PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US$ millions, except per share amounts)		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues	*(Note 3)*				
Product and service revenues	*(Note 4)*	**$ 1,326**	$ 1,771	**$ 3,919**	$ 5,191
Gains (losses) on risk management, net	*(Note 22)*	**(154)**	81	**587**	(84)
Sublease revenues	*(Note 11)*	**18**	19	**53**	54
Total Revenues		**1,190**	1,871	**4,559**	5,161
Operating Expenses	*(Note 3)*				
Production, mineral and other taxes		**47**	66	**126**	187
Transportation and processing		**365**	398	**1,129**	1,148
Operating	*(Notes 19, 20)*	**133**	193	**452**	545
Purchased product		**322**	264	**1,039**	784
Depreciation, depletion and amortization		**406**	545	**1,433**	1,454
Impairments	*(Note 10)*	**1,336**	-	**4,863**	-
Accretion of asset retirement obligation	*(Note 14)*	**8**	9	**26**	28
Administrative	*(Notes 18, 19, 20)*	**79**	81	**297**	389
Total Operating Expenses		**2,696**	1,556	**9,365**	4,535
Operating Income (Loss)		**(1,506)**	315	**(4,806)**	626
Other (Income) Expenses					
Interest	*(Note 5)*	**97**	99	**279**	285
Foreign exchange (gain) loss, net	*(Notes 6, 22)*	**(25)**	30	**51**	(62)
(Gain) loss on divestitures, net		**-**	(5)	**-**	(4)
Other (gains) losses, net	*(Notes 8, 12, 20)*	**(18)**	(1)	**(48)**	24
Total Other (Income) Expenses		**54**	123	**282**	243
Net Earnings (Loss) Before Income Tax		**(1,560)**	192	**(5,088)**	383
Income tax expense (recovery)	*(Note 7)*	**(39)**	43	**395**	143
Net Earnings (Loss)		**$ (1,521)**	$ 149	**$ (5,483)**	$ 240
Net Earnings (Loss) per Share of Common Stock [(1)]					
Basic & Diluted	*(Note 15)*	**$ (5.85)**	$ 0.56	**$ (21.10)**	$ 0.92
Weighted Average Shares of Common Stock Outstanding (millions) [(1)]					
Basic & Diluted	*(Note 15)*	**259.8**	264.6	**259.8**	261.7

(1) Net earnings (loss) per share of common stock and weighted average shares of common stock outstanding reflect the Share Consolidation as described in Note 1. Accordingly, the comparative periods have been restated.

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US$ millions)		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net Earnings (Loss)		**$ (1,521)**	$ 149	**$ (5,483)**	$ 240
Other Comprehensive Income (Loss), Net of Tax					
Foreign currency translation adjustment	*(Note 16)*	**26**	(6)	**(21)**	32
Pension and other post-employment benefit plans	*(Notes 16, 20)*	**(2)**	-	**(1)**	(24)
Other Comprehensive Income (Loss)		**24**	(6)	**(22)**	8
Comprehensive Income (Loss)		**$ (1,497)**	$ 143	**$ (5,505)**	$ 248

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US$ millions)		**As at September 30, 2020**	As at December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents		**$ 32**	$ 190
Accounts receivable and accrued revenues (net of allowances of $4 million (2019: $3 million))		**766**	1,235
Risk management	*(Notes 21, 22)*	**170**	148
Income tax receivable		**251**	296
		1,219	1,869
Property, Plant and Equipment, at cost:	*(Note 10)*		
Oil and natural gas properties, based on full cost accounting			
Proved properties		**52,653**	51,210
Unproved properties		**3,168**	3,714
Other		**887**	904
Property, plant and equipment		**56,708**	55,828
Less: Accumulated depreciation, depletion and amortization		**(46,485)**	(40,637)
Property, plant and equipment, net	*(Note 3)*	**10,223**	15,191
Other Assets		**1,113**	1,213
Risk Management	*(Notes 21, 22)*	**8**	2
Deferred Income Taxes	*(Note 7)*	**-**	601
Goodwill	*(Notes 3, 8)*	**2,594**	2,611
	(Note 3)	**$ 15,157**	$ 21,487
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 1,615**	$ 2,239
Current portion of operating lease liabilities		**66**	78
Income tax payable		**3**	1
Risk management	*(Notes 21, 22)*	**65**	114
		1,749	2,432
Long-Term Debt	*(Note 12)*	**7,142**	6,974
Operating Lease Liabilities		**912**	977
Other Liabilities and Provisions	*(Note 13)*	**377**	464
Risk Management	*(Notes 21, 22)*	**154**	68
Asset Retirement Obligation	*(Note 14)*	**446**	425
Deferred Income Taxes		**25**	217
		10,805	11,557
Commitments and Contingencies	*(Note 24)*		
Shareholders' Equity			
Share capital - authorized 775 million shares of common stock			
2020 issued and outstanding: 259.8 million shares (2019: 259.8 million shares)	*(Note 15)*	**3**	7,061
Paid in surplus	*(Note 15)*	**8,460**	1,402
Retained earnings (Accumulated deficit)		**(5,135)**	421
Accumulated other comprehensive income	*(Note 16)*	**1,024**	1,046
Total Shareholders' Equity		**4,352**	9,930
		$ 15,157	$ 21,487

See accompanying Notes to Condensed Consolidated Financial Statements

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

Three Months Ended September 30, 2020 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, June 30, 2020		**$ 3**	**$ 8,460**	**$ (3,590)**	**$ 1,000**	**$ 5,873**
Net Earnings (Loss)		**-**	**-**	**(1,521)**	**-**	**(1,521)**
Dividends on Shares of Common Stock ($0.09375 per share)	*(Note 15)*	**-**	**-**	**(24)**	**-**	**(24)**
Other Comprehensive Income (Loss)	*(Note 16)*	**-**	**-**	**-**	**24**	**24**
Balance, September 30, 2020		**$ 3**	**$ 8,460**	**$ (5,135)**	**$ 1,024**	**$ 4,352**

Three Months Ended September 30, 2019 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, June 30, 2019		$ 7,318	$ 1,358	$ 327	$ 1,012	$ 10,015
Net Earnings (Loss)		-	-	149	-	149
Dividends on Common Shares ($0.09375 per share [1])	*(Note 15)*	-	-	(24)	-	(24)
Common Shares Purchased under Substantial Issuer Bid	*(Note 15)*	(257)	44	-	-	(213)
Other Comprehensive Income (Loss)	*(Note 16)*	-	-	-	(6)	(6)
Balance, September 30, 2019		$ 7,061	$ 1,402	$ 452	$ 1,006	$ 9,921

(1) Dividends per share reflect the Share Consolidation as described in Note 1. Accordingly, the comparative period has been restated.

See accompanying Notes to Condensed Consolidated Financial Statements

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

Nine Months Ended September 30, 2020 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2019		**$ 7,061**	**$ 1,402**	**$ 421**	**$ 1,046**	**$ 9,930**
Net Earnings (Loss)		**-**	**-**	**(5,483)**	**-**	**(5,483)**
Dividends on Shares of Common Stock ($0.28125 per share)	*(Note 15)*	**-**	**-**	**(73)**	**-**	**(73)**
Other Comprehensive Income (Loss)	*(Note 16)*	**-**	**-**	**-**	**(22)**	**(22)**
Reclassification of Share Capital due to the Reorganization	*(Note 15)*	**(7,058)**	**7,058**	**-**	**-**	**-**
Balance, September 30, 2020		**$ 3**	**$ 8,460**	**$ (5,135)**	**$ 1,024**	**$ 4,352**

Nine Months Ended September 30, 2019 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2018		$ 4,656	$ 1,358	$ 435	$ 998	$ 7,447
Net Earnings (Loss)		-	-	240	-	240
Dividends on Common Shares ($0.28125 per share [1])	*(Note 15)*	-	-	(77)	-	(77)
Common Shares Purchased under Substantial Issuer Bid	*(Note 15)*	(257)	44	-	-	(213)
Common Shares Purchased under Normal Course Issuer Bid	*(Note 15)*	(816)	-	(221)	-	(1,037)
Common Shares Issued	*(Notes 8, 15)*	3,478	-	-	-	3,478
Other Comprehensive Income (Loss)	*(Note 16)*	-	-	-	8	8
Impact of Adoption of Topic 842, Leases		-	-	75	-	75
Balance, September 30, 2019		$ 7,061	$ 1,402	$ 452	$ 1,006	$ 9,921

(1) Dividends per share reflect the Share Consolidation as described in Note 1. Accordingly, the comparative period has been restated.

