Ovintiv Inc.

Interim Condensed Consolidated Financial Statements
(Prepared in conformity with U.S. GAAP)
(unaudited)

For the period ended December 31, 2019

(Prepared in U.S. Dollars)

Condensed Consolidated Statement of Earnings *(unaudited)*

(US$ millions, except per share amounts)		Three Months Ended December 31, 2019	2018	Twelve Months Ended December 31, 2019	2018
Revenues	*(Notes 3, 4)*				
Product and service revenues		**$ 1,822**	$ 1,432	**$ 7,013**	$ 5,457
Gains (losses) on risk management, net	*(Note 22)*	**(277)**	932	**(361)**	415
Sublease revenues		**20**	17	**74**	67
Total Revenues		**1,565**	2,381	**6,726**	5,939
Operating Expenses	*(Note 3)*				
Production, mineral and other taxes		**67**	38	**254**	147
Transportation and processing	*(Note 11)*	**410**	284	**1,558**	1,083
Operating	*(Notes 11, 19, 20)*	**187**	82	**732**	454
Purchased product		**259**	297	**1,043**	1,100
Depreciation, depletion and amortization		**561**	348	**2,015**	1,272
Accretion of asset retirement obligation	*(Note 14)*	**9**	8	**37**	32
Administrative	*(Notes 11, 18, 19, 20)*	**100**	(30)	**489**	157
Total Operating Expenses		**1,593**	1,027	**6,128**	4,245
Operating Income (Loss)		**(28)**	1,354	**598**	1,694
Other (Income) Expenses					
Interest	*(Note 5)*	**97**	86	**382**	351
Foreign exchange (gain) loss, net	*(Notes 6, 22)*	**(57)**	75	**(119)**	168
(Gain) loss on divestitures, net		**1**	(1)	**(3)**	(5)
Other (gains) losses, net	*(Notes 8, 20)*	**(1)**	15	**23**	17
Total Other (Income) Expenses		**40**	175	**283**	531
Net Earnings (Loss) Before Income Tax		**(68)**	1,179	**315**	1,163
Income tax expense (recovery)	*(Note 7)*	**(62)**	149	**81**	94
Net Earnings (Loss)		**$ (6)**	$ 1,030	**$ 234**	$ 1,069
Net Earnings (Loss) per Common Share [(1)]					
Basic & Diluted	*(Note 15)*	**$ (0.02)**	$ 5.41	**$ 0.90**	$ 5.57
Weighted Average Common Shares Outstanding (millions) [(1)]					
Basic & Diluted	*(Note 15)*	**259.8**	190.5	**261.2**	192.0

(1) Net earnings (loss) per common share and weighted average common shares 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 December 31, 2019	2018	Twelve Months Ended December 31, 2019	2018
Net Earnings (Loss)		**$ (6)**	$ 1,030	**$ 234**	$ 1,069
Other Comprehensive Income (Loss), Net of Tax					
Foreign currency translation adjustment	*(Note 16)*	**(4)**	(74)	**28**	(53)
Pension and other post-employment benefit plans	*(Notes 16, 20)*	**44**	10	**20**	9
Other Comprehensive Income (Loss)		**40**	(64)	**48**	(44)
Comprehensive Income (Loss)		**$ 34**	$ 966	**$ 282**	$ 1,025

