

2013 Q2



Calgary, Alberta (July 24, 2013) TSX, NYSE: ECA

Encana Corporation's solid operational performance in the second quarter resulted in a 69 percent year-over-year increase in oil and natural gas liquids (NGL) volumes with average production rising to approximately 47,600 barrels per day (bbls/d). Natural gas production volumes for the second quarter averaged approximately 2.8 billion cubic feet per day (Bcf/d).

The company reported net earnings of \$730 million or \$0.99 per share, \$665 million in cash flow or \$0.90 per share and \$247 million in operating earnings or \$0.34 per share during the second quarter of 2013. Year-to-date the company generated \$299 million in net earnings or \$0.41 per share, \$1.2 billion in cash flow or \$1.69 per share and \$426 million in operating earnings or \$0.58 per share.

"Our results over the first half of the year have us well-positioned to deliver on our guidance targets for 2013," said Doug Suttles, Encana's President & CEO, whose appointment was announced in June. "Our focus moving forward is to continue to exercise capital discipline while working to achieve ever greater efficiencies in how we run our business. We expect to see cost savings materialize throughout the rest of the year as a result of those efforts."

Encana is expecting full-year capital investment to be in the lower part of its 2013 guidance range of \$3.0 billion to \$3.2 billion while cash flow is expected to be in the middle to higher end of the guidance range of \$2.3 billion to \$2.5 billion. The company maintained its strong liquidity position during the quarter with a period-end balance of about \$2.9 billion in cash and cash equivalents, primarily due to net divestiture proceeds. Encana does not expect any significant changes to its capital spending plan for 2013. In addition, Encana increased its hedging position to 2,255 million cubic feet per day (MMcf/d) of expected July to December 2013 natural gas production at an average price of \$4.37 per thousand cubic feet (Mcf). This enhanced hedge position represents approximately 75 percent of expected natural gas production for the rest of the year.

An internal strategy development team, composed of diverse skillsets and a broad range of experience, has recently been tasked with thoroughly evaluating the company's assets, identifying Encana's key strengths and capabilities, and quantifying its current performance and competitive positioning. This team reports directly to the President & CEO.

"My focus is on developing a strategy that will deliver sustainable growth in shareholder value during a period of modest commodity prices," said Suttles. "That means we need to take the time to do this right and consider a range of alternatives. I fully expect this work will be completed this year and that 2014 will be the first year of implementing our new strategy."

David P. O'Brien steps down as Board Chairman

After serving with distinction for more than 10 years, David P. O'Brien has stepped down as the Chairman of the Board of Directors and will remain a Director of Encana. One of the founders of Encana, Mr. O'Brien has held leadership roles with Encana or one of its predecessor companies for more than 20 years. As Chairman since 1990 and Interim CEO of PanCanadian Energy Corporation from October 2001 to April 2002, he oversaw its merger with Alberta Energy Company Ltd. to form Encana. He had previously served as Chairman, President & CEO of Canadian Pacific Limited (energy, hotels and transportation) from May 1996 to October 2001.

During his distinguished career, Mr. O'Brien has brought his in-depth acumen and expertise to a number of public company directorships including Enerplus Corporation, Molson Coors Brewing Company, Royal Bank of Canada and TransCanada Corporation. Among the numerous awards recognizing his contributions, Mr. O'Brien was appointed an Officer of the Order of Canada in 2008; named a Fellow of the Institute of Corporate Directors in 2005; and entered the Canadian Business Hall of Fame in 2004.

Clayton H. Woitas has been appointed Board Chairman, as well as Chair of the Nominating and Corporate Governance Committee and an ex-officio member of all other Board Committees. Peter Dea has assumed the role of Chair of the Corporate Responsibility, Environment, Health & Safety Committee, of which Mr. Woitas was previously the Chair. All members of Encana's Board Committees are considered independent.

"On behalf of the Board of Directors, I would like to extend my sincere thanks to Mr. O'Brien for his many contributions to Encana, including his pivotal role in the formation of our company back in 2002 through the merger of Alberta Energy Company Ltd. and PanCanadian Energy Corporation," said Mr. Woitas. "Mr. O'Brien has had an exemplary career marked by many accomplishments and dedicated community service, and Encana has benefited greatly from his expertise and leadership during his term as Chairman of the corporation."

Activities in the quarter

- The appointment of Doug Suttles as President & CEO was announced on June 11.
- On June 13, Encana completed a transaction which added 67,000 net acres to its land position in the San Juan Basin.
- The divestiture of Encana's Jean Marie natural gas assets in northeastern British Columbia closed on June 27. This transaction unlocks value from a mature asset as the company continues to optimize its portfolio and diversify its production profile.
- As part of Encana's ongoing portfolio management process, a divestiture process is now underway for assets in Osage County, Oklahoma. These assets represent the remainder of Encana's land position in the Mississippian Lime; in the first quarter, Encana divested its Kansas land holdings in the play.
- The Deep Panuke project is in the final steps to achieving first gas. Final commissioning is taking place offshore. Gas will be introduced from the wells to the platform following final commissioning.
- Encana extended the maturities of its revolving bank credit facilities to June of 2018. In an effort to reduce costs and in light of the company's reduced capital expenditure programs over the last two years, Encana reduced the amount available under the Canadian facility from C\$4.0 billion to C\$3.5 billion. The amount available under the U.S. revolving credit facility remains unchanged at \$1.0 billion.
- Encana released its 2012 Corporate Responsibility Report detailing the company's environmental, social and governance performance for the past calendar year.
- Encana announced a donation of \$500,000 to assist with relief efforts in Calgary and throughout southern Alberta as a result of flooding that occurred in late June. Of the donation, \$250,000 is allocated to the Red Cross to assist in immediate flood relief work in affected communities while the remaining \$250,000 will be allocated to a number of Encana's community partners.

Encana added to its risk management program in the quarter

At June 30, 2013, Encana has hedged approximately 2,255 MMcf/d of expected July to December 2013 natural gas production using NYMEX fixed price contracts at an average price of \$4.37 per Mcf, approximately 1,538 MMcf/d of expected 2014 production at an average price of \$4.19 per Mcf and approximately 825 MMcf/d of expected 2015 production at an average price of \$4.37 per Mcf. In addition, Encana has hedged 15,000 bbls/d of expected July to December 2013 oil production at a WTI equivalent price of \$98.08 per barrel and approximately 5,800 bbls/d of expected 2014 oil production at a WTI equivalent price of \$93.80 per barrel.

Encana actively hedges its basis exposure using a combination of physical transportation and financial basis hedges. Encana has approximately 50 percent of its 2013 AECO basis exposure hedged, a position that partially protects the company from the recent widening of the AECO basis differential.

Dividend declared

On July 23, 2013, the Board declared a dividend of \$0.20 per share payable on September 30, 2013, to common shareholders of record as of September 13, 2013.

Second Quarter Highlights

Financial Summary		
(for the period ended June 30) (\$ millions, except per share amounts)	Q2 2013	Q2 2012
Cash flow¹	665	794
Per share diluted	0.90	1.08
Operating earnings¹	247	198
Per share diluted	0.34	0.27
Earnings Reconciliation Summary		
Net earnings (loss)	730	(1,482)
After tax (addition) deduction:		
Unrealized hedging gain (loss)	332	(547)
Impairments	-	(1,695)
Non-operating foreign exchange gain (loss)	(162)	(90)
Income tax adjustments	313	652
Operating earnings¹	247	198
Per share diluted	0.34	0.27

¹ Cash flow and operating earnings are non-GAAP measures as defined in Note 1 on page 4.

Production Summary			
(for the period ended June 30) (After royalties)	Q2 2013	Q2 2012	% Δ
Natural gas (MMcf/d)	2,766	2,802	-1
Liquids (Mbbbls/d)	47.6	28.2	+69

Second Quarter Natural Gas and Liquids Prices		
	Q2 2013	Q2 2012
Natural gas		
NYMEX (\$/MMBtu)	4.09	2.22
Encana realized gas price¹ (\$/Mcf)	4.17	4.79
Oil and NGLs (\$/bbl)		
WTI	94.17	93.35
Encana realized liquids price¹	68.25	80.32

¹ Realized prices include the impact of financial hedging.

Encana Corporation

Encana is a leading North American energy producer that is focused on growing its strong portfolio of diverse resource plays producing natural gas, oil and natural gas liquids. 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.

Important Information

Encana reports in U.S. dollars unless otherwise noted. Production, sales and reserves estimates are reported on an after-royalties basis, unless otherwise noted. Per share amounts for cash flow and earnings are on a diluted basis. The term liquids is used to represent oil, NGLs and condensate. The term liquids-rich is used to represent natural gas streams with associated liquids volumes. Unless otherwise specified or the context otherwise requires, reference to Encana or to the company includes reference to subsidiaries of and partnership interests held by Encana Corporation and its subsidiaries.

NOTE 1: Non-GAAP measures

This news release contains references to non-GAAP measures as follows:

- 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 and cash tax on sale of assets.
- Operating earnings is a non-GAAP measure defined as net earnings excluding non-recurring or non-cash items that management believes reduces the comparability of the company's financial performance between periods. These after-tax items may include, but are not limited to, unrealized hedging gains/losses, impairments, foreign exchange gains/losses, income taxes related to divestitures and adjustments to normalize the effect of income taxes calculated using the estimated annual effective tax rate.

These measures have been described and presented in this news release 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.

ADVISORY REGARDING OIL AND GAS INFORMATION - Encana uses the term resource play. 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.

In this news release, certain 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). 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. Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

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 news release 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 news release include, but are not limited to: anticipated capital investment; expected adherence to the company's 2013 capital spending plan; expected amounts of cash, cash equivalents and cash flow by year end; achieving 2013 Corporate Guidance; anticipated cost savings and improved operating efficiencies; anticipated natural gas prices over the next few years; anticipated timing for the development and implementation of the company's strategy; anticipated sustainable growth in shareholder value; anticipated divestitures and the proceeds therefrom, including with respect to assets in Oklahoma; and anticipated first gas from Deep Panuke and the timing thereof.

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 assumptions, risks and uncertainties include, among other things: volatility of, and assumptions regarding natural gas and liquids prices, including substantial or extended decline of the same and their adverse effect on the company's operations and financial condition and the value and amount of its reserves;

assumptions based upon the company's current guidance; fluctuations in currency and interest rates; risk that the company may not conclude divestitures of certain assets or other transactions or receive amounts contemplated under the transaction agreements (such transactions may include third-party capital investments, farm-outs or partnerships, which Encana may refer to from time to time as "partnerships" or "joint ventures" and the funds received in respect thereof which Encana may refer to from time to time as "proceeds", "deferred purchase price" and/or "carry capital", regardless of the legal form) as a result of various conditions not being met; product supply and demand; market competition; risks inherent in the company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserves estimates and estimates of recoverable quantities of natural gas and liquids from resource plays and other sources not currently classified as proved, probable or possible reserves or economic contingent resources, including future net revenue estimates; marketing margins; potential disruption or unexpected technical difficulties in developing new facilities; unexpected cost increases or technical difficulties in constructing or modifying processing facilities; risks associated with technology; the company's ability to acquire or find additional reserves; hedging activities resulting in realized and unrealized losses; business interruption and casualty losses; risk of the company not operating all of its properties and assets; counterparty risk; risk of downgrade in credit rating and its adverse effects; liability for indemnification obligations to third parties; variability of dividends to be paid; 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 royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the company operates; terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the company; risk arising from price basis differential; risk arising from inability to enter into attractive hedges to protect the company's capital program; 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. In addition, assumptions relating to such forward-looking statements generally include Encana's current expectations and projections made in light of, and generally consistent with, its historical experience and its perception of historical trends, including the conversion of resources into reserves and production as well as expectations regarding rates of advancement and innovation, generally consistent with and informed by its past experience, all of which are subject to the risk factors identified elsewhere in this news release.

Assumptions with respect to forward-looking information regarding expanding Encana's oil and NGLs production and extraction volumes are based on existing expansion of natural gas processing facilities in areas where Encana operates and the continued expansion and development of oil and NGL production from existing properties within its asset portfolio.

Forward-looking information respecting anticipated 2013 cash flow for Encana is based upon, among other things, achieving average production for 2013 of between 2.8 Bcf/d and 3.0 Bcf/d of natural gas and 50,000 bbls/d to 60,000 bbls/d of liquids, commodity prices for natural gas and liquids based on NYMEX \$3.75 per Mcf and WTI of \$95 per bbl, an estimated U.S./Canadian dollar foreign exchange rate of \$1.00 and a weighted average number of outstanding shares for Encana of approximately 736 million.

Furthermore, the forward-looking statements contained in this news release are made as of the date hereof and, except as required by law, Encana undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release 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 with the unaudited interim Condensed Consolidated Financial Statements for the period ended June 30, 2013 ("Interim Condensed Consolidated Financial Statements"), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2012.

The Interim Condensed Consolidated Financial Statements and comparative information have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") and in U.S. dollars, except where another currency has been indicated. Production volumes are presented on an after royalties basis consistent with U.S. oil and gas reporting standards and the disclosure of U.S. oil and gas companies. The term "liquids" is used to represent oil, natural gas liquids ("NGLs") and condensate. The term "liquids rich" is used to represent natural gas streams with associated liquids volumes. This document is dated July 23, 2013.

Certain measures in this document do not have any standardized meaning as prescribed by U.S. GAAP and, therefore, are considered non-GAAP measures. Non-GAAP measures are commonly used in the oil and gas industry and by Encana to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures include: Cash Flow; Operating Earnings; Revenues, Net of Royalties, Excluding Unrealized Hedging; Net Debt to Debt Adjusted Cash Flow; Debt to Debt Adjusted Cash Flow; Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Debt to Adjusted EBITDA; and Debt to Adjusted Capitalization. Further information can be found in the Non-GAAP Measures section of this MD&A, including reconciliations of Cash from Operating Activities to Cash Flow and of Net Earnings to Operating Earnings.

Readers should also read the Advisory section located at the end of this document, which provides information on Forward-Looking Statements, Oil and Gas Information and Currency and References to Encana.

Encana's Strategic Objectives

Encana is a leading North American energy producer that is focused on growing its strong portfolio of diverse resource plays producing natural gas, oil and NGLs. Encana is pursuing the key business objectives of maintaining financial strength, optimizing capital investments in the Company's highest return projects, reducing costs and continuing to pay a stable dividend to shareholders.

Encana's extensive portfolio of reserves and economic contingent resources in diverse resource plays in North America serve as the foundation for the Company's long-term strategy of accelerating the value recognition of its assets. Encana has a history of entering prospective plays early and leveraging technology to unlock resources and build the underlying productive capacity at a low cost. The Company is also working to expand the use of natural gas in North America in power generation, transportation and industrial applications.

Encana continually strives to improve operating efficiencies, foster technological innovation and lower its cost structures, while reducing its environmental footprint through resource play optimization. The Company's resource play hub model, which utilizes highly integrated production facilities, is used to develop resources by drilling multiple wells from central pad sites. Repeatable operations lend themselves to ongoing cost reductions through optimization of equipment and processes by applying continuous improvement techniques.

Encana's capital investment strategy is focused on building long-term production growth capacity and transitioning to a more diversified portfolio of production and cash flows. In 2013, the Company plans to continue focusing capital investment in Encana's highest return resource plays, investing in opportunities where development has demonstrated success and attracting third party capital investments. Third party capital investment advances development of the Company's reserves and resources, recognizes the value of the Company's assets and provides additional financial flexibility. In addition, third party investment reduces the risk of early life plays and maintains capital and operating efficiencies on mature assets.

Encana hedges a portion of its expected natural gas and oil production volumes. The Company's hedging program helps sustain Cash Flow and netbacks during periods of lower prices. Further information on the

Company's commodity price positions as at June 30, 2013 can be found in the Results Overview section of this MD&A and in Note 17 to the Interim Condensed Consolidated Financial Statements.

Additional information on expected results can be found in Encana's 2013 Corporate Guidance on the Company's website www.encana.com.

Encana's Business

Encana's reportable segments are determined based on the Company's operations and geographic locations as follows:

- **Canadian Division** includes the exploration for, development of, and production of natural gas, oil and NGLs and other related activities within Canada.
- **USA Division** includes the exploration for, development of, and production of natural gas, oil and NGLs and other related activities within the U.S.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canadian and USA Divisions. Market optimization activities include 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 and Other** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instrument relates.

Market Optimization sells substantially all of the Company's upstream production to third party customers. Transactions between segments are based on market values and are eliminated on consolidation. Financial information is presented on an after eliminations basis within this MD&A.

Results Overview

In the three months ended June 30, 2013, Encana reported:

- Cash Flow of \$665 million, Operating Earnings of \$247 million and Net Earnings of \$730 million.
- Average natural gas production volumes of 2,766 million cubic feet ("MMcf") per day ("MMcf/d") and average liquids production volumes of 47.6 thousand barrels ("Mbbbls") per day ("Mbbbls/d").
- Realized financial commodity hedging gains of \$52 million before tax.
- Average realized natural gas prices, including financial hedges, of \$4.17 per thousand cubic feet ("Mcf"). Average realized oil prices, including financial hedges, of \$88.27 per barrel ("bbl"). Average realized NGL prices of \$49.63 per bbl.
- Dividends paid of \$0.20 per share.

In the six months ended June 30, 2013, Encana reported:

- Cash Flow of \$1,244 million, Operating Earnings of \$426 million and Net Earnings of \$299 million.
- Average natural gas production volumes of 2,821 MMcf/d and average liquids production volumes of 45.6 Mbbbls/d.
- Realized financial commodity hedging gains of \$195 million before tax.
- Average realized natural gas prices, including financial hedges, of \$4.02 per Mcf. Average realized oil prices, including financial hedges, of \$88.94 per bbl. Average realized NGL prices of \$50.89 per bbl.
- Dividends paid of \$0.40 per share.