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US$ millions)		Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Activities					
Net earnings (loss)		**$ (1,521)**	$ 149	**$ (5,483)**	$ 240
Depreciation, depletion and amortization		**406**	545	**1,433**	1,454
Impairments	*(Note 10)*	**1,336**	-	**4,863**	-
Accretion of asset retirement obligation	*(Note 14)*	**8**	9	**26**	28
Deferred income taxes	*(Note 7)*	**(42)**	44	**393**	140
Unrealized (gain) loss on risk management	*(Note 22)*	**243**	41	**18**	385
Unrealized foreign exchange (gain) loss	*(Note 6)*	**(21)**	49	**30**	(11)
Foreign exchange on settlements	*(Note 6)*	**(2)**	(18)	**18**	(53)
(Gain) loss on divestitures, net		**-**	(5)	**-**	(4)
Other		**(9)**	3	**(61)**	(63)
Net change in other assets and liabilities		**(47)**	(29)	**(167)**	(55)
Net change in non-cash working capital	*(Note 23)*	**142**	(32)	**106**	130
Cash From (Used in) Operating Activities		**493**	756	**1,176**	2,191
Investing Activities					
Capital expenditures	*(Note 3)*	**(351)**	(566)	**(1,393)**	(2,052)
Acquisitions	*(Note 9)*	**(1)**	(25)	**(19)**	(66)
Corporate acquisition, net of cash and restricted cash acquired	*(Note 8)*	**-**	-	**-**	94
Proceeds from divestitures	*(Note 9)*	**39**	171	**69**	177
Net change in investments and other		**68**	(142)	**(74)**	(118)
Cash From (Used in) Investing Activities		**(245)**	(562)	**(1,417)**	(1,965)
Financing Activities					
Net issuance (repayment) of revolving long-term debt	*(Note 12)*	**(100)**	(21)	**452**	740
Repayment of long-term debt	*(Note 12)*	**(109)**	-	**(224)**	(500)
Purchase of shares of common stock	*(Note 15)*	**-**	(213)	**-**	(1,250)
Dividends on shares of common stock	*(Note 15)*	**(24)**	(24)	**(73)**	(77)
Finance lease payments and other financing arrangements		**(23)**	(22)	**(67)**	(63)
Cash From (Used in) Financing Activities		**(256)**	(280)	**88**	(1,150)
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency		**1**	-	**(5)**	4
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		**(7)**	(86)	**(158)**	(920)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period		**39**	224	**190**	1,058
Cash, Cash Equivalents and Restricted Cash, End of Period		**$ 32**	$ 138	**$ 32**	$ 138
Cash, End of Period		**$ 22**	$ 44	**$ 22**	$ 44
Cash Equivalents, End of Period		**10**	94	**10**	94
Restricted Cash, End of Period		**-**	-	**-**	-
Cash, Cash Equivalents and Restricted Cash, End of Period		**$ 32**	$ 138	**$ 32**	$ 138

See accompanying Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Principles of Consolidation

On January 24, 2020, Encana Corporation ("Encana") completed a corporate reorganization, which included a plan of arrangement (the "Arrangement") that involved, among other things, a share consolidation by Encana on the basis of one post-consolidation share for each five pre-consolidation shares (the "Share Consolidation"), and Ovintiv Inc. ultimately acquired all of the issued and outstanding common shares of Encana in exchange for shares of common stock of Ovintiv Inc. on a one-for-one basis. Following completion of the Arrangement, Ovintiv Inc. migrated from Canada and became a Delaware corporation, domiciled in the U.S. (the "U.S. Domestication"). The Arrangement and the U.S. Domestication together are referred to as the "Reorganization". Ovintiv Inc. and its subsidiaries (collectively, "Ovintiv") continue to carry on the business of the exploration for, the development of, and the production and marketing of oil, NGLs and natural gas, which was previously conducted by Encana and its subsidiaries prior to the completion of the Reorganization. References to the "Company" are to Encana Corporation and its subsidiaries prior to the completion of the Reorganization and to Ovintiv Inc. and its subsidiaries following the completion of the Reorganization.

The Arrangement, as described above, was accounted for as a reorganization of entities under common control. Accordingly, the resulting transactions were recognized using historical carrying amounts. On January 24, 2020, Ovintiv became the reporting entity upon completion of the Reorganization.

In accordance with the Share Consolidation, all common shares and per-share amounts disclosed herein reflect the post-Share Consolidation shares unless otherwise specified; comparative periods have been restated accordingly. References to shares of common stock refer to the shares of common stock of Ovintiv Inc. for any periods after the completion of the Arrangement, and to the common shares of Encana Corporation for any periods before January 24, 2020.

Following the U.S. Domestication, on January 24, 2020, the functional currency of Ovintiv Inc. became U.S. dollars, and accordingly, the financial results herein are consolidated and reported in U.S. dollars.

The interim Condensed Consolidated Financial Statements include the accounts of Ovintiv and entities in which it holds a controlling interest. All intercompany balances and transactions are eliminated on consolidation. Undivided interests in oil and natural gas exploration and production joint ventures and partnerships are consolidated on a proportionate basis. Investments in non-controlled entities over which the Company has the ability to exercise significant influence are accounted for using the equity method.

The interim Condensed Consolidated Financial Statements are prepared in conformity with U.S. GAAP and the rules and regulations of the SEC. Pursuant to these rules and regulations, certain information and disclosures normally required under U.S. GAAP 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, 2019, which are included in Item 8 of Ovintiv's 2019 Annual Report on Form 10-K.

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, 2019, except as noted below in Note 2. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements.

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, 2020, Ovintiv adopted the following ASUs issued by the FASB, which have not had a material impact on the interim Condensed Consolidated Financial Statements:

- ASU 2017-04, "Simplifying the Test for Goodwill Impairment". The amendment eliminates the second step of the goodwill impairment test which requires the Company to measure the impairment based on the excess amount of the carrying value of the reporting unit's goodwill over the implied fair value of its goodwill. Under this amendment, the goodwill impairment will be measured based on the excess amount of the reporting unit's carrying value over its respective fair value. The amendment has been applied prospectively.

- ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments" under Topic 326. The standard amends the impairment model which requires utilizing a forward-looking expected loss methodology in place of the incurred loss methodology for financial instruments, including trade receivables. The standard requires entities to consider a broader range of information to estimate expected credit losses, resulting in earlier recognition of credit losses. The standard has been applied using the modified retrospective approach.

3. Segmented Information

Ovintiv's reportable segments are determined based on the following operations and geographic locations:

- **USA Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the U.S. cost center.
- **Canadian Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the Canadian cost center.
- **China Operations** included the production of oil and other related activities within the China cost center. Effective July 31, 2019, the production sharing contract with China National Offshore Oil Corporation ("CNOOC") was terminated and the Company exited its China Operations.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are reported in the USA and Canadian Operations. Market optimization activities include third-party purchases and sales of product to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment. 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.

Corporate and Other mainly includes unrealized gains or losses recorded on derivative financial instruments. Once the instruments are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate. Corporate and Other also includes amounts related to sublease rentals.

Results of Operations (For the three months ended September 30)

Segment and Geographic Information

	USA Operations		Canadian Operations		China Operations [1]	
	2020	2019	**2020**	2019	**2020**	2019
Revenues						
Product and service revenues	**$ 670**	$ 1,097	**$ 310**	$ 377	**$ -**	$ 3
Gains (losses) on risk management, net	**38**	35	**49**	87	**-**	-
Sublease revenues	**-**	-	**-**	-	**-**	-
Total Revenues	**708**	1,132	**359**	464	**-**	3
Operating Expenses						
Production, mineral and other taxes	**43**	63	**4**	3	**-**	-
Transportation and processing	**109**	125	**203**	211	**-**	-
Operating	**104**	151	**24**	32	**-**	4
Depreciation, depletion and amortization	**299**	438	**99**	100	**-**	-
Impairments	**1,336**	-	**-**	-	**-**	-
Total Operating Expenses	**1,891**	777	**330**	346	**-**	4
Operating Income (Loss)	**$ (1,183)**	$ 355	**$ 29**	$ 118	**$ -**	$ (1)

	Market Optimization		Corporate & Other		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Revenues						
Product and service revenues	**$ 346**	$ 294	**$ -**	$ -	**$ 1,326**	$ 1,771
Gains (losses) on risk management, net	**2**	-	**(243)**	(41)	**(154)**	81
Sublease revenues	**-**	-	**18**	19	**18**	19
Total Revenues	**348**	294	**(225)**	(22)	**1,190**	1,871
Operating Expenses						
Production, mineral and other taxes	**-**	-	**-**	-	**47**	66
Transportation and processing	**53**	62	**-**	-	**365**	398
Operating	**5**	6	**-**	-	**133**	193
Purchased product	**322**	264	**-**	-	**322**	264
Depreciation, depletion and amortization	**-**	-	**8**	7	**406**	545
Impairments	**-**	-	**-**	-	**1,336**	-
Accretion of asset retirement obligation	**-**	-	**8**	9	**8**	9
Administrative	**-**	-	**79**	81	**79**	81
Total Operating Expenses	**380**	332	**95**	97	**2,696**	1,556
Operating Income (Loss)	**$ (32)**	$ (38)	**$ (320)**	$ (119)	**(1,506)**	315
Other (Income) Expenses						
Interest					**97**	99
Foreign exchange (gain) loss, net					**(25)**	30
(Gain) loss on divestitures, net					**-**	(5)
Other (gains) losses, net					**(18)**	(1)
Total Other (Income) Expenses					**54**	123
Net Earnings (Loss) Before Income Tax					**(1,560)**	192
Income tax expense (recovery)					**(39)**	43
Net Earnings (Loss)					**$ (1,521)**	$ 149

(1) The Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019.