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US$ millions)		As at December 31, 2019	As at December 31, 2018
Assets			
Current Assets			
Cash and cash equivalents		**$ 190**	$ 1,058
Accounts receivable and accrued revenues		**1,235**	789
Risk management	*(Notes 21, 22)*	**148**	554
Income tax receivable		**296**	275
		1,869	2,676
Property, Plant and Equipment, at cost:	*(Note 10)*		
Oil and natural gas properties, based on full cost accounting			
Proved properties		**51,210**	41,241
Unproved properties		**3,714**	3,730
Other	*(Note 2)*	**904**	2,122
Property, plant and equipment		**55,828**	47,093
Less: Accumulated depreciation, depletion and amortization		**(40,637)**	(38,121)
Property, plant and equipment, net	*(Note 3)*	**15,191**	8,972
Other Assets	*(Notes 2, 10, 11)*	**1,213**	147
Risk Management	*(Notes 21, 22)*	**2**	161
Deferred Income Taxes		**601**	835
Goodwill	*(Notes 3, 8)*	**2,611**	2,553
	(Note 3)	**$ 21,487**	$ 15,344
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,239**	$ 1,490
Current portion of operating lease liabilities	*(Notes 2, 11)*	**78**	-
Income tax payable		**1**	1
Risk management	*(Notes 21, 22)*	**114**	25
Current portion of long-term debt	*(Note 12)*	**-**	500
		2,432	2,016
Long-Term Debt	*(Note 12)*	**6,974**	3,698
Operating Lease Liabilities	*(Notes 2, 11)*	**977**	-
Other Liabilities and Provisions	*(Notes 2, 11, 13)*	**464**	1,769
Risk Management	*(Notes 21, 22)*	**68**	22
Asset Retirement Obligation	*(Note 14)*	**425**	365
Deferred Income Taxes		**217**	27
		11,557	7,897
Commitments and Contingencies	*(Note 24)*		
Shareholders' Equity			
Share capital			
2019 issued and outstanding: 259.8 million shares (2018: 190.5 million shares) (1)	*(Note 15)*	**7,061**	4,656
Paid in surplus	*(Note 15)*	**1,402**	1,358
Retained earnings		**421**	435
Accumulated other comprehensive income	*(Note 16)*	**1,046**	998
Total Shareholders' Equity		**9,930**	7,447
		$ 21,487	$ 15,344

(1) Common shares outstanding, for the current and prior period, reflect the Share Consolidation as described in Note 1.

See accompanying Notes to Condensed Consolidated Financial Statements

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

Three Months Ended December 31, 2019 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, September 30, 2019		**$ 7,061**	**$ 1,402**	**$ 452**	**$ 1,006**	**$ 9,921**
Net Earnings (Loss)		**-**	**-**	**(6)**	**-**	**(6)**
Dividends on Common Shares ($0.09375 per share [1])	*(Note 15)*	**-**	**-**	**(25)**	**-**	**(25)**
Other Comprehensive Income (Loss)	*(Note 16)*	**-**	**-**	**-**	**40**	**40**
Balance, December 31, 2019		**$ 7,061**	**$ 1,402**	**$ 421**	**$ 1,046**	**$ 9,930**

Three Months Ended December 31, 2018 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, September 30, 2018		$ 4,655	$ 1,358	$ (581)	$ 1,062	$ 6,494
Net Earnings (Loss)		-	-	1,030	-	1,030
Dividends on Common Shares ($0.075 per share [1])	*(Note 15)*	-	-	(14)	-	(14)
Common Shares Issued Under						
Dividend Reinvestment Plan	*(Note 15)*	1	-	-	-	1
Other Comprehensive Income (Loss)	*(Note 16)*	-	-	-	(64)	(64)
Balance, December 31, 2018		$ 4,656	$ 1,358	$ 435	$ 998	$ 7,447

(1) Dividends per share reflect the Share Consolidation as described in Note 1. On a pre-Share Consolidation basis, dividends were $0.01875 per share for the three months ended December 31, 2019 (2018 - $0.015 per share).

