hedged 33 percent of its AECO basis differential at NYMEX less \$0.72 per Mcf and has an additional 33 percent subject to transport and aggregator contracts. In the first quarter of 2007, the AECO basis differential averaged NYMEX less \$0.40 per Mcf. During the first quarter, EnCana's basis hedging resulted in a gain of about \$38 million.

Corporate developments

Quarterly dividend increased 100 percent to 20 cents per share

In February, EnCana doubled its first quarter 2007 dividend to 20 cents per share. On April 24, EnCana's board of directors declared a quarterly dividend of 20 cents per share, which is payable on June 29, 2007 to common shareholders of record as of June 15, 2007.

EnCana Normal Course Issuer Bid purchases

In the first quarter of 2007, EnCana purchased 23.3 million EnCana shares at an average share price of US\$46.90 under the company's Normal Course Issuer Bid. This represents about 3 percent of shares outstanding as at December 31, 2006. As at March 31, 2007, there were approximately 761 million common shares issued and outstanding in total. During 2007, EnCana expects to purchase about 5 percent of the shares outstanding. The company plans to fund Normal Course Issuer Bid purchases with cash flow and proceeds from divestitures.

Financial strength

EnCana maintains a strong balance sheet, targeting a net debt-to-capitalization ratio between 30 and 40 percent. At March 31, 2007, the company's net debt-to-capitalization ratio was 31:69. EnCana's net debt-to-adjusted-EBITDA multiple, on a trailing 12-month basis, was 0.9 times at the end of the first quarter. The company expects its net debt-to-capitalization ratio to remain at the lower end of the targeted range.

In the first quarter of 2007, EnCana invested \$1,483 million of capital in continuing operations. Net divestitures were \$274 million, resulting in net capital investment in continuing operations of \$1,209 million.

NOTE 1: Non-GAAP measures

This news release contains references to cash flow, total operating earnings and free cash flow.

- Cash flow is a non-GAAP measure defined as Cash from Operating Activities excluding net change in other assets and liabilities, net change in non-cash working capital from continuing operations and net change in non-cash working capital from discontinued operations, all of which are defined on the Consolidated Statement of Cash Flows.
- Total operating earnings is a non-GAAP measure that shows net earnings excluding non-operating items such as the after-tax impacts of a gain on discontinuance, the after-tax gain/loss of unrealized mark-to-market accounting for derivative instruments, the after-tax gain/loss on translation of U.S. dollar denominated Notes issued in Canada and the effect of the reduction in income tax rates. Management believes that these excluded items reduce the comparability of the company's underlying financial performance between periods. The majority of the unrealized gains/losses that relate to U.S. dollar debt issued in Canada are for debt with maturity dates in excess of five years.
- Free cash flow is a non-GAAP measure that EnCana defines as cash flow in excess of core capital investment.

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

EnCana Corporation

With an enterprise value of approximately US\$48 billion, EnCana is a leading North American unconventional natural gas and integrated oilsands company. By partnering with employees, community organizations and other businesses, EnCana contributes to the strength and sustainability of the communities where it operates. EnCana common shares trade on the Toronto and New York stock exchanges under the symbol ECA.

ADVISORY REGARDING RESERVES DATA AND OTHER OIL AND GAS INFORMATION –

EnCana's disclosure of reserves data and other oil and gas information is made in reliance on an exemption granted to EnCana by Canadian securities regulatory authorities which permits it to provide such disclosure in accordance with U.S. disclosure requirements. The information provided by EnCana may differ from the corresponding information prepared in accordance with Canadian disclosure standards under National Instrument 51-101 (NI 51-101). EnCana's reserves quantities represent net proved reserves calculated using the standards contained in Regulation S-X of the U.S. Securities and Exchange Commission. Further information about the differences between the U.S. requirements and the NI 51-101 requirements is set forth under the heading "Note Regarding Reserves Data and Other Oil and Gas Information" in EnCana's Annual Information Form.

In this interim report, certain crude oil and NGLs volumes have been converted to cubic feet equivalent (cfe) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). Also, certain natural gas volumes have been converted to barrels of oil equivalent (BOE) on the same basis. BOE and cfe may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the well head.

Unbooked resource potential

EnCana defines unbooked resource potential as quantities of oil and natural gas on existing landholdings that are not yet classified as proved reserves, but which EnCana believes may be moved into the proved reserves category and produced in the future. EnCana employs a probability-weighted approach in the calculation of these quantities, including statistical distributions of resource play performance and areal extent. Consequently, EnCana's unbooked resource potential necessarily includes quantities of probable and possible reserves and contingent resources, as these terms are defined in the Canadian Oil and Gas Evaluation Handbook.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS – In the interests of providing EnCana shareholders and potential investors with information regarding EnCana, including management's assessment of EnCana's and its subsidiaries' future plans and operations, certain statements contained in this interim report are forward-looking statements or information within the meaning of applicable securities legislation, collectively referred to herein as "forward-looking statements." Forward-looking statements in this interim report include, but are not limited to: future economic and operating performance (including per share growth, net debt-to-capitalization ratio, cash flow and increase in net asset value); anticipated ability to meet the company's guidance forecasts; anticipated life of proved reserves; anticipated unbooked resource potential; anticipated conversion of unbooked resource potential to proved reserves; anticipated growth and success of resource plays and the expected characteristics of resource plays; the expected proceeds from planned divestitures; planned expansion of in-situ oilsands production; anticipated crude oil and natural gas prices; anticipated expansion and production at Foster Creek and Christina Lake; anticipated increased capacity for the two U.S. refineries; anticipated drilling inventory; expected proportion of total production and cash flows contributed by natural gas; anticipated success of EnCana's market risk mitigation strategy and EnCana's ability to reduce uncertainty in cash flow during periods of commodity price volatility and provide downside price protection; anticipated purchases pursuant to the Normal Course Issuer Bid and the source of funding therefor; potential demand for natural gas; anticipated bitumen production in 2007 and beyond; anticipated drilling; potential capital expenditures and investment; potential oil, natural gas and NGLs production in 2007 and beyond; anticipated costs and inflationary pressures; potential risks associated with drilling and references to potential exploration. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: volatility of and assumptions regarding oil and gas prices; assumptions based upon the company's current guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in the company's marketing operations, including credit risks; imprecision of reserves estimates and estimates of recoverable quantities of oil, natural gas and liquids from resource plays and other sources not currently classified as proved reserves; the ability of the company and ConocoPhillips to successfully manage and operate the integrated North American heavy oil business and the ability of the parties to obtain necessary regulatory approvals; refining and marketing margins; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining synthetic crude oil; risks associated with technology; the company's ability to replace and expand oil and gas reserves; its ability to generate sufficient cash flow from operations to meet its current and future obligations; its ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the company's ability to secure adequate product transportation; changes in environmental and other regulations or the interpretations of such regulations; political and economic conditions in the countries in which the company operates; the risk of war, hostilities, civil insurrection and instability affecting countries in which the company operates and terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the company; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by EnCana. Although EnCana believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive.

Furthermore, the forward-looking statements contained in this interim report are made as of the date of this news release, and, except as required by law, EnCana does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this interim report are expressly qualified by this cautionary statement.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for EnCana Corporation ("EnCana" or the "Company") should be read in conjunction with the unaudited Interim Consolidated Financial Statements ("Interim Consolidated Financial Statements") for the period ended March 31, 2007, as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2006. Readers should also read the "Forward-Looking Statements" legal advisory contained at the end of this MD&A.

The Interim Consolidated Financial Statements and comparative information have been prepared in United States dollars, except where another currency has been indicated, and in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Production and sales volumes are presented on an after royalties basis consistent with U.S. protocol reporting. This MD&A is dated April 24, 2007.

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Readers can find the definition of certain terms used in this MD&A in the disclosure regarding Oil and Gas Information and Currency, Non-GAAP Measures and References to EnCana contained in the Advisories section located at the end of this MD&A.

EnCana's Business

EnCana is a leading North American unconventional natural gas and integrated oilsands company.

EnCana operates three continuing businesses:

- Canada, United States ("U.S.") and Other includes the Company's upstream exploration for, and development and production of natural gas, crude oil and natural gas liquids ("NGLs") and other related activities. The majority of the Company's upstream operations are located in Canada and the U.S. 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 in the U.S. This segment represents EnCana's 50 percent interest in the joint venture with ConocoPhillips.
- Market Optimization is focused on enhancing the sale of EnCana's upstream production. As part of these activities, Market Optimization buys and sells third party products to enhance EnCana's operational flexibility for transportation commitments, product type, delivery points and customer diversification.

2007 versus 2006 Results Review

In the first quarter of 2007 compared to the first quarter of 2006, EnCana:

- Reported total cash flow of \$1,752 million, an increase of 4 percent. Cash flow from continuing operations was \$1,752 million, an increase of 11 percent due to higher liquids prices, higher natural gas volumes and realized hedging gains offset by lower natural gas prices and lower liquids volumes;
- Reported net earnings of \$497 million, a decrease of 66 percent from 2006 mainly due to after-tax unrealized mark-to-market losses of \$423 million compared to gains of \$830 million in 2006;
- Reported operating earnings of \$858 million, an increase of 24 percent mainly due to improved operating results including earnings from refinery operations;
- Grew natural gas production 2 percent to 3,400 million cubic feet ("MMcf") of gas per day ("MMcf/d");
- Increased production from natural gas key resource plays 9 percent;
- Grew crude oil production 11 percent at Foster Creek and Christina Lake to 46,538 barrels per day ("bbls/d"). After reflecting the 50 percent contribution to the joint venture with ConocoPhillips, EnCana's reported production from these two properties decreased 45 percent to 23,269 bbls/d;
- Reported Canada crude oil production of 84,446 bbls/d, down 15 percent due to the Pelican Lake royalty payout in April 2006 and natural declines in other properties;
- Reported an 18 percent decrease in natural gas prices to \$6.32 per thousand cubic feet ("Mcf"). Realized natural gas prices, including the impact of financial hedging, averaged \$7.24 per Mcf, an increase of 1 percent;
- Reported operating costs of \$0.95 per thousand cubic feet of gas equivalent ("Mcfe"), a 16 percent increase mainly due to increased property taxes and lease rentals, chemicals, repairs and maintenance, workovers and long-term compensation expenses;
- Completed the sale of its interests in Chad for approximately \$207 million resulting in a gain on sale of \$59 million;
- Completed the sale of The Bow office project assets for approximately \$57 million and signed a 25 year lease agreement;
- Purchased 23.3 million of its Common Shares at an average price of \$46.90 per share under the Normal Course Issuer Bid ("NCIB") for a total cost of \$1,094 million; and
- Increased its quarterly dividend to 20 cents per share from 7.5 cents per share in the first quarter of 2006.

On January 2, 2007, EnCana became a 50 percent partner in an integrated North American heavy oil business with ConocoPhillips that consists of an upstream and a downstream entity. The upstream entity includes contributed assets from EnCana, primarily the Foster Creek and Christina Lake oilsands properties while the downstream entity includes ConocoPhillips' Wood River and Borger refineries located in Illinois and Texas, respectively.