Financial Results

(\$ millions, except per share)	Six months ended June 30		2013		2012				2011	
	2013	2012	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash Flow ⁽¹⁾	\$ 1,244	\$ 1,815	\$ 665	\$ 579	\$ 809	\$ 913	\$ 794	\$ 1,021	\$ 983	\$ 1,181
per share - diluted	1.69	2.47	0.90	0.79	1.10	1.24	1.08	1.39	1.33	1.60
Operating Earnings ⁽¹⁾	426	438	247	179	296	263	198	240	232	389
per share - diluted	0.58	0.59	0.34	0.24	0.40	0.36	0.27	0.33	0.31	0.53
Net Earnings (Loss)	299	(1,470)	730	(431)	(80)	(1,244)	(1,482)	12	(476)	459
per share - basic and diluted	0.41	(2.00)	0.99	(0.59)	(0.11)	(1.69)	(2.01)	0.02	(0.65)	0.62
Production Volumes										
Natural Gas (MMcf/d)	2,821	3,037	2,766	2,877	2,948	2,905	2,802	3,272	3,459	3,365
Liquids (Mbbbls/d)	45.6	28.7	47.6	43.5	36.2	30.3	28.2	29.3	23.9	24.4
Capital Investment	1,354	1,917	639	715	780	779	797	1,120	1,008	1,186
Net Acquisitions & (Divestitures)	(398)	(2,368)	(312)	(86)	(1,327)	31	(8)	(2,360)	(1,538)	(4)
Revenues, Net of Royalties	3,043	2,530	1,984	1,059	1,605	1,025	731	1,799	2,461	2,353
Revenues, Net of Royalties, Excluding Unrealized Hedging ⁽¹⁾	2,968	3,255	1,523	1,445	1,723	1,623	1,526	1,729	1,883	1,953
Realized Hedging Gains, before tax	195	1,163	52	143	420	578	636	527	331	216
Ceiling Test Impairments, after tax	-	(1,695)	-	-	(291)	(1,193)	(1,695)	-	(1,105)	-

(1) A non-GAAP measure, which is defined under the Non-GAAP measures section of this MD&A.

Three months ended June 30, 2013 versus June 30, 2012

Cash Flow of \$665 million decreased \$129 million primarily due to lower realized financial hedging gains of \$584 million before tax, partially offset by higher realized natural gas prices which increased revenues \$445 million. In the three months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains before tax were \$52 million compared to \$636 million in 2012.
- Average realized natural gas prices, excluding financial hedges, were \$3.99 per Mcf compared to \$2.25 per Mcf in 2012 reflecting higher benchmark prices. Average natural gas production volumes of 2,766 MMcf/d decreased 36 MMcf/d from 2,802 MMcf/d in 2012 primarily as a result of the Company's capital investment focus in oil and liquids rich natural gas plays and a reduced capital investment program, partially offset by shut-in production volumes in 2012.
- Average oil and NGL production volumes of 47.6 Mbbbls/d increased 19.4 Mbbbls/d from 28.2 Mbbbls/d in 2012.
- Transportation and processing expense increased primarily due to costs related to higher production volumes processed through third party facilities and additional NGL volumes resulting from renegotiated gathering and processing agreements.

Operating Earnings of \$247 million increased \$49 million primarily due to the items discussed in the Cash Flow section, more than offset by lower depreciation, depletion and amortization ("DD&A") and lower deferred tax.

Net Earnings of \$730 million increased primarily due to the inclusion of an after-tax non-cash ceiling test impairment of \$1,695 million in the 2012 comparative and the items discussed in the Cash Flow and Operating Earnings sections. Net Earnings for the second quarter of 2013 also increased due to higher unrealized hedging

gains of \$879 million after tax and were offset by a higher non-operating foreign exchange loss and a lower deferred tax recovery.

The Company's after-tax non-cash ceiling test impairment in the second quarter of 2012 primarily resulted from the decline in the 12-month average trailing natural gas prices. Under full cost accounting, the carrying amount of Encana's natural gas and oil properties within each country cost centre is subject to a ceiling test performed quarterly. Ceiling test impairments are recognized when the capitalized costs aggregated by country exceed the sum of the estimated after-tax future net cash flows from proved reserves as calculated under Securities and Exchange Commission ("SEC") requirements using the 12-month average trailing prices and discounted at 10 percent.

Six months ended June 30, 2013 versus June 30, 2012

Cash Flow of \$1,244 million decreased \$571 million primarily due to lower realized financial hedging gains of \$968 million before tax, partially offset by higher realized natural gas prices which increased revenues \$587 million. In the six months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains before tax were \$195 million compared to \$1,163 million in 2012.
- Average realized natural gas prices, excluding financial hedges, were \$3.67 per Mcf compared to \$2.55 per Mcf in 2012 reflecting higher benchmark prices. Average natural gas production volumes of 2,821 MMcf/d decreased 216 MMcf/d from 3,037 MMcf/d in 2012 primarily as a result of the Company's capital investment focus in oil and liquids rich natural gas plays and a reduced capital investment program, partially offset by shut-in production volumes in 2012.
- Average oil and NGL production volumes of 45.6 Mbbls/d increased 16.9 Mbbls/d from 28.7 Mbbls/d in 2012.
- Transportation and processing expense increased primarily due to costs related to higher production volumes processed through third party facilities and additional NGL volumes resulting from renegotiated gathering and processing agreements.

Operating Earnings of \$426 million decreased \$12 million primarily due to the items discussed in the Cash Flow section, partially offset by lower DD&A and lower deferred tax.

Net Earnings of \$299 million increased primarily due to the inclusion of an after-tax non-cash ceiling test impairment of \$1,695 million in the 2012 comparative and the items discussed in the Cash Flow and Operating Earnings sections. Net Earnings for the first six months of 2013 also increased due to higher unrealized hedging gains of \$568 million after tax and were offset by a higher non-operating foreign exchange loss and a lower deferred tax recovery.

Encana's quarterly net earnings can be significantly impacted by fluctuations in commodity prices, realized and unrealized hedging gains and losses, production volumes, foreign exchange rates and non-cash ceiling test impairments which are provided in the Financial Results table and Quarterly Prices and Foreign Exchange Rates table within this MD&A.

Quarterly Prices and Foreign Exchange Rates

(average for the period)	Six months ended June 30		2013		2012				2011	
	2013	2012	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Encana Realized Pricing										
Natural Gas (\$/Mcf)										
Including hedging	\$ 4.02	\$ 4.68	\$ 4.17	\$ 3.86	\$ 5.02	\$ 4.91	\$ 4.79	\$ 4.58	\$ 4.79	\$ 5.01
Excluding hedging	3.67	2.55	3.99	3.35	3.45	2.77	2.25	2.80	3.73	4.32
Liquids (\$/bbl)										
Oil ⁽¹⁾	88.94	88.48	88.27	89.71	79.75	80.04	84.62	92.65	87.18	81.98
NGLs	50.89	72.56	49.63	52.24	52.97	61.34	72.88	72.30	83.11	83.12
Total ⁽¹⁾	68.82	82.08	68.25	69.45	66.65	72.17	80.32	83.77	85.44	82.43
Natural Gas Price Benchmarks										
NYMEX (\$/MMBtu)	3.71	2.48	4.09	3.34	3.40	2.81	2.22	2.74	3.55	4.20
AECO (C\$/Mcf)	3.34	2.17	3.59	3.08	3.06	2.19	1.83	2.52	3.47	3.72
Rockies (Opal) (\$/MMBtu)	3.58	2.34	3.89	3.26	3.26	2.56	2.01	2.67	3.47	3.90
HSC (\$/MMBtu)	3.71	2.41	4.11	3.30	3.35	2.84	2.17	2.65	3.49	4.23
Basis Differential (\$/MMBtu)										
AECO/NYMEX	0.41	0.30	0.56	0.27	0.32	0.62	0.39	0.22	0.17	0.34
Rockies/NYMEX	0.13	0.14	0.20	0.08	0.14	0.25	0.21	0.07	0.08	0.30
HSC/NYMEX	-	0.07	(0.02)	0.04	0.05	(0.03)	0.05	0.09	0.06	(0.03)
Oil Price Benchmark										
West Texas Intermediate (WTI) (\$/bbl)	94.26	98.15	94.17	94.36	88.22	92.20	93.35	103.03	94.02	89.54
Edmonton Light Sweet (C\$/bbl)	90.43	88.38	92.67	87.43	83.99	84.33	83.95	92.23	97.35	91.74
Foreign Exchange										
U.S./Canadian Dollar Exchange Rate	0.984	0.994	0.977	0.992	1.009	1.005	0.990	0.999	0.978	1.020

(1) Including realized hedging gains for 2013. The Company did not settle any oil hedges during 2012 or 2011.

Encana's financial results are influenced by fluctuations in commodity prices, price differentials and the U.S./Canadian dollar exchange rate. In the second quarter and first six months of 2013, Encana's average realized natural gas price, excluding hedging, reflected higher benchmark prices compared to 2012. Hedging activities contributed an additional \$0.18 per Mcf to the average realized natural gas price in the second quarter of 2013 and an additional \$0.35 per Mcf in the first six months of 2013.

Encana's average realized oil price for the second quarter and first six months of 2013 generally reflected higher benchmark prices. Hedging activities contributed an additional \$2.38 per bbl to the average realized oil price in the second quarter of 2013 and an additional \$3.71 per bbl in the first six months of 2013.

As a means of managing commodity price volatility and its impact on cash flows, Encana enters into various financial hedge agreements. Unsettled derivative financial contracts are recorded at the date of the financial statements based on the fair value of the contracts. Changes in fair value result from volatility in forward curves of commodity prices and changes in the balance of unsettled contracts between periods. The changes in fair value are recognized in revenue as unrealized hedging gains and losses. Realized hedging gains and losses are recognized in revenue when derivative financial contracts are settled.

At June 30, 2013, Encana has hedged approximately 2,255 MMcf/d of expected July to December 2013 natural gas production using NYMEX fixed price contracts at an average price of \$4.37 per Mcf, approximately 1,538 MMcf/d of expected 2014 production at an average price of \$4.19 per Mcf and approximately 825 MMcf/d of expected 2015 production at an average price of \$4.37 per Mcf. In addition, Encana has hedged approximately 9.3 Mbbls/d of expected July to December 2013 oil production using Brent fixed price contracts at an average price of \$108.22 per bbl, approximately 5.7 Mbbls/d of expected July to December 2013 oil production using WTI fixed price contracts at an average price of \$97.45 per bbl and approximately 5.8 Mbbls/d of expected 2014 oil

production using WTI fixed price contracts at an average price of \$93.80 per bbl. The Company's hedging program helps sustain Cash Flow during periods of lower prices. For additional information, see the Risk Management - Financial Risks section of this MD&A.

Production and Net Capital Investment

Production Volumes (After Royalties)

(average daily)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Natural Gas (MMcf/d)				
Canadian Division	1,364	1,237	1,393	1,365
USA Division	1,402	1,565	1,428	1,672
	2,766	2,802	2,821	3,037
Oil and NGLs (Mbbbls/d)				
Canadian Division	26.0	16.9	25.0	18.1
USA Division	21.6	11.3	20.6	10.6
	47.6	28.2	45.6	28.7

Average natural gas production volumes in the second quarter and first six months of 2013 were impacted by the Company's capital investment focus in oil and liquids rich natural gas plays and a reduced capital investment program, partially offset by shut-in production volumes in 2012. In the second quarter of 2013, average natural gas production volumes of 2,766 MMcf/d decreased 36 MMcf/d from 2012. In the first six months of 2013, average natural gas production volumes of 2,821 MMcf/d decreased 216 MMcf/d from 2012. The Canadian Division volumes were higher primarily due to successful drilling programs at Cutbank Ridge and Greater Sierra and shut-in production volumes in 2012, partially offset by natural declines. The USA Division volumes were lower primarily due to natural declines, partially offset by shut-in production volumes in 2012.

In the second quarter of 2013, average oil and NGL production volumes of 47.6 Mbbbls/d increased 19.4 Mbbbls/d from 2012. In the first six months of 2013, average oil and NGL production volumes of 45.6 Mbbbls/d increased 16.9 Mbbbls/d from 2012. The Canadian Division volumes were higher primarily due to the extraction of additional liquids volumes at the Musreau plant in Bighorn and the Gordondale plant in Peace River Arch and successful drilling programs in Peace River Arch and Bighorn. The USA Division volumes were higher primarily due to renegotiated gathering and processing agreements, which resulted in additional liquids volumes in Piceance and Jonah and successful drilling programs in oil and liquids rich natural gas plays.

Net Capital Investment

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Canadian Division	\$ 301	\$ 323	\$ 710	\$ 838
USA Division	327	432	610	995
Market Optimization	2	1	2	7
Corporate & Other	9	41	32	77
Capital Investment	639	797	1,354	1,917
Acquisitions	87	175	109	328
Divestitures	(399)	(183)	(507)	(2,696)
Net Acquisitions & (Divestitures)	(312)	(8)	(398)	(2,368)
Net Capital Investment	\$ 327	\$ 789	\$ 956	\$ (451)

Capital investment during the first six months of 2013 was \$1,354 million compared to \$1,917 million in 2012. Capital investment in 2013 reflects the Company's disciplined capital spending which focused on investment in Encana's highest return resource plays, investment in opportunities where development has demonstrated success and executing drilling programs with joint venture partners. Development of resource plays continued in Peace River Arch, Bighorn, Cutbank Ridge, Piceance and Haynesville. Investment in prospective oil and liquids rich natural gas plays was focused on the Duvernay, the DJ Basin, the San Juan Basin, the Tuscaloosa Marine Shale and Eaglebine.

Acquisitions in the first six months of 2013 were \$16 million in the Canadian Division and \$93 million in the USA Division, which primarily included land and property purchases with oil and liquids rich natural gas production potential.

Divestitures in the first six months of 2013 were \$495 million in the Canadian Division and \$10 million in the USA Division. The Canadian Division primarily included the sale of the Company's Jean Marie natural gas assets in the Greater Sierra resource play. The USA Division primarily included the sale of non-core assets. Divestitures in the first six months of 2012 in the Canadian Division included C\$1.45 billion received from a Mitsubishi Corporation subsidiary, C\$100 million received from a Toyota Tsusho Corporation subsidiary and approximately C\$920 million received from the sale of two natural gas processing plants. In the first six months of 2012, the USA Division received proceeds of \$114 million from the remainder of the North Texas asset sale. Amounts received from these transactions have been deducted from the respective Canadian and U.S. full cost pools.

Encana is currently involved in a number of joint ventures with counterparties in both Canada and the U.S. These arrangements support the Company's long-term strategy of accelerating the value recognition of its assets. Sharing development costs with third parties enables Encana to advance project development while reducing capital investment, thereby improving project returns.

Divisional Results

Canadian Division

Operating Cash Flow

Three months ended June 30, 2013 versus June 30, 2012

	Three months ended June 30					
	Operating Cash Flow (\$ millions)		Natural Gas Netback (\$/Mcf)		Oil & NGLs Netback (\$/bbl)	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties, excluding Hedging	\$ 625	\$ 350	\$ 3.69	\$ 2.05	\$ 65.88	\$ 76.47
Realized Financial Hedging Gain	21	286	0.15	2.61	1.00	-
Expenses						
Production and mineral taxes	1	3	-	0.01	0.62	1.28
Transportation and processing	169	145	1.33	1.31	1.53	1.18
Operating	93	83	0.65	0.71	3.77	1.68
Operating Cash Flow/Netback	\$ 383	\$ 405	\$ 1.86	\$ 2.63	\$ 60.96	\$ 72.33

	Three months ended June 30			
	Natural Gas (MMcf/d)		Oil & NGLs (Mbbls/d)	
	2013	2012	2013	2012
Production Volumes - After Royalties	1,364	1,237	26.0	16.9

Operating Cash Flow of \$383 million decreased \$22 million primarily due to lower realized financial hedging gains of \$265 million, partially offset by higher realized natural gas prices which increased revenues \$205 million. In the three months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains were \$21 million compared to \$286 million in 2012.
- Higher natural gas prices reflected higher benchmark prices, which increased revenues by \$205 million. Average natural gas production volumes of 1,364 MMcf/d were higher by 127 MMcf/d, which increased revenues by \$31 million. This was primarily due to successful drilling programs at Cutbank Ridge and Greater Sierra and shut-in production volumes in 2012, partially offset by natural declines.
- Average oil and NGL production volumes of 26.0 Mbbls/d were higher by 9.1 Mbbls/d. This increased revenues by \$63 million primarily due to the extraction of additional liquids volumes at the Musreau plant in Bighorn and the Gordondale plant in Peace River Arch and successful drilling programs in Peace River Arch and Bighorn.
- Transportation and processing expense increased \$24 million primarily due to costs related to higher production volumes processed through third party facilities in Cutbank Ridge, Peace River Arch and Bighorn and higher firm processing costs.

Six months ended June 30, 2013 versus June 30, 2012

	Six months ended June 30					
	Operating Cash Flow (\$ millions)		Natural Gas Netback (\$/Mcf)		Oil & NGLs Netback (\$/bbl)	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties, excluding Hedging	\$ 1,198	\$ 845	\$ 3.44	\$ 2.33	\$ 65.32	\$ 78.33
Realized Financial Hedging Gain	91	514	0.33	2.10	1.57	-
Expenses						
Production and mineral taxes	3	6	-	-	0.60	1.85
Transportation and processing	341	278	1.31	1.12	1.43	1.06
Operating	196	180	0.66	0.69	4.65	1.40
Operating Cash Flow/Netback	\$ 749	\$ 895	\$ 1.80	\$ 2.62	\$ 60.21	\$ 74.02

	Six months ended June 30			
	Natural Gas (MMcf/d)		Oil & NGLs (Mbbls/d)	
	2013	2012	2013	2012
Production Volumes - After Royalties	1,393	1,365	25.0	18.1

Operating Cash Flow of \$749 million decreased \$146 million primarily due to lower realized financial hedging gains of \$423 million, partially offset by higher realized natural gas prices which increased revenues \$285 million. In the six months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains were \$91 million compared to \$514 million in 2012.
- Higher natural gas prices reflected higher benchmark prices, which increased revenues by \$285 million. Average natural gas production volumes of 1,393 MMcf/d were higher by 28 MMcf/d, which increased revenues by \$26 million. This was primarily due to successful drilling programs at Cutbank Ridge and Greater Sierra and shut-in production volumes in 2012, partially offset by natural declines.
- Average oil and NGL production volumes of 25.0 Mbbls/d were higher by 6.9 Mbbls/d. This increased revenues by \$97 million primarily due to the extraction of additional liquids volumes at the Musreau plant in Bighorn and the Gordondale plant in Peace River Arch and successful drilling programs in Peace River Arch and Bighorn.
- Transportation and processing expense increased \$63 million primarily due to costs related to higher production volumes processed through third party facilities in Cutbank Ridge, Bighorn and Peace River Arch and higher firm processing costs.