See accompanying Notes to Condensed Consolidated Financial Statements

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

Twelve Months Ended December 31, 2019 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2018		**$ 4,656**	**$ 1,358**	**$ 435**	**$ 998**	**$ 7,447**
Net Earnings (Loss)		**-**	**-**	**234**	**-**	**234**
Dividends on Common Shares ($0.375 per share [(1)])	*(Note 15)*	**-**	**-**	**(102)**	**-**	**(102)**
Common Shares Purchased under Substantial Issuer Bid	*(Note 15)*	**(257)**	**44**	**-**	**-**	**(213)**
Common Shares Purchased under Normal Course Issuer Bid	*(Note 15)*	**(816)**	**-**	**(221)**	**-**	**(1,037)**
Common Shares Issued	*(Notes 8, 15)*	**3,478**	**-**	**-**	**-**	**3,478**
Other Comprehensive Income (Loss)	*(Note 16)*	**-**	**-**	**-**	**48**	**48**
Impact of Adoption of Topic 842	*(Note 2)*	**-**	**-**	**75**	**-**	**75**
Balance, December 31, 2019		**$ 7,061**	**$ 1,402**	**$ 421**	**$ 1,046**	**$ 9,930**

Twelve Months Ended December 31, 2018 (US$ millions)		Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2017		$ 4,757	$ 1,358	$ (429)	$ 1,042	$ 6,728
Net Earnings (Loss)		-	-	1,069	-	1,069
Dividends on Common Shares ($0.30 per share [(1)])	*(Note 15)*	-	-	(57)	-	(57)
Common Shares Purchased under Normal Course Issuer Bid	*(Note 15)*	(102)	-	(148)	-	(250)
Common Shares Issued Under Dividend Reinvestment Plan	*(Note 15)*	1	-	-	-	1
Other Comprehensive Income (Loss)	*(Note 16)*	-	-	-	(44)	(44)
Balance, December 31, 2018		$ 4,656	$ 1,358	$ 435	$ 998	$ 7,447

(1) Dividends per share reflect the Share Consolidation as described in Note 1. On a pre-Share Consolidation basis, dividends were $0.075 per share for the twelve months ended December 31, 2019 (2018 - $0.06 per share).

See accompanying Notes to Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US$ millions)		Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018
Operating Activities					
Net earnings (loss)		**$ (6)**	$ 1,030	**$ 234**	$ 1,069
Depreciation, depletion and amortization		**561**	348	**2,015**	1,272
Accretion of asset retirement obligation	*(Note 14)*	**9**	8	**37**	32
Deferred income taxes	*(Note 7)*	**(46)**	143	**94**	149
Unrealized (gain) loss on risk management	*(Note 22)*	**345**	(941)	**730**	(519)
Unrealized foreign exchange (gain) loss	*(Note 6)*	**(12)**	77	**(23)**	233
Foreign exchange on settlements	*(Note 6)*	**(43)**	1	**(96)**	(46)
(Gain) loss on divestitures, net		**1**	(1)	**(3)**	(5)
Other		**6**	(125)	**(57)**	(70)
Net change in other assets and liabilities		**(42)**	(27)	**(97)**	(60)
Net change in non-cash working capital	*(Note 23)*	**(43)**	46	**87**	245
Cash From (Used in) Operating Activities		**730**	559	**2,921**	2,300
Investing Activities					
Capital expenditures	*(Note 3)*	**(574)**	(349)	**(2,626)**	(1,975)
Acquisitions	*(Note 9)*	**1**	-	**(65)**	(17)
Corporate acquisition, net of cash and restricted cash acquired	*(Note 8)*	**-**	-	**94**	-
Proceeds from divestitures	*(Note 9)*	**20**	404	**197**	493
Net change in investments and other		**(38)**	(128)	**(156)**	(56)
Cash From (Used in) Investing Activities		**(591)**	(73)	**(2,556)**	(1,555)
Financing Activities					
Net issuance (repayment) of revolving long-term debt	*(Note 12)*	**(42)**	-	**698**	-
Repayment of long-term debt	*(Note 12)*	**-**	-	**(500)**	-
Purchase of common shares	*(Note 15)*	**-**	-	**(1,250)**	(250)
Dividends on common shares	*(Note 15)*	**(25)**	(13)	**(102)**	(56)
Finance lease payments and other financing arrangements	*(Note 11)*	**(21)**	(22)	**(84)**	(90)
Cash From (Used in) Financing Activities		**(88)**	(35)	**(1,238)**	(396)
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency		**1**	(8)	**5**	(10)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		**52**	443	**(868)**	339
Cash, Cash Equivalents and Restricted Cash, Beginning of Period		**138**	615	**1,058**	719
Cash, Cash Equivalents and Restricted Cash, End of Period		**$ 190**	$ 1,058	**$ 190**	$ 1,058
Cash, End of Period		**$ 44**	$ 52	**$ 44**	$ 52
Cash Equivalents, End of Period		**146**	1,006	**146**	1,006
Restricted Cash, End of Period		**-**	-	**-**	-
Cash, Cash Equivalents and Restricted Cash, End of Period		**$ 190**	$ 1,058	**$ 190**	$ 1,058

