Interim Consolidated Financial Statements

(unaudited)

For the period ended December 31, 2007

EnCana Corporation

U.S. DOLLARS

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*

($ millions, except per share amounts)		Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2006
REVENUES, NET OF ROYALTIES	*(Note 6)*				
Upstream		**$ 3,161**	$ 2,552	**$ 11,758**	$ 10,369
Integrated Oil		**2,369**	260	**7,983**	973
Market Optimization		**837**	735	**2,944**	3,007
Corporate - Unrealized gain (loss) on risk management		**(566)**	129	**(1,239)**	2,050
		5,801	3,676	**21,446**	16,399
EXPENSES	*(Note 6)*				
Production and mineral taxes		**63**	80	**291**	349
Transportation and selling		**278**	275	**1,010**	1,070
Operating		**632**	428	**2,278**	1,655
Purchased product		**2,704**	702	**8,583**	2,862
Depreciation, depletion and amortization		**1,086**	766	**3,816**	3,112
Administrative		**121**	84	**384**	271
Interest, net	*(Note 9)*	**131**	142	**428**	396
Accretion of asset retirement obligation	*(Note 15)*	**18**	13	**64**	50
Foreign exchange (gain) loss, net	*(Note 10)*	**(233)**	172	**(164)**	14
(Gain) loss on divestitures	*(Note 8)*	**22**	(2)	**(65)**	(323)
		4,822	2,660	**16,625**	9,456
NET EARNINGS BEFORE INCOME TAX		**979**	1,016	**4,821**	6,943
Income tax expense	*(Note 11)*	**(28)**	373	**937**	1,892
NET EARNINGS FROM CONTINUING OPERATIONS		**1,007**	643	**3,884**	5,051
NET EARNINGS FROM DISCONTINUED OPERATIONS	*(Note 7)*	**75**	20	**75**	601
NET EARNINGS		**$ 1,082**	$ 663	**$ 3,959**	$ 5,652
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	*(Note 18)*				
Basic		**$ 1.34**	$ 0.81	**$ 5.13**	$ 6.16
Diluted		**$ 1.33**	$ 0.80	**$ 5.08**	$ 6.04
NET EARNINGS PER COMMON SHARE	*(Note 18)*				
Basic		**$ 1.44**	$ 0.84	**$ 5.23**	$ 6.89
Diluted		**$ 1.43**	$ 0.82	**$ 5.18**	$ 6.76

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*

($ millions)		Twelve Months Ended December 31, 2007	2006
RETAINED EARNINGS, BEGINNING OF YEAR		**$ 11,344**	$ 9,481
Net Earnings		**3,959**	5,652
Dividends on Common Shares		**(603)**	(304)
Charges for Normal Course Issuer Bid	*(Note 16)*	**(1,618)**	(3,485)
RETAINED EARNINGS, END OF YEAR		**$ 13,082**	$ 11,344

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(unaudited)*

	Three Months Ended December 31,		Twelve Months Ended December 31,	
($ millions)	**2007**	2006	**2007**	2006
NET EARNINGS	**$ 1,082**	$ 663	**$ 3,959**	$ 5,652
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Foreign Currency Translation Adjustment	**(110)**	(418)	**1,688**	113
COMPREHENSIVE INCOME	**$ 972**	$ 245	**$ 5,647**	$ 5,765

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

($ millions)	Twelve Months Ended December 31, 2007	2006
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	**$ 1,375**	$ 1,262
Foreign Currency Translation Adjustment	**1,688**	113
ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF YEAR	**$ 3,063**	$ 1,375

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET *(unaudited)*

($ millions)		As at December 31, 2007	As at December 31, 2006
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 553**	$ 402
Accounts receivable and accrued revenues		**2,381**	1,721
Current portion of partnership contribution receivable	*(Notes 5, 12)*	**297**	-
Risk management	*(Note 19)*	**385**	1,403
Inventories	*(Note 13)*	**828**	176
		4,444	3,702
Property, Plant and Equipment, net	*(Note 6)*	**35,865**	28,213
Investments and Other Assets		**607**	533
Partnership Contribution Receivable	*(Notes 5, 12)*	**3,147**	-
Risk Management	*(Note 19)*	**18**	133
Goodwill		**2,893**	2,525
	(Note 6)	**$ 46,974**	$ 35,106
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 3,982**	$ 2,494
Income tax payable		**1,150**	926
Current portion of partnership contribution payable	*(Notes 5, 12)*	**288**	-
Risk management	*(Note 19)*	**207**	14
Current portion of long-term debt	*(Note 14)*	**703**	257
		6,330	3,691
Long-Term Debt	*(Note 14)*	**8,840**	6,577
Other Liabilities		**242**	79
Partnership Contribution Payable	*(Notes 5, 12)*	**3,163**	-
Risk Management	*(Note 19)*	**29**	2
Asset Retirement Obligation	*(Note 15)*	**1,458**	1,051
Future Income Taxes		**6,208**	6,240
		26,270	17,640
Shareholders' Equity			
Share capital	*(Note 16)*	**4,479**	4,587
Paid in surplus		**80**	160
Retained earnings		**13,082**	11,344
Accumulated other comprehensive income		**3,063**	1,375
Total Shareholders' Equity		**20,704**	17,466
		$ 46,974	$ 35,106