Results of Operations (For the nine months ended September 30)

Segment and Geographic Information

	USA Operations		Canadian Operations		China Operations [1]	
	2020	2019	**2020**	2019	**2020**	2019
Revenues						
Product and service revenues	**$ 1,900**	$ 3,062	**$ 906**	$ 1,222	**$ -**	$ 37
Gains (losses) on risk management, net	**412**	128	**188**	174	**-**	-
Sublease revenues	**-**	-	**-**	-	**-**	-
Total Revenues	**2,312**	3,190	**1,094**	1,396	**-**	37
Operating Expenses						
Production, mineral and other taxes	**115**	176	**11**	11	**-**	-
Transportation and processing	**345**	340	**614**	640	**-**	-
Operating	**364**	414	**75**	96	**-**	16
Depreciation, depletion and amortization	**1,092**	1,141	**319**	287	**-**	-
Impairments	**4,863**	-	**-**	-	**-**	-
Total Operating Expenses	**6,779**	2,071	**1,019**	1,034	**-**	16
Operating Income (Loss)	**$ (4,467)**	$ 1,119	**$ 75**	$ 362	**$ -**	$ 21

	Market Optimization		Corporate & Other		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Revenues						
Product and service revenues	**$ 1,113**	$ 870	**$ -**	$ -	**$ 3,919**	$ 5,191
Gains (losses) on risk management, net	**5**	(1)	**(18)**	(385)	**587**	(84)
Sublease revenues	**-**	-	**53**	54	**53**	54
Total Revenues	**1,118**	869	**35**	(331)	**4,559**	5,161
Operating Expenses						
Production, mineral and other taxes	**-**	-	**-**	-	**126**	187
Transportation and processing	**170**	168	**-**	-	**1,129**	1,148
Operating	**15**	21	**(2)**	(2)	**452**	545
Purchased product	**1,039**	784	**-**	-	**1,039**	784
Depreciation, depletion and amortization	**-**	-	**22**	26	**1,433**	1,454
Impairments	**-**	-	**-**	-	**4,863**	-
Accretion of asset retirement obligation	**-**	-	**26**	28	**26**	28
Administrative	**-**	-	**297**	389	**297**	389
Total Operating Expenses	**1,224**	973	**343**	441	**9,365**	4,535
Operating Income (Loss)	**$ (106)**	$ (104)	**$ (308)**	$ (772)	**(4,806)**	626
Other (Income) Expenses						
Interest					**279**	285
Foreign exchange (gain) loss, net					**51**	(62)
(Gain) loss on divestitures, net					**-**	(4)
Other (gains) losses, net					**(48)**	24
Total Other (Income) Expenses					**282**	243
Net Earnings (Loss) Before Income Tax					**(5,088)**	383
Income tax expense (recovery)					**395**	143
Net Earnings (Loss)					**$ (5,483)**	$ 240

(1) The Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019.

Intersegment Information

For the three months ended September 30,	Marketing Sales 2020	Marketing Sales 2019	Market Optimization Upstream Eliminations 2020	Market Optimization Upstream Eliminations 2019	Total 2020	Total 2019
Revenues	**$ 1,445**	$ 2,088	**$ (1,097)**	$ (1,794)	**$ 348**	$ 294
Operating Expenses						
Transportation and processing	**148**	173	**(95)**	(111)	**53**	62
Operating	**5**	6	**-**	-	**5**	6
Purchased product	**1,324**	1,947	**(1,002)**	(1,683)	**322**	264
Operating Income (Loss)	**$ (32)**	$ (38)	**$ -**	$ -	**$ (32)**	$ (38)

For the nine months ended September 30,	Marketing Sales 2020	Marketing Sales 2019	Market Optimization Upstream Eliminations 2020	Market Optimization Upstream Eliminations 2019	Total 2020	Total 2019
Revenues	**$ 4,587**	$ 5,459	**$ (3,469)**	$ (4,590)	**$ 1,118**	$ 869
Operating Expenses						
Transportation and processing	**468**	465	**(298)**	(297)	**170**	168
Operating	**15**	21	**-**	-	**15**	21
Purchased product	**4,210**	5,078	**(3,171)**	(4,294)	**1,039**	784
Operating Income (Loss)	**$ (106)**	$ (105)	**$ -**	$ 1	**$ (106)**	$ (104)

Capital Expenditures

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
USA Operations	**$ 244**	$ 464	**$ 1,090**	$ 1,682
Canadian Operations	**106**	99	**300**	364
Market Optimization	**-**	2	**-**	2
Corporate & Other	**1**	1	**3**	4
	$ 351	$ 566	**$ 1,393**	$ 2,052

Costs Incurred

For the year ended December 31, 2019	United States	Canada	Total
Acquisition Costs (1)			
Unproved	$ 843	$ -	$ 843
Proved	5,963	-	5,963
Total Acquisition Costs	6,806	-	6,806
Exploration Costs	5	-	5
Development Costs	2,129	480	2,609
	$ 8,940	$ 480	$ 9,420

(1) Acquisition costs were restated and include the non-cash acquisition of the proved and unproved properties of Newfield Exploration Company in conjunction with the business combination described in Note 8.

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

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	September 30, 2020	December 31, 2019	**September 30, 2020**	December 31, 2019	**September 30, 2020**	December 31, 2019
USA Operations	**$ 1,938**	$ 1,938	**$ 8,857**	$ 13,757	**$ 11,287**	$ 16,613
Canadian Operations	**656**	673	**1,162**	1,205	**1,966**	2,122
Market Optimization	**-**	-	**2**	2	**231**	253
Corporate & Other	**-**	-	**202**	227	**1,673**	2,499
	$ 2,594	$ 2,611	**$ 10,223**	$ 15,191	**$ 15,157**	$ 21,487

4. Revenues from Contracts with Customers

The following tables summarize the Company's revenues from contracts with customers.

Revenues (For the three months ended September 30)

	USA Operations		Canadian Operations		China Operations (1)	
	2020	2019	**2020**	2019	**2020**	2019
Revenues from Customers						
Product revenues (2)						
Oil	**$ 504**	$ 905	**$ 1**	$ 3	**$ -**	$ 3
NGLs	**98**	99	**139**	225	**-**	-
Natural gas	**71**	95	**172**	150	**-**	-
Service revenues						
Gathering and processing	**-**	(1)	**-**	2	**-**	-
Product and Service Revenues	**$ 673**	$ 1,098	**$ 312**	$ 380	**$ -**	$ 3

	Market Optimization		Corporate & Other		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Revenues from Customers						
Product revenues (2)						
Oil	**$ 131**	$ 107	**$ -**	$ -	**$ 636**	$ 1,018
NGLs	**-**	2	**-**	-	**237**	326
Natural gas	**210**	181	**-**	-	**453**	426
Service revenues						
Gathering and processing	**-**	-	**-**	-	**-**	1
Product and Service Revenues	**$ 341**	$ 290	**$ -**	$ -	**$ 1,326**	$ 1,771

(1) The Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019.

(2) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

Revenues (For the nine months ended September 30)

	USA Operations		Canadian Operations		China Operations [1]	
	2020	2019	**2020**	2019	**2020**	2019
Revenues from Customers						
Product revenues [2]						
Oil	**$ 1,453**	$ 2,461	**$ 5**	$ 6	**$ -**	$ 37
NGLs	**244**	332	**406**	659	**-**	-
Natural gas	**208**	276	**501**	563	**-**	-
Service revenues						
Gathering and processing	**1**	2	**1**	4	**-**	-
Product and Service Revenues	**$ 1,906**	$ 3,071	**$ 913**	$ 1,232	**$ -**	$ 37

	Market Optimization		Corporate & Other		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019
Revenues from Customers						
Product revenues [2]						
Oil	**$ 500**	$ 205	**$ -**	$ -	**$ 1,958**	$ 2,709
NGLs	**4**	6	**-**	-	**654**	997
Natural gas	**596**	640	**-**	-	**1,305**	1,479
Service revenues						
Gathering and processing	**-**	-	**-**	-	**2**	6
Product and Service Revenues	**$ 1,100**	$ 851	**$ -**	$ -	**$ 3,919**	$ 5,191

(1) The Company terminated its production sharing contract with CNOOC and exited its China Operations effective July 31, 2019.

(2) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company’s operating segments.

The Company’s revenues from contracts with customers consists of product sales including oil, NGLs and natural gas, as well as the provision of gathering and processing services to third parties. The Company had no contract asset or liability balances during the periods presented. As at September 30, 2020, receivables and accrued revenues from contracts with customers were $628 million ($1,095 million as at December 31, 2019).

Product sales are sold under short-term contracts with terms that are less than one year at either fixed or market index prices or under long-term contracts exceeding one year at market index prices.

The Company’s gathering and processing services are provided on an interruptible basis with transaction prices that are for fixed prices and/or variable consideration. Variable consideration received is related to recovery of plant operating costs or escalation of the fixed price based on a consumer price index. As the service contracts are interruptible, with service provided on an “as available” basis, there are no unsatisfied performance obligations remaining at September 30, 2020.

As at September 30, 2020, all remaining performance obligations are priced at market index prices or are variable volume delivery contracts. As such, the variable consideration is allocated entirely to the wholly unsatisfied performance obligation or promise to deliver units of production, and revenue is recognized at the amount for which the Company has the right to invoice the product delivered. As the period between when the product sales are transferred and Ovintiv receives payments is generally 30 to 60 days, there is no financing element associated with customer contracts. In addition, Ovintiv does not disclose unsatisfied performance obligations for customer contracts with terms less than 12 months or for variable consideration related to unsatisfied performance obligations.

5. Interest

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Interest Expense on:				
Debt	**$ 91**	$ 93	**$ 262**	$ 268
Finance leases	**2**	3	**7**	10
Other	**4**	3	**10**	7
	$ 97	$ 99	**$ 279**	$ 285

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar financing debt issued from Canada	**$ (6)**	$ 68	**$ 56**	$ (117)
Translation of U.S. dollar risk management contracts issued from Canada	**(15)**	5	**1**	(13)
Translation of intercompany notes	**-**	(24)	**(27)**	119
	(21)	49	**30**	(11)
Foreign Exchange on Settlements of:				
U.S. dollar financing debt issued from Canada	**(2)**	(10)	**15**	(22)
U.S. dollar risk management contracts issued from Canada	**(2)**	(2)	**7**	(1)
Intercompany notes	**-**	(8)	**3**	(31)
Other Monetary Revaluations	**-**	1	**(4)**	3
	$ (25)	$ 30	**$ 51**	$ (62)

Following the completion of the Reorganization, including the U.S. Domestication, on January 24, 2020 as described in Note 1, the U.S. dollar denominated unsecured notes issued by Encana Corporation from Canada were assumed by Ovintiv Inc., a company incorporated in Delaware with a U.S. dollar functional currency. Accordingly, these U.S. dollar denominated unsecured notes, along with certain intercompany notes, no longer attract foreign exchange translation gains or losses.

7. Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Current Tax				
United States	**$ 4**	$ 1	**$ 3**	$ 3
Canada	**(1)**	(2)	**(1)**	-
Total Current Tax Expense (Recovery)	**3**	(1)	**2**	3
Deferred Tax				
United States	**(41)**	56	**(180)**	117
Canada	**-**	(12)	**573**	22
Other Countries	**(1)**	-	**-**	1
Total Deferred Tax Expense (Recovery)	**(42)**	44	**393**	140
Income Tax Expense (Recovery)	**$ (39)**	$ 43	**$ 395**	$ 143
Effective Tax Rate	**2.5%**	22.4%	**(7.8%)**	37.3%

Ovintiv's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is impacted by expected annual earnings, valuation allowances related to current year losses, income tax related to foreign operations, state tax, the effect of legislative changes, non-taxable capital gains and losses, and tax differences on divestitures and transactions, which can produce interim effective tax rate fluctuations.

Deferred income tax assets are routinely assessed for realizability. During the nine months ended September 30, 2020, the Company determined, after weighing both positive and negative evidence, that a valuation allowance should be recorded to reduce the associated deferred tax assets in the United States and in Canada. The Company continues to be in a cumulative three-year loss position as of September 30, 2020 and is expected to be in a cumulative three-year loss position by the end of the current fiscal year in both the United States and Canada. The cumulative three-year losses, as well as increased uncertainty in the timing as to when the realization of deferred tax assets will occur, is significant negative evidence to overcome, and consequently, it is more likely than not that the deferred tax assets will not be realizable. If it is determined that the deferred tax assets are realizable in the future, a reduction in the valuation allowance will be recorded.

As part of the U.S. Domestication, Ovintiv also recognized a capital loss and recorded a deferred income tax benefit in the amount of $1.2 billion for Canadian income tax purposes due to the decline in the Company's share value compared to the historical tax basis of its properties that were transferred as part of the Reorganization. Ovintiv assessed the realizability of these capital losses against capital gains and concluded that it is more likely than not that the deferred tax asset will not be realizable. Therefore, Ovintiv has recorded a corresponding valuation allowance against the deferred tax asset. If it is determined the capital loss can be utilized at a future date, a reduction in the valuation allowance will be recorded.

Following the U.S. Domestication as described in Note 1, the applicable statutory rate became the U.S. federal income tax rate. The effective tax rate of (7.8) percent for the nine months ended September 30, 2020 is lower than the U.S. federal statutory tax rate of 21 percent primarily due to valuation allowances recorded due to current year losses arising from ceiling test impairments and an increase in the valuation allowance of $568 million in Canada related to prior years' deferred tax assets which was recorded as a discrete item. See Note 10 for further discussion related to the ceiling test impairments.

The effective tax rate of 37.3 percent for the nine months ended September 30, 2019, was higher than the Canadian statutory tax rate of 26.6 percent primarily due to the re-measurement of the Company's deferred tax position resulting from the Alberta tax rate reduction. On June 28, 2019, Alberta Bill 3, the Job Creation Tax Cut (Alberta Corporate Tax Amendment) Act, was signed into law resulting in a reduction of the Alberta corporate tax rate from 12 percent to 11 percent effective July 1, 2019, with further one percent rate reductions to take effect every year on January 1 until the general corporate tax rate is eight percent on January 1, 2022. During the nine months ended September 30, 2019, the deferred tax expense of $140 million included an adjustment of $55 million resulting from the re-measurement of the Company's deferred tax position due to the Alberta tax rate reduction.

On June 29, 2020, Alberta announced the previously scheduled rate reduction would be accelerated with the Alberta rate reducing to eight percent effective July 1, 2020. This legislation is not yet enacted and the impact resulting from this announcement is not expected to be material for the Company's tax position.

8. Business Combination

Newfield Exploration Company Acquisition

On February 13, 2019, the business combination with Newfield Exploration Company, a Delaware corporation ("Newfield") was completed pursuant to an Agreement and Plan of Merger with Newfield (the "Merger"). As a result of the Merger, Newfield stockholders received 2.6719 Encana common shares, on a pre-Share Consolidation basis, for each share of Newfield common stock that was issued and outstanding immediately prior to the effective date of the Merger. The Company issued approximately 543.4 million Encana common shares, on a pre-Share Consolidation basis, representing a value of $3.5 billion and paid approximately $5 million in cash in respect of Newfield's cash-settled incentive awards. Following the acquisition, Newfield's senior notes totaling $2.45 billion were outstanding. For the nine months ended September 30, 2019, transaction costs of approximately $33 million were included in other (gains) losses, net.

Newfield's operations focused on the exploration and development of oil and gas properties located in Anadarko and Arkoma in Oklahoma, Bakken in North Dakota and Uinta in Utah, as well as offshore oil assets located in China. The results of Newfield's operations have been included in the Condensed Consolidated Financial Statements as of February 14, 2019.

Purchase Price Allocation

The transaction was accounted for under the acquisition method, which requires that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date, with any excess of the purchase price over the estimated fair value of identified net assets acquired recorded as goodwill. The purchase price allocation represents the consideration paid and the fair values of the assets acquired, and liabilities assumed as of the acquisition date.

Purchase Price Allocation		
Consideration:		
Fair value of Encana's common shares issued (1)	$	3,478
Fair value of Newfield liability awards paid in cash (2)		5
Total Consideration	$	3,483
Assets Acquired:		
Cash and cash equivalents	$	46
Accounts receivable and accrued revenues		486
Other current assets		50
Proved properties		5,903
Unproved properties		838
Other property, plant and equipment		22
Restricted cash		53
Other assets		105
Goodwill (3)		25
Liabilities Assumed:		
Accounts payable and accrued liabilities (3) (4)		(795)
Long-term debt		(2,603)
Operating lease liabilities		(76)
Other long-term liabilities (3)		(65)
Asset retirement obligation		(184)
Deferred income taxes (3)		(322)
Total Purchase Price	$	3,483

(1) The fair value was based on the NYSE closing price of the pre-Share Consolidation Encana common shares of $6.40 on February 13, 2019.

(2) The fair value was based on a price of $6.50 per notional unit which was determined using a volume-weighted average of the trading price of pre-Share Consolidation Encana common shares on the NYSE on each of the five consecutive trading days ending on the trading day that was three trading days prior to February 13, 2019.

(3) Since the completion of the business combination on February 13, 2019, additional information related to pre-acquisition liabilities and contingencies was obtained resulting in a measurement period adjustment. Changes in the fair value estimates comprised an increase in other liabilities of $16 million, of which approximately $11 million is presented in accounts payable and accrued liabilities and $5 million is presented in other long-term liabilities, a decrease in deferred tax liabilities of $4 million and a corresponding increase in goodwill of $12 million.

(4) In conjunction with the acquisition, various legal claims and actions arising in the normal course of Newfield's operations were assumed by the Company. On March 29, 2019, Newfield and its wholly-owned subsidiary entered into an Agreement and Mutual Release with Sapura Energy Berhad, formerly known as SapuraKencana Petroleum Berhad, and Sapura Exploration and Production Inc., formerly known as SapuraKencana Energy Inc. (collectively, "Sapura"), and agreed to settle arbitration claims in the amount of $22.5 million arising from Sapura's purchase of Newfield's Malaysian business in February 2014. The settlement amount including legal fees was included in the purchase price allocation as part of the current liabilities assumed at the acquisition date. Although the outcome of any remaining legal claims and actions assumed following the acquisition of Newfield cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations.

The income approach valuation technique was used for the fair value of assets acquired and liabilities assumed. The carrying amounts of cash and cash equivalents, accounts receivable and accrued revenues, restricted cash, other current assets, and accounts payable and accrued liabilities approximate their fair values due to their nature and/or the short-term maturity of the instruments. The fair values of long-term debt, right-of-use ("ROU") assets and operating lease liabilities were categorized within Level 2 of the fair value hierarchy and were determined using quoted prices and rates from an available pricing source. The fair values of the proved and unproved properties, other property, plant and equipment, other assets, other long-term liabilities and asset retirement obligation were categorized within Level 3 and were determined using relevant market assumptions, including discount rates, future commodity prices and costs, timing of development activities, projections of oil and gas reserves, and estimates for abandonment and reclamation.

Goodwill arose from the Newfield acquisition primarily from the requirement to recognize deferred taxes on the difference between the fair value of the assets acquired and liabilities assumed and the respective carry-over tax basis. Goodwill is not amortized and is not deductible for tax purposes.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information combines the historical financial results of the Company with Newfield and has been prepared as though the acquisition had occurred on January 1, 2019. The pro forma information is not intended to reflect the actual results of operations that would have occurred if the business combination had been completed at the date indicated. In addition, the pro forma information is not intended to be a projection of the Company's results of operations for any future period.

Additionally, pro forma earnings were adjusted to exclude transaction-related costs incurred of approximately $71 million and severance payments made to employees which totaled $134 million for the nine months ended September 30, 2019. The pro forma financial information does not include any cost savings or other synergies from the Merger or any estimated costs that have been incurred to integrate the assets. Ovintiv's consolidated results for the three and nine months ended September 30, 2020 include the results from Newfield.