Supplementary Cash Flow Information *(Note 23)*

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

As the Share Consolidation described above was completed prior to the issuance of these Condensed Consolidated Financial Statements, common shares and per-share amounts disclosed herein reflect the post-Share Consolidation shares unless otherwise specified.

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

The interim Condensed Consolidated Financial Statements include the accounts of the Company 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.

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.

2. Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

On January 1, 2019, the Company adopted ASC Topic 842, Leases ("Topic 842") and related amendments, using the modified retrospective approach recognizing a cumulative effect adjustment at the beginning of the reporting period in which Topic 842 was applied. Results for reporting the periods beginning after January 1, 2019, are presented in accordance with Topic 842, while prior periods have not been restated and are reported in accordance with ASC Topic 840, Leases ("Topic 840"). On transition, the Company elected certain practical expedients permitted under Topic 842 which include:

- No reassessment of the classification of leases previously assessed under Topic 840, whether expired or existing contracts contain leases, or initial direct costs of existing leases; and
- Application of Topic 842 prospectively to all new or modified land easements after January 1, 2019.

The Company also elected the short-term lease exemption, which does not require a right-of-use ("ROU") asset or lease liability to be recognized on the Consolidated Balance Sheet when the lease term is 12 months or less. The policy and disclosures required under Topic 842 are included in Note 11, Leases.

In accordance with Topic 842, the Company recognized a ROU asset and corresponding lease liability for all operating leases on the Consolidated Balance Sheet, other than leases with lease terms of 12 months or less. Prior to the adoption of Topic 842, operating leases were not recognized on the Consolidated Balance Sheet. There was no impact to finance leases on transition to Topic 842. The impact from recognizing operating leases on the Company's Condensed Consolidated Balance Sheet is as follows:

(US$ millions)	Reported as at December 31, 2018	Impact of Adoption		Restated Balances as at January 1, 2019
Property, Plant and Equipment, at cost:				
Oil and natural gas properties, based on full cost accounting				
Proved properties	$ 41,241	$ -		$ 41,241
Unproved properties	3,730	-		3,730
Other	2,122	(1,261)		861
Property, plant and equipment	47,093	(1,261)		45,832
Less: accumulated depreciation, depletion and amortization	(38,121)	128		(37,993)
Property, plant and equipment, net	8,972	(1,133)	(1)	7,839
Other Assets	147	1,015	(1), (2)	1,162
Deferred Income Taxes	835	(28)		807
Total Assets	15,344	(146)		15,198
Current Liabilities				
Accounts payable and accrued liabilities	1,490	(12)	(1)	1,478
Current portion of operating lease liabilities	-	67	(2)	67
Income tax payable	1	-		1
Risk management	25	-		25
Current portion of long-term debt	500	-		500
	2,016	55		2,071
Operating Lease Liabilities	-	948	(2)	948
Other Liabilities and Provisions	1,769	(1,224)	(1)	545
Total Liabilities	7,897	(221)		7,676
Retained Earnings	435	75	(1)	510
Total Shareholders' Equity	7,447	75		7,522
Total Liabilities and Shareholders' Equity	$ 15,344	$ (146)		$ 15,198