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*

($ millions)		Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2006
OPERATING ACTIVITIES					
Net earnings from continuing operations		**$ 1,007**	$ 643	**$ 3,884**	$ 5,051
Depreciation, depletion and amortization		**1,086**	766	**3,816**	3,112
Future income taxes	*(Note 11)*	**(608)**	260	**(617)**	950
Cash tax on sale of assets	*(Note 8)*	**-**	-	**-**	49
Unrealized (gain) loss on risk management	*(Note 19)*	**569**	(141)	**1,235**	(2,060)
Unrealized foreign exchange (gain) loss		**(52)**	155	**41**	-
Accretion of asset retirement obligation	*(Note 15)*	**18**	13	**64**	50
(Gain) loss on divestitures	*(Note 8)*	**22**	(2)	**(65)**	(323)
Other		**(108)**	48	**95**	214
Cash flow from discontinued operations		**-**	19	**-**	118
Net change in other assets and liabilities		**(21)**	90	**(16)**	138
Net change in non-cash working capital from continuing operations		**280**	39	**(8)**	3,343
Net change in non-cash working capital from discontinued operations		**-**	(193)	**-**	(2,669)
Cash From Operating Activities		**2,193**	1,697	**8,429**	7,973
INVESTING ACTIVITIES					
Capital expenditures	*(Note 6)*	**(4,408)**	(1,250)	**(8,737)**	(6,600)
Proceeds from divestitures	*(Note 8)*	**(24)**	55	**481**	689
Cash tax on sale of assets	*(Note 8)*	**-**	-	**-**	(49)
Net change in investments and other		**(31)**	40	**(5)**	2
Net change in non-cash working capital from continuing operations		**120**	188	**86**	19
Discontinued operations		**-**	180	**-**	2,557
Cash (Used in) Investing Activities		**(4,343)**	(787)	**(8,175)**	(3,382)
FINANCING ACTIVITIES					
Net issuance (repayment) of revolving long-term debt		**1,090**	646	**181**	134
Issuance of long-term debt	*(Note 14)*	**1,485**	-	**2,409**	-
Repayment of long-term debt		**(257)**	-	**(257)**	(73)
Issuance of common shares	*(Note 16)*	**18**	39	**176**	179
Purchase of common shares	*(Note 16)*	**-**	(1,246)	**(2,025)**	(4,219)
Dividends on common shares		**(150)**	(78)	**(603)**	(304)
Other		**1**	(3)	**-**	(11)
Cash From (Used in) Financing Activities		**2,187**	(642)	**(119)**	(4,294)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		**1**	-	**16**	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**38**	268	**151**	297
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**515**	134	**402**	105
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 553**	$ 402	**$ 553**	$ 402

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 development, 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 December 31, 2007 year end accumulated foreign currency translation adjustment balance of $3,063 million is now included in AOCI (December 31, 2006 - $1,375 million). In addition, the change in the accumulated foreign currency translation adjustment balance for the three months and twelve months ended December 31, 2007 of $(110) million and $1,688 million, respectively, is now included in OCI in the Statement of Comprehensive Income (three months and twelve months ended December 31, 2006 - $(418) million and $113 million, respectively).

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 accounting 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.

Cash and cash equivalents are designated as "held-for-trading" and are measured at fair value. 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 financial 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 5):

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.

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
The initial acquisition costs of refinery property, plant and equipment are capitalized when incurred. Costs include the cost of constructing or otherwise acquiring the equipment or facilities, the cost of installing the asset and making it ready for its intended use and the associated asset retirement costs. Capitalized costs are not subject to depreciation until the asset is put into use, after which they are depreciated on a straight-line basis over their estimated service lives of approximately 25 years.

An impairment loss is recognized on refinery property, plant and equipment when the carrying amount is not recoverable and exceeds its fair value. The carrying amount is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from expected use and eventual disposition. If the carrying amount is not recoverable, an impairment loss is measured as the amount by which the refinery asset exceeds the discounted future cash flows from the refinery asset.

Market Optimization
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 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 three to 25 years. Assets under construction are not subject to depreciation until put into use. 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.

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. RECENT ACCOUNTING PRONOUNCEMENT

As of January 1, 2008, EnCana is required to adopt the CICA Handbook Section 3031, "Inventories", which will replace the existing inventories standard. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with EnCana's current treatment. The adoption of this standard should not have a material impact on EnCana's Consolidated Financial Statements.