Business Environment

NATURAL GAS

Natural Gas Price Benchmarks (Average for the period)	Three Months Ended March 31			Year Ended
	2007 vs			2006
	2007	2006	2006	
AECO Price (C\$/Mcf)	\$ 7.46	-20%	\$ 9.27	\$ 6.98
NYMEX Price (\$/MMBtu)	6.77	-25%	8.98	7.22
Rockies (Opal) Price (\$/MMBtu)	5.54	-23%	7.19	5.65
Basis Differential (\$/MMBtu)				
AECO/NYMEX	0.40	-55%	0.89	1.06
Rockies/NYMEX	1.23	-31%	1.79	1.57

U.S. storage levels at the start of 2007 were 433 Bcf higher than at the start of 2006. The higher storage levels contributed to the downward trend in NYMEX gas prices with the first quarter of 2007 averaging \$6.77/MMBtu, 25 percent lower than the same period in 2006.

The lower average AECO gas price in the first quarter of 2007 compared with 2006 is a result of the decrease in the NYMEX gas price partially offset by a narrowing of the AECO/NYMEX basis differential. A lower average Rockies (Opal) gas price in the first quarter of 2007 compared to 2006 is a result of the lower NYMEX gas price partially offset by a reduced Rockies/NYMEX basis differential. Increased demand in the Rockies region during the winter (November through March) relieved some of the pressure that strong supply growth in the Rockies had exerted on an already highly utilized pipeline grid. This caused the Rockies basis differential to strengthen in the first quarter compared to the same period last year. However, continued supply growth in the Rockies is expected to put further downward pressure on Rockies basis in the period prior to new export pipeline infrastructure coming into service. EnCana has taken steps to mitigate its projected Rockies price risk from the impact of further weakness in the Rockies basis differential through transportation arrangements and the use of financial basis hedges, the details of which are disclosed in Note 18 of the Interim Consolidated Financial Statements.

CRUDE OIL

Crude Oil Price Benchmarks (Average for the period) (\$/bbl)	Three Months Ended March 31			Year Ended
	2007 vs			2006
	2007	2006	2006	
WTI	\$ 58.23	-8%	\$ 63.48	\$ 66.25
WCS	41.77	20%	34.72	44.69
Differential - WTI/WCS	16.46	-43%	28.76	21.56
USGC 3-2-1 Crack Spread ⁽¹⁾	10.06	21%	8.28	10.83

⁽¹⁾ 3-2-1 Crack Spread is the refining margin generated by converting three barrels of crude oil into two barrels of gasoline and one barrel of diesel.

High U.S. gasoline inventories and warmer than normal weather in Europe put pressure on crude prices in the first quarter of 2007, which resulted in West Texas Intermediate ("WTI") trading 8 percent below last year's level. However, by the end of the first quarter of 2007, WTI prices had recovered to over \$65/bbl on OPEC production cuts, Iranian tensions, continued unrest in Nigeria, the ongoing instability in Iraq, and large withdrawals in U.S. gasoline stocks. U.S. gasoline inventories as of March 31, 2007 were below the five year average, creating supply concerns prior to the peak summer driving season.

Canadian heavy oil differentials in the first quarter were much narrower compared to the same period in 2006 owing to strong U.S. Midwest refinery throughput, OPEC heavy sour crude production cuts, Western Canadian Sedimentary Basin ("WCSB") heavy oil production interruptions, and additional pipeline capacity past the traditional Midwest market. First quarter 2006 Canadian heavy oil differentials were also wider due to high levels of inventory on ex-WCSB pipeline systems resulting in slight apportionment.

The Western Canadian Select (“WCS”) average sales price was 72 percent of WTI for the first quarter of 2007 compared to 55 percent of WTI in the same period of 2006.

The U.S. Gulf Coast (“USGC”) 3-2-1 crack spread was stronger in 2007 versus 2006 led primarily by strength in gasoline prices and a lower price of crude oil. The strong product prices were driven by strong demand and lower inventory levels, which resulted in a reduction in days of forward cover. Also contributing to the increased USGC 3-2-1 crack spread in 2007 has been a large number of refinery interruptions in certain regions throughout much of the quarter.

U.S./CANADIAN DOLLAR EXCHANGE RATES

The impacts of currency fluctuations on EnCana’s results should be considered when analyzing the Interim Consolidated Financial Statements. The value of the Canadian dollar compared to the U.S. dollar decreased by 1.4 percent, or \$0.012, to an average of US\$0.854 in the first quarter of 2007 from an average of US\$0.866 in the same period in 2006.

As a result, EnCana has reported a \$1.20 reduction in costs for every one hundred Canadian dollars spent on capital projects, operating expenses and administrative expenses in the first quarter of 2007 relative to the first quarter of 2006. However, revenues were relatively unaffected by fluctuations in the U.S./Canadian dollar exchange rate because the commodity prices received by EnCana are largely based in U.S. dollars or in Canadian dollars at prices which are closely tied to the value of the U.S. dollar.

U.S./Canadian Dollar Exchange Rates

	Three Months Ended March 31, 2007	Year Ended 2006
Average U.S./Canadian dollar exchange rate	\$ 0.854	\$ 0.882
Average U.S./Canadian dollar exchange rate for prior year	\$ 0.866	\$ 0.825
Increase (decrease) in reported capital, operating and administrative expenditures caused solely by fluctuations in exchange rates, for every one hundred Canadian dollars spent	\$ (1.20)	\$ 5.70

Acquisitions and Divestitures

In keeping with EnCana’s North American resource play strategy, the Company completed the following significant divestitures in the first quarter of 2007:

- The sale of its interests in Chad on January 12 for approximately \$207 million resulting in a gain on sale of \$59 million; and
- The sale of The Bow office project assets for approximately \$57 million, largely representing its investment at the date of sale.

Proceeds from these divestitures were directed primarily to the purchase of shares under EnCana’s NCIB.

Consolidated Financial Results

(\$ millions, except per share amounts)	Three Months Ended March 31			Year Ended
	2007 vs		2006	2006
	2007	2006		
Total Consolidated				
Cash Flow ⁽¹⁾	\$ 1,752	4%	\$ 1,691	\$ 7,161
- per share – diluted	2.25	15%	1.96	8.56
Net Earnings	497	-66%	1,474	5,652
- per share – basic	0.65	-63%	1.74	6.89
- per share – diluted	0.64	-62%	1.70	6.76
Operating Earnings ⁽²⁾	858	24%	694	3,271
- per share – diluted	1.10	38%	0.80	3.91
Continuing Operations				
Cash Flow from Continuing Operations ⁽¹⁾	1,752	11%	1,579	7,043
Net Earnings from Continuing Operations	497	-66%	1,472	5,051
- per share – basic	0.65	-63%	1.74	6.16
- per share – diluted	0.64	-62%	1.70	6.04
Operating Earnings from Continuing Operations ⁽²⁾	858	30%	660	3,237
Revenues, Net of Royalties	4,436	-7%	4,772	16,399

⁽¹⁾ Cash Flow and Cash Flow from Continuing Operations are non-GAAP measures and are defined under “Cash Flow”.

⁽²⁾ Operating Earnings and Operating Earnings from Continuing Operations are non-GAAP measures and are defined under “Operating Earnings”.

Consolidated Financial Results (continued)

Quarterly Summary								
(\$ millions, except per share amounts)	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash Flow ⁽¹⁾	\$ 1,752	\$ 1,761	\$ 1,894	\$ 1,815	\$ 1,691	\$ 2,510	\$ 1,931	\$ 1,572
- per share – diluted	2.25	2.18	2.30	2.15	1.96	2.88	2.20	1.76
Net Earnings	497	663	1,358	2,157	1,474	2,366	266	839
- per share – basic	0.65	0.84	1.68	2.60	1.74	2.77	0.31	0.96
- per share – diluted	0.64	0.82	1.65	2.55	1.70	2.71	0.30	0.94
Operating Earnings ⁽²⁾	858	675	1,078	824	694	1,271	704	655
- per share – diluted	1.10	0.84	1.31	0.98	0.80	1.46	0.80	0.73
Continuing Operations								
Cash Flow from Continuing Operations ⁽¹⁾	1,752	1,742	1,883	1,839	1,579	2,390	1,823	1,502
Net Earnings from Continuing Operations	497	643	1,343	1,593	1,472	1,869	348	774
- per share – basic	0.65	0.81	1.66	1.92	1.74	2.19	0.41	0.89
- per share – diluted	0.64	0.80	1.63	1.88	1.70	2.14	0.40	0.87
Operating Earnings from Continuing Operations ⁽²⁾	858	672	1,064	841	660	1,229	733	611
Revenues, Net of Royalties	4,436	3,676	4,029	3,922	4,772	5,933	3,061	3,461

⁽¹⁾ Cash Flow and Cash Flow from Continuing Operations are non-GAAP measures and are defined under “Cash Flow”.

⁽²⁾ Operating Earnings and Operating Earnings from Continuing Operations are non-GAAP measures and are defined under “Operating Earnings”.

CASH FLOW

Cash Flow is a non-GAAP measure defined as Cash from Operating Activities excluding net change in other assets and liabilities, net change in non-cash working capital from continuing operations and net change in non-cash working capital from discontinued operations, all of which are defined on the Consolidated Statement of Cash Flows. While cash flow measures are considered non-GAAP, they are commonly used in the oil and gas industry and are used by EnCana to assist management and investors in measuring the Company's ability to finance capital programs and meet financial obligations.

EnCana's first quarter 2007 cash flow was \$1,752 million (2006 - \$1,691 million). Cash flow from continuing operations in the first quarter of 2007 was \$1,752 million (2006 - \$1,579 million), an increase of 11 percent from the first quarter of 2006.

The increase in cash flow from continuing operations resulted from:

- Average North American liquids prices, excluding financial hedges, increased 19 percent to \$40.25 per bbl in the first quarter of 2007 compared to \$33.87 per bbl in the same period in 2006;
- Natural gas production volumes in the first quarter of 2007 increased 2 percent to 3,400 MMcf/d from 3,343 MMcf/d in the same period in 2006;
- Realized financial natural gas and crude oil commodity hedging gains were \$208 million after-tax (natural gas \$187 million gain; crude oil and other \$21 million gain) in the first quarter of 2007 compared with losses of \$136 million after-tax (natural gas \$105 million loss; crude oil and other \$31 million loss) in the same period in 2006; and
- Operating cash flow from U.S. refinery operations was \$109 million in the first quarter of 2007.

Cash flow from continuing operations was reduced by:

- Average North American natural gas prices, excluding financial hedges, decreased 18 percent to \$6.32 per Mcf in the first quarter of 2007 compared to \$7.68 per Mcf in the same period in 2006; and
- North American liquids production volumes in the first quarter of 2007 decreased 21 percent to 130,590 bbls/d from 165,973 bbls/d in the same period in 2006. Total crude oil production at Foster Creek and Christina Lake increased 11 percent to 46,538 bbls/d. After reflecting the 50 percent contribution to the joint venture with ConocoPhillips, EnCana's reported production from these two properties decreased 45 percent to 23,269 bbls/d. In addition, Canada crude oil production decreased due to the Pelican Lake royalty payout in April 2006 and natural declines in other properties.

NET EARNINGS

EnCana's first quarter 2007 net earnings were \$497 million compared with \$1,474 million in the same period in 2006. Net earnings for the period include unrealized after-tax mark-to-market losses of \$423 million (2006 - after-tax gains of \$830 million).