Results by Resource Play

	Three months ended June 30					
	Natural Gas Production (MMcf/d)		Oil & NGLs Production (Mbbbls/d)		Capital (\$ millions)	
	2013	2012	2013	2012	2013	2012
Cutbank Ridge	472	377	1.9	1.5	\$ 19	\$ 35
Bighorn	242	263	7.4	3.4	56	63
Peace River Arch	119	99	6.4	2.5	85	52
Clearwater	331	353	9.2	9.0	15	14
Greater Sierra	195	142	0.5	0.3	6	47
Other and emerging	5	3	0.6	0.2	120	112
Total Canadian Division	1,364	1,237	26.0	16.9	\$ 301	\$ 323

	Six months ended June 30					
	Natural Gas Production (MMcf/d)		Oil & NGLs Production (Mbbbls/d)		Capital (\$ millions)	
	2013	2012	2013	2012	2013	2012
Cutbank Ridge	477	426	1.7	1.3	\$ 70	\$ 115
Bighorn	242	245	7.4	4.5	161	185
Peace River Arch	117	109	6.0	2.6	186	109
Clearwater	339	397	8.8	9.1	79	77
Greater Sierra	213	187	0.5	0.5	15	91
Other and emerging	5	1	0.6	0.1	199	261
Total Canadian Division	1,393	1,365	25.0	18.1	\$ 710	\$ 838

Other and emerging resource plays include results from prospective oil and liquids rich natural gas plays, including the Duvernay emerging play, and the Deep Panuke offshore natural gas project.

Average oil and NGL production volumes during the second quarter and first six months of 2013 increased due to the extraction of additional volumes at the Musreau plant in Bighorn and the Gordondale plant in Peace River Arch.

Other Divisional Expenses

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Depreciation, depletion and amortization	\$ 146	\$ 162	\$ 297	\$ 396
Impairments	-	748	-	748

In the second quarter and first six months of 2013, DD&A decreased from 2012 due to a lower depletion rate, partially offset by higher production volumes. The lower depletion rate primarily resulted from ceiling test impairments recognized in the second and third quarters of 2012 and deductions from the full cost pool for amounts received from divestitures during 2012.

In the second quarter and first six months of 2012, the Division recognized a non-cash ceiling test impairment of \$748 million before tax. The impairment primarily resulted from the decline in the 12-month average trailing natural gas prices, which reduced the Division's proved reserves volumes and values as calculated under SEC requirements.

The 12-month average trailing prices used in the ceiling test calculations were based on benchmark prices which were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality. At June 30, 2013, the 12-month average trailing price for AECO was C\$3.02/MMBtu compared to C\$2.76/MMBtu at June 30, 2012. The 12-month average trailing price for Edmonton Light Sweet at June 30, 2013 was C\$88.10/bbl compared to C\$92.20/bbl at June 30, 2012.

USA Division

Operating Cash Flow

Three months ended June 30, 2013 versus June 30, 2012

	Three months ended June 30					
	Operating Cash Flow (\$ millions)		Natural Gas Netback (\$/Mcf)		Oil & NGLs Netback (\$/bbl)	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties, excluding Hedging	\$ 687	\$ 437	\$ 4.29	\$ 2.41	\$ 68.56	\$ 86.11
Realized Financial Hedging Gain	30	355	0.21	2.49	1.32	-
Expenses						
Production and mineral taxes	36	12	0.21	0.03	4.57	7.17
Transportation and processing	179	148	1.40	1.04	-	0.09
Operating	97	87	0.61	0.56	7.54	5.52
Operating Cash Flow/Netback	\$ 405	\$ 545	\$ 2.28	\$ 3.27	\$ 57.77	\$ 73.33

	Three months ended June 30			
	Natural Gas (MMcf/d)		Oil & NGLs (Mbbbls/d)	
	2013	2012	2013	2012
Production Volumes - After Royalties	1,402	1,565	21.6	11.3

Operating Cash Flow of \$405 million decreased \$140 million primarily due to lower realized financial hedging gains of \$325 million, partially offset by higher realized natural gas prices which increased revenues \$240 million. In the three months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains were \$30 million compared to \$355 million in 2012.
- Higher natural gas prices reflected higher benchmark prices, which increased revenues by \$240 million. Average natural gas production volumes of 1,402 MMcf/d were lower by 163 MMcf/d. This decreased revenues by \$36 million primarily due to natural declines, partially offset by shut-in production volumes in 2012.
- Average oil and NGL production volumes of 21.6 Mbbbls/d were higher by 10.3 Mbbbls/d. This increased revenues by \$81 million primarily due to renegotiated gathering and processing agreements, which resulted in additional liquids volumes in Piceance and Jonah and successful drilling programs in oil and liquids rich natural gas plays.
- Production and mineral taxes expense increased \$24 million primarily due to higher natural gas prices.
- Transportation and processing expense increased \$31 million primarily due to costs related to renegotiated gathering and processing agreements and higher costs resulting from higher volume commitments.

Six months ended June 30, 2013 versus June 30, 2012

	Six months ended June 30					
	Operating Cash Flow (\$ millions)		Natural Gas Netback (\$/Mcf)		Oil & NGLs Netback (\$/bbl)	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties, excluding Hedging	\$ 1,275	\$ 1,013	\$ 3.89	\$ 2.73	\$ 69.20	\$ 88.44
Realized Financial Hedging Gain	104	657	0.37	2.16	1.96	-
Expenses						
Production and mineral taxes	59	33	0.16	0.06	4.54	7.71
Transportation and processing	363	321	1.40	1.05	-	0.14
Operating	209	188	0.63	0.59	10.19	4.13
Operating Cash Flow/Netback	\$ 748	\$ 1,128	\$ 2.07	\$ 3.19	\$ 56.43	\$ 76.46

	Six months ended June 30			
	Natural Gas (MMcf/d)		Oil & NGLs (Mbbls/d)	
	2013	2012	2013	2012
Production Volumes - After Royalties	1,428	1,672	20.6	10.6

Operating Cash Flow of \$748 million decreased \$380 million primarily due to lower realized financial hedging gains of \$553 million, partially offset by higher realized natural gas prices which increased revenues \$302 million. In the six months ended June 30, 2013, Cash Flow was impacted by the following significant items:

- Realized financial hedging gains were \$104 million compared to \$657 million in 2012.
- Higher natural gas prices reflected higher benchmark prices, which increased revenues by \$302 million. Average natural gas production volumes of 1,428 MMcf/d were lower by 244 MMcf/d. This decreased revenues by \$125 million primarily due to natural declines, partially offset by shut-in production volumes in 2012.
- Average oil and NGL production volumes of 20.6 Mbbls/d were higher by 10.0 Mbbls/d. This increased revenues by \$157 million primarily due to renegotiated gathering and processing agreements, which resulted in additional liquids volumes in Piceance and Jonah and successful drilling programs in oil and liquids rich natural gas plays.
- Production and mineral taxes expense increased \$26 million primarily due to higher natural gas prices.
- Transportation and processing expense increased \$42 million primarily due to costs related to renegotiated gathering and processing agreements and higher costs resulting from higher volume commitments.
- Operating expense increased \$21 million primarily due to an increased focus on emerging oil and liquids rich natural gas plays.

Results by Resource Play

	Three months ended June 30					
	Natural Gas Production (MMcf/d)		Oil & NGLs Production (Mbbbls/d)		Capital (\$ millions)	
	2013	2012	2013	2012	2013	2012
Piceance	465	470	5.2	2.0	\$ 51	\$ 112
Jonah	332	426	4.9	4.0	13	25
Haynesville	375	418	-	0.1	55	90
Texas	145	158	-	-	3	16
Other and emerging	85	93	11.5	5.2	205	189
Total USA Division	1,402	1,565	21.6	11.3	\$ 327	\$ 432

	Six months ended June 30					
	Natural Gas Production (MMcf/d)		Oil & NGLs Production (Mbbbls/d)		Capital (\$ millions)	
	2013	2012	2013	2012	2013	2012
Piceance	462	479	4.8	1.8	\$ 99	\$ 218
Jonah	339	437	4.7	4.1	21	74
Haynesville	397	481	-	0.1	87	275
Texas	145	179	-	0.1	8	45
Other and emerging	85	96	11.1	4.5	395	383
Total USA Division	1,428	1,672	20.6	10.6	\$ 610	\$ 995

Other and emerging resource plays include results from prospective oil and liquids rich natural gas plays including the DJ Basin, the San Juan Basin, the Tuscaloosa Marine Shale and Eaglebine.

Average oil and NGL production volumes during the second quarter and first six months of 2013 increased due to renegotiated gathering and processing agreements, which resulted in additional liquids volumes in Piceance and Jonah and successful drilling programs in the DJ Basin and other emerging resource plays.

Average natural gas production volumes during the second quarter and first six months of 2013 in Jonah and Haynesville were impacted by natural declines and a reduced capital investment program.

Other Divisional Expenses

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Depreciation, depletion and amortization	\$ 210	\$ 287	\$ 418	\$ 617
Impairments	-	1,778	-	1,778

In the second quarter and first six months of 2013, DD&A decreased from 2012 due to a lower depletion rate and lower production volumes. The lower depletion rate primarily resulted from ceiling test impairments recognized during 2012.

In the second quarter and first six months of 2012, the Division recognized a non-cash ceiling test impairment of \$1,778 million before tax. The impairment primarily resulted from the decline in the 12-month average trailing natural gas prices, which reduced the Division's proved reserves volumes and values as calculated under SEC requirements.

The 12-month average trailing prices used in the ceiling test calculations were based on benchmark prices which were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality. At June 30, 2013, the 12-month average trailing price for Henry Hub was \$3.44/MMBtu.

compared to \$3.15/MMBtu at June 30, 2012. The 12-month average trailing price for WTI at June 30, 2013 was \$91.60/bbl compared to \$95.67/bbl at June 30, 2012.

Market Optimization

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Revenues	\$ 136	\$ 97	\$ 253	\$ 218
Expenses				
Operating	12	6	13	16
Purchased product	116	85	218	190
Depreciation, depletion and amortization	3	3	6	6
	\$ 5	\$ 3	\$ 16	\$ 6

Market Optimization revenues and purchased product expense relate to activities that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. Revenues and purchased product expense increased in the second quarter and first six months of 2013 compared to 2012 primarily due to higher commodity prices partially offset by lower volumes required for optimization.

Corporate and Other

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Revenues	\$ 485	\$ (794)	\$ 122	\$ (717)
Expenses				
Transportation and processing	(8)	-	(9)	7
Operating	8	3	15	5
Depreciation, depletion and amortization	35	20	68	40
	\$ 450	\$ (817)	\$ 48	\$ (769)

Revenues mainly include unrealized hedging gains or losses recorded on financial derivative contracts which result from the volatility in forward curves of commodity prices and changes in the balance of unsettled contracts between periods. Transportation and processing expense reflects unrealized financial hedging gains or losses related to the Company's power financial derivative contracts. DD&A includes amortization of corporate assets, such as computer equipment, office buildings, furniture and leasehold improvements.

Comparative figures above for the three and six months ended June 30, 2012 have been updated to present unrealized financial hedging gains and losses related to the Company's power financial derivative contracts in transportation and processing expense. Formerly, these were presented in operating expense. For additional information see Note 3 to the Interim Condensed Consolidated Financial Statements.

Other Operating Results

Expenses

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Accretion of asset retirement obligation	\$ 14	\$ 13	\$ 28	\$ 27
Administrative	83	95	178	197
Interest	141	135	281	258
Foreign exchange (gain) loss, net	166	97	268	(5)
Other	(3)	-	(7)	(2)
	\$ 401	\$ 340	\$ 748	\$ 475

Interest expense in the second quarter and first six months of 2013 increased from 2012 primarily due to interest related to The Bow office building.

Foreign exchange gains and losses result from the impact of the fluctuations in the Canadian to U.S. dollar exchange rate. Foreign exchange gains and losses primarily arise from the revaluation and settlement of U.S. dollar long-term debt issued from Canada and the revaluation of other monetary assets and liabilities.

Income Tax

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Current Income Tax	\$ (60)	\$ (43)	\$ (127)	\$ (177)
Deferred Income Tax	(184)	(1,654)	(74)	(1,107)
Income Tax Expense (Recovery)	\$ (244)	\$ (1,697)	\$ (201)	\$ (1,284)

Current income tax in the first six months of 2013 was a recovery primarily due to amounts in respect of prior periods. The current income tax recovery in the first six months of 2012 was primarily due to the carry back of tax losses to prior years. Total income tax was a recovery of \$201 million in the first six months of 2013 and decreased \$1,083 million primarily due to higher net earnings before tax. The Net Earnings variances are discussed in the Financial Results section of this MD&A.

Encana's interim income tax expense is calculated using the estimated annual effective tax rate applied to year-to-date net earnings before tax plus amounts in respect of prior periods. The Company's effective tax rate for the first six months of 2013 is lower than 2012 as a result of the differences in expected annual earnings, the tax impact of divestitures and other transactions and amounts in respect of prior periods.

The estimated annual effective tax rate is impacted by expected annual earnings, statutory and other rate differences, the effect of legislative changes, international financing, non-taxable capital gains and losses, tax differences on divestitures and transactions and partnership tax allocations in excess of funding.

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 tax matters under review. The Company believes that the provision for taxes is adequate.

Liquidity and Capital Resources

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net Cash From (Used In)				
Operating activities	\$ 554	\$ 631	\$ 892	\$ 1,248
Investing activities	(363)	(995)	(817)	643
Financing activities	(109)	(147)	(258)	(813)
Foreign exchange gain (loss) on cash and cash equivalents held in foreign currency	(44)	(8)	(80)	(4)
Increase (Decrease) in Cash and Cash Equivalents	\$ 38	\$ (519)	\$ (263)	\$ 1,074
Cash and Cash Equivalents, End of Period	\$ 2,916	\$ 1,874	\$ 2,916	\$ 1,874

Operating Activities

Net cash from operating activities in the second quarter of 2013 of \$554 million decreased \$77 million from the second quarter of 2012. This decrease is a result of the Cash Flow variances discussed in the Financial Results section of this MD&A. In the second quarter of 2013, the net change in non-cash working capital was a deficit of \$81 million compared to a deficit of \$134 million in the second quarter of 2012.

Net cash from operating activities in the first six months of 2013 of \$892 million decreased \$356 million from the first six months of 2012. This decrease is a result of the Cash Flow variances discussed in the Financial Results section of this MD&A. In the first six months of 2013, the net change in non-cash working capital was a deficit of \$296 million compared to a deficit of \$509 million in the first six months of 2012.

The Company had a working capital surplus of \$1,809 million at June 30, 2013 compared to \$2,865 million at December 31, 2012. The decrease in working capital is primarily due to an increase in the current portion of long-term debt and a decrease in accounts receivable and accrued revenues, partially offset by a decrease in accounts payable and accrued liabilities. At June 30, 2013, working capital included cash and cash equivalents of \$2,916 million compared to \$3,179 million at December 31, 2012. Encana expects that it will continue to meet the payment terms of its suppliers.

Investing Activities

Net cash used in investing activities in the first six months of 2013 was \$817 million compared to net cash from investing activities of \$643 million in the first six months of 2012. The net cash used in investing activities primarily resulted from lower divestiture proceeds, partially offset by lower capital expenditures and lower acquisition costs. Reasons for these changes are discussed further in the Net Capital Investment section of this MD&A.

Investing activities in the first six months of 2013 also included proceeds received from the sale of the Company's 30 percent interest in the proposed Kitimat liquefied natural gas export terminal in British Columbia. The transaction closed on February 8, 2013.

Net cash used in investing activities in the first six months of 2013 also included cash in reserve released from escrow of \$8 million compared to \$405 million in the first six months of 2012. Cash in reserve includes monies which are not available for general operating use, are segregated or held in escrow and include amounts received from counterparties related to jointly developed assets.

Financing Activities

Long-Term Debt

Encana's current portion of long-term debt outstanding was \$1,500 million at June 30, 2013 compared to \$500 million at December 31, 2012. Encana's long-term debt, excluding the current portion, totaled \$6,133 million at June 30, 2013 and \$7,175 million at December 31, 2012. There were no outstanding balances under the Company's revolving credit facilities at June 30, 2013 or December 31, 2012.

Credit Facilities and Shelf Prospectuses

Encana maintains two committed revolving bank credit facilities and a U.S. dollar shelf prospectus. In June 2013, the Company extended the maturity date of its existing revolving bank credit facilities to June 2018 and reduced the Canadian facility from C\$4.0 billion to C\$3.5 billion. As at June 30, 2013, Encana had available unused committed revolving bank credit facilities of \$4.3 billion and unused capacity under a shelf prospectus for up to \$4.0 billion.

- Encana has in place a revolving bank credit facility for C\$3.5 billion (\$3.3 billion) that remains committed through June 2018, of which C\$3.5 billion (\$3.3 billion) remained unused.
- One of Encana's U.S. subsidiaries has in place a revolving bank credit facility for \$1.0 billion that remains committed through June 2018, of which \$999 million remained unused.
- Encana has in place a shelf prospectus whereby it may issue from time to time up to \$4.0 billion, or the equivalent in foreign currencies, of debt securities in the U.S. At June 30, 2013, the shelf prospectus remained unutilized, the availability of which is dependent upon market conditions. The shelf prospectus expires in June 2014.

Encana had in place an unutilized shelf prospectus for up to C\$2.0 billion, or the equivalent in foreign currencies, of debt securities in Canada which expired in June 2013. Encana did not renew the shelf prospectus as the Company has sufficient cash balances on hand and does not believe that access to the debt capital market in Canada will be required in the near term.

Encana is currently in compliance with, and expects that it will continue to be in compliance with, all financial covenants under its credit facility agreements. Management monitors Debt to Adjusted Capitalization as a proxy for Encana's financial covenant under its credit facility agreements which require debt to adjusted capitalization to be less than 60 percent. The definitions used in the covenant under the credit facilities adjust capitalization for cumulative historical ceiling test impairments that were recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP. Debt to Adjusted Capitalization was 37 percent at June 30, 2013 and December 31, 2012.

Outstanding Share Data

As at June 30, 2013 and July 22, 2013, Encana had 737.9 million common shares outstanding and 32.3 million outstanding stock options with Tandem Stock Appreciation Rights ("TSARs") attached (15.7 million exercisable). A TSAR gives the option holder the right to receive a cash payment equal to the excess of the market price of Encana's common shares at the time of exercise over the original grant price.

During 2013, Encana cancelled 650,000 common shares reserved for issuance to shareholders upon exchange of predecessor companies' shares. In accordance with the terms of the merger agreement which formed Encana, shares which have remained unexchanged were extinguished. Accordingly, the weighted average book value of the common shares extinguished has been transferred to paid in surplus.

During 2013, Encana issued 2.2 million common shares totaling \$39 million under the Company's dividend reinvestment plan.