5. JOINT VENTURE WITH CONOCOPHILLIPS

On January 2, 2007, EnCana became a 50 percent partner in an integrated, North American oil business with ConocoPhillips which consists of an upstream and a downstream entity. The upstream entity contribution included assets from EnCana, primarily the Foster Creek and Christina Lake 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 12.

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 Oil (See Note 6).

6. 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 Atlantic Canada, the Middle East, and Europe.
- **Integrated Oil** is focused on two lines of business: the exploration for, and development and production of bitumen 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 Oil 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.

In 2007, as a result of the joint venture with ConocoPhillips, EnCana redefined its business segments to those described above. All prior periods have been restated to conform with the current presentation.

Operations that have been discontinued are disclosed in Note 7.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

6. SEGMENTED INFORMATION (continued)

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

	Upstream					
	Canada		United States		Other	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 1,964**	$ 1,718	**$ 1,110**	$ 765	**$ 87**	$ 69
Expenses						
Production and mineral taxes	**16**	20	**47**	60	**-**	-
Transportation and selling	**83**	107	**87**	66	**-**	-
Operating	**292**	227	**95**	76	**82**	61
Purchased product	**-**	-	**-**	-	**-**	-
Depreciation, depletion and amortization	**599**	494	**324**	200	**52**	6
Segment Income (Loss)	**$ 974**	$ 870	**$ 557**	$ 363	**$ (47)**	$ 2

	Total Upstream		Integrated Oil		Market Optimization	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 3,161**	$ 2,552	**$ 2,369**	$ 260	**$ 837**	$ 735
Expenses						
Production and mineral taxes	**63**	80	**-**	-	**-**	-
Transportation and selling	**170**	173	**108**	103	**-**	(1)
Operating	**469**	364	**151**	64	**9**	13
Purchased product	**-**	-	**1,888**	-	**816**	702
Depreciation, depletion and amortization	**975**	700	**77**	43	**6**	4
Segment Income (Loss)	**$ 1,484**	$ 1,235	**$ 145**	$ 50	**$ 6**	$ 17

	Corporate		Consolidated	
	2007	2006	**2007**	2006
Revenues, Net of Royalties	**$ (566)**	$ 129	**$ 5,801**	$ 3,676
Expenses				
Production and mineral taxes	**-**	-	**63**	80
Transportation and selling	**-**	-	**278**	275
Operating	**3**	(13)	**632**	428
Purchased product	**-**	-	**2,704**	702
Depreciation, depletion and amortization	**28**	19	**1,086**	766
Segment Income (Loss)	**$ (597)**	$ 123	**1,038**	1,425
Administrative			**121**	84
Interest, net			**131**	142
Accretion of asset retirement obligation			**18**	13
Foreign exchange (gain) loss, net			**(233)**	172
(Gain) loss on divestitures			**22**	(2)
			59	409
Net Earnings Before Income Tax			**979**	1,016
Income tax expense			**(28)**	373
Net Earnings From Continuing Operations			**$ 1,007**	$ 643

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

6. SEGMENTED INFORMATION (continued)

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

Geographic and Product Information (Continuing Operations)

	Produced Gas					
	Canada		United States		Total	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 1,510**	$ 1,401	**$ 1,011**	$ 706	**$ 2,521**	$ 2,107
Expenses						
Production and mineral taxes	**8**	11	**40**	54	**48**	65
Transportation and selling	**72**	66	**87**	66	**159**	132
Operating	**214**	166	**95**	76	**309**	242
Operating Cash Flow	**$ 1,216**	$ 1,158	**$ 789**	$ 510	**$ 2,005**	$ 1,668

	Oil & NGLs					
	Canada		United States		Total	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 454**	$ 317	**$ 99**	$ 59	**$ 553**	$ 376
Expenses						
Production and mineral taxes	**8**	9	**7**	6	**15**	15
Transportation and selling	**11**	41	**-**	-	**11**	41
Operating	**78**	61	**-**	-	**78**	61
Operating Cash Flow	**$ 357**	$ 206	**$ 92**	$ 53	**$ 449**	$ 259

	Integrated Oil					
	Oil		Downstream Refining		Other	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 186**	$ 248	**$ 2,206**	$ -	**$ (23)**	$ 12
Expenses						
Transportation and selling	**108**	103	**-**	-	**-**	-
Operating	**36**	56	**111**	-	**4**	8
Purchased product	**-**	-	**1,915**	-	**(27)**	-
Operating Cash Flow	**$ 42**	$ 89	**$ 180**	$ -	**$ -**	$ 4

	Integrated Oil	
	Total	
	2007	2006
Revenues, Net of Royalties	**$ 2,369**	$ 260
Expenses		
Transportation and selling	**108**	103
Operating	**151**	64
Purchased product	**1,888**	-
Operating Cash Flow	**$ 222**	$ 93