EnCana's first quarter 2007 net earnings from continuing operations were \$497 million, a decrease of \$975 million from the first quarter of 2006. In addition to the items affecting cash flow as detailed previously, significant items affecting net earnings were:

- Unrealized mark-to-market losses of \$423 million after-tax (natural gas \$382 million loss; crude oil and other \$41 million loss) in 2007 compared with gains of \$815 million after-tax (natural gas \$825 million gain; crude oil and other \$10 million loss) in 2006; and
- A gain on sale of approximately \$59 million from the sale of EnCana's interest in Chad.

OPERATING EARNINGS

Operating Earnings and Operating Earnings from Continuing Operations are non-GAAP measures that adjust net earnings and net earnings from continuing operations by non-operating items that Management believes reduce the comparability of the Company's underlying financial performance between periods. The following reconciliation of Operating Earnings and Operating Earnings from Continuing Operations has been prepared to provide investors with information that is more comparable between periods.

Summary of Total Operating Earnings

(\$ millions)	Three Months Ended March 31			Year
	2007 vs			Ended
	2007	2006	2006	2006
Net Earnings, as reported	\$ 497	-66%	\$ 1,474	\$ 5,652
Add back (losses) and deduct gains:				
- Unrealized mark-to-market accounting gain (loss), after-tax	(423)		830	1,370
- Unrealized foreign exchange gain (loss), after-tax ⁽¹⁾	3		(3)	-
- Gain (loss) on discontinuance, after-tax	59		(47)	554
- Future tax recovery due to tax rate reductions	-		-	457
Operating Earnings ^{(2) (3)}	\$ 858	24%	\$ 694	\$ 3,271

(\$ per Common Share – Diluted)	Three Months Ended March 31			Year
	2007 vs			Ended
	2007	2006	2006	2006
Net Earnings, as reported	\$ 0.64	-62%	\$ 1.70	\$ 6.76
Add back (losses) and deduct gains:				
- Unrealized mark-to-market accounting gain (loss), after-tax	(0.54)		0.96	1.64
- Unrealized foreign exchange gain (loss), after-tax ⁽¹⁾	-		-	-
- Gain (loss) on discontinuance, after-tax	0.08		(0.06)	0.66
- Future tax recovery due to tax rate reductions	-		-	0.55
Operating Earnings ^{(2) (3)}	\$ 1.10	38%	\$ 0.80	\$ 3.91

⁽¹⁾ Unrealized foreign exchange gain (loss) on translation of Canadian issued U.S. dollar debt and partnership contribution receivable, after-tax. The majority of the unrealized gains or losses that relate to U.S. dollar debt issued from Canada and partnership contribution receivable have maturity dates in excess of five years.

⁽²⁾ Operating Earnings is a non-GAAP measure that shows net earnings, excluding the after-tax gain or loss on discontinuance, the after-tax effects of unrealized mark-to-market accounting for derivative instruments, the after-tax gain or loss on translation of U.S. dollar denominated debt issued from Canada and partnership contribution receivable and the effect of the changes in statutory income tax rates.

⁽³⁾ Unrealized gains or losses have no impact on cash flow.

Summary of Operating Earnings from Continuing Operations

(\$ millions)	Three Months Ended March 31			Year Ended
	2007 vs			
	2007	2006	2006	2006
Net Earnings from Continuing Operations, as reported	\$ 497	-66%	\$ 1,472	\$ 5,051
Add back (losses) and deduct gains:				
- Unrealized mark-to-market accounting gain (loss), after-tax	(423)		815	1,357
- Unrealized foreign exchange gain (loss), after-tax ⁽¹⁾	3		(3)	-
- Gain (loss) on discontinuance, after-tax	59		-	-
- Future tax recovery due to tax rate reductions	-		-	457
Operating Earnings from Continuing Operations ^{(2) (3)}	\$ 858	30%	\$ 660	\$ 3,237

- ⁽¹⁾ Unrealized foreign exchange gain (loss) on translation of Canadian issued U.S. dollar debt and partnership contribution receivable, after-tax. The majority of the unrealized gains or losses that relate to U.S. dollar debt issued from Canada and partnership contribution receivable have maturity dates in excess of five years.
- ⁽²⁾ Operating Earnings from Continuing Operations is a non-GAAP measure that shows net earnings from continuing operations, excluding the after-tax effects of unrealized mark-to-market accounting for derivative instruments, the after-tax gain or loss on translation of U.S. dollar denominated debt issued from Canada and partnership contribution receivable and the effect of the changes in statutory income tax rates.
- ⁽³⁾ Unrealized gains or losses have no impact on cash flow.

RESULTS OF OPERATIONS

UPSTREAM OPERATIONS

Quarterly Production Volumes

	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Produced Gas (MMcf/d)	3,400	3,406	3,359	3,361	3,343	3,326	3,222	3,212
Crude Oil (bbls/d)	107,715	130,563	132,814	127,459	141,552	138,241	126,425	128,827
NGLs (bbls/d)	22,875	24,106	23,907	24,400	24,421	25,111	26,055	24,814
Continuing Operations (MMcfe/d) ⁽¹⁾	4,184	4,334	4,299	4,272	4,339	4,306	4,137	4,134
Discontinued Operations								
Ecuador (bbls/d)	-	-	-	-	48,650	70,480	71,896	73,662
Discontinued Operations (MMcfe/d) ⁽¹⁾	-	-	-	-	292	423	432	442
Total (MMcfe/d) ⁽¹⁾	4,184	4,334	4,299	4,272	4,631	4,729	4,569	4,576

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

Production volumes from continuing operations in the first quarter of 2007 decreased 4 percent or 155 MMcfe/d from the comparable period in 2006 due to:

- Production from EnCana's crude oil key resource plays decreased 35 percent. Total crude oil production at Foster Creek and Christina Lake increased 11 percent to 46,538 bbls/d. After reflecting the 50 percent contribution to the joint venture with ConocoPhillips, EnCana's reported production from these two properties decreased 45 percent to 23,269 bbls/d. In addition, Canada crude oil production decreased due to the Pelican Lake royalty payout in April 2006 and natural declines in other properties; offset by
- Increased production from EnCana's natural gas key resource plays of 9 percent.

Key Resource Plays

Three Months Ended March 31

	Daily Production			Drilling Activity	
	2007 vs			(number of net wells drilled)	
	2007	2006	2006	2007	2006
Natural Gas (MMcf/d)					
Jonah	504	9%	461	39	26
Piceance	334	6%	316	65	63
East Texas	103	4%	99	7	19
Fort Worth	106	14%	93	14	29
Greater Sierra	186	-11%	208	23	60
Cutbank Ridge	210	50%	140	27	26
Bighorn	104	44%	72	28	20
CBM Integrated	251	42%	177	408	381
Shallow Gas ⁽¹⁾	735	-3%	756	416	229
	2,533	9%	2,322	1,027	853
Oil (Mbbls/d)					
Foster Creek	41	14%	36	15	6
Christina Lake	6	-	6	-	2
Partner's 50% Interest	(23)	-	-	(7)	-
	23	-45%	42	8	8
Pelican Lake	23	-21%	29	-	-
	46	-35%	71	8	8
Total (MMcfe/d)	2,811	2%	2,750	1,035	861

⁽¹⁾ Shallow Gas volumes and net wells drilled have been restated to report commingled volumes from multiple zones within the same geographic area based upon regulatory approval.

Produced Gas

Financial Results from Continuing Operations

Three Months Ended March 31

(\$ millions)

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

Revenues – Produced Gas

Revenues, net of royalties from produced gas, increased in the first quarter of 2007 compared with the same period in 2006 due to:

- A 2 percent increase in natural gas production volumes offset by an 18 percent decrease in North American gas prices, excluding the impact of financial hedging; and

- Realized financial commodity hedging gains totaled \$282 million in the first quarter of 2007 compared to losses of \$159 million for the same period in 2006.

Produced Gas Revenue Variances for 2007 Compared to 2006 from Continuing Operations

Three Months Ended March 31

(\$ millions)	2006 Revenues, Net of Royalties	Revenue Variances in:		2007 Revenues, Net of Royalties
		Price ⁽¹⁾	Volume	
Produced Gas				
Canada	\$ 1,441	\$ (50)	\$ (3)	\$ 1,388
United States	718	72	41	831
Total Produced Gas	\$ 2,159	\$ 22	\$ 38	\$ 2,219

⁽¹⁾ Includes the impact of realized financial hedging.

The increase in natural gas production volumes accounts for approximately two-thirds of the 3 percent increase in revenues, net of royalties, in the first quarter of 2007 compared with the same period in 2006. The balance of the increase in revenues results from natural gas realized financial commodity hedging gains in the first quarter of 2007 compared with hedging losses in the same period in 2006.

Produced gas volumes in Canada were relatively unchanged in the first quarter of 2007. Drilling success in the key resource plays of Coalbed Methane ("CBM") in central and southern Alberta, Cutbank Ridge in northeast British Columbia and Bighorn in west central Alberta was offset by natural declines for the Greater Sierra and Shallow Gas key resource plays and conventional properties as well as weather related delays in the Shallow Gas area.

Produced gas volumes in the U.S. increased 5 percent in the first quarter of 2007 as a result of drilling success at Jonah, Piceance, Fort Worth and East Texas.

Per Unit Results – Produced Gas

Three Months Ended March 31

(\$ per thousand cubic feet)	Canada			United States		
	2007 vs		2006	2007 vs		2006
	2007	2006		2007	2006	
Price ⁽¹⁾	\$ 6.36	-17%	\$ 7.66	\$ 6.24	-19%	\$ 7.70
Expenses						
Production and mineral taxes	0.10	-44%	0.18	0.53	-38%	0.85
Transportation and selling	0.36	6%	0.34	0.61	24%	0.49
Operating	0.91	15%	0.79	0.67	5%	0.64
Netback	\$ 4.99	-21%	\$ 6.35	\$ 4.43	-23%	\$ 5.72
Gas Production Volumes (MMcf/d)	2,178	-	2,182	1,222	5%	1,161

⁽¹⁾ Excludes the impact of realized financial hedging.

EnCana's North American natural gas price for the first quarter of 2007, excluding the impact of financial hedges, was \$6.32 per Mcf, a decrease of 18 percent compared to the same period in 2006, which is consistent with the decline in the AECO price of 20 percent. Realized financial commodity hedging gains on natural gas for the first quarter of 2007 were approximately \$282 million or \$0.92 per Mcf compared to losses of approximately \$159 million or \$0.53 per Mcf in the first quarter of 2006.

Natural gas per unit production and mineral taxes, which are generally calculated as a percentage of revenues, decreased in Canada during the first quarter of 2007 compared to the same period in 2006, mainly due to lower natural gas prices. Natural gas per unit production and mineral taxes in the U.S. decreased \$0.32 per Mcf or 38 percent in the first quarter of 2007 compared to the same period in 2006 mainly as a result of lower natural gas prices and a reduction in the effective production and severance tax rates for Colorado properties.

Natural gas per unit transportation and selling costs for the U.S. increased \$0.12 per Mcf or 24 percent for the first quarter of 2007 compared to the same period in 2006 primarily as a result of higher unutilized firm transportation commitments in the Piceance area.

Natural gas per unit operating expenses in Canada for the first quarter of 2007 were 15 percent or \$0.12 per Mcf higher than the comparable period in 2006 as a result of higher property taxes and lease rentals, chemicals, salaries and benefits and repairs and maintenance expenses. Natural gas per unit operating expenses in the U.S. increased 5 percent or \$0.03 per Mcf for the first quarter of 2007 compared to the same period in 2006 mainly as a result of higher repairs and maintenance expenses and workovers primarily in the Jonah and East Texas areas. Operating costs in both Canada and the U.S. were impacted by higher long-term compensation costs in the first quarter of 2007 compared to the same period in 2006 due to the higher EnCana share price.