For the nine months ended September 30 (US$ millions, except per share amounts)		2019
Revenues	$	5,440
Net Earnings (Loss)	$	376
Net Earnings (Loss) per Share [(1)]		
Basic & Diluted	$	1.44

(1) Net earnings (loss) per share reflect the Share Consolidation as described in Note 1. Accordingly, the comparative period has been restated.

9. Acquisitions and Divestitures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Acquisitions				
USA Operations	**$ 1**	$ 25	**$ 19**	$ 66
Total Acquisitions	**1**	25	**19**	66
Divestitures				
USA Operations	**(36)**	(171)	**(63)**	(177)
Canadian Operations	**(3)**	-	**(6)**	-
Total Divestitures	**(39)**	(171)	**(69)**	(177)
Net Acquisitions & (Divestitures)	**$ (38)**	$ (146)	**$ (50)**	$ (111)

Acquisitions

For the nine months ended September 30, 2020, acquisitions in the USA Operations were $19 million, which primarily included property purchases with oil and liquids rich potential. For the nine months ended September 30, 2019, acquisitions in the USA Operations were $66 million which primarily included seismic purchases, water rights and purchases with oil and liquids rich potential.

Divestitures

For the nine months ended September 30, 2020, divestitures in the USA and Canadian Operations were $63 million and $6 million, respectively, which primarily included the sale of certain properties that did not complement Ovintiv's existing portfolio of assets. For the three and nine months ended September 30, 2019, divestitures in the USA Operations were $171 million and $177 million, respectively, which primarily included the sale of the Company's Arkoma natural gas assets.

Amounts received from the Company's divestiture transactions have been deducted from the respective U.S. and Canadian full cost pools.

10. Property, Plant and Equipment, Net

	As at September 30, 2020			As at December 31, 2019		
	Cost	**Accumulated DD&A**	**Net**	Cost	Accumulated DD&A	Net
USA Operations						
Proved properties	**$ 37,426**	**$ (31,581)**	**$ 5,845**	$ 35,870	$ (25,623)	$ 10,247
Unproved properties	**2,980**	**-**	**2,980**	3,491	-	3,491
Other	**32**	**-**	**32**	19	-	19
	40,438	**(31,581)**	**8,857**	39,380	(25,623)	13,757
Canadian Operations						
Proved properties	**15,227**	**(14,266)**	**961**	15,284	(14,320)	964
Unproved properties	**188**	**-**	**188**	223	-	223
Other	**13**	**-**	**13**	18	-	18
	15,428	**(14,266)**	**1,162**	15,525	(14,320)	1,205
Market Optimization	**9**	**(7)**	**2**	9	(7)	2
Corporate & Other	**833**	**(631)**	**202**	914	(687)	227
	$ 56,708	**$ (46,485)**	**$ 10,223**	$ 55,828	$ (40,637)	$ 15,191

USA and Canadian Operations property, plant and equipment include internal costs directly related to exploration, development and construction activities of $133 million, which have been capitalized during the nine months ended September 30, 2020 (2019 - $171 million).

For the three and nine months ended September 30, 2020, the Company recognized before-tax non-cash ceiling test impairments in the USA Operations of $1,336 million and $4,863 million, respectively (2019 - nil, respectively). The non-cash ceiling test impairments are included with accumulated DD&A in the table above and primarily resulted from the decline in the 12-month average trailing prices, which reduced proved reserves.

The 12-month average trailing prices used in the ceiling test calculations were based on the benchmark prices presented below. The benchmark prices were adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

	Oil & NGLs		**Natural Gas**	
	WTI ($/bbl)	Edmonton Condensate (C$/bbl)	Henry Hub ($/MMBtu)	AECO (C$/MMBtu)
12-Month Average Trailing Reserves Pricing (1)				
September 30, 2020	**$ 43.69**	**$ 53.93**	**$ 1.97**	**$ 2.01**
December 31, 2019	55.93	68.80	2.58	1.76
September 30, 2019	57.76	67.81	2.87	1.52

(1) All prices were held constant in all future years when estimating net revenues and reserves.

Finance Lease Arrangements

The Company has two lease arrangements that are accounted for as finance leases, which include an office building and an offshore production platform. As at September 30, 2020, the total carrying value of assets under finance lease was $34 million ($37 million as at December 31, 2019), net of accumulated amortization of $669 million ($677 million as at December 31, 2019). Long-term liabilities for the finance lease arrangements are included in other liabilities and provisions in the Condensed Consolidated Balance Sheet and are disclosed in Note 13.

11. Leases

The following table outlines the Company's estimated future sublease income as at September 30, 2020. All subleases are classified as operating leases.

(undiscounted)	2020	2021	2022	2023	2024	Thereafter	Total
Sublease Income	$ 12	$ 50	$ 46	$ 44	$ 44	$ 543	**$ 739**

For the three and nine months ended September 30, 2020, operating lease income was $14 million and $40 million, respectively (2019 - $15 million and $41 million, respectively), and variable lease income was $4 million and $13 million, respectively (2019 - $4 million and $13 million, respectively).

12. Long-Term Debt

	As at September 30, 2020	As at December 31, 2019
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 1,150**	$ 698
U.S. Unsecured Notes:		
3.90% due November 15, 2021	**554**	600
5.75% due January 30, 2022	**605**	750
5.625% due July 1, 2024	**1,000**	1,000
5.375% due January 1, 2026	**688**	700
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	**462**	462
6.50% due February 1, 2038	**488**	505
5.15% due November 15, 2041	**212**	244
Total Principal	**7,059**	6,859
Increase in Value of Debt Acquired	**119**	149
Unamortized Debt Discounts and Issuance Costs	**(36)**	(34)
Total Long-Term Debt	**$ 7,142**	$ 6,974
Current Portion	**$ -**	$ -
Long-Term Portion	**7,142**	6,974
	$ 7,142	$ 6,974

During the nine months ended September 30, 2020, the Company repurchased approximately $252 million in principal amount of its senior notes in the open market, which included approximately $46 million in principal amount of its 3.9 percent senior notes due in November 2021, approximately $145 million in principal amount of its 5.75 percent senior notes due in January 2022, approximately $12 million in principal amount of its 5.375 percent senior notes due in January 2026, approximately $17 million in principal amount of its 6.5 percent senior notes due in February 2038 and approximately $32 million in principal amount of its 5.15 percent senior notes due in November 2041.

For the three and nine months ended September 30, 2020, the aggregate cash payments related to note repurchases were $109 million and $224 million, respectively, plus accrued interest, and net gains of approximately $6 million and $28 million, respectively, were recognized in other (gains) losses, net on the Condensed Consolidated Statement of Earnings.

As at September 30, 2020, the Company had outstanding commercial paper of $140 million maturing at various dates with a weighted average interest rate of approximately 0.87 percent. These amounts are supported, and Management expects that they will continue to be supported by revolving credit facilities that have no repayment requirements within the next year and which expire in 2024. As at September 30, 2020, the Company also had $1,010 million drawn on its revolving credit facilities.

As at September 30, 2020, total long-term debt had a carrying value of $7,142 million and a fair value of $6,804 million (as at December 31, 2019 - carrying value of $6,974 million and a fair value of $7,657 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 of long-term debt with similar terms and maturity, or by discounting future payments of interest and principal at interest rates expected to be available to the Company at period end.

13. Other Liabilities and Provisions

	As at September 30, 2020	As at December 31, 2019
Finance Lease Obligations	**$ 51**	$ 121
Unrecognized Tax Benefits	**155**	159
Pensions and Other Post-Employment Benefits	**123**	119
Long-Term Incentive Costs (See Note 19)	**23**	38
Other Derivative Contracts (See Notes 21, 22)	**9**	7
Other	**16**	20
	$ 377	$ 464

14. Asset Retirement Obligation

	As at September 30, 2020	As at December 31, 2019
Asset Retirement Obligation, Beginning of Year	**$ 614**	$ 455
Liabilities Incurred	**11**	15
Liabilities Acquired (See Note 8)	**-**	184
Liabilities Settled and Divested	**(157)**	(141)
Change in Estimated Future Cash Outflows	**12**	47
Accretion Expense	**26**	37
Foreign Currency Translation	**(11)**	17
Asset Retirement Obligation, End of Period	**$ 495**	$ 614
Current Portion	**$ 49**	$ 189
Long-Term Portion	**446**	425
	$ 495	$ 614

15. Share Capital

Authorized

As of January 24, 2020, following the completion of the Reorganization, Ovintiv is authorized to issue 775 million shares of common stock, par value $0.01 per share, and 25 million shares of preferred stock, par value $0.01 per share. No shares of preferred stock are outstanding.

Issued and Outstanding

	As at September 30, 2020		As at December 31, 2019	
	Number (millions)	Amount	Number (millions)	Amount
Shares of Common Stock Outstanding, Beginning of Year	**259.8**	**$ 7,061**	190.5	$ 4,656
Shares of Common Stock Purchased	**-**	**-**	(39.4)	(1,073)
Shares of Common Stock Issued	**-**	**-**	108.7	3,478
Reclassification of Share Capital due to the Reorganization (See Note 1)	**-**	**(7,058)**	-	-
Shares of Common Stock Outstanding, End of Period	**259.8**	**$ 3**	259.8	$ 7,061

In conjunction with the Reorganization as described in Note 1, the amount recognized in share capital in excess of Ovintiv's established par value of $0.01 per share was reclassified to paid in surplus. Accordingly, approximately $7,058 million was reclassified.

On February 13, 2019, the Company completed the acquisition of all the issued and outstanding shares of common stock of Newfield whereby Encana issued approximately 543.4 million common shares, on a pre-Share Consolidation basis, to Newfield shareholders (approximately 108.7 million post-Share Consolidation shares), representing a pre-Share Consolidation exchange ratio of 2.6719 Encana common shares for each share of Newfield common stock held. See Note 8 for further information on the business combination.