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

6. SEGMENTED INFORMATION (continued)

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

	Upstream					
	Canada		United States		Other	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 7,316**	$ 6,970	**$ 4,074**	$ 3,121	**$ 368**	$ 278
Expenses						
Production and mineral taxes	**102**	116	**189**	233	**-**	-
Transportation and selling	**327**	330	**307**	248	**-**	-
Operating	**1,010**	866	**323**	283	**315**	235
Purchased product	**-**	-	**-**	-	**-**	-
Depreciation, depletion and amortization	**2,171**	1,989	**1,158**	848	**94**	31
Segment Income (Loss)	**$ 3,706**	$ 3,669	**$ 2,097**	$ 1,509	**$ (41)**	$ 12

	Total Upstream		Integrated Oil		Market Optimization	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 11,758**	$ 10,369	**$ 7,983**	$ 973	**$ 2,944**	$ 3,007
Expenses						
Production and mineral taxes	**291**	349	**-**	-	**-**	-
Transportation and selling	**634**	578	**366**	476	**10**	16
Operating	**1,648**	1,384	**598**	221	**37**	62
Purchased product	**-**	-	**5,725**	-	**2,858**	2,862
Depreciation, depletion and amortization	**3,423**	2,868	**284**	157	**17**	12
Segment Income (Loss)	**$ 5,762**	$ 5,190	**$ 1,010**	$ 119	**$ 22**	$ 55

	Corporate		Consolidated	
	2007	2006	**2007**	2006
Revenues, Net of Royalties	**$ (1,239)**	$ 2,050	**$ 21,446**	$ 16,399
Expenses				
Production and mineral taxes	**-**	-	**291**	349
Transportation and selling	**-**	-	**1,010**	1,070
Operating	**(5)**	(12)	**2,278**	1,655
Purchased product	**-**	-	**8,583**	2,862
Depreciation, depletion and amortization	**92**	75	**3,816**	3,112
Segment Income (Loss)	**$ (1,326)**	$ 1,987	**5,468**	7,351
Administrative			**384**	271
Interest, net			**428**	396
Accretion of asset retirement obligation			**64**	50
Foreign exchange (gain) loss, net			**(164)**	14
(Gain) loss on divestitures			**(65)**	(323)
			647	408
Net Earnings Before Income Tax			**4,821**	6,943
Income tax expense			**937**	1,892
Net Earnings From Continuing Operations			**$ 3,884**	$ 5,051

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

6. SEGMENTED INFORMATION (continued)

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

Geographic and Product Information (Continuing Operations)

	Produced Gas					
	Canada		United States		Total	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 5,671**	$ 5,440	**$ 3,765**	$ 2,854	**$ 9,436**	$ 8,294
Expenses						
Production and mineral taxes	**70**	80	**167**	213	**237**	293
Transportation and selling	**285**	278	**307**	248	**592**	526
Operating	**744**	629	**323**	283	**1,067**	912
Operating Cash Flow	**$ 4,572**	$ 4,453	**$ 2,968**	$ 2,110	**$ 7,540**	$ 6,563

	Oil & NGLs					
	Canada		United States		Total	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 1,645**	$ 1,530	**$ 309**	$ 267	**$ 1,954**	$ 1,797
Expenses						
Production and mineral taxes	**32**	36	**22**	20	**54**	56
Transportation and selling	**42**	52	**-**	-	**42**	52
Operating	**266**	237	**-**	-	**266**	237
Operating Cash Flow	**$ 1,305**	$ 1,205	**$ 287**	$ 247	**$ 1,592**	$ 1,452

	Integrated Oil					
	Oil		Downstream Refining		Other	
	2007	2006	**2007**	2006	**2007**	2006
Revenues, Net of Royalties	**$ 738**	$ 941	**$ 7,315**	$ -	**$ (70)**	$ 32
Expenses						
Transportation and selling	**366**	476	**-**	-	**-**	-
Operating	**159**	194	**428**	-	**11**	27
Purchased product	**-**	-	**5,813**	-	**(88)**	-
Operating Cash Flow	**$ 213**	$ 271	**$ 1,074**	$ -	**$ 7**	$ 5

	Integrated Oil	
	Total	
	2007	2006
Revenues, Net of Royalties	**$ 7,983**	$ 973
Expenses		
Transportation and selling	**366**	476
Operating	**598**	221
Purchased product	**5,725**	-
Operating Cash Flow	**$ 1,294**	$ 276

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

6. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Capital				
Canada	**$ 941**	$ 689	**$ 3,330**	$ 3,352
United States	**606**	315	**1,919**	2,061
Other	**31**	34	**106**	106
Integrated Oil	**208**	150	**580**	632
Market Optimization	**1**	4	**6**	44
Corporate	**18**	25	**94**	74
	1,805	1,217	**6,035**	6,269
Acquisition Capital				
Canada	**8**	2	**75**	11
United States	**2,595**	16	**2,613**	284
Other	**-**	15	**-**	15
Integrated Oil	**-**	-	**14**	21
	2,603	33	**2,702**	331
Total	**$ 4,408**	$ 1,250	**$ 8,737**	$ 6,600