Crude Oil and NGLs

Financial Results from Continuing Operations

Three Months Ended March 31

(\$ millions)

	2007				2006			
	Canada	United States	Foster Creek /Christina Lake	Total	Canada	United States	Foster Creek /Christina Lake	Total
Revenues, Net of Royalties	\$ 375	\$ 54	\$ 220	\$ 649	\$ 308	\$ 61	\$ 183	\$ 552
Expenses								
Production and mineral taxes	8	6	-	14	9	5	-	14
Transportation and selling	10	-	124	134	1	-	117	118
Operating	60	-	49	109	60	-	38	98
Operating Cash Flow	\$ 297	\$ 48	\$ 47	\$ 392	\$ 238	\$ 56	\$ 28	\$ 322

Revenues – Crude Oil and NGLs

Revenues, net of royalties, increased in the first quarter of 2007 compared with the same period in 2006 due to:

- A 19 percent increase in North American liquids prices offset by a 21 percent decrease in North American liquids production volumes; and
- Realized financial commodity hedging gains totaled \$29 million in the first quarter of 2007 compared to losses of \$45 million for the same period in 2006.

Crude Oil and NGLs Revenue Variances for 2007 Compared to 2006 from Continuing Operations

Three Months Ended March 31

(\$ millions)	2006 Revenues, Net of Royalties	Revenue Variances in:		2007 Revenues, Net of Royalties
		Price ⁽¹⁾	Volume	
Crude Oil and NGLs				
Canada	\$ 308	\$ 132	\$ (65)	\$ 375
United States	61	(7)	-	54
Foster Creek/Christina Lake	183	215	(178)	220
Total Crude Oil and NGLs	\$ 552	\$ 340	\$ (243)	\$ 649

⁽¹⁾ Includes the impact of realized financial hedging.

Revenues, net of royalties increased approximately 18 percent in the first quarter of 2007 compared with the same period in 2006 primarily due to the increase in liquids sales prices and liquids realized financial commodity hedging gains offset by a decrease in liquids production volumes.

Total crude oil production at Foster Creek and Christina Lake increased 11 percent to 46,538 bbls/d. After reflecting the 50 percent contribution to the joint venture with ConocoPhillips, EnCana's reported production from these two properties decreased 45 percent

to 23,269 bbls/d. In addition, Canada crude oil production decreased due to the Pelican Lake royalty payout in April 2006 and natural declines in other properties. EnCana's Pelican Lake property reached payout in April 2006 which increased the royalty payments to the Alberta Government and reduced EnCana's net revenue interest crude oil volumes by approximately 6,000 bbls/d from the point of payout.

Per Unit Results – Crude Oil

Three Months Ended March 31

(\$ per barrel)	Canada ⁽¹⁾			Foster Creek/Christina Lake		
	2007 vs		2006	2007 vs		2006
	2007	2006		2007	2006	
Price ⁽²⁾	\$ 41.42	17%	\$ 35.39	\$ 33.28	44%	\$ 23.08
Expenses						
Production and mineral taxes	1.06	15%	0.92	-	-	-
Transportation and selling	1.27	27%	1.00	3.07	71%	1.80
Operating	8.06	21%	6.67	17.12	65%	10.39
Netback	\$ 31.03	16%	\$ 26.80	\$ 13.09	20%	\$ 10.89
Crude Oil Production Volumes (bbls/d)	84,446	-15%	99,502	23,269	-45%	42,050

⁽¹⁾ Excludes Foster Creek/Christina Lake.

⁽²⁾ Excludes the impact of realized financial hedging.

EnCana's Canada crude oil price for the first quarter of 2007, excluding the impact of financial hedges, was \$41.42 per bbl, an increase of 17 percent compared to the same period in 2006, which reflects the 20 percent increase in the benchmark WCS crude oil price compared to the same period in 2006. Realized financial commodity hedging gains on crude oil were approximately \$29 million or \$2.34 per bbl for the first quarter of 2007 compared to losses of approximately \$45 million or \$3.12 per bbl for the comparable period in 2006.

Heavy oil production in the first quarter of 2007 decreased to approximately 61 percent of total oil production in 2007 from approximately 68 percent of total oil production in the comparable period of 2006 mainly as a result of a 50 percent reduction in EnCana's interests at Foster Creek and Christina Lake, the Pelican Lake royalty payout in April 2006 and natural declines in other properties.

Canada crude oil per unit production and mineral taxes increased 15 percent or \$0.14 per bbl in the first quarter of 2007 compared to the same period in 2006 primarily due to the impact of higher overall prices.

Foster Creek/Christina Lake crude oil per unit transportation and selling costs in the first quarter of 2007 increased 71 percent or \$1.27 per bbl compared to the same period in 2006 due to approximately 60 percent of volumes being delivered to the U.S. Gulf Coast in the first quarter of 2007 compared to approximately 10 percent for the same period in 2006. Canada crude oil per unit transportation and selling costs increased 27 percent or \$0.27 per bbl in the first quarter of 2007 compared to the same period in 2006 primarily due to increased clean oil trucking costs at Weyburn and the impact of reduced net revenue interest volumes from Pelican Lake.

Foster Creek/Christina Lake crude oil per unit operating costs increased 65 percent or \$6.73 per bbl in the first quarter of 2007 compared to the same period in 2006. This reflected increased purchased fuel costs at Foster Creek to steam new well pairs prior to commencing production, increased repairs and maintenance and workovers combined with a prior year under accrual of operating costs. Canada crude oil per unit operating costs for the first quarter of 2007 increased 21 percent or \$1.39 per bbl compared to the same period in 2006 mainly due to increased workovers, salaries and benefits, chemicals, property taxes and lease rentals and lower net revenue interest production at Pelican Lake as a result of royalty payout in April 2006. In addition, operating costs were impacted by higher long-term compensation costs in the first quarter of 2007 compared to the same period in 2006 due to the higher EnCana share price.

Per Unit Results – NGLs

Three Months Ended March 31

(\$ per barrel)	Canada			United States		
	2007 vs		2006	2007 vs		2006
	2007	2006		2007	2006	
Price ⁽¹⁾	\$ 43.26	-11%	\$ 48.84	\$ 47.77	-12%	\$ 54.07
Expenses						
Production and mineral taxes	-	-	-	4.56	-12%	5.18
Transportation and selling	0.54	-11%	0.61	0.01	-	0.01
Netback	\$ 42.72	-11%	\$ 48.23	\$ 43.20	-12%	\$ 48.88
NGLs Production Volumes (bbls/d)	10,700	-11%	12,006	12,175	-2%	12,415

⁽¹⁾ Excludes the impact of realized financial hedging.

The decrease in NGLs realized prices in the first quarter of 2007 compared to the same period in 2006 generally correlates with lower WTI oil prices.

U.S. NGLs per unit production and mineral taxes decreased 12 percent or \$0.62 per bbl in the first quarter of 2007 compared to the same period in 2006 mainly as a result of a reduction in the effective production and severance tax rates for Colorado properties.

Upstream Depreciation, Depletion and Amortization

Depreciation, depletion and amortization (“DD&A”) expenses in the first three months of 2007 increased \$49 million or 7 percent from the same period in 2006. Unit of production DD&A rates were higher in the first three months of 2007 compared to the same period in 2006 primarily as a result of increased future development costs.

DOWNSTREAM OPERATIONS

Financial Results (\$ millions)	Three Months Ended March 31	
	2007	2006
Revenues	\$ 1,343	\$ -
Expenses		
Operating	100	-
Purchased product	1,134	-
Operating Cash Flow	\$ 109	\$ -

The downstream operations commenced on January 2, 2007 when EnCana became a 50 percent partner in the entity which includes the Wood River and Borger refineries operated by ConocoPhillips.

Revenues reflect EnCana’s 50 percent share of the sale of petroleum products in the United States. On a 100 percent basis, the two refineries have a combined crude oil refining capacity of 452,000 bbls/d and operated at 96 percent of that capacity during the quarter. Including the addition of other processed inputs combined with crude oil, refinery production averaged 457,000 bbls/d through the quarter.

Purchased products, consisting mainly of crude oil, represented 92 percent of total expenses in the quarter. Operating costs for labor, utilities and supplies comprised the balance of expenses for the quarter.

MARKET OPTIMIZATION

Financial Results (\$ millions)	Three Months Ended March 31	
	2007	2006
Revenues	\$ 756	\$ 716
Expenses		
Transportation and selling	8	3
Operating	7	18
Purchased product	732	689
Operating Cash Flow	9	6
Depreciation, depletion and amortization	3	3
Segment Income	\$ 6	\$ 3

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

CORPORATE

Financial Results (\$ millions)	Three Months Ended March 31	
	2007	2006
Revenues	\$ (615)	\$ 1,263
Expenses		
Operating	(1)	1
Depreciation, depletion and amortization	18	18
Segment Income (Loss)	\$ (632)	\$ 1,244
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)

First quarter 2007 corporate revenues of \$(615) million represent unrealized mark-to-market losses related to financial natural gas and crude oil commodity hedge contracts compared with \$1,263 million of unrealized mark-to-market gains in the same period in 2006.

Summary of Unrealized Mark-to-Market Gains (Losses)

(\$ millions)	Three Months Ended March 31	
	2007	2006
Continuing Operations		
Natural Gas	\$ (555)	\$ 1,277
Crude Oil	(60)	(14)
	(615)	1,263
Expenses	1	2
	(614)	1,261
Income Tax Expense (Recovery)	(191)	446
Unrealized Mark-to-Market Gains (Losses), after-tax	\$ (423)	\$ 815

Price volatility has impacted net earnings as a result of EnCana's price risk management activities. As a means of managing this commodity price volatility, EnCana enters into various financial instrument agreements and physical contracts. The financial instrument agreements are recorded at the date of the financial statements based on mark-to-market accounting. On March 31, 2007 the forward price curve for the remainder of 2007 for NYMEX gas increased by 14 percent from December 31, 2006 to \$8.24 per Mcf while the forward price curve for WTI increased by 4 percent to \$68.80 per bbl.

DD&A includes provisions for corporate assets, such as computer equipment, office furniture and leasehold improvements.

Administrative expenses increased \$37 million in the first quarter of 2007 compared to the same period in 2006. The increase was primarily due to higher long-term compensation expenses of \$24 million as a result of the higher EnCana share price and the balance was due to higher salaries and other related expenses. Administrative expenses in the first three months of 2007 were \$0.25 per Mcfe compared with \$0.15 per Mcfe in the same period in 2006.

Interest expense in the first quarter of 2007 increased by \$13 million from the same period in 2006 as a result of higher outstanding debt. EnCana's total long-term debt, including current portion, increased \$403 million to \$7,237 million at March 31, 2007 compared with \$6,834 at December 31, 2006. EnCana's 2007 year-to-date weighted average interest rate on outstanding debt was 5.6 percent, up from an average of approximately 5.5 percent in the same period in 2006.

The foreign exchange gain of \$12 million in the three months ended March 31, 2007 is partially due to the change in the U.S./Canadian dollar exchange rate applied to U.S. dollar denominated debt issued from Canada offset by translation of the partnership contribution receivable. Under Canadian GAAP, EnCana is required to translate these items into Canadian dollars at the period-end exchange rate. Resulting unrealized foreign exchange gains or losses are recorded in the Consolidated Statement of Earnings. Other foreign exchange gains and losses result from the settlement of foreign currency transactions and the translation of EnCana's monetary assets and liabilities.