Substantial Issuer Bid

On June 10, 2019, the Company announced its intention to purchase, for cancellation, up to $213 million of common shares through a substantial issuer bid ("SIB") which commenced on July 8, 2019. On August 29, 2019, the Company purchased the equivalent of approximately 9.5 million post-Share Consolidation shares at a converted price of $22.50 per share, for an aggregate purchase price of approximately $213 million, of which $257 million was charged to share capital and $44 million was credited to paid in surplus.

The purchase was made in accordance with the terms and conditions of the SIB, with consideration allocated to share capital equivalent to the average carrying amount of the shares, with the excess of the carrying amount over the purchase consideration credited to paid in surplus.

Normal Course Issuer Bid

On February 27, 2019, the Company announced that the TSX accepted the Company's notice of intention to purchase, for cancellation, the equivalent of up to approximately 29.9 million post-Share Consolidation Encana common shares, pursuant to a NCIB over a 12-month period from March 4, 2019 to March 3, 2020.

For the nine months ended September 30, 2019 and the twelve months ended December 31, 2019, the Company purchased the equivalent of approximately 29.9 million post-Share Consolidation shares under the NCIB for total consideration of approximately $1,037 million. Of the amount paid, $816 million was charged to share capital and $221 million was charged to retained earnings.

All purchases were made in accordance with the NCIB at prevailing market prices plus brokerage fees, with consideration allocated to share capital up to the average carrying amount of the shares, with any excess allocated to retained earnings.

Dividends

During the three months ended September 30, 2020, the Company declared and paid dividends of $0.09375 per share of Ovintiv common stock totaling $24 million. For the three months ended September 30, 2019, the Company declared and paid dividends of $0.09375 per common share on a post-Share Consolidation basis totaling $24 million.

During the nine months ended September 30, 2020, the Company declared and paid dividends of $0.28125 per share of Ovintiv common stock totaling $73 million. For the nine months ended September 30, 2019, the Company declared and paid dividends of $0.28125 per common share on a post-Share Consolidation basis totaling $77 million.

On October 28, 2020, the Board of Directors declared a dividend of $0.09375 per share of Ovintiv common stock payable on December 31, 2020 to stockholders of record as of December 15, 2020.

Earnings Per Share of Common Stock

The following table presents the computation of net earnings (loss) per share of common stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(US$ millions, except per share amounts)	**2020**	2019	**2020**	2019
Net Earnings (Loss)	**$ (1,521)**	$ 149	**$ (5,483)**	$ 240
Number of Shares of Common Stock [1]:				
Weighted average shares of common stock outstanding - Basic	**259.8**	264.6	**259.8**	261.7
Effect of dilutive securities	**-**	-	**-**	-
Weighted Average Shares of Common Stock Outstanding - Diluted	**259.8**	264.6	**259.8**	261.7
Net Earnings (Loss) per Share of Common Stock [1]				
Basic & Diluted	**$ (5.85)**	$ 0.56	**$ (21.10)**	$ 0.92

(1) Net earnings (loss) per share of common stock and weighted average shares of common stock outstanding reflect the Share Consolidation as described in Note 1. Accordingly, the comparative periods have been restated.

Ovintiv Stock Options

Ovintiv has share-based compensation plans that allow employees to purchase shares of common stock of the Company. Option exercise prices are not less than the market value of the shares of common stock on the date the options are granted. All options outstanding as at September 30, 2020 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 Ovintiv's shares of common stock at the time of the exercise over the original grant price. 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, outstanding TSARs are not considered potentially dilutive securities.

Ovintiv Restricted Share Units

Ovintiv has a share-based compensation plan whereby eligible employees and Directors are granted Restricted Share Units ("RSUs"). An RSU is a conditional grant to receive the equivalent of a share of common stock upon vesting of the RSUs and in accordance with the terms and conditions of the compensation plan and grant agreements. The Company currently settles vested RSUs in cash. As a result, RSUs are currently not considered potentially dilutive securities.

16. Accumulated Other Comprehensive Income

	Three Months Ended September 30,				Nine Months Ended September 30,			
		2020		2019		**2020**		2019
Foreign Currency Translation Adjustment								
Balance, Beginning of Period	**$**	**957**	$	1,014	**$**	**1,004**	$	976
Change in Foreign Currency Translation Adjustment		**26**		(6)		**(21)**		32
Balance, End of Period	**$**	**983**	$	1,008	**$**	**983**	$	1,008
Pension and Other Post-Employment Benefit Plans								
Balance, Beginning of Period	**$**	**43**	$	(2)	**$**	**42**	$	22
Other Comprehensive Income Before Reclassifications:								
Net prior service costs from plan amendment (See Note 20)		**-**		-		**-**		(29)
Income taxes		**-**		-		**-**		6
Amounts Reclassified from Other Comprehensive Income:								
Reclassification of net actuarial (gains) and losses to net earnings (See Note 20)		**(2)**		-		**(6)**		(1)
Income taxes		**-**		-		**1**		-
Curtailment in net defined periodic benefit cost (See Note 20)		**-**		-		**5**		-
Income taxes		**-**		-		**(1)**		-
Balance, End of Period	**$**	**41**	$	(2)	**$**	**41**	$	(2)
Total Accumulated Other Comprehensive Income	**$**	**1,024**	$	1,006	**$**	**1,024**	$	1,006

During the nine months ended September 30, 2019, the Company amended the other post-employment benefits arrangements in conjunction with the integration of the Newfield business acquired. The plan amendment resulted in an increase to pension liabilities with a corresponding loss recognized in other comprehensive income.

17. Variable Interest Entities

Veresen Midstream Limited Partnership

Veresen Midstream Limited Partnership ("VMLP") provides gathering, compression and processing services under various agreements related to the Company's development of liquids and natural gas production in the Montney play. As at September 30, 2020, VMLP provides approximately 1,213 MMcf/d of natural gas gathering and compression and 932 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from 11 to 25 years and have various renewal terms providing up to a potential maximum of 10 years.

Ovintiv has determined that VMLP is a VIE and that Ovintiv holds variable interests in VMLP. Ovintiv is not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact VMLP's economic performance. These key activities relate to the construction, operation, maintenance and marketing of the assets owned by VMLP. The variable interests arise from certain terms under the various long-term service agreements and include: i) a take or pay for volumes in certain agreements; ii) an operating fee of which a portion can be converted into a fixed fee once VMLP assumes operatorship of certain assets; and iii) a potential payout of minimum costs in certain agreements. The potential payout of minimum costs will be assessed in the eighth year of the assets' service period and is based on whether there is an overall shortfall of total system cash flows from natural gas gathered and compressed under certain agreements. The potential payout amount can be reduced in the event VMLP markets unutilized capacity to third party users. Ovintiv is not required to provide any financial support or guarantees to VMLP.

As a result of Ovintiv's involvement with VMLP, the maximum total exposure, which represents the potential exposure to Ovintiv in the event the assets under the agreements are deemed worthless, is estimated to be $1,858 million as at September 30, 2020. The estimate comprises the take or pay volume commitments and the potential payout of minimum costs. The take or pay volume commitments associated with certain gathering and processing assets are included in Note 24 under Transportation and Processing. The potential payout requirement is highly uncertain as the amount is contingent on future production estimates, pace of development and the amount of capacity contracted to third parties. As at September 30, 2020, accounts payable and accrued liabilities included $0.6 million related to the take or pay commitment.

18. Restructuring Charges

In February 2019, in conjunction with the Newfield business combination as described in Note 8, the Company announced workforce reductions to better align staffing levels and organizational structure with the Company's strategy. During 2019, the Company incurred total restructuring charges of $138 million, before tax, primarily related to severance costs.

In June 2020, Ovintiv undertook a plan to reduce its workforce by approximately 25 percent as part of a company-wide reorganization to better align staffing levels and organizational structure with the Company's planned activity levels. During the three and nine months ended September 30, 2020, the Company incurred total restructuring charges of $7 million and $88 million, respectively, before tax, primarily related to severance costs, of which $14 million remains accrued as at September 30, 2020. The majority of the remaining amounts accrued are expected to be paid in 2021 and total transition and severance costs are expected to be approximately $93 million before tax.

Restructuring charges are included in administrative expense presented in the Corporate and Other segment in the Condensed Consolidated Statement of Earnings.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Severance and Benefits	**$ 6**	$ 4	**$ 86**	$ 132
Outplacement, Moving and Other Expenses	**1**	-	**2**	2
Restructuring Expenses	**$ 7**	$ 4	**$ 88**	$ 134

	As at September 30, 2020	As at December 31, 2019
Outstanding Restructuring Accrual, Beginning of Year	**$ 8**	$ -
Restructuring Expenses Incurred	**88**	138
Restructuring Costs Paid	**(82)**	(130)
Outstanding Restructuring Accrual, End of Period (1)	**$ 14**	$ 8

(1) Included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheet.

19. Compensation Plans

Ovintiv has a number of compensation arrangements under which the Company awards various types of long-term incentive grants to eligible employees and Directors. They may include TSARs, SARs, Performance Share Units ("PSUs"), Deferred Share Units ("DSUs") and RSUs. These compensation arrangements are share-based.

Ovintiv accounts for TSARs, SARs, PSUs and RSUs 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.