On November 20, 2007, EnCana acquired certain natural gas and land interests in Texas for approximately $2.55 billion before closing adjustments. The purchase was facilitated by an unrelated party, Brown Kilgore Properties LLC ("Brown Kilgore"), which holds the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes. Pursuant to the agreement with Brown Kilgore, EnCana operates the properties, receives all the revenue and pays all of the expenses associated with the properties. The arrangement with Brown Kilgore will be complete on May 18, 2008 and the assets will be transferred to EnCana at that time. EnCana has determined that the relationship with Brown Kilgore represents an interest in a Variable Interest Entity ("VIE") and that EnCana is the primary beneficiary of the VIE. EnCana has consolidated Brown Kilgore from the date of acquisition.

Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	December 31, 2007	December 31, 2006	**December 31, 2007**	December 31, 2006
Canada	**$ 17,631**	$ 16,783	**$ 21,429**	$ 20,188
United States	**11,879**	8,494	**12,948**	9,509
Other	**1,104**	1,182	**1,135**	1,224
Integrated Oil	**4,721**	1,322	**9,597**	1,379
Market Optimization	**171**	154	**478**	468
Corporate	**359**	278	**1,387**	2,338
Total	**$ 35,865**	$ 28,213	**$ 46,974**	$ 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 and Total Assets includes EnCana's accrual to date of $147 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.

7. DISCONTINUED OPERATIONS

Midstream

The $75 million gain on discontinuance in 2007 is the result of an expired clause included in the December 2005 sale of the Company’s Midstream natural gas liquids processing operations. The clause provided potential market price support for the facilities and was accrued for in 2005.

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.

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)

7. DISCONTINUED OPERATIONS (continued)

Consolidated Statement of Earnings

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

For the three months ended December 31,	Ecuador 2007	Ecuador 2006	United Kingdom 2007	United Kingdom 2006	Midstream 2007	Midstream 2006	Total 2007	Total 2006
Revenues, Net of Royalties	$ -	$ -	$ -	$ -	$ -	$ 5	$ -	$ 5
Expenses								
Production and mineral taxes	-	-	-	-	-	-	-	-
Transportation and selling	-	-	-	-	-	-	-	-
Operating	-	-	-	-	-	8	-	8
Purchased product	-	-	-	-	-	2	-	2
Depreciation, depletion and amortization	-	-	-	-	-	-	-	-
Interest, net	-	-	-	-	-	-	-	-
Foreign exchange (gain) loss, net	-	-	-	(1)	-	(1)	-	(2)
(Gain) loss on discontinuance	-	-	-	-	**(75)**	(41)	**(75)**	(41)
	-	-	-	(1)	**(75)**	(32)	**(75)**	(33)
Net Earnings (Loss) Before Income Tax	-	-	-	1	**75**	37	**75**	38
Income tax expense	-	-	-	1	-	17	-	18
Net Earnings (Loss) From Discontinued Operations	$ -	$ -	$ -	$ -	$ 75	$ 20	$ 75	$ 20

For the twelve months ended December 31,	Ecuador 2007	Ecuador 2006	United Kingdom 2007	United Kingdom 2006	Midstream 2007	Midstream 2006	Total 2007	Total 2006
Revenues, Net of Royalties *	$ -	$ 200	$ -	$ -	$ -	$ 482	$ -	$ 682
Expenses								
Production and mineral taxes	-	23	-	-	-	-	-	23
Transportation and selling	-	10	-	-	-	-	-	10
Operating	-	25	-	-	-	37	-	62
Purchased product	-	-	-	-	-	356	-	356
Depreciation, depletion and amortization	-	84	-	-	-	-	-	84
Interest, net	-	(2)	-	-	-	-	-	(2)
Foreign exchange (gain) loss, net	-	1	-	(1)	-	4	-	4
(Gain) loss on discontinuance	-	279	-	-	**(75)**	(807)	**(75)**	(528)
	-	420	-	(1)	**(75)**	(410)	**(75)**	9
Net Earnings (Loss) Before Income Tax	-	(220)	-	1	**75**	892	**75**	673
Income tax expense	-	59	-	(4)	-	17	-	72
Net Earnings (Loss) From Discontinued Operations	$ -	$ (279)	$ -	$ 5	$ 75	$ 875	$ 75	$ 601

* 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 of 2006, 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.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

8. DIVESTITURES

Total year-to-date proceeds received on sale of assets and investments were $481 million (2006 - $689 million) as described below:

Canada and United States
In 2007, the Company completed the divestiture of mature conventional oil and natural gas assets for proceeds of $64 million (2006 - $78 million).

Other
In August 2007, the Company closed the sale of Australia assets for proceeds of $31 million resulting in a gain on sale of $30 million. After recording income tax of $5 million, EnCana recorded an after-tax gain of $25 million.