The gain on divestitures in 2007 relates to the divestiture of interests in Chad in the first quarter.

Income Tax

The effective tax rate for the first quarter of 2007 is 27.1 percent compared to 36.6 percent for the equivalent period in 2006. The decrease is partially due to decreases in the Federal and Alberta corporate tax rates enacted in previous years as well as non-taxable gains resulting from the sale of the Chad interests.

Cash taxes for the first quarter of 2007 were \$375 million compared to \$331 million in the same period in 2006. The increase of \$44 million reflects increased U.S. taxes in 2007.

Further information regarding EnCana's effective tax rate can be found in Note 10 to the Interim Consolidated Financial Statements. Income tax is an annual calculation and EnCana's effective rate in any year is a function of the relationship between the amount of net earnings before income taxes for the year and the magnitude of the items representing "permanent differences" that are excluded from the earnings, which are subject to tax, either current or future. There are a variety of items of this type, including:

- The effects of asset divestitures where the tax values of the assets sold differ from their accounting values;

- Adjustments for the impact of legislative tax changes, which have a prospective impact on future income tax obligations; and
- The non-taxable half of Canadian capital gains or losses.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As a result, there are usually some tax matters under review. The Company believes that the provision for taxes is adequate.

CAPITAL EXPENDITURES

Capital Summary

(\$ millions)	Three Months Ended March 31	
	2007	2006
Canada	\$ 871	\$ 1,129
United States	439	537
Other	8	18
Integrated Oilsands	115	220
Market Optimization	1	29
Corporate	49	13
Total Core Capital Expenditures	1,483	1,946
Acquisitions	7	15
Divestitures	(281)	(255)
Discontinued Operations	-	(1,343)
Net Capital Investment	\$ 1,209	\$ 363

EnCana's capital investment for the three months ended March 31, 2007 was funded by cash flow and debt.

Canada, United States and Other Capital Expenditures

Capital spending during the first quarter of 2007 was primarily focused on continued development of our North American key resource plays.

The \$366 million decrease in Canada, United States and Other core capital expenditures in the first quarter of 2007 compared to 2006 was primarily due to:

- Canada core capital expenditures decreased \$258 million to \$871 million as a result of reduced drilling and completion costs and lower facilities expenditures; and
- U.S. core capital expenditures decreased \$98 million to \$439 million primarily due to reduced drilling and completion activity.

Integrated Oilsands Capital Expenditures

Capital spending during the first quarter of 2007 was primarily focused on continued development of our Foster Creek and Christina Lake resource plays and on upgrades to the Wood River and Borger refineries.

Corporate Capital Expenditures

Corporate capital expenditures in 2007 and 2006 include land purchases and costs related to the development of a Calgary office complex. 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. In addition, capital expenditures have been directed to business information systems and leasehold improvements.

Acquisitions, Divestitures and Discontinued Operations

Acquisitions included minor property acquisitions in 2007 and 2006 while divestitures included the sale of interests in Chad and The Bow office project assets in 2007 and sale of the Entrega Pipeline in Colorado in 2006.

Included in Discontinued Operations is the divestiture of EnCana's Ecuador assets (discussed in the Discontinued Operations section of this MD&A) in 2006 with the proceeds reduced by capital spending prior to the sale.

Discontinued Operations

There are no discontinued operations in 2007. Discontinued operations in the Interim Consolidated Financial Statements include comparative information for:

- Ecuador; and
- Midstream

First quarter 2006 net earnings from discontinued operations were \$2 million and included realized financial hedge gains of \$1 million after-tax and unrealized financial hedge gains of \$15 million after-tax.

Ecuador

On February 28, 2006 EnCana completed the sale of its interests in Ecuador operations for \$1.4 billion before indemnifications and recorded a loss on sale of \$47 million. 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. This was an event requiring indemnification under the terms of EnCana's sale agreement with the purchaser. During the third quarter of 2006, EnCana paid the previously accrued indemnity claim of approximately \$265 million calculated in accordance with the terms of the agreement. 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.

Midstream

On March 6, 2006, EnCana announced it had reached an agreement to sell its gas storage business interests for approximately \$1.5 billion. The sale, to a single purchaser, closed in two stages. The first stage of the sale closed on May 12, 2006 for proceeds of approximately \$1.3 billion. On November 17, 2006, EnCana closed the second and final phase with its sale of the Wild Goose storage facility interests in California for proceeds of approximately \$0.2 billion after the receipt of regulatory approval. Midstream's net earnings from discontinued operations in 2006 mainly result from the natural gas storage operations.

Liquidity and Capital Resources

(\$ millions)	Three Months Ended March 31	
	2007	2006
Net cash provided by (used in)		
Operating activities	\$ 1,909	\$ 2,297
Investing activities	(1,248)	(197)
Financing activities	(726)	(1,881)
Increase (decrease) in cash and cash equivalents	\$ (65)	\$ 219

Operating Activities

Cash flow from continuing operations was \$1,752 million during the first quarter of 2007 compared to \$1,579 million for the same period in 2006. The \$173 million increase was primarily due to increased revenues driven by higher liquids prices, realized financial commodity hedging gains and natural gas production volumes partially reduced by lower natural gas prices and liquids production volumes, increased operating expenses and higher cash taxes. Cash flow from continuing operations comprises most of EnCana's cash provided by operating activities.

Investing Activities

Net cash of \$1,248 million was used for investing activities in the first quarter of 2007, an increase of \$1,051 million compared to the same period in 2006. The 2006 investing activities were reduced by proceeds received from the divestiture of the Ecuador assets

in the first quarter (\$1.4 billion). Capital expenditures, including property acquisitions, in the first quarter of 2007 decreased by \$471 million compared to the same period in 2006.

Financing Activities

Long-term debt as at March 31, 2007 increased by \$434 million compared to December 31, 2006. EnCana's net debt adjusted for working capital was \$7,612 million as at March 31, 2007 compared with \$6,566 million as at December 31, 2006. During the first three months of 2007, EnCana purchased 23.3 million of its Common Shares for total consideration of \$1,094 million.

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. The net proceeds of the offering were used to repay a portion of EnCana's existing bank and commercial paper indebtedness.

EnCana had available unused committed bank credit facilities in the amount of \$2.9 billion and unused capacity under shelf prospectuses, the availability of which is dependent upon market conditions, for up to \$4.0 billion at March 31, 2007.

EnCana maintains investment grade credit ratings on its senior unsecured debt. Standard & Poor's Ratings Service has assigned a rating of A- with a 'Negative' outlook, DBRS Limited has assigned a rating of A(low) with a 'Stable' trend and Moody's Investors Service has assigned a rating of Baa2 with a 'Positive' outlook.

Financial Metrics

	March 31 2007	December 31 2006
Net Debt to Capitalization	31%	27%
Net Debt to Adjusted EBITDA ⁽¹⁾	0.9x	0.6x

⁽¹⁾ Adjusted EBITDA is a non-GAAP measure that is defined as earnings from Continuing Operations before gain on divestitures, income taxes, foreign exchange gains or losses, interest net, accretion of asset retirement obligation, and depreciation, depletion and amortization.

Net Debt to Capitalization and Net Debt to Adjusted EBITDA are two ratios Management uses to steward the Company's overall debt position as measures of the Company's overall financial strength. Net Debt to Capitalization was 31 percent at March 31, 2007. The increase from the 2006 year end ratio of 27 percent results from the combination of higher long-term debt, a reduction in working capital, including the effect of lower risk management assets, and decreased Shareholders' Equity as a result of the purchase of common shares.

Free Cash Flow

EnCana's first quarter 2007 Free Cash Flow was \$269 million compared with \$(255) million in the same period in 2006, which resulted from a combination of increased total cash flow and reduced capital expenditures.

	Three Months Ended March 31			Year Ended
	2007 vs			
	2007	2006	2006	2006
Cash Flow ⁽¹⁾	\$ 1,752	4%	\$ 1,691	\$ 7,161
Core Capital	1,483	-24%	1,946	6,269
Free Cash Flow ⁽²⁾	\$ 269		\$ (255)	\$ 892

⁽¹⁾ Cash Flow is a non-GAAP measure and is defined under "Cash Flow".

⁽²⁾ Free Cash Flow is a non-GAAP measure that EnCana defines as cash flow in excess of core capital investment.

Outstanding Share Data

(millions)	March 31 2007
Common Shares outstanding, beginning of year	777.9
Issued under option plans	3.8
Shares distributed from trust	2.9
Shares purchased (Normal Course Issuer Bid)	(23.3)
Common Shares outstanding, end of period	761.3
Weighted average Common Shares outstanding – diluted	779.6

The Company is authorized to issue an unlimited number of Common Shares, an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares. There were no Preferred Shares outstanding as at March 31, 2007.

Employees and directors have been granted options to purchase Common Shares under various plans. At March 31, 2007, 8.0 million options without Tandem Share Appreciation Rights (“TSAR”) attached were outstanding, all of which are exercisable.

Long-term incentives may be granted to EnCana employees in the form of stock options and Performance Share Units (“PSUs”). Stock options granted after December 31, 2003 have an associated TSAR attached and employees may elect to exercise either the stock option or the associated Share Appreciation Right (“SAR”). Stock option exercises result in the issuance of new Common Shares while TSAR exercises result in cash payments by the Company. PSUs will not result in the issuance of new Common Shares by the Company as shares are purchased through a trust for payment should performance considerations be met. During the first quarter of 2007, the vesting provisions for the 2004 granted PSUs were met and the Company distributed 2.9 million shares from the trust. At March 31, 2007, there were 2.6 million shares held in trust for distribution upon vesting of outstanding PSUs.

EnCana has obtained regulatory approval under Canadian securities laws to purchase Common Shares under five consecutive NCIBs. During the three months ended March 31, 2007, EnCana purchased approximately 23.3 million Common Shares for total consideration of \$1,094 million compared with 21.3 million Common Shares for total consideration of \$978 million during the three months ended March 31, 2006.

EnCana pays quarterly dividends to shareholders at the discretion of the Board of Directors. EnCana doubled its quarterly dividend to 20 cents per share in the first quarter of 2007 totaling \$153 million. In the first quarter of 2006, EnCana paid a quarterly dividend of 7.5 cents per share totaling \$64 million. EnCana raised its quarterly dividend to 10 cents per share in the second quarter of 2006. These dividends were funded by cash flow.

Contractual Obligations and Contingencies

EnCana has entered into various commitments primarily related to debt, demand charges on firm transportation agreements, capital commitments and marketing agreements.

Included in EnCana’s total long-term debt commitments of \$7,232 million at March 31, 2007 are \$1,575 million in commitments related to Bankers’ Acceptances and Commercial Paper. These amounts are fully supported and Management expects they will continue to be supported by revolving credit and term loan facilities that have no repayment requirements within the next year. Further details regarding EnCana’s long-term debt are described in Note 13 to the Interim Consolidated Financial Statements.

As at March 31, 2007, EnCana remained a party to long-term, fixed price, physical contracts with a current delivery of approximately 38 MMcf/d with varying terms and volumes through 2017. The total volume to be delivered within the terms of these contracts is 121 Bcf at a weighted average price of \$3.79 per Mcf. At March 31, 2007, these transactions had an unrealized loss of \$310 million.