Dividends

Encana pays quarterly dividends to shareholders at the discretion of the Board of Directors. Dividend payments were \$147 million or \$0.20 per share for the second quarter of 2013 (2012 - \$147 million or \$0.20 per share) and \$294 million or \$0.40 per share for the six months ended June 30, 2013 (2012 - \$294 million or \$0.40 per share). For the second quarter and six months ended June 30, 2013, the dividends paid included \$39 million in common shares as disclosed above, which were issued in lieu of cash dividends under the Company's dividend reinvestment plan.

On July 23, 2013, the Board declared a dividend of \$0.20 per share payable on September 30, 2013 to common shareholders of record as of September 13, 2013.

Capital Structure

The Company's capital structure consists of shareholders' equity plus long-term debt, including the current portion. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve Encana's access to capital markets and its ability to meet financial obligations and finance internally generated growth, as well as potential acquisitions. Encana has a long-standing practice of maintaining capital discipline, managing its capital structure and adjusting its capital structure according to market conditions to maintain flexibility while achieving the Company's objectives.

To manage the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt. In managing its capital structure, the Company monitors several non-GAAP financial metrics as indicators of its overall financial strength, which are defined in the Non-GAAP Measures section of this MD&A. The financial metrics the Company currently monitors are below.

	June 30, 2013	December 31, 2012
Net Debt to Debt Adjusted Cash Flow	1.4x	1.1x
Debt to Debt Adjusted Cash Flow	2.3x	2.0x
Debt to Adjusted EBITDA	2.3x	2.0x
Debt to Adjusted Capitalization	37%	37%

Commitments and Contingencies

Commitments

The following table outlines the Company's commitments at June 30, 2013:

(\$ millions, undiscounted)	Expected Future Payments						Total
	2013	2014	2015	2016	2017	Thereafter	
Transportation and Processing	\$ 455	\$ 930	\$ 949	\$ 854	\$ 820	\$ 4,775	\$ 8,783
Drilling and Field Services	237	152	98	67	37	67	658
Operating Leases	23	47	44	38	30	71	253
Commitments	\$ 715	\$ 1,129	\$ 1,091	\$ 959	\$ 887	\$ 4,913	\$ 9,694

In addition to the Commitments disclosed above, Encana has development commitments with joint venture partners resulting from the Company's prior arrangements. A portion of these joint venture commitments may be satisfied by the Drilling and Field Services commitments included in the table above. Further information regarding Encana's significant arrangements is provided in the Company's annual MD&A for the year ended December 31, 2012.

Further to the Commitments disclosed above, Encana has also made commitments related to its risk management program and the Company has an obligation to fund its defined benefit pension and other post-

employment benefit plans. Further information can be found in Note 17 to the Interim Condensed Consolidated Financial Statements regarding the Company's risk management program. The Company expects to fund its 2013 commitments from Cash Flow and cash and cash equivalents.

Contractual obligations arising from long-term debt, asset retirement obligations, capital leases, The Bow office building and the Deep Panuke Production Field Centre are recognized on the Company's balance sheet. Further information can be found in the note disclosures to the Interim Condensed Consolidated Financial Statements.

Contingencies

Encana is involved in various legal claims and actions arising in the course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Encana's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation and claims are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims.

Risk Management

Encana's business, prospects, financial condition, results of operation and cash flows, and in some cases its reputation, are impacted by risks that are categorized as follows:

- financial risks;
- operational risks; and
- safety, environmental and regulatory risks.

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

Encana continues to implement its business model of focusing on developing low-risk and low-cost long-life resource plays, which allows the Company to respond well to market uncertainties. Management adjusts financial and operational risk strategies to proactively respond to changing economic conditions and to mitigate or reduce risk.

Financial Risks

Encana defines financial risks as the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on Encana's business.

Financial risks include, but are not limited to:

- market pricing of natural gas and liquids;
- credit and liquidity;
- foreign exchange rates; and
- interest rates.

Encana partially mitigates its exposure to financial risks through the use of various financial instruments and physical contracts. The use of derivative financial instruments is governed under formal policies and is subject to limits established by the Board of Directors. All derivative financial agreements are with major financial institutions

in Canada and the U.S. or with counterparties having investment grade credit ratings. 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 investment returns and growth objectives, while maintaining prescribed financial metrics.

To partially mitigate commodity price risk, the Company may enter into transactions that fix or set a floor and cap on prices. To help protect against regional price differentials, Encana executes transactions to manage the price differentials between its production areas and various sales points. Further information, including the details of Encana's financial instruments as at June 30, 2013, is disclosed in Note 17 to the Interim Condensed Consolidated Financial Statements.

Counterparty and credit risks are regularly and proactively managed. A substantial portion of Encana's credit exposure is with customers in the oil and gas industry or financial institutions. This credit exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio, including credit practices that limit transactions and grant payment terms according to counterparties' credit quality.

The Company manages liquidity risk using cash and debt management programs. The Company has access to cash equivalents and a range of funding alternatives at competitive rates through committed revolving bank credit facilities and debt capital markets. Encana closely monitors the Company's ability to access cost-effective credit and ensures that sufficient liquidity is in place to fund capital expenditures and dividend payments. The Company minimizes its liquidity risk by managing its capital structure. In managing the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

Operational Risks

Operational risks are defined as the risk of loss or lost opportunity resulting from the following:

- reserves and resources replacement;
- capital activities; and
- operating activities.

The Company's ability to operate, generate cash flows, complete projects, and value reserves and resources is subject to financial risks, including commodity prices mentioned above, continued market demand for its products and other risk factors outside of its control, which include: general business and market conditions; economic recessions and financial market turmoil; the overall state of the capital markets, including investor appetite for investments in the oil and gas industry generally and the Company's securities in particular; the ability to secure and maintain cost effective financing for its commitments; legislative, environmental and regulatory matters; unexpected cost increases; royalties; taxes; volatility in natural gas and liquids prices; the availability of drilling and other equipment; the ability to access lands; the ability to access water for hydraulic fracturing operations; weather; the availability of processing capacity; the availability and proximity of pipeline capacity; technology failures; accidents; the availability of skilled labour; and reservoir quality. If Encana fails to acquire or find additional natural gas and liquids reserves and resources, its reserves, resources and production will decline materially from their current levels and, therefore, its cash flows are highly dependent upon successfully exploiting current reserves and resources and acquiring, discovering or developing additional reserves and resources. To mitigate these risks, as part of the capital approval process, the Company's projects are evaluated on a fully risked basis, including geological risk and engineering risk.

When making operating and investing decisions, Encana's business model allows flexibility in capital allocation to optimize investments focused on project returns, long-term value creation and risk mitigation. Encana also mitigates operational risks through a number of other policies, systems and processes as well as by maintaining a comprehensive insurance program.

Safety, Environmental and Regulatory Risks

The Company is committed to safety in its operations and has high regard for the environment and stakeholders, including regulators. The Company's business is subject to all of the operating risks normally associated with the exploration for, development of and production of natural gas, oil and NGLs and the operation of midstream facilities. When assessing the materiality of the environmental risk factors, Encana takes into account a number of qualitative and quantitative factors, including, but not limited to, financial, operational, reputational and regulatory aspects of the identified risk factor. 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, security 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 provides recommended environmental policies for approval by Encana's Board of Directors 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 audits, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to environmental events and remediation/reclamation strategies are utilized to restore the environment.

Encana's operations are subject to regulation and intervention by governments that can affect or prohibit the drilling, completion, including hydraulic fracturing and tie-in of wells, production, the construction or expansion of facilities and the operation and abandonment of fields. Changes in government regulation could impact the Company's existing and planned projects as well as impose a cost of compliance.

On June 20, 2013, the U.S. Environmental Protection Agency (the "EPA") announced it has suspended its study of the potential environmental impacts of hydraulic fracturing, including the impacts on drinking water sources and public health, at Encana's Pavillion natural gas field in Wyoming. The agency has stated that the results in its 2011 draft report were inconclusive and it does not plan to finalize, seek peer review of or rely upon the conclusions of the draft report. Further, no aspects of the draft report will be incorporated into the EPA's larger ongoing national study of hydraulic fracturing. Instead, the EPA will support additional scientific investigation of the Pavillion groundwater being led by the Wyoming Department of Environmental Quality and the Wyoming Oil and Gas Conservation Commission. Any implication of a potential connection between hydraulic fracturing and groundwater quality may potentially subject Encana to regulatory, operational and/or reputation risks.

A comprehensive discussion of Encana's risk management is provided in the Company's annual MD&A for the year ended December 31, 2012.

Accounting Policies and Estimates

Critical Accounting Estimates

Refer to the annual MD&A for the year ended December 31, 2012 for a comprehensive discussion of Encana's Critical Accounting Policies and Estimates.

Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

As of January 1, 2013, Encana adopted the following accounting standards updates issued by the Financial Accounting Standards Board ("FASB"), which have not had a material impact on the Company's Interim Condensed Consolidated Financial Statements:

- Accounting Standards Update 2011-11, *Disclosures about Offsetting Assets and Liabilities*, and Accounting Standards Update 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, require disclosure of both gross and net information about certain financial instruments eligible for offset in the balance sheet and certain financial instruments subject to master netting arrangements. The amendments have been applied retrospectively.
- Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, requires enhanced disclosures about amounts reclassified out of accumulated other comprehensive income. The amendments have been applied prospectively.

New Standards Issued Not Yet Adopted

As of January 1, 2014, Encana will be required to adopt the following accounting standards updates issued by the FASB, which are not expected to have a material impact on the Company's Consolidated Financial Statements:

- Accounting Standards Update 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*, clarifies guidance for the recognition, measurement and disclosure of liabilities resulting from joint and several liability arrangements. The amendments will be applied retrospectively.
- Accounting Standards Update 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, clarifies the applicable guidance for certain transactions that result in the release of the cumulative translation adjustment into net earnings. The amendments will be applied prospectively.
- Accounting Standards Update 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, clarifies that a liability related to an unrecognized tax benefit or portions thereof should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except under specific situations. The amendments will be applied prospectively.

Non-GAAP Measures

Certain measures in this document do not have any standardized meaning as prescribed by U.S. GAAP and therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures are commonly used in the oil and gas industry and by Encana to provide shareholders and potential investors with additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Non-GAAP measures include: Cash Flow; Cash Flow per share - diluted; Operating Earnings; Operating Earnings per share - diluted; Revenues, Net of Royalties, Excluding Unrealized Hedging; Net Debt to Debt Adjusted Cash Flow; Debt to Debt Adjusted Cash Flow; Debt to Adjusted EBITDA; and Debt to Adjusted Capitalization. Management's use of these measures is discussed further below.

Cash Flow

Cash Flow is a non-GAAP measure commonly used in the oil and gas industry and by Encana to assist Management and investors in measuring the Company's ability to finance capital programs and meet financial obligations. Cash Flow is defined as cash from operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and cash tax on sale of assets.

(\$ millions)	Six months ended June 30		2013		2012				2011	
	2013	2012	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Cash From (Used in) Operating Activities	\$ 892	\$ 1,248	\$ 554	\$ 338	\$ 717	\$ 1,142	\$ 631	\$ 617	\$ 1,005	\$ 1,285
(Add back) deduct:										
Net change in other assets and liabilities	(44)	(46)	(22)	(22)	(23)	(9)	(26)	(20)	(30)	(26)
Net change in non-cash working capital	(296)	(509)	(81)	(215)	(56)	242	(134)	(375)	166	130
Cash tax on sale of assets	(12)	(12)	(8)	(4)	(13)	(4)	(3)	(9)	(114)	-
Cash Flow	\$ 1,244	\$ 1,815	\$ 665	\$ 579	\$ 809	\$ 913	\$ 794	\$ 1,021	\$ 983	\$ 1,181

Operating Earnings

Operating Earnings is a non-GAAP measure that adjusts Net Earnings by non-operating items that Management believes reduces the comparability of the Company's underlying financial performance between periods. Operating Earnings is commonly used in the oil and gas industry and by Encana to provide investors with information that is more comparable between periods.

Operating Earnings is defined as Net Earnings excluding non-recurring or non-cash items that Management believes reduces the comparability of the Company's financial performance between periods. These after-tax items may include, but are not limited to, unrealized hedging gains/losses, impairments, foreign exchange gains/losses, income taxes related to divestitures and adjustments to normalize the effect of income taxes calculated using the estimated annual effective tax rate.

(\$ millions)	Six months ended June 30		2013		2012				2011	
	2013	2012	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Earnings (Loss)	\$ 299	\$ (1,470)	\$ 730	\$ (431)	\$ (80)	\$ (1,244)	\$ (1,482)	\$ 12	\$ (476)	\$ 459
After-tax (addition) / deduction:										
Unrealized hedging gain (loss)	66	(502)	332	(266)	(72)	(428)	(547)	45	397	273
Impairments	-	(1,695)	-	-	(300)	(1,193)	(1,695)	-	(1,105)	-
Non-operating foreign exchange gain (loss)	(263)	(4)	(162)	(101)	(66)	162	(90)	86	82	(325)
Income tax adjustments	70	293	313	(243)	62	(48)	652	(359)	(82)	122
Operating Earnings	\$ 426	\$ 438	\$ 247	\$ 179	\$ 296	\$ 263	\$ 198	\$ 240	\$ 232	\$ 389

Revenues, Net of Royalties, Excluding Unrealized Hedging

Revenues, Net of Royalties, Excluding Unrealized Hedging is a non-GAAP measure that adjusts revenues, net of royalties for unrealized hedging gains/losses. Unrealized hedging gains/losses result from the fair value changes in unsettled derivative financial contracts. Management monitors Revenues, Net of Royalties, Excluding Unrealized Hedging as it reflects the realized hedging impact of the Company's settled financial contracts.

(\$ millions)	Six months ended June 30		2013		2012				2011	
	2013	2012	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues, Net of Royalties	\$ 3,043	\$ 2,530	\$ 1,984	\$ 1,059	\$ 1,605	\$ 1,025	\$ 731	\$ 1,799	\$ 2,461	\$ 2,353
(Add) / deduct:										
Unrealized hedging gain (loss), before tax	75	(725)	461	(386)	(118)	(598)	(795)	70	578	400
Revenues, Net of Royalties, Excluding Unrealized Hedging	\$ 2,968	\$ 3,255	\$ 1,523	\$ 1,445	\$ 1,723	\$ 1,623	\$ 1,526	\$ 1,729	\$ 1,883	\$ 1,953

Net Debt to Debt Adjusted Cash Flow

Net Debt to Debt Adjusted Cash Flow is a non-GAAP measure monitored by Management as an indicator of the Company's overall financial strength. Net Debt is a non-GAAP measure defined as long-term debt, including current portion, less cash and cash equivalents. Debt Adjusted Cash Flow is a non-GAAP measure defined as Cash Flow on a trailing 12-month basis excluding interest expense after tax.

(\$ millions)	June 30, 2013	December 31, 2012
Debt	\$ 7,633	\$ 7,675
Less: Cash and Cash Equivalents	2,916	3,179
Net Debt	4,717	4,496
Cash Flow	2,966	3,537
Interest Expense, after tax	409	391
Debt Adjusted Cash Flow	\$ 3,375	\$ 3,928
Net Debt to Debt Adjusted Cash Flow	1.4x	1.1x

Debt to Debt Adjusted Cash Flow

Debt to Debt Adjusted Cash Flow is a non-GAAP measure monitored by Management as an indicator of the Company's overall financial strength. Debt Adjusted Cash Flow is a non-GAAP measure defined as Cash Flow on a trailing 12-month basis excluding interest expense after tax.

(\$ millions)	June 30, 2013	December 31, 2012
Debt	\$ 7,633	\$ 7,675
Cash Flow	2,966	3,537
Interest Expense, after tax	409	391
Debt Adjusted Cash Flow	\$ 3,375	\$ 3,928
Debt to Debt Adjusted Cash Flow	2.3x	2.0x

Debt to Adjusted EBITDA

Debt to Adjusted EBITDA is a non-GAAP measure monitored by Management as an indicator of the Company's overall financial strength. Adjusted EBITDA is a non-GAAP measure defined as trailing 12-month Net Earnings before income taxes, foreign exchange gains or losses, interest, accretion of asset retirement obligation, DD&A, impairments, unrealized hedging gains and losses and other expenses.

(\$ millions)	June 30, 2013	December 31, 2012
Debt	\$ 7,633	\$ 7,675
Net Earnings (Loss)	(1,025)	(2,794)
Add (deduct):		
Interest	545	522
Income tax expense (recovery)	(954)	(2,037)
Depreciation, depletion and amortization	1,686	1,956
Impairments	2,169	4,695
Accretion of asset retirement obligation	54	53
Foreign exchange (gain) loss, net	166	(107)
Unrealized (gain) loss on risk management	649	1,465
Other	(4)	1
Adjusted EBITDA	\$ 3,286	\$ 3,754
Debt to Adjusted EBITDA	2.3x	2.0x

Debt to Adjusted Capitalization

Debt to Adjusted Capitalization is a non-GAAP measure, which adjusts capitalization for historical ceiling test impairments that were recorded as at December 31, 2011. Management monitors Debt to Adjusted Capitalization as a proxy for Encana's financial covenant under its credit facility agreements which require debt to adjusted capitalization to be less than 60 percent. Adjusted Capitalization includes debt, shareholders' equity and an equity adjustment for cumulative historical ceiling test impairments recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP.