The following weighted average assumptions were used to determine the fair value of the share units outstanding:

	As at September 30, 2020		As at September 30, 2019	
	US$ Share Units	**C$ Share Units**	US$ Share Units	C$ Share Units
Risk Free Interest Rate	**0.22%**	**0.22%**	1.58%	1.58%
Dividend Yield	**4.60%**	**4.66%**	1.63%	1.64%
Expected Volatility Rate (1)	**102.43%**	**101.65%**	44.14%	42.77%
Expected Term	**2.5 yrs**	**2.0 yrs**	2.9 yrs	2.6 yrs
Market Share Price (2)	**US$8.16**	**C$10.89**	US$23.00	C$30.35

(1) Volatility was estimated using historical rates.
(2) Market share price reflects the Share Consolidation as described in Note 1. Accordingly, the comparative period has been restated.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Total Compensation Costs of Transactions Classified as Cash-Settled	**$ 4**	$ 2	**$ (12)**	$ 46
Less: Total Share-Based Compensation Costs Capitalized	**(2)**	(1)	**3**	(16)
Total Share-Based Compensation Expense (Recovery)	**$ 2**	$ 1	**$ (9)**	$ 30
Recognized on the Condensed Consolidated Statement of Earnings in:				
Operating	**$ 1**	$ -	**$ (3)**	$ 12
Administrative	**1**	1	**(6)**	18
	$ 2	$ 1	**$ (9)**	$ 30

As at September 30, 2020, the liability for share-based payment transactions totaled $47 million ($78 million as at December 31, 2019), of which $24 million ($40 million as at December 31, 2019) is recognized in accounts payable and accrued liabilities and $23 million ($38 million as at December 31, 2019) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet.

	As at September 30, 2020	As at December 31, 2019
Liability for Cash-Settled Share-Based Payment Transactions:		
Unvested	**$ 42**	$ 65
Vested	**5**	13
	$ 47	$ 78

The following units were granted primarily in conjunction with the Company's annual grant of long-term incentive awards. The PSUs and RSUs were granted at the volume-weighted average trading price of shares of Ovintiv common stock for the five days prior to the grant date. The RSUs issued in 2020 vest at one-third of the number granted in each of the years following the grant date, for three years.

Nine Months Ended September 30, 2020 (thousands of units)	
RSUs	6,698
PSUs	2,293
DSUs	65

20. 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 nine months ended September 30 as follows:

	Pension Benefits		OPEB		Total	
	2020	2019	**2020**	2019	**2020**	2019
Net Defined Periodic Benefit Cost	**$ -**	$ 1	**$ 2**	$ 13	**$ 2**	$ 14
Defined Contribution Plan Expense	**24**	18	**-**	-	**24**	18
Total Benefit Plans Expense	**$ 24**	$ 19	**$ 2**	$ 13	**$ 26**	$ 32

Of the total benefit plans expense, $22 million (2019 - $20 million) was included in operating expense and $5 million (2019 - $6 million) was included in administrative expense. Excluding service costs, net defined periodic benefit gains of $1 million (2019 - losses of $6 million) were recorded in other (gains) losses, net.

The net defined periodic benefit cost for the nine months ended September 30 is as follows:

	Defined Benefits		OPEB		Total	
	2020	2019	**2020**	2019	**2020**	2019
Service Cost	**$ -**	$ 1	**$ 3**	$ 7	**$ 3**	$ 8
Interest Cost	**4**	5	**2**	3	**6**	8
Expected Return on Plan Assets	**(5)**	(5)	**-**	-	**(5)**	(5)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	**1**	-	**(7)**	(1)	**(6)**	(1)
Curtailment from net prior service costs	**-**	-	**5**	-	**5**	-
Curtailment	**-**	-	**(1)**	4	**(1)**	4
Total Net Defined Periodic Benefit Cost [(1)]	**$ -**	$ 1	**$ 2**	$ 13	**$ 2**	$ 14

(1) The components of total net defined periodic benefit cost, excluding the service cost component, are included in other (gains) losses, net.

21. 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 amounts due to the short-term maturity of those instruments. The fair values of restricted cash and marketable securities included in other assets approximate their carrying amounts due to the nature of the instruments held.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 22. 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 following tables.

Fair value changes and settlements for amounts related to risk management assets and liabilities are recognized in revenues and foreign exchange gains and losses according to their purpose.

As at September 30, 2020	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting [1]	Carrying Amount
Risk Management Assets						
Commodity Derivatives:						
Current assets	**$ -**	**$ 143**	**$ 86**	**$ 229**	**$ (69)**	**$ 160**
Long-term assets	**-**	**14**	**-**	**14**	**(8)**	**6**
Foreign Currency Derivatives:						
Current assets	**-**	**10**	**-**	**10**	**-**	**10**
Long-term assets	**-**	**2**	**-**	**2**	**-**	**2**
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	**$ 2**	**$ 129**	**$ 3**	**$ 134**	**$ (69)**	**$ 65**
Long-term liabilities	**-**	**158**	**4**	**162**	**(8)**	**154**
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	**$ -**	**$ 2**	**$ -**	**$ 2**	**$ -**	**$ 2**
Long-term in other liabilities and provisions	**-**	**9**	**-**	**9**	**-**	**9**

As at December 31, 2019	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting [1]	Carrying Amount
Risk Management Assets						
Commodity Derivatives:						
Current assets	$ -	$ 202	$ -	$ 202	$ (67)	$ 135
Long-term assets	-	6	-	6	(4)	2
Foreign Currency Derivatives:						
Current assets	-	13	-	13	-	13
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	$ 1	$ 139	$ 41	$ 181	$ (67)	$ 114
Long-term liabilities	-	61	11	72	(4)	68
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	$ -	$ 2	$ -	$ 2	$ -	$ 2
Long-term in other liabilities and provisions	-	7	-	7	-	7

(1) 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.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts, NYMEX fixed price swaptions, NYMEX three-way options, NYMEX costless collars, NYMEX call options, foreign currency swaps and basis swaps with terms to 2025. Level 2 also includes financial guarantee contracts as discussed in Note 22. The fair values of these contracts are based on a market approach and are estimated using inputs which are either directly or indirectly observable from active markets, such as exchange and other published prices, broker quotes and observable trading activity throughout the term of the instruments.

Level 3 Fair Value Measurements

As at September 30, 2020, the Company's Level 3 risk management assets and liabilities consist of WTI three-way options, WTI costless collars and WTI sold payer swaptions with terms to 2021. The WTI three-way options are a combination of a sold call, bought put and a sold put. The WTI costless collars are a combination of a sold call and a bought put. These contracts allow the Company to participate in the upside of commodity prices to the ceiling of the call option and provide the Company with complete (collars) or partial (three-way) downside price protection through the put options. The sold payer swaptions give the counterparty the right to extend to 2021 certain 2020 WTI fixed price swaps. The fair values of these contracts are based on the income approach and are modelled using observable and unobservable inputs such as implied volatility. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

A summary of changes in Level 3 fair value measurements for risk management positions is presented below:

	Nine Months Ended September 30,	
	2020	2019
Balance, Beginning of Year	**$ (52)**	$ 139
Total Gains (Losses)	**214**	24
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	**-**	-
Settlements	**(83)**	(49)
Transfers Out of Level 3	**-**	-
Balance, End of Period	**$ 79**	$ 114
Change in Unrealized Gains (Losses) During the Period Included in Net Earnings (Loss)	**$ 131**	$ (25)

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below as at September 30, 2020:

	Valuation Technique	Unobservable Input	Range	Weighted Average (1)
Risk Management - WTI Options	Option Model	Implied Volatility	33% - 62%	42%

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

A 10 percent increase or decrease in implied volatility for the WTI options would cause an approximate corresponding $5 million ($8 million as at December 31, 2019) increase or decrease to net risk management assets and liabilities.

22. Financial Instruments and Risk Management

A) Financial Instruments

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

B) Risk Management Activities

Ovintiv uses derivative financial instruments to manage its exposure to cash flow variability from commodity prices and fluctuating foreign currency exchange rates. The Company does not apply hedge accounting to any of its derivative financial instruments. As a result, gains and losses from changes in the fair value are recognized in net earnings.

Commodity Price Risk

Commodity price risk arises from the effect that 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 of Directors.

Crude Oil and NGLs - To partially mitigate crude oil and NGL commodity price risk, the Company uses WTI-based contracts such as fixed price contracts, fixed price swaptions, options and costless collars. The Company has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses NYMEX-based contracts such as fixed price contracts, fixed price swaptions, options and costless collars. The Company has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at September 30, 2020, the Company has entered into $215 million notional U.S. dollar denominated currency swaps at an average exchange rate of US$0.7451 to C$1, which mature monthly through the remainder of 2020 and $350 million notional U.S. dollar denominated currency swaps at an average exchange rate of US$0.7289 to C$1, which mature monthly throughout 2021.