Leases

As a normal course of business, EnCana leases office space for personnel who support field operations and for corporate purposes.

Legal Proceedings

EnCana is involved in various legal claims associated with the normal course of operations and 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 antitrust 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 payments 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 that could have a material adverse effect on the Company’s financial position, or whether there will be other proceedings arising out of these allegations.

Accounting Policies and Estimates

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.

- Revenue Recognition
- Inventory
- Property, Plant and Equipment
- Asset Retirement Obligation

All of these changes can be found in Note 3 to the Interim Consolidated Financial Statements.

New Accounting Standards Adopted

As disclosed in the year-end MD&A, 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.

Risk Management

EnCana's results are affected by

- financial risks (including commodity price, foreign exchange, interest rate and credit risks);
- operational risks;
- environmental, health, safety and security risks; and
- reputational risks.

Financial Risks

EnCana partially mitigates its exposure to financial risks through the use of various financial instruments and physical contracts. The use of derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors. As a means of mitigating exposure to commodity price risk volatility, the Company has entered into various financial instrument agreements. The details of these instruments, including any unrealized gains or losses, as of March 31, 2007, are disclosed in Note 18 to the Interim Consolidated Financial Statements.

EnCana has in place policies and procedures with respect to the required documentation and approvals for the use of derivative financial instruments and specifically ties their use, in the case of commodities, to the mitigation of price risk to achieve targeted investment returns and growth objectives, while maintaining prescribed financial metrics.

With respect to transactions involving proprietary production or assets, the financial instruments generally used by EnCana are swaps or options, which are entered into with major financial institutions, integrated energy companies or commodities trading institutions.

Commodity Price

To partially mitigate the natural gas commodity price risk, the Company enters into swaps, which fix the AECO and NYMEX prices, and put and collar options, which fix the range of AECO and NYMEX prices. To help protect against widening natural gas price differentials in various production areas, EnCana has entered into swaps to fix the AECO and Rockies price differential from the NYMEX price. Physical contracts relating to these activities had an unrecognized gain of \$62 million at March 31, 2007.

EnCana has also entered into contracts to purchase and sell natural gas as part of its daily ongoing operations of the Company's proprietary production management. Physical contracts associated with this activity had an unrecognized gain of \$25 million at March 31, 2007.

For crude oil price risk, the Company mitigates its exposure to the WTI NYMEX price with fixed price swaps and put options.

To manage its electricity consumption costs, EnCana has entered into two derivative contracts for a term of 11 years.

Foreign Exchange

As a means of mitigating the exposure to fluctuations in the U.S. to Canadian exchange rate, EnCana may enter into foreign exchange contracts. The Company also enters into foreign exchange contracts in conjunction with crude oil marketing transactions. Gains or losses on these contracts are recognized when the difference between the average month spot rate and the rate on the date of settlement is determined.

EnCana also maintains a mix of both U.S. dollar and Canadian dollar debt which helps to offset the exposure to the fluctuations in the U.S./Canadian dollar exchange rate. In addition to direct issuance of U.S. dollar denominated debt, the Company has entered into cross currency swaps on a portion of its debt as a means of managing the U.S./Canadian dollar debt mix.

Interest Rates

The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt. EnCana has entered into interest rate swap transactions from time to time as an additional means of managing the fixed/floating rate debt portfolio mix.

Credit Risk

EnCana is exposed to credit related losses in the event of default by counterparties. This credit exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparties credit quality and transactions that are fully collateralized. A substantial portion of EnCana's accounts receivable is with customers in the oil and gas industry.

Operational Risks

EnCana mitigates operational risk through a number of policies and processes. As part of the capital approval process, the Company's projects are evaluated on a fully risked basis, including geological risk and engineering risk. In addition, the asset teams undertake a process called Lookback and Learning. In this process, each asset team undertakes a thorough review of their previous capital program to identify key learnings, which often include operational issues that positively and negatively impacted the project's results. Mitigation plans are developed for the operational issues that had a negative impact on results. These mitigation plans are then incorporated into the current year plan for the project. On an annual basis, these Lookback results are analyzed for EnCana's capital program with the results and identified learnings shared across the Company.

A peer review process is used to ensure that capital projects are appropriately risked and that knowledge is shared across the Company. Peer reviews are undertaken primarily for exploration projects and early stage resource plays, although they may occur for any type of project.

EnCana also partially mitigates operational risks by maintaining a comprehensive insurance program.

Environmental, Health, Safety and Security Risks

These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry standards. In addition, EnCana maintains a system that identifies, assesses and controls safety and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Corporate Responsibility, Environment, Health & Safety Committee of EnCana's Board of Directors recommends approval of environmental policy and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event and remediation/reclamation strategies are utilized to restore the environment.

Security risks are managed through a Security Program designed to protect EnCana's personnel and assets. EnCana has established an Investigations Committee with the mandate to address potential violations of Company policies and practices and an Integrity Hotline that can be used to raise any concerns regarding EnCana's operations, accounting or internal control matters.

Climate Change

The Canadian Federal Government (the "Federal Government") has announced its intention to regulate greenhouse gases and other air pollutants. It is currently developing a framework that outlines its clean air and climate change action plan, including a target to reduce greenhouse gas ("GHG") emissions and a commitment to regulate industry on an emissions intensity basis in the short term. Currently, the proposed legislation is under review, so there are few technical details regarding the implementation of the government's plan, but they have made a commitment to work with industry to develop the specifics.

The government of Alberta (the "Alberta Government") has also passed legislation that will regulate GHG emissions from certain facilities located in the province. The Alberta Government's legislation is called the *Climate Change and Emissions Management Act* ("CCEMA"). In March 2007, the Alberta Government proposed amendments to the CCEMA that starting on July 1, 2007 will require facilities that emit more than 100,000 tonnes of GHG per year to reduce their emissions intensity by 12% from a baseline established using an average emissions intensity calculated from reported emissions from 2003 - 2005. The companies that operate these facilities will be given options under the regulations to the CCEMA to allow them to comply with this requirement. These compliance options include making operating improvements, buying offsets to apply against their emission total or making contributions at \$15/tonne (CDN) to a new Alberta Government fund that will invest in technology to reduce greenhouse gas emissions in the province.

As these programs are under development, EnCana is unable to predict the total impact of the potential regulations upon its business; therefore, it is possible that the Corporation could face increases in operating costs in order to comply with GHG emissions legislation. However, EnCana, in cooperation with the Canadian Association of Petroleum Producers, will continue to work with the Federal Government and the Alberta Government to develop an approach to deal with climate change issues that protects the industry's competitiveness, limits the cost and administrative burden of compliance and supports continued investment in the sector.

EnCana intends to continue its activity to reduce its emissions intensity and improve its energy efficiency. The Company's efforts with respect to emissions management are founded on the following key elements:

- our significant weighting in natural gas;
- our recognition as an industry leader in CO₂ sequestration;
- our focus on the development of technology to reduce GHG emissions;
- our involvement in the creation of industry best practices; and
- our industry leading oilsands steam oil ratio, which translates directly into lower emissions intensity.

EnCana is committed to transparency with its stakeholders and will keep them apprised of how these issues affect operations. Additional detail on EnCana's GHG emissions is available in the Corporate Responsibility Report that is available on our website at www.encana.com.

Reputational Risks

EnCana takes a proactive approach to the identification and management of issues that affect the Company's reputation and has established consistent and clear procedures, guidelines and responsibility for identifying and managing these issues. Issues affecting, or with the potential to affect, EnCana's reputation are generally either emerging issues that can be identified early and then managed or unforeseen issues that arise unexpectedly and must be managed on an urgent basis.

Outlook

EnCana plans to continue to focus principally on growing natural gas and crude oil production from unconventional resource plays in North America and to developing its high quality in-situ oilsands resources and expanding the Company's downstream heavy oil processing capacity through its joint venture with ConocoPhillips.

Volatility in crude oil prices is expected to continue throughout 2007 as a result of market uncertainties over supply and refining disruptions, continued demand growth in China, OPEC actions, demand destruction from high energy prices and the overall state of

the world economies. Canadian crude prices will face added uncertainty due to the risk of refinery disruptions in an already tight US Midwest market and growing domestic production could result in pipeline constraints out of Western Canada.

Natural gas prices are primarily driven by North American supply and demand, with weather being the key factor in the short term. EnCana believes that North American conventional gas supply has peaked in the past two years and that unconventional resource plays can at least partially offset conventional gas production declines. The industry's ability to respond to the constrained gas supply situation in North America remains challenged by land access and regulatory issues.

The Company expects its 2007 core capital investment program to be funded from cash flow.

EnCana's results are affected by external market factors, such as fluctuations in the prices of crude oil and natural gas, as well as movements in foreign currency exchange rates and inflationary pressures on service costs.

Advisories

FORWARD-LOOKING STATEMENTS

In the interest of providing EnCana shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of EnCana's and its subsidiaries' future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: projections with respect to growth of natural gas production from unconventional resource plays and in-situ oilsands resources; projected production volumes in 2007 for natural gas, crude oil and NGLs in Canada and the United States; projections that continued supply growth in the Rockies area may impact the Rockies basis price prior to the expected addition of pipeline infrastructure; the projected impact of land access and regulatory issues; projections relating to the volatility of crude oil prices in 2007 and beyond and the reasons therefor; the Company's projected capital investment levels for 2007 and the source of funding therefor; the effect of the Company's risk management program, including the impact of derivative financial instruments; the Company's defence of lawsuits; the impact of the climate change initiatives on operating costs; the adequacy of the Company's provision for taxes; the impact of Western Canada pipeline constraints and potential refinery disruptions on future Canadian crude oil prices; projections that the Company's Bankers' Acceptances and Commercial Paper Program will continue to be fully supported by committed credit facilities and term loan facilities; and projections relating to North American conventional natural gas supplies and the ability of unconventional resource plays to partially offset future conventional gas production declines. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: volatility of and assumptions regarding oil and gas prices; assumptions based upon EnCana's current guidance; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in the Company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserve estimates and estimates of recoverable quantities of oil, bitumen, natural gas and liquids from resource plays and other sources not currently classified as proved; the Company's and its subsidiaries' ability to replace and expand oil and gas reserves; refining and marketing margins; potential disruption or unexpected technical difficulties in developing new products and manufacturing processes; potential failure of new products to achieve acceptance in the market; unexpected cost increases or technical difficulties in constructing or modifying manufacturing or refining facilities; unexpected difficulties in manufacturing, transporting or refining synthetic crude oil; risks associated with technology; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; the Company's ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; changes in environmental and other regulations or the interpretations of such regulations; political and economic conditions in the countries in which the Company and its subsidiaries operate; the risk of international war, hostilities, civil insurrection and instability affecting countries in which the Company and its subsidiaries operate and terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the Company and its subsidiaries; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by EnCana. Statements relating to "reserves" or "resources" or "resource potential" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Although EnCana believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this

MD&A, and except as required by law EnCana does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OIL AND GAS INFORMATION

EnCana's disclosure of reserves data and other oil and gas information is made in reliance on an exemption granted to EnCana by Canadian securities regulatory authorities which permits it to provide such disclosure in accordance with U.S. disclosure requirements. The information provided by EnCana may differ from the corresponding information prepared in accordance with Canadian disclosure standards under National Instrument 51-101 ("NI 51-101"). The reserves quantities disclosed by EnCana represent net proved reserves calculated using the standards contained in Regulation S-X of the U.S. Securities and Exchange Commission. Further information about the differences between the U.S. requirements and the NI 51-101 requirements is set forth under the heading "Note Regarding Reserves Data and Other Oil and Gas Information" in EnCana's Annual Information Form.