(1) In accordance with Topic 840, the Company accounted for The Bow office building as a failed sales leaseback and at the effective date of January 1, 2019, The Bow office building remained as such. On transition to Topic 842, the Company re-assessed whether a sale would have occurred at the effective date and determined that a sale occurred. As a result, the Company derecognized the asset and financing liability resulting from the failed sale leaseback transaction measured under Topic 840, recognizing the difference as an adjustment to retained earnings in the Condensed Consolidated Balance Sheet. Upon transition to Topic 842, The Bow office building was determined to be an operating lease for which a ROU asset and corresponding liability was recorded at the present value of remaining minimum lease payments.

(2) ROU assets for operating leases were measured at the amount equal to the lease liability and the unamortized balance of any lease incentives prior to the transition date. The lease liabilities for operating leases were measured at the present value of the remaining minimum lease payments outstanding as at January 1, 2019.

Although Topic 842 did not have a material impact on the Condensed Consolidated Statements of Earnings or Cash Flows, the change in the accounting of The Bow office building resulted in: i) operating lease expense under Topic 842 reported in administrative expense, whereas for the comparative periods presented under Topic 840, the Company recorded depreciation and interest expense in the Condensed Consolidated Statement of Earnings; and ii) cash outflows presented in cash used in operating activities under Topic 842, whereas for the comparative periods presented under Topic 840, interest and financing cash outflows are presented in cash used in operating activities and cash used in financing activities, respectively, in the Condensed Consolidated Statement of Cash Flows.

On January 1, 2019, the Company adopted ASU 2018-02 "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The amendments allow for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("U.S. Tax Reform"). While the Company has other post-employment benefit plans which were affected by the U.S. Tax Reform, the impact was not material to the Company's Consolidated Financial Statements. As a result, the Company did not take the election provided in the amendment.

New Standards Issued Not Yet Adopted

On January 1, 2020, Ovintiv will adopt the following ASUs issued by the FASB, which are not expected to have a material impact on the 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 will be applied prospectively at the date of adoption.

- 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 will be applied using the modified retrospective approach. The Company estimates the impact from adoption will result in a non-cash cumulative adjustment to retained earnings of less than $10 million, net of tax, on the Consolidated Balance Sheet.

3. Segmented Information

The Company'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 exploration for, development of, and production of oil and other related activities within the China cost center. The Company terminated its production sharing contract with China National Offshore Oil Corporation ("CNOOC") and exited its China Operations effective July 31, 2019.
- **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.

As of February 14, 2019, the Company's segmented results reflect the business combination as discussed in Note 8.

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

Segment and Geographic Information

	USA Operations		Canadian Operations		China Operations [1]	
	2019	2018	**2019**	2018	**2019**	2018
Revenues						
Product and service revenues	**$ 1,101**	$ 632	**$ 432**	$ 485	**$ -**	$ -
Gains (losses) on risk management, net	**30**	(14)	**37**	7	**-**	-
Sublease revenues	**-**	-	**-**	-	**-**	-
Total Revenues	**1,131**	618	**469**	492	**-**	-
Operating Expenses						
Production, mineral and other taxes	**62**	34	**5**	4	**-**	-
Transportation and processing	**126**	32	**219**	220	**-**	-
Operating	**152**	67	**29**	20	**-**	-
Depreciation, depletion and amortization	**452**	232	**96**	104	**-**	-
Total Operating Expenses	**792**	365	**349**	348	**-**	-
Operating Income (Loss)	**$ 339**	$ 253	**$ 120**	$ 144	**$ -**	$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
Revenues						
Product and service revenues	**$ 289**	$ 315	**$ -**	$ -	**$ 1,822**	$ 1,432
Gains (losses) on risk management, net	**1**	(2)	**(345)**	941	**(277)**	932
Sublease revenues	**-**	-	**20**	17	**20**	17
Total Revenues	**290**	313	**(325)**	958	**1,565**	2,381
Operating Expenses						
Production, mineral and other taxes	**-**	-	**-**	-	**67**	38
Transportation and processing	**65**	32	**-**	-	**410**	284
Operating	**7**	(9)	**(1)**	4	**187**	82
Purchased product	**259**	297	**-**	-	**259**	297
Depreciation, depletion and amortization	**-**	-	**13**	12	**561**	348
Accretion of asset retirement obligation	**-**	-	**9**	8	**9**	8
Administrative	**-**	-	**100**	(30)	**100**	(30)
Total Operating Expenses	**331**	320	**121**	(6)	**1,593**	1,027
Operating Income (Loss)	**$ (41)**	$ (7)	**$ (446)**	$ 964	**(28)**	1,354
Other (Income) Expenses						
Interest					**97**	86
Foreign exchange (gain) loss, net					**(57)**	75
(Gain) loss on divestitures, net					**1**	(1)
Other (gains) losses, net					**(1)**	15
Total Other (Income) Expenses					**40**	175
Net Earnings (Loss) Before Income Tax					**(68)**	1,179
Income tax expense (recovery)					**(62)**	149
Net Earnings (Loss)					**$ (6)**	$ 1,030