Risk Management Positions as at September 30, 2020

	Notional Volumes	Term	Average Price		Fair Value
Crude Oil and NGL Contracts			**US$/bbl**		
Fixed Price Contracts					
WTI Fixed Price	89.0 Mbbls/d	2020	52.95	**$**	**101**
WTI Fixed Price	20.0 Mbbls/d	2021	44.08		**12**
Propane Fixed Price	20.0 Mbbls/d	2020	17.94		**(6)**
Butane Fixed Price	8.0 Mbbls/d	2020	23.54		**(1)**
Iso-Butane Fixed Price	3.3 Mbbls/d	2020	24.36		**(1)**
Ethane Fixed Price	1.0 Mbbls/d	2020	5.25		**-**
WTI Fixed Price Swaptions (1)	10.0 Mbbls/d	2021	58.00		**-**
WTI Three-Way Options					
Sold call / bought put / sold put	76.0 Mbbls/d	2020	61.46 / 53.36 / 43.36		**62**
Sold call / bought put / sold put	37.0 Mbbls/d	2021	50.27 / 39.61 / 29.39		**8**
WTI Costless Collars					
Sold call / bought put	15.0 Mbbls/d	2020	68.71 / 50.00		**14**
Sold call / bought put	15.0 Mbbls/d	2021	45.84 / 35.00		**(5)**
Basis Contracts (2)		2020			**(20)**
		2021			**(1)**
Other Crude Financial Positions					**(3)**
Crude Oil and NGLs Fair Value Position					**160**
Natural Gas Contracts			**US$/Mcf**		
Fixed Price Contracts					
NYMEX Fixed Price	793 MMcf/d	2020	2.65		**6**
NYMEX Fixed Price	165 MMcf/d	2021	2.51		**(24)**
Fixed Price Swaptions (3)					
NYMEX Fixed Price Swaptions	165 MMcf/d	2022	2.51		**(20)**
NYMEX Three-Way Options					
Sold call / bought put / sold put	330 MMcf/d	2020	2.72 / 2.60 / 2.25		**(1)**
Sold call / bought put / sold put	730 MMcf/d	2021	3.35 / 2.87 / 2.49		**(17)**
NYMEX Costless Collars					
Sold call / bought put	55 MMcf/d	2020	2.88 / 2.50		**-**
NYMEX Call Options					
Sold call	230 MMcf/d	2020	3.25		**-**
Sold call	330 MMcf/d	2022	2.38		**(54)**
Basis Contracts (4)		2020			**(13)**
		2021			**(33)**
		2022 - 2025			**(56)**
Other Financial Positions					**1**
Natural Gas Fair Value Position					**(211)**
Net Premiums Received on Unexpired Options					**(2)**
Other Derivative Contracts					
Fair Value Position					**(11)**
Foreign Currency Contracts					
Fair Value Position (5)		2020 - 2021			**12**
Total Fair Value Position and Net Premiums Received				**$**	**(52)**

(1) WTI Fixed Price Swaptions give the counterparty the option to extend certain 2020 Fixed Price swaps to 2021.
(2) Ovintiv has entered into crude and NGL differential swaps associated with Canadian condensate, Midland, Magellan East Houston, Brent, Mt. Belvieu, Conway and WTI.
(3) NYMEX Fixed Price Swaptions give the counterparty the option to extend certain 2021 Fixed Price swaps to 2022.
(4) Ovintiv has entered into natural gas basis swaps associated with AECO, Dawn, Chicago, Malin, Waha, Houston Ship Channel and NYMEX.
(5) Ovintiv has entered into U.S. dollar denominated fixed-for-floating average currency swaps to protect against fluctuations between the Canadian and U.S. dollars.

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Realized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues (1)	**$ 89**	$ 122	**$ 605**	$ 301
Foreign Currency Derivatives:				
Foreign exchange	**2**	2	**(7)**	1
	$ 91	$ 124	**$ 598**	$ 302
Unrealized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues (2)	**$ (243)**	$ (41)	**$ (18)**	$ (385)
Foreign Currency Derivatives:				
Foreign exchange	**15**	(11)	**(1)**	26
	$ (228)	$ (52)	**$ (19)**	$ (359)
Total Realized and Unrealized Gains (Losses) on Risk Management, net				
Commodity and Other Derivatives:				
Revenues (1) (2)	**$ (154)**	$ 81	**$ 587**	$ (84)
Foreign Currency Derivatives:				
Foreign exchange	**17**	(9)	**(8)**	27
	$ (137)	$ 72	**$ 579**	$ (57)

(1) Includes realized gains of nil and $2 million for the three and nine months ended September 30, 2020, respectively (2019 - gains of $2 million and $5 million, respectively), related to other derivative contracts.
(2) Includes unrealized losses of nil and $4 million for the three and nine months ended September 30, 2020, respectively (2019 - losses of nil and $1 million, respectively), related to other derivative contracts.

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

	2020 Fair Value	**2020** Total Unrealized Gain (Loss)	2019 Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ (41)**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	**579**	**$ 579**	$ (57)
Settlement of Other Derivative Contracts	**2**		
Amortization of Option Premiums During the Period	**6**		
Fair Value of Contracts Realized During the Period	**(598)**	**(598)**	(302)
Fair Value of Contracts and Net Premiums Received, End of Period	**$ (52)**	**$ (19)**	$ (359)

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 21 for a discussion of fair value measurements.

Unrealized Risk Management Positions

		As at September 30, 2020		As at December 31, 2019
Risk Management Assets				
Current	$	170	$	148
Long-term		8		2
		178		150
Risk Management Liabilities				
Current		65		114
Long-term		154		68
		219		182
Other Derivative Contracts				
Current in accounts payable and accrued liabilities		2		2
Long-term in other liabilities and provisions		9		7
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	$	(52)	$	(41)

C) 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. While exchange-traded contracts are subject to nominal credit risk due to the financial safeguards established by the NYSE and the TSX, over-the-counter traded contracts expose Ovintiv to counterparty credit risk. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors 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, purchasing credit insurance 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 a result of netting provisions, the Company's maximum exposure to loss under derivative financial instruments due to credit risk is limited to the net amounts due from the counterparties under the derivative contracts, as disclosed in Note 21. As at September 30, 2020, the Company had no significant credit derivatives in place and held no collateral.

As at September 30, 2020, 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 that have investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers and working interest owners in the oil and gas industry and are subject to normal industry credit risks. As at September 30, 2020, approximately 97 percent (95 percent as at December 31, 2019) of Ovintiv's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at September 30, 2020, Ovintiv had 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. These counterparties accounted for 23 percent, 15 percent, 12 percent and 12 percent of the fair value of the outstanding in-the-money net risk management contracts. As at December 31, 2019, the Company had six counterparties whose net settlement position accounted for 26 percent, 13 percent, 12 percent, 12 percent, 11 percent and 11 percent of the fair value of the outstanding in-the-money net risk management contracts.

During 2015 and 2017, the Company entered into agreements resulting from divestitures, which may require the Company to fulfill certain payment obligations on the take or pay volume commitments assumed by the purchasers. The circumstances that would require the Company to perform under the agreements include events where a purchaser fails to make payment to the guaranteed party and/or a purchaser is subject to an insolvency event. The agreements have remaining terms from one to four years with a fair value recognized of $11 million as at September 30, 2020 ($9 million as at December 31, 2019). The maximum potential amount of undiscounted future payments is $95 million as at September 30, 2020, and is considered unlikely.

23. Supplementary Information

Supplemental disclosures to the Condensed Consolidated Statement of Cash Flows are presented below:

A) Net Change in Non-Cash Working Capital

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Operating Activities				
Accounts receivable and accrued revenues	**$ 78**	$ 61	**$ 289**	$ 178
Accounts payable and accrued liabilities	**42**	(82)	**(212)**	(66)
Current portion of operating lease liabilities	**(4)**	(9)	**(10)**	52
Income tax receivable and payable	**26**	(2)	**39**	(34)
	$ 142	$ (32)	**$ 106**	$ 130

B) Non-Cash Activities

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	**2020**	2019
Non-Cash Investing Activities				
Asset retirement obligation incurred (See Note 14)	**$ 2**	$ 2	**$ 11**	$ 13
Asset retirement obligation change in estimated future cash outflows (See Note 14)	**(10)**	-	**12**	-
Property, plant and equipment accruals	**68**	(80)	**(62)**	(33)
Capitalized long-term incentives	**2**	1	**(7)**	(31)
Property additions/dispositions (swaps)	**212**	63	**229**	66
New ROU operating lease assets and liabilities	**(5)**	(1)	**(6)**	(11)
Non-Cash Financing Activities				
Common shares issued in conjunction with the Newfield business combination (See Note 8)	**$ -**	$ -	**$ -**	$ (3,478)

On September 1, 2020, Ovintiv closed an agreement with PetroChina Canada Ltd. ("PCC") to terminate its joint venture with PCC and transfer the ownership and operation of certain Duvernay shale assets in west-central Alberta. Ovintiv and PCC have agreed to partition the Duvernay acreage and associated infrastructure as each company will independently own and operate their respective interests in the future. For the three and nine months ended September 30, 2020, property additions/dispositions (swaps) includes a $203 million non-cash swap related to the Duvernay partition.

24. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at September 30, 2020:

	Expected Future Payments						
(undiscounted)	2020	2021	2022	2023	2024	Thereafter	Total
Transportation and Processing	$ 173	$ 675	$ 644	$ 541	$ 433	$ 2,305	**$ 4,771**
Drilling and Field Services	37	12	1	-	-	1	**51**
Building Leases	3	14	11	7	6	8	**49**
Total	$ 213	$ 701	$ 656	$ 548	$ 439	$ 2,314	**$ 4,871**

Operating leases with terms greater than one year are not included in the commitments table above. The table above includes short-term leases with contract terms less than 12 months, such as drilling rigs and field office leases, as well as non-lease operating cost components associated with building leases.

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 17. Divestiture transactions can reduce certain commitments disclosed above.

Contingencies

Ovintiv is involved in various legal claims and actions arising in the normal 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 Ovintiv's financial position, cash flows or results of operations. Management's assessment of these matters may change in the future as certain of these matters are in early stages or are subject to a number of uncertainties. For material matters that the Company believes an unfavorable outcome is reasonably possible, the Company discloses the nature and a range of potential exposures. If an unfavorable outcome were to occur, there exists the possibility of a material impact on the Company's consolidated net earnings or loss for the period in which the effect becomes reasonably estimable. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Such accruals are based on the Company's information known about the matters, estimates of the outcomes of such matters and experience in handling similar matters.