Crude Oil, Natural Gas Liquids and Natural Gas Conversions

In this MD&A, certain crude oil and natural gas liquids ("NGLs") volumes have been converted to millions of cubic feet equivalent ("MMcfe") or thousands of cubic feet equivalent ("Mcf") on the basis of one barrel ("bbl") to six thousand cubic feet ("Mcf"). Also, certain natural gas volumes have been converted to barrels of oil equivalent ("BOE"), thousands of BOE ("MBOE") or millions of BOE ("MMBOE") on the same basis. MMcfe, Mcfe, BOE, MBOE and MMBOE may be misleading, particularly if used in isolation. A conversion ratio of one bbl to six Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not necessarily represent value equivalency at the well head.

Resource Play, Estimated Ultimate Recovery, and Unbooked Resource Potential

EnCana uses the terms resource play, estimated ultimate recovery and unbooked resource potential. Resource play is a term used by EnCana to describe an accumulation of hydrocarbons known to exist over a large areal expanse and/or thick vertical section, which when compared to a conventional play, typically has a lower geological and/or commercial development risk and lower average decline rate. As used by EnCana, estimated ultimate recovery ("EUR") has the meaning set out jointly by the Society of Petroleum Engineers and World Petroleum Congress in the year 2000, being those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom. EnCana defines Unbooked Resource Potential as quantities of oil and gas on existing landholdings that are not yet classified as proved reserves, but which EnCana believes may be moved into the proved reserves category and produced in the future. EnCana employs a probability-weighted approach in the calculation of these quantities, including statistical distributions of resource play potential and areal extent. Consequently, EnCana's unbooked resource potential necessarily includes quantities of probable and possible reserves and contingent resources, as these terms are defined in the Canadian Oil and Gas Evaluation Handbook.

CURRENCY, NON-GAAP MEASURES AND REFERENCES TO ENCAN

All information included in this MD&A and the Interim Consolidated Financial Statements and comparative information is shown on a U.S. dollar, after-royalties basis unless otherwise noted. Sales forecasts reflect the mid-point of current public guidance on an after royalties basis. Current Corporate Guidance assumes a U.S. dollar exchange rate of \$0.89 for every Canadian dollar.

Non-GAAP Measures

Certain measures in this MD&A do not have any standardized meaning as prescribed by Canadian generally accepted accounting principles ("Canadian GAAP") such as Cash Flow from Continuing Operations, Cash Flow, Cash Flow per share-diluted, Free Cash Flow, Operating Earnings and Operating Earnings per share-diluted, Operating Earnings from Continuing Operations and Adjusted EBITDA and therefore are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management's use of these measures has been disclosed further in this MD&A as these measures are discussed and presented.

References to EnCana

For convenience, references in this MD&A to "EnCana", the "Company", "we", "us" and "our" may, where applicable, refer only to or include any relevant direct and indirect subsidiary corporations and partnerships ("Subsidiaries") of EnCana Corporation, and the assets, activities and initiatives of such Subsidiaries.

ADDITIONAL INFORMATION

Further information regarding EnCana Corporation can be accessed under the Company's public filings found at www.sedar.com and on the Company's website at www.encana.com.

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

		Three Months Ended March 31,	
		2007	2006
(\$ millions, except per share amounts)			
REVENUES, NET OF ROYALTIES	(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
EXPENSES	(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
NET EARNINGS BEFORE INCOME TAX		682	2,320
Income tax expense	(Note 10)	185	848
NET EARNINGS FROM CONTINUING OPERATIONS		497	1,472
NET EARNINGS FROM DISCONTINUED OPERATIONS	(Note 6)	-	2
NET EARNINGS		\$ 497	\$ 1,474
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	(Note 17)		
Basic		\$ 0.65	\$ 1.74
Diluted		\$ 0.64	\$ 1.70
NET EARNINGS PER COMMON SHARE	(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>		
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 11,344	\$ 9,481
Net Earnings	497	1,474
Dividends on Common Shares	(153)	(64)
Charges for Normal Course Issuer Bid <i>(Note 15)</i>	(816)	(801)
RETAINED EARNINGS, END OF PERIOD	\$ 10,872	\$ 10,090

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(unaudited)*

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

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

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

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>			
ASSETS			
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
LIABILITIES AND SHAREHOLDERS' EQUITY			
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)*

	Three Months Ended March 31,	
	2007	2006
<i>(\$ millions)</i>		
OPERATING ACTIVITIES		
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
INVESTING ACTIVITIES		
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)
FINANCING ACTIVITIES		
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)
DEDUCT: FOREIGN EXCHANGE LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65)	219
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	402	105
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 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
Revenues, Net of Royalties	\$ 1,763	\$ 1,749	\$ 885	\$ 779	\$ 91	\$ 76
Expenses						
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
Segment Income	\$ 928	\$ 933	\$ 420	\$ 341	\$ 4	\$ 2

	Total Upstream		Integrated Oilsands		Market Optimization	
	2007	2006	2007	2006	2007	2006
Revenues, Net of Royalties	\$ 2,739	\$ 2,604	\$ 1,556	\$ 189	\$ 756	\$ 716
Expenses						
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
Segment Income (Loss)	\$ 1,352	\$ 1,276	\$ 95	\$ (10)	\$ 6	\$ 3

	Corporate		Consolidated	
	2007	2006	2007	2006
Revenues, Net of Royalties	\$ (615)	\$ 1,263	\$ 4,436	\$ 4,772
Expenses				
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
Segment Income (Loss)	\$ (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
Net Earnings Before Income Tax			682	2,320
Income tax expense			185	848
Net Earnings From Continuing Operations			\$ 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
Revenues, Net of Royalties	\$	1,388	\$ 1,441	\$ 831	\$ 718	\$ 2,219	\$ 2,159
Expenses							
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
Operating Cash Flow	\$	1,121	\$ 1,185	\$ 632	\$ 495	\$ 1,753	\$ 1,680

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

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

		Integrated Oilsands					
				Total			
				2007	2006		
Revenues, Net of Royalties				\$ 1,556	\$ 189		
Expenses							
Transportation and selling				124	117		
Operating				152	45		
Purchased product				1,119	-		
Operating Cash Flow				\$ 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
Revenues, Net of Royalties *	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 435	\$ -	\$ 635
Expenses								
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
Net Earnings (Loss) Before Income Tax	-	12	-	(1)	-	62	-	73
Income tax expense	-	59	-	-	-	12	-	71
Net Earnings (Loss) From Discontinued Operations	\$ -	\$ (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)
	\$ 101	\$ 88

* 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
	\$ (12)	\$ 44

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	375	331
Future	(190)	517
	\$ 185	\$ 848

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	220	833
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
	\$ 185	\$ 848
Effective Tax Rate	27.1%	36.6%

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
U.S. Dollar Denominated (US\$)		
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
Canadian Dollar Denominated (C\$)		
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
Canadian Dollar Denominated (C\$)		
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
Canadian Dollar Denominated (C\$)		
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
Canadian Dollar Denominated (C\$)		
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.

First quarter report
for the period ended March 31, 2007

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
Sales Contracts				
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
Purchase Contracts				
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.

SUPPLEMENTAL FINANCIAL INFORMATION (unaudited)

Financial Statistics

(\$ millions, except per share amounts)

		2007	2006				
		Q1	Year	Q4	Q3	Q2	Q1
TOTAL CONSOLIDATED							
Cash Flow ⁽¹⁾		1,752	7,161	1,761	1,894	1,815	1,691
Per share - Basic		2.28	8.73	2.22	2.34	2.19	1.99
- Diluted		2.25	8.56	2.18	2.30	2.15	1.96
Net Earnings		497	5,652	663	1,358	2,157	1,474
Per share - Basic		0.65	6.89	0.84	1.68	2.60	1.74
- Diluted		0.64	6.76	0.82	1.65	2.55	1.70
Operating Earnings ⁽²⁾		858	3,271	675	1,078	824	694
Per share - Diluted		1.10	3.91	0.84	1.31	0.98	0.80
CONTINUING OPERATIONS							
Cash Flow from Continuing Operations ⁽³⁾		1,752	7,043	1,742	1,883	1,839	1,579
Net Earnings from Continuing Operations		497	5,051	643	1,343	1,593	1,472
Per share - Basic		0.65	6.16	0.81	1.66	1.92	1.74
- Diluted		0.64	6.04	0.80	1.63	1.88	1.70
Operating Earnings - Continuing Operations ⁽⁴⁾		858	3,237	672	1,064	841	660
Effective Tax Rates using							
Net Earnings		27.1%	27.3%				
Operating Earnings, excluding divestitures		30.5%	33.7%				
Canadian Statutory Rate		32.3%	34.7%				
Foreign Exchange Rates (US\$ per C\$I)							
Average		0.854	0.882	0.878	0.892	0.892	0.866
Period end		0.867	0.858	0.858	0.897	0.897	0.857
CASH FLOW INFORMATION							
Cash from Operating Activities		1,909	7,973	1,697	1,655	2,325	2,297
Deduct (Add back):							
Net change in other assets and liabilities		20	138	90	21	38	(11)
Net change in non-cash working capital from continuing operations		137	3,343	39	(247)	1,508	2,044
Net change in non-cash working capital from discontinued operations		-	(2,669)	(193)	(13)	(1,036)	(1,427)
Cash Flow ⁽¹⁾		1,752	7,161	1,761	1,894	1,815	1,691
Cash Flow from Discontinued Operations		-	118	19	11	(24)	112
Cash Flow from Continuing Operations ⁽³⁾		1,752	7,043	1,742	1,883	1,839	1,579

⁽¹⁾ Cash Flow is a non-GAAP measure defined as Cash from Operating Activities excluding net change in other assets and liabilities, net change in non-cash working capital from continuing operations and net change in non-cash working capital from discontinued operations, all of which are defined on the Consolidated Statement of Cash Flows.

⁽²⁾ Operating Earnings is a non-GAAP measure defined as Net Earnings excluding the after-tax gain/loss on discontinuance, after-tax effect of unrealized mark-to-market accounting gains/losses on derivative instruments, after-tax gains/losses on translation of U.S. dollar denominated Notes issued from Canada and the effect of a reduction in income tax rates.

⁽³⁾ Cash Flow from Continuing Operations is a non-GAAP measure defined as Cash from Operating Activities excluding net change in other assets and liabilities, net change in non-cash working capital from continuing operations, net change in non-cash working capital from discontinued operations and cash flow from discontinued operations, all of which are defined on the Consolidated Statement of Cash Flows.

⁽⁴⁾ Operating Earnings - Continuing Operations is a non-GAAP measure defined as Net Earnings from Continuing Operations excluding the after-tax effect of unrealized mark-to-market accounting gains/losses on derivative instruments, after-tax gains/losses on translation of U.S. dollar denominated Notes issued from Canada and the effect of a reduction in income tax rates.