(\$ millions)	June 30, 2013	December 31, 2012
Debt	\$ 7,633	\$ 7,675
Shareholders' Equity	5,308	5,295
Equity Adjustment for Impairments at December 31, 2011	7,746	7,746
Adjusted Capitalization	\$ 20,687	\$ 20,716
Debt to Adjusted Capitalization	37%	37%

Advisory

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 document 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", "objective", "strategy", "strives", "agreed to" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this document include, but are not limited to, statements with respect to: achieving the Company's focus on growing its strong portfolio of diverse resource plays producing natural gas, oil and NGLs; achieving its key business objectives of maintaining financial strength, optimizing capital investments, reducing costs and continuing to pay a stable dividend; expectation for its portfolio of reserves and economic contingent resources in diverse resource plays to serve as the foundation for the Company's long-term strategy of accelerating the value recognition of its assets; ability to continue entering prospective plays early and leveraging technology to unlock resources and build the underlying productive capacity at low cost; expanding the use of natural gas in North America; achieving operating efficiencies, fostering technological innovation, lowering cost structures and success of resource play hub model; expectation for capital investment to help build long-term production growth capacity and transition to a more diversified portfolio of production and cash flows; plans to continue focusing capital investment in Encana's highest return resource plays and in opportunities where development has demonstrated success; ability to attract third party capital investment and expectation for the same to provide additional financial flexibility, value recognition of the Company's assets, reduction of the risk of early life plays, maintain capital and operating efficiencies on mature assets and improvement of project returns; anticipated future proceeds from various joint venture, partnership and other agreements entered into by the Company, including their successful implementation, expected future benefits and the Company's ability to fund future development costs associated with those agreements; projections contained in the 2013 Corporate Guidance (including estimates of cash flow including per share, natural gas, oil and NGLs production, capital investment and its allocation, net divestitures, operating costs, and 2013 estimated sensitivities of cash flow and operating earnings); estimates of reserves and resources; expectation that the discounted after-tax future net cash flows from proved reserves used in ceiling test calculations is not indicative of the fair market value of Encana's oil and gas properties or of the future net cash flows expected to be generated from such properties; projections relating to the adequacy of the Company's provision for taxes and legal claims; possibility of legal actions in connection with the matters relating to the allegations of collusion with competitors regarding land leasing in Michigan in 2010; the flexibility of capital spending plans and the source of funding therefore; the benefits of the Company's risk management program, including the impact of derivative financial instruments; projections that the Company has access to cash equivalents and a range of funding at competitive rates; the Company's ability to meet payment terms of its suppliers and be in compliance with all financial covenants under its credit facility agreements; expectations surrounding environmental legislation including regulations relating to climate change and hydraulic fracturing and the impact such regulations could have on the Company and the results of additional scientific investigations of the Pavillion groundwater; expectation to fund 2013 commitments from Cash Flow, cash and cash equivalents; expectation not to access the debt capital market in Canada in the near term; the effect of the Company's risk mitigation policies, systems, processes and insurance program; the Company's ability to manage its Net Debt to Debt Adjusted Cash Flow, Debt to Debt Adjusted Cash Flow, Debt to Adjusted EBITDA and Debt to Adjusted Capitalization ratios; and the expected impact and timing of various accounting pronouncements, rule changes and standards on the Company and its financial statements.

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 assumptions, risks and uncertainties include, among other things:

volatility of, and assumptions regarding natural gas and liquids prices, including substantial or extended decline of the same and their adverse effect on the Company's operations and financial condition and the value and amount of its reserves; assumptions based upon the Company's current guidance; fluctuations in currency and interest rates; risk that the Company may not conclude divestitures of certain assets or other transactions or receive amounts contemplated under the transaction agreements (such transactions may include third party capital investments, farm-outs or partnerships, which Encana may refer to from time to time as "partnerships" or "joint ventures" and the funds received in respect thereof which Encana may refer to from time to time as "proceeds", "deferred purchase price" and/or "carry capital", regardless of the legal form) as a result of various conditions not being met; product supply and demand; market competition; risks inherent in the Company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserves estimates and estimates of recoverable quantities of natural gas and liquids from resource plays and other sources not currently classified as proved, probable or possible reserves or economic contingent resources, including future net revenue estimates; marketing margins; potential disruption or unexpected technical difficulties in developing new facilities; unexpected cost increases or technical difficulties in constructing or modifying processing facilities; risks associated with technology; the Company's ability to acquire or find additional reserves; hedging activities resulting in realized and unrealized losses; business interruption and casualty losses; risk of the Company not operating all of its properties and assets; counterparty risk; downgrade in credit rating and its adverse effects; liability for indemnification obligations to third parties; variability of dividends to be paid; 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 royalty, tax, environmental, greenhouse gas, carbon, accounting and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the Company operates; terrorist threats; risks associated with existing and potential future lawsuits and regulatory actions made against the Company; risk arising from price basis differential; risk arising from inability to enter into attractive hedges to protect the Company's capital program; 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 document are made as of the date hereof and, except as required by law, Encana undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Forward-looking information respecting anticipated 2013 cash flow for Encana is based upon, among other things, achieving average production for 2013 of between 2.8 billion cubic feet per day ("Bcf/d") and 3.0 Bcf/d of natural gas and 50,000 bbls/d to 60,000 bbls/d of liquids, commodity prices for natural gas and liquids based on NYMEX \$3.75 per Mcf and WTI of \$95 per bbl, an estimated U.S./Canadian dollar foreign exchange rate of \$1.00 and a weighted average number of outstanding shares for Encana of approximately 736 million.

Forward-looking statements with respect to matters relating to allegations of collusion with competitors regarding land leasing in Michigan in 2010 are qualified by the fact that, while Encana intends to vigorously defend against any claims of liability alleged in any lawsuits arising out of such allegations, the Company cannot predict the outcome of any governmental investigations or the commencement or outcome of any future legal proceedings involving Encana or whether such 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.

Assumptions relating to forward-looking statements generally include Encana's current expectations and projections made in light of, and generally consistent with, its historical experience and its perception of historical trends, including the conversion of resources into reserves and production as well as expectations regarding rates of advancement and innovation, generally consistent with and informed by its past experience, all of which are subject to the risk factors identified elsewhere in this document.

Encana is required to disclose events and circumstances that occurred during the period to which this MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking

statements for a period that is not yet complete that Encana has previously disclosed to the public and the expected differences thereto. Such disclosure can be found in Encana's news release dated July 24, 2013, which is available on Encana's website at www.encana.com, on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Oil and Gas Information

National Instrument 51-101 ("NI 51-101") of the Canadian Securities Administrators imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities. The Canadian protocol disclosure is contained in Appendix A and under "Narrative Description of the Business" in the Company's Annual Information Form ("AIF"). Encana obtained an exemption dated January 4, 2011 from certain requirements of NI 51-101 to permit it to provide certain disclosure prepared in accordance with U.S. disclosure requirements, in addition to the Canadian protocol disclosure. The Company's U.S. protocol disclosure is included in Note 22 (unaudited) to the Company's Consolidated Financial Statements for the year ended December 31, 2012 and in Appendix D of the AIF.

A description of the primary differences between the disclosure requirements under the Canadian standards and the U.S. standards is set forth under the heading "Reserves and Other Oil and Gas Information" in the AIF.

Resource Play

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.

Currency and References to Encana

All information included in this document and the Interim Condensed Consolidated Financial Statements and comparative information is shown on a U.S. dollar, after royalties basis, unless otherwise noted. References to C\$ are to Canadian dollars. Encana's financial results are consolidated in Canadian dollars, however, the Company has adopted the U.S. dollar as its reporting currency to facilitate a more direct comparison to other North American oil and gas companies. All proceeds from divestitures are provided on a before-tax basis.

For convenience, references in this document to "Encana", the "Company", "we", "us", "our" and "its" 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, including its Annual Information Form, can be accessed under the Company's public filings found on SEDAR at www.sedar.com, on EDGAR at www.sec.gov and on the Company's website at www.encana.com.

Condensed Consolidated Statement of Earnings *(unaudited)*

		Three Months Ended June 30,		Six Months Ended June 30,	
(\$ millions, except per share amounts)		2013	2012	2013	2012
Revenues, Net of Royalties	(Note 3)	\$ 1,984	\$ 731	\$ 3,043	\$ 2,530
Expenses	(Note 3)				
Production and mineral taxes		37	15	62	39
Transportation and processing		340	293	695	606
Operating		210	179	433	389
Purchased product		116	85	218	190
Depreciation, depletion and amortization		394	472	789	1,059
Impairments	(Note 8)	-	2,526	-	2,526
Accretion of asset retirement obligation	(Note 11)	14	13	28	27
Administrative		83	95	178	197
Interest	(Note 5)	141	135	281	258
Foreign exchange (gain) loss, net	(Note 6)	166	97	268	(5)
Other		(3)	-	(7)	(2)
		1,498	3,910	2,945	5,284
Net Earnings (Loss) Before Income Tax		486	(3,179)	98	(2,754)
Income tax expense (recovery)	(Note 7)	(244)	(1,697)	(201)	(1,284)
Net Earnings (Loss)		\$ 730	\$ (1,482)	\$ 299	\$ (1,470)
Net Earnings (Loss) per Common Share	(Note 12)				
Basic		\$ 0.99	\$ (2.01)	\$ 0.41	\$ (2.00)
Diluted		\$ 0.99	\$ (2.01)	\$ 0.41	\$ (2.00)

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

		Three Months Ended June 30,		Six Months Ended June 30,	
(\$ millions)		2013	2012	2013	2012
Net Earnings (Loss)		\$ 730	\$ (1,482)	\$ 299	\$ (1,470)
Other Comprehensive Income (Loss), Net of Tax					
Foreign currency translation adjustment	(Note 13)	(20)	(11)	(39)	13
Pension and other post-employment benefit plans	(Notes 13, 15)	2	1	5	5
Other Comprehensive Income (Loss)		(18)	(10)	(34)	18
Comprehensive Income (Loss)		\$ 712	\$ (1,492)	\$ 265	\$ (1,452)

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(\$ millions)	As at June 30, 2013	As at December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,916	\$ 3,179
Accounts receivable and accrued revenues	850	1,236
Risk management (Note 17)	434	479
Income tax receivable	699	560
Deferred income taxes	66	23
	4,965	5,477
Property, Plant and Equipment, at cost: (Note 8)		
Natural gas and oil properties, based on full cost accounting		
Proved properties	50,585	50,953
Unproved properties	1,143	1,295
Other	3,284	3,379
Property, plant and equipment	55,012	55,627
Less: Accumulated depreciation, depletion and amortization	(45,334)	(45,876)
Property, plant and equipment, net (Note 3)	9,678	9,751
Cash in Reserve	46	54
Other Assets	492	466
Risk Management (Note 17)	236	111
Deferred Income Taxes	1,088	1,116
Goodwill (Note 3)	1,658	1,725
(Note 3)	\$ 18,163	\$ 18,700
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,593	\$ 2,003
Income tax payable	12	45
Risk management (Note 17)	2	5
Current portion of long-term debt (Note 9)	1,500	500
Deferred income taxes	49	59
	3,156	2,612
Long-Term Debt (Note 9)	6,133	7,175
Other Liabilities and Provisions (Note 10)	2,710	2,672
Risk Management (Note 17)	8	10
Asset Retirement Obligation (Note 11)	848	936
	12,855	13,405
Commitments and Contingencies (Note 18)		
Shareholders' Equity		
Share capital - authorized unlimited common shares, without par value		
737.9 and 736.3 million shares issued and outstanding, respectively (Note 12)	2,391	2,354
Paid in surplus	15	10
Retained earnings	2,266	2,261
Accumulated other comprehensive income (Note 13)	636	670
Total Shareholders' Equity	5,308	5,295
	\$ 18,163	\$ 18,700

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Six Months Ended June 30, 2013 (\$ millions)	Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2012	\$ 2,354	\$ 10	\$ 2,261	\$ 670	\$ 5,295
Share-Based Compensation <i>(Note 14)</i>	-	3	-	-	3
Net Earnings	-	-	299	-	299
Common Shares Cancelled <i>(Note 12)</i>	(2)	2	-	-	-
Dividends on Common Shares <i>(Note 12)</i>	-	-	(294)	-	(294)
Common Shares Issued Under Dividend Reinvestment Plan <i>(Note 12)</i>	39	-	-	-	39
Other Comprehensive Income (Loss) <i>(Note 13)</i>	-	-	-	(34)	(34)
Balance, June 30, 2013	\$ 2,391	\$ 15	\$ 2,266	\$ 636	\$ 5,308

Six Months Ended June 30, 2012 (\$ millions)	Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2011	\$ 2,354	\$ 5	\$ 5,643	\$ 576	\$ 8,578
Share-Based Compensation <i>(Note 14)</i>	-	5	-	-	5
Net Earnings (Loss)	-	-	(1,470)	-	(1,470)
Dividends on Common Shares <i>(Note 12)</i>	-	-	(294)	-	(294)
Other Comprehensive Income <i>(Note 13)</i>	-	-	-	18	18
Balance, June 30, 2012	\$ 2,354	\$ 10	\$ 3,879	\$ 594	\$ 6,837

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(\$ millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating Activities				
Net earnings (loss)	\$ 730	\$ (1,482)	\$ 299	\$ (1,470)
Depreciation, depletion and amortization	394	472	789	1,059
Impairments <i>(Note 8)</i>	-	2,526	-	2,526
Accretion of asset retirement obligation <i>(Note 11)</i>	14	13	28	27
Deferred income taxes <i>(Note 7)</i>	(184)	(1,654)	(74)	(1,107)
Unrealized (gain) loss on risk management <i>(Note 17)</i>	(469)	795	(84)	732
Unrealized foreign exchange (gain) loss <i>(Note 6)</i>	186	100	300	10
Other	(14)	21	(26)	26
Net change in other assets and liabilities	(22)	(26)	(44)	(46)
Net change in non-cash working capital	(81)	(134)	(296)	(509)
Cash From (Used in) Operating Activities	554	631	892	1,248
Investing Activities				
Capital expenditures <i>(Note 3)</i>	(639)	(797)	(1,354)	(1,917)
Acquisitions <i>(Note 4)</i>	(87)	(175)	(109)	(328)
Proceeds from divestitures <i>(Note 4)</i>	399	183	507	2,696
Cash in reserve	(14)	(16)	8	405
Net change in investments and other	(22)	(190)	131	(213)
Cash From (Used in) Investing Activities	(363)	(995)	(817)	643
Financing Activities				
Issuance of revolving long-term debt	-	-	-	1,721
Repayment of revolving long-term debt	-	-	-	(1,724)
Repayment of long-term debt	-	-	-	(503)
Dividends on common shares <i>(Note 12)</i>	(108)	(147)	(255)	(294)
Capital lease payments	(1)	-	(3)	(13)
Cash From (Used in) Financing Activities	(109)	(147)	(258)	(813)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency	(44)	(8)	(80)	(4)
Increase (Decrease) in Cash and Cash Equivalents	38	(519)	(263)	1,074
Cash and Cash Equivalents, Beginning of Period	2,878	2,393	3,179	800
Cash and Cash Equivalents, End of Period	\$ 2,916	\$ 1,874	\$ 2,916	\$ 1,874
Cash, End of Period	\$ 426	\$ 110	\$ 426	\$ 110
Cash Equivalents, End of Period	2,490	1,764	2,490	1,764
Cash and Cash Equivalents, End of Period	\$ 2,916	\$ 1,874	\$ 2,916	\$ 1,874

See accompanying Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

1. Basis of Presentation

Encana Corporation and its subsidiaries ("Encana" or "the Company") are in the business of the exploration for, the development of, and the production and marketing of natural gas, oil and natural gas liquids ("NGLs"). The term liquids is used to represent Encana's oil, NGLs and condensate.

The interim Condensed Consolidated Financial Statements include the accounts of Encana and are presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The interim Condensed 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, 2012, except as noted below in Note 2. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. Certain information and disclosures normally required to be included in the notes to the annual audited Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed 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, 2012.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

On January 1, 2013, Encana adopted the following accounting standards updates issued by the Financial Accounting Standards Board ("FASB"), which have not had a material impact on the Company's interim Condensed Consolidated Financial Statements:

- Accounting Standards Update 2011-11, "Disclosures about Offsetting Assets and Liabilities", and Accounting Standards Update 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities", require disclosure of both gross and net information about certain financial instruments eligible for offset in the balance sheet and certain financial instruments subject to master netting arrangements. The amendments have been applied retrospectively.
- Accounting Standards Update 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income", requires enhanced disclosures about amounts reclassified out of accumulated other comprehensive income. The amendments have been applied prospectively.

New Standards Issued Not Yet Adopted

As of January 1, 2014, Encana will be required to adopt the following accounting standards updates issued by the FASB, which are not expected to have a material impact on the Company's Consolidated Financial Statements:

- Accounting Standards Update 2013-04, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date", clarifies guidance for the recognition, measurement and disclosure of liabilities resulting from joint and several liability arrangements. The amendments will be applied retrospectively.
- Accounting Standards Update 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity", clarifies the applicable guidance for certain transactions that result in the release of the cumulative translation adjustment into net earnings. The amendments will be applied prospectively.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

2. Recent Accounting Pronouncements (continued)

New Standards Issued Not Yet Adopted (continued)

- Accounting Standards Update 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", clarifies that a liability related to an unrecognized tax benefit or portions thereof should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except under specific situations. The amendments will be applied prospectively.

3. Segmented Information

Encana's reportable segments are determined based on the Company's operations and geographic locations as follows:

- Canadian Division** includes the exploration for, development of, and production of natural gas, oil and NGLs and other related activities within the Canadian cost centre.
- USA Division** includes the exploration for, development of, and production of natural gas, oil and NGLs and other related activities within the U.S. cost centre.
- Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canadian and USA Divisions. Market optimization activities include 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 and Other** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instrument relates.

Market Optimization sells substantially all of the Company's upstream production to third party customers. Transactions between segments are based on market values and are eliminated on consolidation.