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

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

Segment and Geographic Information

	USA Operations		Canadian Operations		China Operations [1]	
	2019	2018	**2019**	2018	**2019**	2018
Revenues						
Product and service revenues	**$ 4,163**	$ 2,512	**$ 1,654**	$ 1,721	**$ 37**	$ -
Gains (losses) on risk management, net	**158**	(199)	**211**	100	**-**	-
Sublease revenues	**-**	-	**-**	-	**-**	-
Total Revenues	**4,321**	2,313	**1,865**	1,821	**37**	-
Operating Expenses						
Production, mineral and other taxes	**238**	131	**16**	16	**-**	-
Transportation and processing	**466**	124	**859**	828	**-**	-
Operating	**566**	305	**125**	118	**16**	-
Depreciation, depletion and amortization	**1,593**	860	**383**	361	**-**	-
Total Operating Expenses	**2,863**	1,420	**1,383**	1,323	**16**	-
Operating Income (Loss)	**$ 1,458**	$ 893	**$ 482**	$ 498	**$ 21**	$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
Revenues						
Product and service revenues	**$ 1,159**	$ 1,224	**$ -**	$ -	**$ 7,013**	$ 5,457
Gains (losses) on risk management, net	**-**	(5)	**(730)**	519	**(361)**	415
Sublease revenues	**-**	-	**74**	67	**74**	67
Total Revenues	**1,159**	1,219	**(656)**	586	**6,726**	5,939
Operating Expenses						
Production, mineral and other taxes	**-**	-	**-**	-	**254**	147
Transportation and processing	**233**	131	**-**	-	**1,558**	1,083
Operating	**28**	16	**(3)**	15	**732**	454
Purchased product	**1,043**	1,100	**-**	-	**1,043**	1,100
Depreciation, depletion and amortization	**-**	1	**39**	50	**2,015**	1,272
Accretion of asset retirement obligation	**-**	-	**37**	32	**37**	32
Administrative	**-**	-	**489**	157	**489**	157
Total Operating Expenses	**1,304**	1,248	**562**	254	**6,128**	4,245
Operating Income (Loss)	**$ (145)**	$ (29)	**$ (1,218)**	$ 332	**598**	1,694
Other (Income) Expenses						
Interest					**382**	351
Foreign exchange (gain) loss, net					**(119)**	168
(Gain) loss on divestitures, net					**(3)**	(5)
Other (gains) losses, net					**23**	17
Total Other (Income) Expenses					**283**	531
Net Earnings (Loss) Before Income Tax					**315**	1,163
Income tax expense (recovery)					**81**	94
Net Earnings (Loss)					**$ 234**	$ 1,069