In May 2007, the Company completed the sale of its assets in the Mackenzie Delta and Beaufort Sea for proceeds of $159 million.

In January 2007, the Company completed the sale of its interests in Chad, properties that were in the pre-production stage, for proceeds of $208 million which resulted in a gain on sale of $59 million.

In August 2006, the Company completed the sale of its 50 percent interest in the Chinook heavy oil discovery offshore Brazil for approximately $367 million which resulted in a gain on sale of $304 million. After recording income tax of $49 million, EnCana recorded an after-tax gain of $255 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 6 for further discussion of The Bow office project assets.

9. INTEREST, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Interest Expense - Long-Term Debt	**$ 129**	$ 97	**$ 460**	$ 366
Interest Expense - Other *	**66**	57	**244**	76
Interest Income *	**(64)**	(12)	**(276)**	(46)
	$ 131	$ 142	**$ 428**	$ 396

* In 2007, Interest Expense - Other and Interest Income are primarily due to the Partnership Contribution Payable and Receivable, respectively. See Note 12.

10. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	**$ (75)**	$ 155	**$ (683)**	$ -
Translation of U.S. dollar partnership contribution receivable issued from Canada	**22**	-	**617**	-
Other Foreign Exchange (Gain) Loss	**(180)**	17	**(98)**	14
	$ (233)	$ 172	**$ (164)**	$ 14

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

11. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Twelve Months Ended December 31, 2007	Twelve Months Ended December 31, 2006
Current				
Canada	**$ 415**	$ 70	**$ 900**	$ 764
United States	**163**	41	**647**	128
Other Countries	**2**	2	**7**	50
Total Current Tax	**580**	113	**1,554**	942
Future	**(344)**	260	**(316)**	1,407
Future Tax Rate Reductions	**(264)**	-	**(301)**	(457)
	$ (28)	$ 373	**$ 937**	$ 1,892

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

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Twelve Months Ended December, 2007	Twelve Months Ended December, 2006
Net Earnings Before Income Tax	**$ 979**	$ 1,016	**$ 4,821**	$ 6,943
Canadian Statutory Rate	**32.3%**	34.7%	**32.3%**	34.7%
Expected Income Tax	**316**	352	**1,557**	2,407
Effect on Taxes Resulting from:				
Non-deductible Canadian Crown payments	**-**	22	**-**	97
Canadian resource allowance	**-**	2	**-**	(16)
Statutory and other rate differences	**40**	(18)	**76**	(98)
Effect of tax rate changes	**(264)**	-	**(301)**	(457)
Effect of legislative changes	**52**	-	**(179)**	-
Non-taxable downstream partnership income	**(30)**	-	**(70)**	-
Non-taxable capital (gains) losses	**(80)**	29	**(124)**	(1)
Other	**(62)**	(14)	**(22)**	(40)
	$ (28)	$ 373	**$ 937**	$ 1,892
Effective Tax Rate	**(2.9%)**	36.7%	**19.4%**	27.3%

12. PARTNERSHIP CONTRIBUTION RECEIVABLE / PAYABLE

Partnership Contribution Receivable

On January 2, 2007, upon the creation of the Integrated Oil joint venture, ConocoPhillips entered into a subscription agreement for a 50 percent interest in 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 represents EnCana's 50 percent share of this promissory note, net of payments to date.

Partnership Contribution Payable

On January 2, 2007, upon the creation of the Integrated Oil joint venture, EnCana issued a promissory note to 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 represents EnCana's 50 percent share of this promissory note, net of payments to date.

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

13. INVENTORIES	**As at December 31, 2007**	As at December 31, 2006
Product		
Canada	**$ -**	$ 1
United States	**2**	-
Integrated Oil	**646**	49
Market Optimization	**180**	126
	$ 828	$ 176

14. LONG-TERM DEBT	**As at December 31, 2007**	As at December 31, 2006
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 1,506**	$ 1,456
Unsecured notes	**1,138**	793
	2,644	2,249
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**495**	104
Unsecured notes	**6,421**	4,421
	6,916	4,525
Increase in Value of Debt Acquired *	**66**	60
Debt Discounts and Financing Costs	**(83)**	-
Current Portion of Long-Term Debt	**(703)**	(257)
	$ 8,840	$ 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.

On August 13, 2007, EnCana completed a public offering in the United States of senior unsecured notes in the aggregate principal amount of US$500 million. The notes have a coupon rate of 6.625 percent and mature on August 15, 2037.

On December 4, 2007, EnCana completed a public offering in the United States of senior unsecured notes in two series in the aggregate principal amount of US$1,500 million. The first series of US$700 million have a coupon rate of 5.9 percent and mature on December 1, 2017. The second series of US$800 million have a coupon rate of 6.5 percent and mature on February 1, 2038.