Encana has reclassified unrealized financial hedging gains and losses of \$7 million related to the Company's power financial derivative contracts to transportation and processing within the Corporate and Other segment for the six months ended June 30, 2012 (nil for the three months ended June 30, 2012). Formerly, these were presented in operating expense. Encana has updated its presentation to align the treatment with realized financial hedging gains and losses, which are included in the Canadian Division transportation and processing expense. The Condensed Consolidated Statement of Earnings and the accompanying segmented information disclosed in this note, along with the impact of realized and unrealized gains and losses on risk management activities disclosed in Note 17, have been updated accordingly.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

3. Segmented Information *(continued)*

Results of Operations *(For the three months ended June 30)*

Segment and Geographic Information

	Canadian Division		USA Division		Market Optimization	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 646	\$ 636	\$ 717	\$ 792	\$ 136	\$ 97
Expenses						
Production and mineral taxes	1	3	36	12	-	-
Transportation and processing	169	145	179	148	-	-
Operating	93	83	97	87	12	6
Purchased product	-	-	-	-	116	85
	383	405	405	545	8	6
Depreciation, depletion and amortization	146	162	210	287	3	3
Impairments	-	748	-	1,778	-	-
	\$ 237	\$ (505)	\$ 195	\$ (1,520)	\$ 5	\$ 3

	Corporate & Other		Consolidated	
	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 485	\$ (794)	\$ 1,984	\$ 731
Expenses				
Production and mineral taxes	-	-	37	15
Transportation and processing	(8)	-	340	293
Operating	8	3	210	179
Purchased product	-	-	116	85
	485	(797)	1,281	159
Depreciation, depletion and amortization	35	20	394	472
Impairments	-	-	-	2,526
	\$ 450	\$ (817)	887	(2,839)
Accretion of asset retirement obligation			14	13
Administrative			83	95
Interest			141	135
Foreign exchange (gain) loss, net			166	97
Other			(3)	-
			401	340
Net Earnings (Loss) Before Income Tax			486	(3,179)
Income tax expense (recovery)			(244)	(1,697)
Net Earnings (Loss)			\$ 730	\$ (1,482)

Intersegment Information

	Marketing Sales		Market Optimization		Total	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 1,472	\$ 800	\$ (1,336)	\$ (703)	\$ 136	\$ 97
Expenses						
Transportation and processing	131	130	(131)	(130)	-	-
Operating	23	22	(11)	(16)	12	6
Purchased product	1,293	643	(1,177)	(558)	116	85
Operating Cash Flow	\$ 25	\$ 5	\$ (17)	\$ 1	\$ 8	\$ 6

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

3. Segmented Information *(continued)*

Results of Operations *(For the six months ended June 30)*

Segment and Geographic Information

	Canadian Division		USA Division		Market Optimization	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 1,289	\$ 1,359	\$ 1,379	\$ 1,670	\$ 253	\$ 218
Expenses						
Production and mineral taxes	3	6	59	33	-	-
Transportation and processing	341	278	363	321	-	-
Operating	196	180	209	188	13	16
Purchased product	-	-	-	-	218	190
	749	895	748	1,128	22	12
Depreciation, depletion and amortization	297	396	418	617	6	6
Impairments	-	748	-	1,778	-	-
	\$ 452	\$ (249)	\$ 330	\$ (1,267)	\$ 16	\$ 6

	Corporate & Other		Consolidated	
	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 122	\$ (717)	\$ 3,043	\$ 2,530
Expenses				
Production and mineral taxes	-	-	62	39
Transportation and processing	(9)	7	695	606
Operating	15	5	433	389
Purchased product	-	-	218	190
	116	(729)	1,635	1,306
Depreciation, depletion and amortization	68	40	789	1,059
Impairments	-	-	-	2,526
	\$ 48	\$ (769)	\$ 846	(2,279)
Accretion of asset retirement obligation			28	27
Administrative			178	197
Interest			281	258
Foreign exchange (gain) loss, net			268	(5)
Other			(7)	(2)
			748	475
Net Earnings (Loss) Before Income Tax			98	(2,754)
Income tax expense (recovery)			(201)	(1,284)
Net Earnings (Loss)			\$ 299	\$ (1,470)

Intersegment Information

	Marketing Sales		Market Optimization		Total	
	2013	2012	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 2,822	\$ 2,005	\$ (2,569)	\$ (1,787)	\$ 253	\$ 218
Expenses						
Transportation and processing	258	262	(258)	(262)	-	-
Operating	35	44	(22)	(28)	13	16
Purchased product	2,482	1,682	(2,264)	(1,492)	218	190
Operating Cash Flow	\$ 47	\$ 17	\$ (25)	\$ (5)	\$ 22	\$ 12

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

3. Segmented Information (continued)

Capital Expenditures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Canadian Division	\$ 301	\$ 323	\$ 710	\$ 838
USA Division	327	432	610	995
Market Optimization	2	1	2	7
Corporate & Other	9	41	32	77
	\$ 639	\$ 797	\$ 1,354	\$ 1,917

Goodwill, Property, Plant and Equipment and Total Assets by Segment

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Canadian Division	\$ 1,185	\$ 1,252	\$ 2,686	\$ 2,960	\$ 4,326	\$ 4,748
USA Division	473	473	4,691	4,405	5,950	5,664
Market Optimization	-	-	97	106	156	161
Corporate & Other	-	-	2,204	2,280	7,731	8,127
	\$ 1,658	\$ 1,725	\$ 9,678	\$ 9,751	\$ 18,163	\$ 18,700

4. Acquisitions and Divestitures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Acquisitions				
Canadian Division	\$ -	\$ 53	\$ 16	\$ 109
USA Division	87	122	93	219
Total Acquisitions	87	175	109	328
Divestitures				
Canadian Division	(397)	(105)	(495)	(2,504)
USA Division	-	(76)	(10)	(190)
Corporate & Other	(2)	(2)	(2)	(2)
Total Divestitures	(399)	(183)	(507)	(2,696)
Net Acquisitions & (Divestitures)	\$ (312)	\$ (8)	\$ (398)	\$ (2,368)

Acquisitions

For the three and six months ended June 30, 2013, acquisitions in the Canadian and USA Divisions totaled \$87 million and \$109 million, respectively (2012 - \$175 million and \$328 million, respectively), which primarily included land and property purchases with oil and liquids rich natural gas production potential.

Divestitures

For the three and six months ended June 30, 2013, divestitures in the Canadian Division were \$397 million and \$495 million, respectively, which included the sale of the Company's Jean Marie natural gas assets in the Greater Sierra resource play in northeast British Columbia.

For the three and six months ended June 30, 2012, divestitures in the Canadian Division were \$105 million and \$2,504 million, respectively. During the six months ended June 30, 2012, divestitures included C\$1.45 billion received from a Mitsubishi Corporation subsidiary, C\$100 million received from a Toyota Tsusho Corporation subsidiary and approximately C\$920 million received from the sale of two natural gas processing plants.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

4. Acquisitions and Divestitures (continued)

Divestitures (continued)

For the three and six months ended June 30, 2013, divestitures in the USA Division were nil and \$10 million, respectively (2012 - \$76 million and \$190 million, respectively), which primarily included the sale of non-core assets. During the six months ended June 30, 2012, the USA Division received proceeds of \$114 million from the remainder of the North Texas asset sale.

Amounts received from these transactions have been deducted from the respective Canadian and U.S. full cost pools.

5. Interest

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest Expense on:				
Debt	\$ 116	\$ 117	\$ 231	\$ 238
Other ⁽¹⁾	25	18	50	20
	\$ 141	\$ 135	\$ 281	\$ 258

⁽¹⁾ Other interest for 2013 primarily includes interest related to The Bow office building.

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	\$ 196	\$ 118	\$ 316	\$ 12
Translation of U.S. dollar risk management contracts issued from Canada	(10)	(18)	(16)	(2)
	186	100	300	10
Foreign Exchange on Intercompany Transactions	(2)	-	(2)	(7)
Other Monetary Revaluations and Settlements	(18)	(3)	(30)	(8)
	\$ 166	\$ 97	\$ 268	\$ (5)

7. Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Current Tax				
Canada	\$ (66)	\$ (64)	\$ (139)	\$ (188)
United States	-	3	-	(23)
Other Countries	6	18	12	34
Total Current Tax Expense (Recovery)	(60)	(43)	(127)	(177)
Deferred Tax				
Canada	(28)	(725)	56	(485)
United States	(106)	(1,038)	(55)	(848)
Other Countries	(50)	109	(75)	226
Total Deferred Tax Expense (Recovery)	(184)	(1,654)	(74)	(1,107)
	\$ (244)	\$ (1,697)	\$ (201)	\$ (1,284)

Encana's interim income tax expense is calculated using the estimated annual effective tax rate applied to year-to-date net earnings before tax plus amounts in respect of prior periods. The estimated annual effective tax rate is impacted by expected annual earnings, statutory and other rate differences, the effect of legislative changes, international financing, non-taxable capital gains and losses, tax differences on divestitures and transactions and partnership tax allocations in excess of funding.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

8. Property, Plant and Equipment, Net

	As at June 30, 2013			As at December 31, 2012		
	Cost	Accumulated DD&A ⁽¹⁾	Net	Cost	Accumulated DD&A ⁽¹⁾	Net
Canadian Division						
Proved properties	\$ 24,917	\$ (22,974)	\$ 1,943	\$ 26,024	\$ (23,962)	\$ 2,062
Unproved properties	591	-	591	716	-	716
Other	152	-	152	182	-	182
	25,660	(22,974)	2,686	26,922	(23,962)	2,960
USA Division						
Proved properties	25,574	(21,666)	3,908	24,825	(21,236)	3,589
Unproved properties	552	-	552	579	-	579
Other	231	-	231	237	-	237
	26,357	(21,666)	4,691	25,641	(21,236)	4,405
Market Optimization	225	(128)	97	235	(129)	106
Corporate & Other	2,770	(566)	2,204	2,829	(549)	2,280
	\$ 55,012	\$ (45,334)	\$ 9,678	\$ 55,627	\$ (45,876)	\$ 9,751

⁽¹⁾ Depreciation, depletion and amortization.

The Canadian Division and USA Division property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$193 million which have been capitalized during the six months ended June 30, 2013 (2012 - \$239 million). Included in Corporate and Other are \$94 million (\$104 million as at December 31, 2012) of international property costs, which have been fully impaired.

For the three and six months ended June 30, 2012, the Company recognized a ceiling test impairment of \$748 million in the Canadian cost centre and \$1,778 million in the U.S. cost centre. The impairments resulted primarily from the decline in the 12-month average trailing natural gas prices which reduced proved reserves volumes and values.

The 12-month average trailing prices used in the ceiling test calculations were based on benchmark prices which were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality. At June 30, 2013, the 12-month average trailing prices used in the Canadian cost centre ceiling test calculation were C\$3.02/MMBtu for AECO (2012 - C\$2.76/MMBtu) and C\$88.10/bbl for Edmonton Light Sweet (2012 - C\$92.20/bbl). At June 30, 2013, the 12-month average trailing prices used in the U.S. cost centre ceiling test calculation were \$3.44/MMBtu for Henry Hub (2012 - \$3.15/MMBtu) and \$91.60/bbl for WTI (2012 - \$95.67/bbl).

As at June 30, 2013, the Canadian Division property, plant and equipment and total assets include Encana's accrual to date of \$612 million (\$612 million as at December 31, 2012) related to the Production Field Centre ("PFC") for the Deep Panuke offshore facility capitalized as an asset under construction.

As at June 30, 2013, Corporate and Other property, plant and equipment and total assets include accumulated costs to date of \$1,636 million (\$1,668 million as at December 31, 2012) related to The Bow office building. In 2012, Encana assumed partial occupancy of The Bow office premises and commenced payments to the third party developer under a 25-year lease agreement. As of March 31, 2013, Encana had assumed full occupancy of the building. The Bow asset is being depreciated over the 60-year estimated life of the building. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized (See Note 10).

Liabilities for the PFC and The Bow office building are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 10.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

9. Long-Term Debt

	C\$ Principal Amount	As at June 30, 2013	As at December 31, 2012
Canadian Dollar Denominated Debt			
5.80% due January 18, 2018	\$ 750	\$ 713	\$ 754
	\$ 750	713	754
U.S. Dollar Denominated Debt			
4.75% due October 15, 2013		500	500
5.80% due May 1, 2014		1,000	1,000
5.90% due December 1, 2017		700	700
6.50% due May 15, 2019		500	500
3.90% due November 15, 2021		600	600
8.125% due September 15, 2030		300	300
7.20% due November 1, 2031		350	350
7.375% due November 1, 2031		500	500
6.50% due August 15, 2034		750	750
6.625% due August 15, 2037		500	500
6.50% due February 1, 2038		800	800
5.15% due November 15, 2041		400	400
		6,900	6,900
Total Principal		7,613	7,654
Increase in Value of Debt Acquired		42	46
Debt Discounts		(22)	(25)
Current Portion of Long-Term Debt		(1,500)	(500)
	\$	6,133	\$ 7,175

Long-term debt is accounted for at amortized cost using the effective interest method of amortization. As at June 30, 2013, total long-term debt had a carrying value of \$7,633 million and a fair value of \$8,378 million (as at December 31, 2012 - \$7,675 million carrying value and a fair value of \$9,043 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company at period end.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

10. Other Liabilities and Provisions

	As at June 30, 2013	As at December 31, 2012
The Bow Office Building (See Note 8)	\$ 1,658	\$ 1,674
Asset under Construction - Production Field Centre (See Note 8)	612	612
Obligation under Capital Lease	72	69
Unrecognized Tax Benefits	127	134
Pensions and Other Post-Employment Benefits	169	165
Other	72	18
	\$ 2,710	\$ 2,672

The Bow Office Building

As described in Note 8, Encana has recognized the accumulated costs for The Bow office building as an asset with a related liability. In 2012, Encana commenced payments to the third party developer under a 25-year agreement. At the conclusion of the 25-year term, the remaining asset and corresponding liability are expected to be derecognized. Encana has also subleased part of The Bow office space to a subsidiary of Cenovus Energy Inc. ("Cenovus"). The total undiscounted future payments related to the lease agreement and the total undiscounted future amounts expected to be recovered from the Cenovus sublease are outlined below.

(undiscounted)	2013	2014	2015	2016	2017	Thereafter	Total
Expected future lease payments	\$ 44	\$ 88	\$ 89	\$ 89	\$ 90	\$ 2,005	\$ 2,405
Sublease recoveries	\$ (21)	\$ (41)	\$ (42)	\$ (42)	\$ (42)	\$ (945)	\$ (1,133)

Production Field Centre

As described in Note 8, during the construction phase of the PFC, Encana has recognized an asset under construction with a corresponding liability. Upon commencement of operations, Encana will recognize the PFC as a capital lease. Encana's total discounted future payments related to the PFC total \$564 million. The total undiscounted future payments related to the PFC are outlined below.

(undiscounted)	2013	2014	2015	2016	2017	Thereafter	Total
Expected future lease payments	\$ 40	\$ 89	\$ 89	\$ 89	\$ 89	\$ 315	\$ 711

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

11. Asset Retirement Obligation

	As at June 30, 2013	As at December 31, 2012
Asset Retirement Obligation, Beginning of Year	\$ 969	\$ 921
Liabilities Incurred	23	43
Liabilities Settled	(103)	(90)
Change in Estimated Future Cash Outflows	-	28
Accretion Expense	28	53
Foreign Currency Translation and Other	(31)	14
Asset Retirement Obligation, End of Period	\$ 886	\$ 969
Current Portion	\$ 38	\$ 33
Long-Term Portion	848	936
	\$ 886	\$ 969

12. Share Capital

Authorized

The Company is authorized to issue an unlimited number of no par value common shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares.

Issued and Outstanding

	As at June 30, 2013		As at December 31, 2012	
	Number (millions)	Amount	Number (millions)	Amount
Common Shares Outstanding, Beginning of Year	736.3	\$ 2,354	736.3	\$ 2,354
Common Shares Cancelled	(0.6)	(2)	-	-
Common Shares Issued Under Dividend Reinvestment Plan	2.2	39	-	-
Common Shares Outstanding, End of Period	737.9	\$ 2,391	736.3	\$ 2,354

During the six months ended June 30, 2013, Encana cancelled 650,000 common shares reserved for issuance to shareholders upon exchange of predecessor companies' shares. In accordance with the terms of the merger agreement which formed Encana, shares which have remained unexchanged were extinguished. Accordingly, the weighted average book value of the common shares extinguished of \$2 million has been transferred to paid in surplus.

During the six months ended June 30, 2013, Encana issued 2,239,187 common shares totaling \$39 million under the Company's dividend reinvestment plan.

Dividends

During the three months ended June 30, 2013, Encana paid dividends of \$0.20 per common share totaling \$147 million (2012 - \$0.20 per common share totaling \$147 million). During the six months ended June 30, 2013, Encana paid dividends of \$0.40 per common share totaling \$294 million (2012 - \$0.40 per common share totaling \$294 million). For the three and six months ended June 30, 2013, the dividends paid included \$39 million in common shares as disclosed above, which were issued in lieu of cash dividends under the Company's dividend reinvestment plan.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

12. Share Capital (continued)

Earnings Per Common Share

The following table presents the computation of net earnings per common share:

(millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net Earnings (Loss)	\$ 730	\$ (1,482)	\$ 299	\$ (1,470)
Number of Common Shares:				
Weighted average common shares outstanding - Basic	736.1	736.3	736.1	736.3
Effect of dilutive securities	-	-	-	-
Weighted average common shares outstanding - Diluted	736.1	736.3	736.1	736.3
Net Earnings (Loss) per Common Share				
Basic	\$ 0.99	\$ (2.01)	\$ 0.41	\$ (2.00)
Diluted	\$ 0.99	\$ (2.01)	\$ 0.41	\$ (2.00)

Encana Stock Option Plan

Encana has share-based compensation plans that allow employees to purchase common shares of the Company. Option exercise prices are not less than the market value of the common shares on the date the options are granted.

All options outstanding as at June 30, 2013 have associated Tandem Stock Appreciation Rights ("TSARs") attached. In lieu of exercising the option, the associated TSARs give the option holder the right to receive a cash payment equal to the excess of the market price of Encana's common shares at the time of the exercise over the original grant price. In addition, certain stock options granted are performance-based whereby vesting is also subject to Encana attaining prescribed performance relative to predetermined key measures. Historically, most holders of options with TSARs have elected to exercise their stock options as a Stock Appreciation Right ("SAR") in exchange for a cash payment. As a result, Encana does not consider outstanding TSARs to be potentially dilutive securities.

Encana Restricted Share Units ("RSUs")

Encana has a share-based compensation plan whereby eligible employees are granted RSUs. An RSU is a conditional grant to receive an Encana common share, or the cash equivalent, as determined by Encana, upon vesting of the RSUs and in accordance with the terms of the RSU Plan and Grant Agreement. The Company intends to settle vested RSUs in cash on the vesting date. As a result, Encana does not consider RSUs to be potentially dilutive securities.

Encana Share Units Held by Cenovus Employees

On November 30, 2009, Encana completed a corporate reorganization to split into two independent publicly traded energy companies - Encana Corporation and Cenovus Energy Inc. (the "Split Transaction"). In conjunction with the Split Transaction, each holder of Encana share units disposed of their right in exchange for the grant of new Encana share units and Cenovus share units. Share units include TSARs, Performance TSARs, SARs, and Performance SARs. The terms and conditions of the share units are similar to the terms and conditions of the original share units.

With respect to the Encana share units held by Cenovus employees and the Cenovus share units held by Encana employees, both Encana and Cenovus have agreed to reimburse each other for share units exercised for cash by their respective employees. Accordingly, for Encana share units held by Cenovus employees, Encana has recorded a payable to Cenovus employees and a receivable due from Cenovus. The payable to Cenovus employees and the receivable due from Cenovus are based on the fair value of the Encana share units determined using the Black-Scholes-Merton model (See Notes 14 and 16). There is no impact on Encana's net earnings for the share units held by Cenovus employees. TSARs and Performance TSARs held by Cenovus employees will expire by December 2014.