SUPPLEMENTAL FINANCIAL INFORMATION (unaudited)

Financial Statistics (continued)

(\$ millions, except per share amounts)

Common Share Information	2007	2006				
	Q1	Year	Q4	Q3	Q2	Q1
Common Shares Outstanding (millions)						
Period end	761.3	777.9	777.9	800.1	815.8	836.2
Average - Basic	768.4	819.9	792.5	809.7	829.6	847.9
Average - Diluted	779.6	836.5	806.4	824.3	845.1	864.8
Price Range (\$ per share)						
TSX - C\$						
High	59.65	62.52	61.90	62.52	59.38	57.10
Low	51.55	44.96	48.28	48.35	49.51	44.96
Close	58.40	53.66	53.66	52.01	58.78	54.50
NYSE - US\$						
High	51.49	55.93	53.90	55.93	53.31	50.50
Low	42.38	39.54	42.75	43.32	44.02	39.54
Close	50.63	45.95	45.95	46.69	52.64	46.73
Dividends Paid (\$ per share)	0.20		0.10	0.10	0.10	0.075
Share Volume Traded (millions)	331.3	1,634.2	386.4	327.4	392.0	528.4
Share Value Traded (US\$ millions weekly average)	1,209.5	1,516.2	1,447.9	1,272.9	1,484.8	1,850.5
Financial Metrics						
Net Debt to Capitalization	31%	27%				
Net Debt to Adjusted EBITDA	0.9x	0.6x				
Return on Capital Employed	21%	25%				
Return on Common Equity	28%	34%				

Net Capital Investment (\$ millions)	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
Core Capital from Continuing Operations	1,483	1,946
Acquisitions		
Property		
Canada	7	8
United States	-	7
Divestitures		
Property		
Canada	(10)	(11)
United States	(7)	-
Corporate ⁽¹⁾	(57)	-
Corporate		
Market Optimization	-	(244)
Other ⁽²⁾	(207)	-
Net Acquisition and Divestiture Activity from Continuing Operations	(274)	(240)
Discontinued Operations		
Ecuador	-	(1,345)
Midstream	-	2
Net Capital Investment	\$ 1,209	\$ 363

⁽¹⁾ Sale of EnCana's office building project assets, The Bow, closed February 9, 2007.

⁽²⁾ Sale of interests in Chad closed January 12, 2007.

SUPPLEMENTAL OIL AND GAS OPERATING STATISTICS *(unaudited)*

Operating Statistics - After Royalties

Production Volumes	2007	2006				
	Q1	Year	Q4	Q3	Q2	Q1
CONTINUING OPERATIONS						
Produced Gas (<i>MMcf/d</i>)						
Canada	2,178	2,185	2,205	2,162	2,192	2,182
United States	1,222	1,182	1,201	1,197	1,169	1,161
Total Produced Gas	3,400	3,367	3,406	3,359	3,361	3,343
Oil and Natural Gas Liquids (<i>bbls/d</i>)						
North America						
Light and Medium Oil	41,946	44,440	41,972	46,454	43,672	45,680
Heavy Oil - Foster Creek/Christina Lake	23,269	42,768	46,678	43,073	39,215	42,050
Heavy Oil - Other	42,500	45,858	41,913	43,287	44,572	53,822
Natural Gas Liquids ⁽¹⁾						
Canada	10,700	11,713	11,856	11,387	11,607	12,006
United States	12,175	12,494	12,250	12,520	12,793	12,415
Total Oil and Natural Gas Liquids	130,590	157,273	154,669	156,721	151,859	165,973
Total Continuing Operations (<i>MMcfe/d</i>)	4,184	4,311	4,334	4,299	4,272	4,339
DISCONTINUED OPERATIONS						
Ecuador (<i>bbls/d</i>)	-	11,996	-	-	-	48,650
Total Discontinued Operations (<i>MMcfe/d</i>)	-	72	-	-	-	292
Total (<i>MMcfe/d</i>)	4,184	4,383	4,334	4,299	4,272	4,631

⁽¹⁾ Natural gas liquids include condensate volumes.

Downstream

Refinery Operations ⁽²⁾	
Crude oil capacity (<i>Mbbls/d</i>)	452
Crude oil runs (<i>Mbbls/d</i>)	433
Capacity utilization (%)	96%
Refinery production (<i>Mbbls/d</i>)	457

⁽²⁾ Represents 100% of the Wood River and Borger refinery operations.

SUPPLEMENTAL OIL AND GAS OPERATING STATISTICS *(unaudited)*

Operating Statistics - After Royalties *(continued)*

Per-unit Results

(excluding impact of realized financial hedging)

(excluding impact of realized financial hedging)		2007	2006				
		Q1	Year	Q4	Q3	Q2	Q1
CONTINUING OPERATIONS							
Produced Gas - Canada (\$/Mcf)							
Price	6.36	6.20	5.87	5.59	5.71	7.66	
Production and mineral taxes	0.10	0.10	0.05	0.09	0.08	0.18	
Transportation and selling	0.36	0.35	0.33	0.37	0.35	0.34	
Operating	0.91	0.79	0.82	0.78	0.77	0.79	
Netback	4.99	4.96	4.67	4.35	4.51	6.35	
Produced Gas - United States (\$/Mcf)							
Price	6.24	6.35	5.65	6.04	6.08	7.70	
Production and mineral taxes	0.53	0.49	0.50	0.43	0.22	0.85	
Transportation and selling	0.61	0.54	0.60	0.57	0.50	0.49	
Operating	0.67	0.65	0.68	0.59	0.70	0.64	
Netback	4.43	4.67	3.87	4.45	4.66	5.72	
Produced Gas - Total (\$/Mcf)							
Price	6.32	6.25	5.79	5.75	5.84	7.68	
Production and mineral taxes	0.26	0.24	0.21	0.21	0.13	0.41	
Transportation and selling	0.45	0.42	0.42	0.44	0.40	0.40	
Operating	0.82	0.74	0.77	0.71	0.74	0.74	
Netback	4.79	4.85	4.39	4.39	4.57	6.13	
Natural Gas Liquids - Canada (\$/bbl)							
Price	43.26	51.12	44.79	55.95	55.19	48.84	
Production and mineral taxes	-	-	-	-	-	-	
Transportation and selling	0.54	0.67	0.58	0.74	0.73	0.61	
Netback	42.72	50.45	44.21	55.21	54.46	48.23	
Natural Gas Liquids - United States (\$/bbl)							
Price	47.77	56.33	51.04	61.76	58.25	54.07	
Production and mineral taxes	4.56	4.19	4.62	4.42	2.60	5.18	
Transportation and selling	0.01	0.01	0.01	0.01	0.01	0.01	
Netback	43.20	52.13	46.41	57.33	55.64	48.88	
Natural Gas Liquids - Total (\$/bbl)							
Price	45.66	53.81	47.97	58.99	56.80	51.50	
Production and mineral taxes	2.43	2.16	2.35	2.31	1.36	2.63	
Transportation and selling	0.26	0.33	0.29	0.36	0.35	0.31	
Netback	42.97	51.32	45.33	56.32	55.09	48.56	
Crude Oil - Light and Medium - (\$/bbl)							
Price	46.40	51.76	43.28	56.50	61.62	45.31	
Production and mineral taxes	2.14	2.16	2.15	2.13	2.47	1.92	
Transportation and selling	1.43	0.98	0.61	1.32	0.65	1.29	
Operating	9.00	8.62	9.01	10.00	7.36	8.06	
Netback	33.83	40.00	31.51	43.05	51.14	34.04	
Crude Oil - Total - excluding Foster Creek/Christina Lake (\$/bbl)							
Price	41.42	44.83	37.65	51.37	55.58	35.39	
Production and mineral taxes	1.06	1.11	1.11	1.14	1.28	0.92	
Transportation and selling	1.27	0.91	0.60	1.27	0.76	1.00	
Operating	8.06	7.69	8.59	8.73	6.84	6.67	
Netback	31.03	35.12	27.35	40.23	46.70	26.80	
Crude Oil - Heavy - Foster Creek/Christina Lake (\$/bbl)							
Price	33.28	36.49	39.32	37.19	46.53	23.08	
Production and mineral taxes	-	-	-	-	-	-	
Transportation and selling	3.07	2.64	2.74	2.64	3.38	1.80	
Operating ^(*)	17.12	12.38	13.07	14.06	11.78	10.39	
Netback	13.09	21.47	23.51	20.49	31.37	10.89	
Crude Oil - Total (\$/bbl)							
Price	39.19	41.83	36.94	48.74	51.62	30.76	
Production and mineral taxes	0.77	0.77	0.74	0.81	0.88	0.66	
Transportation and selling	1.75	1.40	1.11	1.74	1.54	1.24	
Operating	10.54	9.09	10.05	10.20	8.34	7.82	
Netback	26.13	30.57	25.04	35.99	40.86	21.04	

^(*) Q1 2007 includes a prior year under accrual of operating costs of approximately \$1.82/bbl.

SUPPLEMENTAL OIL AND GAS OPERATING STATISTICS *(unaudited)*

Operating Statistics - After Royalties *(continued)*

Per-unit Results

(excluding impact of realized financial hedging)

<i>(excluding impact of realized financial hedging)</i>	2007	2006				
	Q1	Year	Q4	Q3	Q2	Q1
CONTINUING OPERATIONS (continued)						
Total Liquids - Canada (\$/bbl)						
Price	39.50	42.53	37.55	49.21	51.91	32.17
Production and mineral taxes	0.70	0.70	0.67	0.73	0.80	0.61
Transportation and selling	1.67	1.35	1.06	1.67	1.48	1.19
Operating	9.60	8.33	9.21	9.39	7.63	7.17
Netback	27.53	32.15	26.61	37.42	42.00	23.20
Total Liquids (\$/bbl)						
Price	40.25	43.71	38.69	50.37	52.44	33.87
Production and mineral taxes	1.04	0.99	0.99	1.05	0.96	0.96
Transportation and selling	1.51	1.24	0.98	1.52	1.35	1.10
Operating	8.81	7.66	8.47	8.58	7.01	6.64
Netback	28.89	33.82	28.25	39.22	43.12	25.17
Total (\$/Mcf)						
Price	6.40	6.48	5.93	6.31	6.46	7.22
Production and mineral taxes	0.24	0.22	0.20	0.20	0.13	0.36
Transportation and selling	0.42	0.37	0.37	0.40	0.36	0.35
Operating ⁽¹⁾	0.95	0.86	0.90	0.87	0.84	0.82
Netback	4.79	5.03	4.46	4.84	5.13	5.69

⁽¹⁾ Year-to-date operating costs include costs related to long-term incentives of \$0.05/Mcfe (2006 - \$0.02/Mcfe).

Impact of Realized Financial Hedging

Natural Gas (\$/Mcf)	0.92	0.47	0.91	0.82	0.66	(0.53)
Liquids (\$/bbl)	2.34	(3.32)	(3.30)	(3.45)	(3.43)	(3.12)
Total (\$/Mcf)	0.82	0.25	0.60	0.53	0.40	(0.53)

Average Royalty Rates

(excluding impact of realized financial hedging)

Produced Gas						
Canada	10.3%	10.5%	9.9%	10.5%	10.4%	11.2%
United States	19.2%	18.5%	18.3%	18.4%	18.7%	18.7%
Crude Oil						
Canada	12.2%	9.9%	10.3%	11.4%	10.5%	7.5%
Natural Gas Liquids						
Canada	17.9%	15.5%	15.3%	16.3%	14.4%	16.1%
United States	18.5%	18.7%	18.8%	17.7%	20.1%	18.3%
Total	13.6%	13.0%	12.7%	13.2%	13.1%	12.9%

EnCana Corporation

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