15. 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 December 31, 2007	As at December 31, 2006
Asset Retirement Obligation, Beginning of Year	**$ 1,051**	$ 816
Liabilities Incurred	**89**	68
Liabilities Settled	**(100)**	(51)
Change in Estimated Future Cash Flows	**184**	172
Accretion Expense	**64**	50
Other	**170**	(4)
Asset Retirement Obligation, End of Year	**$ 1,458**	$ 1,051

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. SHARE CAPITAL

(millions)	**December 31, 2007** Number		Amount	December 31, 2006 Number		Amount
Common Shares Outstanding, Beginning of Year	**777.9**	**$**	**4,587**	854.9	$	5,131
Common Shares Issued under Option Plans	**8.3**		**176**	8.6		179
Stock-Based Compensation	**-**		**17**	-		11
Common Shares Purchased	**(36.0)**		**(301)**	(85.6)		(734)
Common Shares Outstanding, End of Year	**750.2**	**$**	**4,479**	777.9	$	4,587

Normal Course Issuer Bid

To December 31, 2007, the Company purchased 38.9 million Common Shares for total consideration of approximately $2,025 million. Of the amount paid, $325 million was charged to Share capital and $1,700 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 17). 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 six consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to approximately 75.1 million Common Shares under the renewed Bid which commenced on November 13, 2007 and terminates on November 12, 2008.

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 December 31, 2007. Information related to TSARs is included in Note 17.

	Stock Options ***(millions)***	**Weighted Average Exercise Price** ***(C$)***
Outstanding, Beginning of Year	**11.8**	**23.17**
Exercised	**(8.3)**	**23.73**
Forfeited	**(0.1)**	**22.53**
Outstanding, End of Year	**3.4**	**21.82**
Exercisable, End of Year	**3.4**	**21.82**

	Outstanding Options			**Exercisable Options**	
Range of Exercise Price (C$)	Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(C$)*	Number of Options Outstanding *(millions)*	Weighted Average Exercise Price *(C$)*
11.00 to 21.99	0.6	1.8	11.58	0.6	11.58
22.00 to 23.99	2.6	0.3	23.86	2.6	23.86
24.00 to 25.99	0.2	0.7	25.04	0.2	25.04
	3.4	0.6	21.82	3.4	21.82

At December 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)

17. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at December 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 December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Current Service Cost	**$ 5**	$ 6	**$ 16**	$ 16
Interest Cost	**5**	4	**19**	17
Expected Return on Plan Assets	**(5)**	(4)	**(19)**	(16)
Expected Actuarial Loss on Accrued Benefit Obligation	**1**	2	**4**	6
Expected Amortization of Past Service Costs	**1**	1	**2**	2
Amortization of Transitional Obligation	**(1)**	-	**(2)**	(1)
Expense for Defined Contribution Plan	**9**	8	**34**	28
Net Benefit Plan Expense	**$ 15**	$ 17	**$ 54**	$ 52

For the year ended December 31, 2007, contributions of $8 million have been made to the defined benefit pension plans (2006 - $9 million).

B) Tandem Share Appreciation Rights ("TSARs")

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

	Outstanding TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**17,276,191**	**44.99**
Granted	**4,814,338**	**57.70**
Exercised - SARs	**(2,020,357)**	**41.20**
Exercised - Options	**(12,235)**	**35.04**
Forfeited	**(1,203,796)**	**50.02**
Outstanding, End of Year	**18,854,141**	**50.49**
Exercisable, End of Year	**5,267,550**	**43.18**

For the year ended December 31, 2007, EnCana recorded compensation costs of $225 million related to the outstanding TSARs (2006 - $52 million).

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

In 2007, under the terms of the existing Employee Stock Option Plan, EnCana 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 EnCana attaining prescribed performance relative to pre-determined key measures. Performance TSARs that do not vest when eligible are forfeited.

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

	Outstanding TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**-**	**-**
Granted	**7,275,575**	**56.09**
Forfeited	**(344,650)**	**56.09**
Outstanding, End of Year	**6,930,925**	**56.09**
Exercisable, End of Year	**-**	**-**

For the year ended December 31, 2007, EnCana recorded compensation costs of $21 million related to the outstanding Performance TSARs (2006 - nil).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. COMPENSATION PLANS (continued)

D) Deferred Share Units ("DSUs")

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

	Outstanding DSUs	Average Share Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**866,577**	**29.56**
Granted, Directors	**79,168**	**57.02**
Exercised	**(365,885)**	**29.56**
Units, in Lieu of Dividends	**9,314**	**62.80**
Outstanding, End of Year	**589,174**	**33.78**
Exercisable, End of Year	**589,174**	**33.78**

For the year ended December 31, 2007, EnCana recorded compensation costs of $14 million related to the outstanding DSUs (2006 - $5 million).