Cenovus employees may exercise Encana TSARs and Encana Performance TSARs in exchange for Encana common shares. As at June 30, 2013, there were 1.7 million Encana TSARs and 2.5 million Encana Performance TSARs with a weighted average exercise price of C\$29.92 and C\$29.04, respectively, held by Cenovus employees, which were outstanding and exercisable.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

13. Accumulated Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Foreign Currency Translation Adjustment				
Balance, Beginning of Period	\$ 720	\$ 682	\$ 739	\$ 658
Current Period Change in Foreign Currency Translation Adjustment	(20)	(11)	(39)	13
Balance, End of Period	\$ 700	\$ 671	\$ 700	\$ 671
Pension and Other Post-Employment Benefit Plans				
Balance, Beginning of Period	\$ (66)	\$ (78)	\$ (69)	\$ (82)
Reclassification of Net Actuarial Gains and Losses to Net Earnings (See Note 15)	3	4	7	8
Income Taxes	(1)	(3)	(2)	(3)
Balance, End of Period	\$ (64)	\$ (77)	\$ (64)	\$ (77)
Total Accumulated Other Comprehensive Income	\$ 636	\$ 594	\$ 636	\$ 594

14. Compensation Plans

Encana has a number of compensation arrangements that form the Company's long-term incentive plan awarded to eligible employees. These primarily include TSARs, Performance TSARs, SARs, Performance SARs, Performance Share Units ("PSUs"), Deferred Share Units ("DSUs") and RSUs. These compensation arrangements are share-based.

Encana accounts for TSARs, Performance TSARs, SARs, Performance SARs, PSUs and RSUs held by Encana employees as cash-settled share-based payment transactions and accordingly, accrues compensation costs over the vesting period based on the fair value of the rights determined using the Black-Scholes-Merton and other fair value models.

As at June 30, 2013, the following weighted average assumptions were used to determine the fair value of the share units held by Encana employees:

	Encana US\$ Share Units	Encana C\$ Share Units	Cenovus C\$ Share Units
Risk Free Interest Rate	1.22%	1.22%	1.22%
Dividend Yield	4.72%	4.53%	3.23%
Expected Volatility Rate	33.65%	30.72%	28.32%
Expected Term	2.2 yrs	2.0 yrs	0.4 yrs
Market Share Price	US\$16.94	C\$17.79	C\$30.00

The Company has recognized the following share-based compensation costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Compensation Costs of Transactions Classified as Cash-Settled	\$ (10)	\$ 12	\$ 6	\$ 45
Compensation Costs of Transactions Classified as Equity-Settled ⁽¹⁾	2	3	3	5
Total Share-Based Compensation Costs	(8)	15	9	50
Less: Total Share-Based Compensation Costs Capitalized	2	(4)	(2)	(15)
Total Share-Based Compensation Expense	\$ (6)	\$ 11	\$ 7	\$ 35
Recognized on the Consolidated Statement of Earnings in:				
Operating expense	\$ (4)	\$ 4	\$ 1	\$ 13
Administrative expense	(2)	7	6	22
	\$ (6)	\$ 11	\$ 7	\$ 35

⁽¹⁾ RSUs may be settled in cash or equity as determined by Encana. The Company's decision to cash settle RSUs was made subsequent to the original grant date.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

14. Compensation Plans (continued)

As at June 30, 2013, the liability for share-based payment transactions totaled \$123 million of which \$77 million is recognized in accounts payable and accrued liabilities.

	As at June 30, 2013	As at December 31, 2012
Liability for Unvested Cash-Settled Share-Based Payment Transactions	\$ 77	\$ 85
Liability for Vested Cash-Settled Share-Based Payment Transactions	46	71
Liability for Cash-Settled Share-Based Payment Transactions	\$ 123	\$ 156

The following units were granted during the six months ended June 30, 2013. The TSARs and SARs were granted at the market price of Encana's common shares on the grant date.

Six Months Ended June 30, 2013 (thousands of units)

TSARs	10,514
SARs	4,891
PSUs	1,078
DSUs	164
RSUs	6,465

15. Pension and Other Post-Employment Benefits

The Company has recognized total benefit plans expense which includes pension benefits and other post-employment benefits ("OPEB") for the six months ended June 30 as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	2013	2012	2013	2012
Defined Benefit Plan Expense	\$ 8	\$ 10	\$ 9	\$ 9	\$ 17	\$ 19
Defined Contribution Plan Expense	23	21	-	-	23	21
Total Benefit Plans Expense	\$ 31	\$ 31	\$ 9	\$ 9	\$ 40	\$ 40

Of the total benefit plans expense, \$31 million (2012 - \$32 million) was included in operating expense and \$9 million (2012 - \$8 million) was included in administrative expense.

The defined periodic pension and OPEB expense for the six months ended June 30 is as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	2013	2012	2013	2012
Current service costs	\$ 3	\$ 3	\$ 7	\$ 7	\$ 10	\$ 10
Interest cost	6	7	2	2	8	9
Expected return on plan assets	(8)	(8)	-	-	(8)	(8)
Amounts reclassified from accumulated other comprehensive income:						
Amortization of net actuarial gains and losses	7	8	-	-	7	8
Total Defined Benefit Plan Expense	\$ 8	\$ 10	\$ 9	\$ 9	\$ 17	\$ 19

The amounts recognized in other comprehensive income for the six months ended June 30 are as follows:

	Pension Benefits		OPEB		Total	
	2013	2012	2013	2012	2013	2012
Total Amounts Recognized in Other Comprehensive (Income) Loss, Before Tax	\$ (7)	\$ (8)	\$ -	\$ -	\$ (7)	\$ (8)
Total Amounts Recognized in Other Comprehensive (Income) Loss, After Tax	\$ (5)	\$ (5)	\$ -	\$ -	\$ (5)	\$ (5)

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

16. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments except for the amounts associated with share units issued as part of the Split Transaction, as disclosed below. The fair value of cash in reserve approximates its carrying amount due to the nature of the instrument held.

Recurring fair-value measurements are performed for risk management assets and liabilities and for share units resulting from the Split Transaction, which are discussed further in Notes 17 and 12, respectively. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the tables below. There have been no transfers between the hierarchy levels during the period.

As at June 30, 2013	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽⁴⁾	Carrying Amount
Risk Management						
Risk Management Assets						
Current	\$ -	\$ 451	\$ 4	\$ 455	\$ (21)	\$ 434
Long-term	-	231	5	236	-	236
Risk Management Liabilities						
Current	2	21	-	23	(21)	2
Long-term	-	-	8	8	-	8
Share Units Resulting from the Split Transaction						
Encana Share Units Held by Cenovus Employees						
Accounts receivable and accrued revenues ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities ⁽²⁾	-	-	-	-	-	-
Cenovus Share Units Held by Encana Employees						
Accounts payable and accrued liabilities ⁽³⁾	-	-	14	14	-	14

As at December 31, 2012	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽⁴⁾	Carrying Amount
Risk Management						
Risk Management Assets						
Current	\$ 2	\$ 505	\$ -	\$ 507	\$ (28)	\$ 479
Long-term	-	112	-	112	(1)	111
Risk Management Liabilities						
Current	-	25	8	33	(28)	5
Long-term	-	7	4	11	(1)	10
Share Units Resulting from the Split Transaction						
Encana Share Units Held by Cenovus Employees						
Accounts receivable and accrued revenues ⁽¹⁾	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ 1
Accounts payable and accrued liabilities ⁽²⁾	-	-	1	1	-	1
Cenovus Share Units Held by Encana Employees						
Accounts payable and accrued liabilities ⁽³⁾	-	-	36	36	-	36

⁽¹⁾ Receivable from Cenovus.

⁽²⁾ Payable to Cenovus employees.

⁽³⁾ Payable to Cenovus.

⁽⁴⁾ Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

16. Fair Value Measurements (continued)

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts and basis swaps with terms to 2016. The fair values of these contracts are based on a market approach and are estimated using inputs which are either directly or indirectly observable at the reporting date, such as exchange and other published prices, broker quotes and observable trading activity.

Level 3 Fair Value Measurements

The Company's Level 3 risk management assets and liabilities consist of natural gas options and power purchase contracts with terms to 2013 and 2017, respectively. The fair values of both the natural gas options and the power purchase contracts are based on an income approach and are modeled internally using observable and unobservable inputs such as natural gas price volatilities and forward power prices in less active markets. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

Amounts related to risk management assets and liabilities are recognized in revenues and transportation and processing expense according to their purpose. Amounts related to share units resulting from the Split Transaction are recognized in operating expense, administrative expense and capitalized within property, plant and equipment as described in Note 14.

A summary of changes in Level 3 fair value measurements for the six months ended June 30 is presented below:

	Risk Management		Share Units Resulting from Split Transaction	
	2013	2012	2013	2012
Balance, Beginning of Year	\$ (12)	\$ 18	\$ (36)	\$ (83)
Total gains (losses)	12	(19)	17	4
Purchases, issuances and settlements:				
Purchases	-	-	-	-
Settlements	1	6	5	37
Transfers in and out of Level 3	-	-	-	-
Balance, End of Period	\$ 1	\$ 5	\$ (14)	\$ (42)
Change in unrealized gains (losses) related to assets and liabilities held at end of period	\$ 10	\$ (9)	\$ 21	\$ 14

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below:

		Unobservable Input	As at June 30, 2013	As at December 31, 2012
Valuation Technique				
Risk Management - Natural Gas Options	Option Model	Price volatility	31.6% - 34.0%	0.3% - 28.3%
Risk Management - Power	Discounted Cash Flow	Forward prices (\$/Megawatt Hour)	\$49.25 - \$74.83	\$48.25 - \$57.97
Share Units Resulting from the Split Transaction	Option Model	Cenovus share unit volatility	28.32%	30.18%

A five percentage point increase or decrease in natural gas price volatility would cause no decrease or increase (nil as at December 31, 2012) to net risk management assets. A 10 percent increase or decrease in estimated forward power prices would cause a corresponding \$8 million (\$6 million as at December 31, 2012) increase or decrease to net risk management assets. A five percentage point increase or decrease in Cenovus share unit estimated volatility would cause a corresponding \$1 million (\$2 million as at December 31, 2012) increase or decrease to accounts payable and accrued liabilities.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

17. Financial Instruments and Risk Management

A) Financial Instruments

Encana's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, cash in reserve, accounts payable and accrued liabilities, risk management assets and liabilities and long-term debt.

B) Risk Management Assets and Liabilities

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 16 for a discussion of fair value measurements.

Unrealized Risk Management Position

	As at June 30, 2013	As at December 31, 2012
Risk Management Asset		
Current	\$ 434	\$ 479
Long-term	236	111
	670	590
Risk Management Liability		
Current	2	5
Long-term	8	10
	10	15
Net Risk Management Asset	\$ 660	\$ 575

Commodity Price Positions as at June 30, 2013

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	2,255 MMcf/d	2013	4.37 US\$/Mcf	\$ 298
NYMEX Fixed Price	1,538 MMcf/d	2014	4.19 US\$/Mcf	155
NYMEX Fixed Price	825 MMcf/d	2015	4.37 US\$/Mcf	67
Options		2013		-
Basis Contracts ⁽¹⁾		2013-2016		117
Other Financial Positions				1
Natural Gas Fair Value Position				638
Crude Oil Contracts				
Fixed Price Contracts				
Brent Fixed Price	9.3 Mbbls/d	2013	108.22 US\$/bbl	13
WTI Fixed Price	5.7 Mbbls/d	2013	97.45 US\$/bbl	2
WTI Fixed Price	5.8 Mbbls/d	2014	93.80 US\$/bbl	8
Basis Contracts ⁽²⁾		2013-2015		(2)
Crude Oil Fair Value Position				21
Power Purchase Contracts				
Fair Value Position				1
Total Fair Value Position				\$ 660

⁽¹⁾ Encana has entered into swaps to protect against widening natural gas price differentials in Canada and the United States. These basis swaps are priced using both fixed price differentials and differentials determined as a percentage of NYMEX.

⁽²⁾ Encana has entered into swaps to protect against widening oil price differentials between Brent and WTI. These basis swaps are priced using fixed price differentials.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Realized Gain (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 50	\$ 640	\$ 195	\$ 1,169
Transportation and Processing	2	(4)	-	(6)
Gain on Risk Management	\$ 52	\$ 636	\$ 195	\$ 1,163

	Unrealized Gain (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues, Net of Royalties	\$ 461	\$ (795)	\$ 75	\$ (725)
Transportation and Processing	8	-	9	(7)
Gain (Loss) on Risk Management	\$ 469	\$ (795)	\$ 84	\$ (732)

Reconciliation of Unrealized Risk Management Positions from January 1 to June 30

	2013		2012
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ 575		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	279	\$ 279	\$ 431
Foreign Exchange Translation Adjustment on Canadian Dollar Contracts	1	-	-
Fair Value of Contracts Realized During the Period	(195)	(195)	(1,163)
Fair Value of Contracts, End of Period	\$ 660	\$ 84	\$ (732)

C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks including market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. Future cash flows may fluctuate due to movement in market prices and the exposure to credit and liquidity risks.

Commodity Price Risk

Commodity price risk arises from the effect fluctuations in future commodity prices may have on future cash flows. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board. The Company's policy is to not use derivative financial instruments for speculative purposes.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses contracts such as NYMEX based swaps and options. Encana also enters into basis swaps to manage against widening price differentials between various production areas and various sales points.

Crude Oil - To help protect against widening crude oil price differentials between North American and world prices, the Company has entered into fixed price contracts and basis swaps.

Power - The Company has entered into Canadian dollar denominated derivative contracts to manage its electricity consumption costs.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

Commodity Price Risk (continued)

The table below summarizes the sensitivity of the fair value of the Company's risk management positions to fluctuations in commodity prices, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting pre-tax net earnings as at June 30 as follows:

	2013		2012	
	10% Price Increase	10% Price Decrease	10% Price Increase	10% Price Decrease
Natural gas price	\$ (486)	\$ 485	\$ (190)	\$ 190
Crude oil price	(34)	34	7	(7)
Power price	8	(8)	5	(5)

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. As at June 30, 2013, the Company had no significant collateral balances posted or received and there were no credit derivatives in place.

As at June 30, 2013, cash equivalents include high-grade, short-term securities, placed primarily with financial institutions and companies with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions in Canada and the U.S. or with counterparties having investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at June 30, 2013, approximately 92 percent (88 percent at December 31, 2012) of Encana's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at June 30, 2013, Encana had four counterparties (2012 - four counterparties) whose net settlement position individually accounted for more than 10 percent of the fair value of the outstanding in-the-money net risk management contracts by counterparty. As at June 30, 2013, these counterparties accounted for 13 percent, 13 percent, 12 percent and 12 percent of the fair value of the outstanding in-the-money net risk management contracts.

Liquidity Risk

Liquidity risk arises from the potential that the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages liquidity risk using cash and debt management programs.

The Company has access to cash equivalents and a range of funding alternatives at competitive rates through committed revolving bank credit facilities and debt capital markets. In June 2013, the Company extended the maturity date of its existing revolving bank credit facilities and reduced the Canadian facility from C\$4.0 billion to C\$3.5 billion. As at June 30, 2013, the Company had available unused committed revolving bank credit facilities totaling \$4.3 billion which include C\$3.5 billion (\$3.3 billion) on a revolving bank credit facility for Encana and \$999 million on a revolving bank credit facility for a U.S. subsidiary. The facilities remain committed through June 2018.

Encana also had unused capacity under a shelf prospectus for up to \$4.0 billion, or the equivalent in foreign currencies, the availability of which is dependent on market conditions, to issue up to \$4.0 billion of debt securities in the U.S. This shelf prospectus expires in June 2014. The Company believes it has sufficient funding through the use of this facility to meet foreseeable borrowing requirements.

The Company minimizes its liquidity risk by managing its capital structure. The Company's capital structure consists of shareholders' equity plus long-term debt, including the current portion. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve Encana's access to capital markets and its ability to meet financial obligations and to finance internally generated growth as well as potential acquisitions. To manage the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

Liquidity Risk (continued)

The timing of expected cash outflows relating to financial liabilities is outlined in the table below:

	Less Than					
	1 Year	1 - 3 Years	4 - 5 Years	6 - 9 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	\$ 1,593	\$ -	\$ -	\$ -	\$ -	\$ 1,593
Risk Management Liabilities	2	6	2	-	-	10
Long-Term Debt ⁽¹⁾	1,950	759	2,152	2,178	6,753	13,792

⁽¹⁾ Principal and interest.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As Encana operates primarily in North America, fluctuations in the exchange rate between the U.S. and Canadian dollars can have a significant effect on the Company's reported results. Encana's financial results are consolidated in Canadian dollars; however, the Company reports its results in U.S. dollars as most of its revenue is closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American oil and gas companies. As the effects of foreign exchange fluctuations are embedded in the Company's results, the total effect of foreign exchange fluctuations is not separately identifiable.

To mitigate the exposure to the fluctuating U.S./Canadian dollar exchange rate, Encana maintains a mix of both U.S. dollar and Canadian dollar debt and may also enter into foreign exchange derivatives. As at June 30, 2013, Encana had \$5.9 billion in U.S. dollar debt issued from Canada that was subject to foreign exchange exposure (\$5.9 billion as at December 31, 2012) and \$1.7 billion in debt that was not subject to foreign exchange exposure (\$1.8 billion as at December 31, 2012). There were no foreign exchange derivatives outstanding as at June 30, 2013.

Encana's foreign exchange (gain) loss primarily includes unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated debt issued from Canada, unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated risk management assets and liabilities held in Canada and foreign exchange gains and losses on U.S. dollar denominated cash and short-term investments held in Canada. A \$0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a \$47 million change in foreign exchange (gain) loss as at June 30, 2013 (2012 - \$50 million).

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company may partially mitigate its exposure to interest rate changes by holding a mix of both fixed and floating rate debt and may also enter into interest rate derivatives to partially mitigate effects of fluctuations in market interest rates. There were no interest rate derivatives outstanding as at June 30, 2013.

As at June 30, 2013, the Company had no floating rate debt. Accordingly, the sensitivity in net earnings for each one percent change in interest rates on floating rate debt was nil (2012 - nil).

Notes to Condensed Consolidated Financial Statements *(unaudited)*

(All amounts in \$ millions unless otherwise specified)

18. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at June 30, 2013:

(undiscounted)	Expected Future Payments						Total
	2013	2014	2015	2016	2017	Thereafter	
Transportation and Processing	\$ 455	\$ 930	\$ 949	\$ 854	\$ 820	\$ 4,775	\$ 8,783
Drilling and Field Services	237	152	98	67	37	67	658
Operating Leases	23	47	44	38	30	71	253
Commitments	\$ 715	\$ 1,129	\$ 1,091	\$ 959	\$ 887	\$ 4,913	\$ 9,694

Contingencies

Encana is involved in various legal claims and actions arising in the course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Encana's financial position, cash flows or results of operations. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation and claims are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims.

Supplemental Financial Information *(unaudited)*

Financial Results

(\$ millions, except per share amounts)

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Cash Flow ⁽¹⁾	1,244	665	579	3,537	809	913	1,815	794	1,021
Per share - Diluted ⁽³⁾	1.69	0.90	0.79	4.80	1.10	1.24	2.47	1.08	1.39
Operating Earnings ⁽²⁾	426	247	179	997	296	263	438	198	240
Per share - Diluted ⁽³⁾	0.58	0.34	0.24	1.35	0.40	0.36	0.59	0.27	0.33
Net Earnings (Loss)	299	730	(431)	(2,794)	(80)	(1,244)	(1,470)	(1,482)	12
Per share - Diluted ⁽³⁾	0.41	0.99	(0.59)	(3.79)	(0.11)	(1.69)	(2.00)	(2.01)	0.02
Effective Tax Rate using Canadian Statutory Rate	25.0%			25.0%					
Foreign Exchange Rates (US\$ per C\$1)									
Average	0.984	0.977	0.992	1.000	1.009	1.005	0.994	0.990	0.999
Period end	0.951	0.951	0.985	1.005	1.005	1.017	0.981	0.981	1.001
Cash Flow Summary									
Cash From (Used in) Operating Activities	892	554	338	3,107	717	1,142	1,248	631	617
Deduct (Add back):									
Net change in other assets and liabilities	(44)	(22)	(22)	(78)	(23)	(9)	(46)	(26)	(20)
Net change in non-cash working capital	(296)	(81)	(215)	(323)	(56)	242	(509)	(134)	(375)
Cash tax on sale of assets	(12)	(8)	(4)	(29)	(13)	(4)	(12)	(3)	(9)
Cash Flow ⁽¹⁾	1,244	665	579	3,537	809	913	1,815	794	1,021
Operating Earnings Summary									
Net Earnings (Loss)	299	730	(431)	(2,794)	(80)	(1,244)	(1,470)	(1,482)	12
After-tax (addition) deduction:									
Unrealized hedging gain (loss)	66	332	(266)	(1,002)	(72)	(428)	(502)	(547)	45
Impairments	-	-	-	(3,188)	(300)	(1,193)	(1,695)	(1,695)	-
Non-operating foreign exchange gain (loss)	(263)	(162)	(101)	92	(66)	162	(4)	(90)	86
Income tax adjustments	70	313	(243)	307	62	(48)	293	652	(359)
Operating Earnings ⁽²⁾	426	247	179	997	296	263	438	198	240

⁽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 and cash tax on sale of assets.

⁽²⁾ Operating Earnings is a non-GAAP measure defined as Net Earnings excluding non-recurring or non-cash items that Management believes reduces the comparability of the Company's financial performance between periods. These after-tax items may include, but are not limited to, unrealized hedging gains/losses, impairments, foreign exchange gains/losses, income taxes related to divestitures and adjustments to normalize the effect of income taxes calculated using the estimated annual effective tax rate.

⁽³⁾ Net earnings, operating earnings and cash flow per common share are calculated using the weighted average number of Encana common shares outstanding as follows:

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
(millions)									
Weighted Average Common Shares Outstanding									
Basic	736.1	736.1	736.2	736.3	736.3	736.3	736.3	736.3	736.3
Diluted	736.1	736.1	736.2	736.3	736.3	736.3	736.3	736.3	736.3

Supplemental Financial & Operating Information *(unaudited)*

Financial Metrics	2013		2012	
	Year-to-date		Year	
Net Debt to Debt Adjusted Cash Flow	1.4x		1.1x	
Debt to Debt Adjusted Cash Flow	2.3x		2.0x	
Debt to Adjusted EBITDA	2.3x		2.0x	
Debt to Adjusted Capitalization	37%		37%	

The financial metrics disclosed above are non-GAAP measures monitored by Management as indicators of the Company's overall financial strength. These non-GAAP measures are defined and calculated in the Non-GAAP Measures section of Encana's Management's Discussion and Analysis.

Net Capital Investment	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
(\$ millions)									
Capital Investment									
Canadian Division	710	301	409	1,567	373	356	838	323	515
USA Division	610	327	283	1,727	352	380	995	432	563
Market Optimization	2	2	-	7	-	-	7	1	6
Corporate & Other	32	9	23	175	55	43	77	41	36
Capital Investment	1,354	639	715	3,476	780	779	1,917	797	1,120
Net Acquisitions & (Divestitures) ⁽¹⁾	(653)	(312)	(341)	(3,664)	(1,327)	31	(2,368)	(8)	(2,360)
Net Capital Investment	701	327	374	(188)	(547)	810	(451)	789	(1,240)

⁽¹⁾ Q1 2013 Net Acquisitions & (Divestitures) includes proceeds received from the sale of the Company's 30 percent interest in the proposed Kitimat liquefied natural gas export terminal in British Columbia and associated undeveloped lands in the Horn River Basin. The transaction closed on February 8, 2013.

Production Volumes - After Royalties	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
(average daily)									
Natural Gas (MMcf/d)									
Canadian Division	1,393	1,364	1,422	1,359	1,408	1,299	1,365	1,237	1,493
USA Division	1,428	1,402	1,455	1,622	1,540	1,606	1,672	1,565	1,779
	2,821	2,766	2,877	2,981	2,948	2,905	3,037	2,802	3,272
Oil & NGLs (Mbbbls/d)									
Canadian Division	25.0	26.0	24.0	19.4	23.6	18.0	18.1	16.9	19.2
USA Division	20.6	21.6	19.5	11.6	12.6	12.3	10.6	11.3	10.1
	45.6	47.6	43.5	31.0	36.2	30.3	28.7	28.2	29.3

Supplemental Financial & Operating Information *(unaudited)*

Results of Operations

Product and Divisional Information, Including the Impact of Realized Financial Hedging

(\$ millions)	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas - Canadian Division									
Revenues, Net of Royalties, excluding Hedging	881	459	422	1,263	411	282	570	223	347
Realized Financial Hedging Gain	85	19	66	962	187	261	514	286	228
Expenses									
Production and mineral taxes	1	-	1	1	1	-	-	1	(1)
Transportation and processing	334	165	169	549	158	116	275	143	132
Operating	168	80	88	327	71	86	170	78	92
Operating Cash Flow	463	233	230	1,348	368	341	639	287	352
Natural Gas - USA Division									
Revenues, Net of Royalties, excluding Hedging	1,006	547	459	1,798	523	446	829	343	486
Realized Financial Hedging Gain	96	27	69	1,195	238	300	657	355	302
Expenses									
Production and mineral taxes	42	27	15	68	28	22	18	5	13
Transportation and processing	363	179	184	652	162	169	321	148	173
Operating	164	78	86	347	78	90	179	81	98
Operating Cash Flow	533	290	243	1,926	493	465	968	464	504
Natural Gas - Total									
Revenues, Net of Royalties, excluding Hedging	1,887	1,006	881	3,061	934	728	1,399	566	833
Realized Financial Hedging Gain	181	46	135	2,157	425	561	1,171	641	530
Expenses									
Production and mineral taxes	43	27	16	69	29	22	18	6	12
Transportation and processing	697	344	353	1,201	320	285	596	291	305
Operating	332	158	174	674	149	176	349	159	190
Operating Cash Flow	996	523	473	3,274	861	806	1,607	751	856
Liquids - Canadian Division									
Revenues, Net of Royalties, excluding Hedging	296	156	140	504	132	114	258	118	140
Realized Financial Hedging Gain (Loss)	6	2	4	(4)	(4)	-	-	-	-
Expenses									
Production and mineral taxes	2	1	1	8	1	1	6	2	4
Transportation and processing	7	4	3	6	2	1	3	2	1
Operating	21	9	12	14	7	2	5	3	2
Operating Cash Flow	272	144	128	472	118	110	244	111	133
Liquids - USA Division									
Revenues, Net of Royalties, excluding Hedging	256	134	122	348	89	88	171	88	83
Realized Financial Hedging Gain	8	3	5	-	-	-	-	-	-
Expenses									
Production and mineral taxes	17	9	8	28	6	7	15	7	8
Transportation and processing	-	-	-	-	-	-	-	-	-
Operating	37	14	23	25	8	9	8	6	2
Operating Cash Flow	210	114	96	295	75	72	148	75	73
Liquids - Total									
Revenues, Net of Royalties, excluding Hedging	552	290	262	852	221	202	429	206	223
Realized Financial Hedging Gain (Loss)	14	5	9	(4)	(4)	-	-	-	-
Expenses									
Production and mineral taxes	19	10	9	36	7	8	21	9	12
Transportation and processing	7	4	3	6	2	1	3	2	1
Operating	58	23	35	39	15	11	13	9	4
Operating Cash Flow	482	258	224	767	193	182	392	186	206

Supplemental Oil and Gas Operating Statistics *(unaudited)*

Operating Statistics - After Royalties

Per-unit Results, Excluding the Impact of Realized Financial Hedging

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas - Canadian Division (\$/Mcf)									
Price	3.44	3.69	3.21	2.58	3.18	2.45	2.33	2.05	2.56
Production and mineral taxes	-	-	0.01	-	0.01	-	-	0.01	(0.01)
Transportation and processing	1.31	1.33	1.29	1.12	1.23	1.01	1.12	1.31	0.97
Operating	0.66	0.65	0.66	0.67	0.55	0.75	0.69	0.71	0.68
Netback	1.47	1.71	1.25	0.79	1.39	0.69	0.52	0.02	0.92
Natural Gas - USA Division (\$/Mcf)									
Price	3.89	4.29	3.50	3.03	3.68	3.02	2.73	2.41	3.00
Production and mineral taxes	0.16	0.21	0.11	0.11	0.19	0.15	0.06	0.03	0.08
Transportation and processing	1.40	1.40	1.40	1.10	1.15	1.14	1.05	1.04	1.07
Operating	0.63	0.61	0.66	0.59	0.55	0.62	0.59	0.56	0.61
Netback	1.70	2.07	1.33	1.23	1.79	1.11	1.03	0.78	1.24
Natural Gas - Total (\$/Mcf)									
Price	3.67	3.99	3.35	2.83	3.45	2.77	2.55	2.25	2.80
Production and mineral taxes	0.08	0.11	0.06	0.06	0.10	0.08	0.03	0.02	0.04
Transportation and processing	1.36	1.36	1.35	1.11	1.18	1.08	1.09	1.16	1.02
Operating	0.64	0.63	0.66	0.62	0.55	0.68	0.64	0.63	0.64
Netback	1.59	1.89	1.28	1.04	1.62	0.93	0.79	0.44	1.10
Liquids - Canadian Division (\$/bbl)									
Price	65.32	65.88	64.72	70.84	61.04	68.80	78.33	76.47	79.96
Production and mineral taxes	0.60	0.62	0.58	1.13	0.43	0.62	1.85	1.28	2.36
Transportation and processing	1.43	1.53	1.33	0.75	0.78	0.10	1.06	1.18	0.95
Operating	4.65	3.77	5.61	2.09	3.60	1.48	1.40	1.68	1.15
Netback	58.64	59.96	57.20	66.87	56.23	66.60	74.02	72.33	75.50
Liquids - USA Division (\$/bbl)									
Price	69.20	68.56	69.91	82.33	77.18	77.12	88.44	86.11	91.05
Production and mineral taxes	4.54	4.57	4.50	6.63	5.00	6.46	7.71	7.17	8.33
Transportation and processing	-	-	-	0.06	-	-	0.14	0.09	0.20
Operating	10.19	7.54	13.16	5.88	7.05	7.69	4.13	5.52	2.59
Netback	54.47	56.45	52.25	69.76	65.13	62.97	76.46	73.33	79.93
Liquids - Total (\$/bbl)									
Price	67.07	67.10	67.04	75.12	66.65	72.17	82.08	80.32	83.77
Production and mineral taxes	2.38	2.41	2.33	3.18	2.02	2.98	4.03	3.63	4.41
Transportation and processing	0.79	0.84	0.73	0.50	0.51	0.06	0.72	0.75	0.69
Operating	7.15	5.48	8.98	3.50	4.80	3.98	2.41	3.21	1.65
Netback	56.75	58.37	55.00	67.94	59.32	65.15	74.92	72.73	77.02

Supplemental Oil and Gas Operating Statistics *(unaudited)*

Operating Statistics - After Royalties (continued)

Impact of Realized Financial Hedging

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas (\$/Mcf)									
Canadian Division	0.33	0.15	0.50	1.97	1.45	2.27	2.10	2.61	1.69
USA Division	0.37	0.21	0.53	2.01	1.68	2.03	2.16	2.49	1.86
Total	0.35	0.18	0.51	1.99	1.57	2.14	2.13	2.54	1.78
Liquids (\$/bbl)									
Canadian Division	1.57	1.00	2.20	-	-	-	-	-	-
USA Division	1.96	1.32	2.67	-	-	-	-	-	-
Total	1.75	1.15	2.41	-	-	-	-	-	-

Per-unit Results, Including the Impact of Realized Financial Hedging

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas Price (\$/Mcf)									
Canadian Division	3.77	3.84	3.71	4.55	4.63	4.72	4.43	4.66	4.25
USA Division	4.26	4.50	4.03	5.04	5.36	5.05	4.89	4.90	4.86
Total	4.02	4.17	3.86	4.82	5.02	4.91	4.68	4.79	4.58
Natural Gas Netback (\$/Mcf)									
Canadian Division	1.80	1.86	1.75	2.76	2.84	2.96	2.62	2.63	2.61
USA Division	2.07	2.28	1.86	3.24	3.47	3.14	3.19	3.27	3.10
Total	1.94	2.07	1.79	3.03	3.19	3.07	2.92	2.98	2.88
Liquids Price (\$/bbl)									
Canadian Division	66.89	66.88	66.92	70.84	61.04	68.80	78.33	76.47	79.96
USA Division	71.16	69.88	72.58	82.33	77.18	77.12	88.44	86.11	91.05
Total	68.82	68.25	69.45	75.12	66.65	72.17	82.08	80.32	83.77
Liquids Netback (\$/bbl)									
Canadian Division	60.21	60.96	59.40	66.87	56.23	66.60	74.02	72.33	75.50
USA Division	56.43	57.77	54.92	69.76	65.13	62.97	76.46	73.33	79.93
Total	58.50	59.52	57.41	67.94	59.32	65.15	74.92	72.73	77.02

Supplemental Oil and Gas Operating Statistics *(unaudited)*

Results by Resource Play

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Natural Gas Production (MMcf/d) - After Royalties									
Canadian Division									
Cutbank Ridge	477	472	482	433	431	447	426	377	476
Bighorn	242	242	243	242	244	235	245	263	227
Peace River Arch	117	119	115	108	116	99	109	99	119
Clearwater	339	331	347	374	366	336	397	353	440
Greater Sierra	213	195	232	200	245	182	187	142	231
Other and emerging	5	5	3	2	6	-	1	3	-
Total Canadian Division	1,393	1,364	1,422	1,359	1,408	1,299	1,365	1,237	1,493
USA Division									
Piceance	462	465	459	475	467	476	479	470	488
Jonah	339	332	346	411	365	407	437	426	448
Haynesville	397	375	420	475	464	475	481	418	545
Texas	145	145	145	167	151	157	179	158	201
Other and emerging	85	85	85	94	93	91	96	93	97
Total USA Division	1,428	1,402	1,455	1,622	1,540	1,606	1,672	1,565	1,779
Oil & NGLs Production (Mbbbls/d) - After Royalties									
Canadian Division									
Cutbank Ridge	1.7	1.9	1.6	1.5	1.5	1.6	1.3	1.5	1.2
Bighorn	7.4	7.4	7.4	5.8	9.4	5.0	4.5	3.4	5.5
Peace River Arch	6.0	6.4	5.6	2.9	3.6	2.7	2.6	2.5	2.7
Clearwater	8.8	9.2	8.5	8.6	8.1	8.0	9.1	9.0	9.2
Greater Sierra	0.5	0.5	0.6	0.5	0.6	0.4	0.5	0.3	0.6
Other and emerging	0.6	0.6	0.3	0.1	0.4	0.3	0.1	0.2	-
Total Canadian Division	25.0	26.0	24.0	19.4	23.6	18.0	18.1	16.9	19.2
USA Division									
Piceance	4.8	5.2	4.3	2.2	2.5	2.7	1.8	2.0	1.6
Jonah	4.7	4.9	4.6	4.1	4.0	4.3	4.1	4.0	4.1
Haynesville	-	-	-	-	-	-	0.1	0.1	-
Texas	-	-	-	0.1	-	0.1	0.1	-	0.2
Other and emerging	11.1	11.5	10.6	5.2	6.1	5.2	4.5	5.2	4.2
Total USA Division	20.6	21.6	19.5	11.6	12.6	12.3	10.6	11.3	10.1
Capital Investment (\$ millions)									
Canadian Division									
Cutbank Ridge	70	19	51	228	60	53	115	35	80
Bighorn	161	56	105	333	66	82	185	63	122
Peace River Arch	186	85	101	220	55	56	109	52	57
Clearwater	79	15	64	131	37	17	77	14	63
Greater Sierra	15	6	9	118	14	13	91	47	44
Other and emerging	199	120	79	537	141	135	261	112	149
Total Canadian Division	710	301	409	1,567	373	356	838	323	515
USA Division									
Piceance	99	51	48	328	42	68	218	112	106
Jonah	21	13	8	102	15	13	74	25	49
Haynesville	87	55	32	337	16	46	275	90	185
Texas	8	3	5	62	3	14	45	16	29
Other and emerging	395	205	190	898	276	239	383	189	194
Total USA Division	610	327	283	1,727	352	380	995	432	563

Supplemental Oil and Gas Operating Statistics *(unaudited)*

Results by Resource Play (continued)

	2013			2012					
	Year-to-date	Q2	Q1	Year	Q4	Q3	Q2 Year-to-date	Q2	Q1
Drilling Activity (net wells drilled)									
Canadian Division									
Cutbank Ridge	14	7	7	41	13	14	14	7	7
Bighorn	17	9	8	31	5	6	20	9	11
Peace River Arch	21	10	11	26	6	7	13	7	6
Clearwater	87	-	87	260	84	93	83	-	83
Greater Sierra	3	1	2	6	-	-	6	-	6
Other and emerging	4	2	2	8	3	2	3	2	1
Total Canadian Division	146	29	117	372	111	122	139	25	114
USA Division									
Piceance	45	23	22	116	21	21	74	35	39
Jonah	27	13	14	41	11	9	21	7	14
Haynesville	7	5	2	17	1	-	16	4	12
Texas	-	-	-	4	-	1	3	-	3
Other and emerging	40	21	19	107	33	35	39	14	25
Total USA Division	119	62	57	285	66	66	153	60	93

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