E) Performance Share Units ("PSUs")

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

	Outstanding PSUs	Average Share Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**4,766,329**	**31.24**
Granted	**23,097**	**62.84**
Distributed	**(2,937,491)**	**26.98**
Forfeited	**(166,899)**	**34.38**
Outstanding, End of Year	**1,685,036**	**38.79**

For the year ended December 31, 2007, EnCana recorded compensation costs of $43 million related to the outstanding PSUs (2006 - $27 million).

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

F) Share Appreciation Rights ("SARs")

EnCana has not granted any SARs after 2002, and as at December 31, 2007 there are none outstanding. For the year ended December 31, 2007, EnCana has not recorded any compensation costs related to the outstanding SARs (2006 - reduction of compensation costs of $1 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

18. PER SHARE AMOUNTS

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

	Three Months Ended					Twelve Months Ended	
	March 31,	June 30,	September 30,	December 31,		December 31,	
(millions)	2007	2007	2007	**2007**	2006	**2007**	2006
Weighted Average Common Shares Outstanding - Basic	768.4	758.5	750.4	**749.8**	792.5	**756.8**	819.9
Effect of Dilutive Securities	11.2	6.7	5.5	**5.3**	13.9	**7.8**	16.6
Weighted Average Common Shares Outstanding - Diluted	779.6	765.2	755.9	**755.1**	806.4	**764.6**	836.5

19. 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 December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Revenues, Net of Royalties	**$ 408**	$ 240	**$ 1,601**	$ 393
Operating Expenses and Other	**(1)**	1	**3**	5
Gain (Loss) on Risk Management - Continuing Operations	**407**	241	**1,604**	398
Gain (Loss) on Risk Management - Discontinued Operations	**-**	8	**-**	12
	$ 407	$ 249	**$ 1,604**	$ 410

	Unrealized Gain (Loss)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	**2007**	2006
Revenues, Net of Royalties	**$ (566)**	$ 129	**$ (1,239)**	$ 2,050
Operating Expenses and Other	**(3)**	12	**4**	10
Gain (Loss) on Risk Management - Continuing Operations	**(569)**	141	**(1,235)**	2,060
Gain (Loss) on Risk Management - Discontinued Operations	**-**	(7)	**-**	20
	$ (569)	$ 134	**$ (1,235)**	$ 2,080

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 December 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	**353**	**$ 353**
Fair Value of Contracts in Place at Transition that Expired During 2007	**-**	**16**
Foreign Exchange Gains on Canadian Dollar Contracts	**2**	**-**
Fair Value of Contracts Realized During 2007	**(1,604)**	**(1,604)**
Fair Value of Contracts, End of Year	**$ 167**	**$ (1,235)**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value of Outstanding Risk Management Positions (continued)

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

		As at December 31, 2007
Risk Management		
Current asset	**$**	**385**
Long-term asset		**18**
Current liability		**207**
Long-term liability		**29**
Net Risk Management Asset	**$**	**167**

A summary of all unrealized estimated fair value financial positions is as follows:		**As at December 31, 2007**
Commodity Price Risk		
Natural gas	**$**	**346**
Crude oil		**(199)**
Power		**19**
Credit Derivatives		**(1)**
Interest Rate Risk		**2**
Total Fair Value Positions	**$**	**167**

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.

Natural Gas

At December 31, 2007, the Company's gas risk management activities from financial contracts had an unrealized gain and a fair market value position of $346 million. The contracts were as follows:

	Notional Volumes *(MMcf/d)*	Term	Average Price			Fair Market Value
Sales Contracts						
Fixed Price Contracts						
NYMEX Fixed Price	1,583	2008	8.21	US$/Mcf	$	303
Basis Contracts						
Canada	191	2008	(0.78)	US$/Mcf		1
United States	1,049	2008	(1.02)	US$/Mcf		65
Canada and United States*		2009-2011		US$/Mcf		(23)
Total Fair Value Positions					$	346

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

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At December 31, 2007, the Company's oil risk management activities from financial contracts had an unrealized loss and a fair market value of $(199) million. The contracts were as follows:

	Notional Volumes *(bbls/d)*	Term	Average Price		Fair Market Value
Sales Contracts					
Fixed Price Contracts					
WTI NYMEX Fixed Price	23,000	2008	70.13 US$/bbl	$	(188)
					(188)
Other Financial Positions *					(11)
Total Fair Value Positions				$	(199)

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

Power

The Company has in place two Canadian dollar denominated derivative contracts, commencing January 1, 2007 for a period of 11 years, to manage its electricity consumption costs. At December 31, 2007, these contracts had an unrealized gain and a fair market value position of $19 million.

20. 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. 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.

21. SUBSEQUENT EVENTS

On January 18, 2008, EnCana completed a public offering in Canada of senior unsecured medium term notes in the aggregate principal amount of C$750 million. The notes have a coupon rate of 5.80 percent and mature on January 18, 2018. The net proceeds of the offering were used to repay a portion of EnCana's existing bank and commercial paper indebtedness.

22. RECLASSIFICATION

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