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

Intersegment Information

	Market Optimization					
	Marketing Sales		Upstream Eliminations		Total	
For the three months ended December 31,	**2019**	2018	**2019**	2018	**2019**	2018
Revenues	**$ 2,030**	$ 1,521	**$ (1,740)**	$ (1,208)	**$ 290**	$ 313
Operating Expenses						
Transportation and processing	**170**	122	**(105)**	(90)	**65**	32
Operating	**7**	(9)	**-**	-	**7**	(9)
Purchased product	**1,895**	1,415	**(1,636)**	(1,118)	**259**	297
Operating Income (Loss)	**$ (42)**	$ (7)	**$ 1**	$ -	**$ (41)**	$ (7)

	Market Optimization					
	Marketing Sales		Upstream Eliminations		Total	
For the twelve months ended December 31,	**2019**	2018	**2019**	2018	**2019**	2018
Revenues	**$ 7,489**	$ 5,724	**$ (6,330)**	$ (4,505)	**$ 1,159**	$ 1,219
Operating Expenses						
Transportation and processing	**635**	457	**(402)**	(326)	**233**	131
Operating	**28**	16	**-**	-	**28**	16
Purchased product	**6,973**	5,279	**(5,930)**	(4,179)	**1,043**	1,100
Depreciation, depletion and amortization	**-**	1	**-**	-	**-**	1
Operating Income (Loss)	**$ (147)**	$ (29)	**$ 2**	$ -	**$ (145)**	$ (29)

Capital Expenditures

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
USA Operations	**$ 452**	$ 267	**$ 2,134**	$ 1,332
Canadian Operations	**116**	79	**480**	632
Market Optimization	**-**	-	**2**	-
Corporate & Other	**6**	3	**10**	11
	$ 574	$ 349	**$ 2,626**	$ 1,975

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

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
USA Operations	**$ 1,938**	$ 1,913	**$ 13,757**	$ 6,591	**$ 16,613**	$ 9,104
Canadian Operations	**673**	640	**1,205**	999	**2,122**	1,852
Market Optimization	**-**	-	**2**	1	**253**	295
Corporate & Other	**-**	-	**227**	1,381	**2,499**	4,093
	$ 2,611	$ 2,553	**$ 15,191**	$ 8,972	**$ 21,487**	$ 15,344

4. Revenues from Contracts with Customers

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

Revenues (For the three months ended December 31)

	USA Operations		Canadian Operations		China Operations (1)	
	2019	2018	**2019**	2018	**2019**	2018
Revenues from Customers						
Product revenues (2)						
Oil	**$ 880**	$ 520	**$ 4**	$ 1	**$ -**	$ -
NGLs	**122**	69	**219**	215	**-**	-
Natural gas	**103**	34	**211**	269	**-**	-
Service revenues						
Gathering and processing	**-**	-	**1**	1	**-**	-
Product and Service Revenues	**$ 1,105**	$ 623	**$ 435**	$ 486	**$ -**	$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
Revenues from Customers						
Product revenues (2)						
Oil	**$ 44**	$ 5	**$ -**	$ -	**$ 928**	$ 526
NGLs	**1**	2	**-**	-	**342**	286
Natural gas	**237**	316	**-**	-	**551**	619
Service revenues						
Gathering and processing	**-**	-	**-**	-	**1**	1
Product and Service Revenues	**$ 282**	$ 323	**$ -**	$ -	**$ 1,822**	$ 1,432

(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 twelve months ended December 31)

	USA Operations		Canadian Operations		China Operations (1)	
	2019	2018	**2019**	2018	**2019**	2018
Revenues from Customers						
Product revenues (2)						
Oil	**$ 3,341**	$ 2,099	**$ 10**	$ 7	**$ 37**	$ -
NGLs	**454**	290	**878**	870	**-**	-
Natural gas	**379**	126	**774**	849	**-**	-
Service revenues						
Gathering and processing	**2**	4	**5**	6	**-**	-
Product and Service Revenues	**$ 4,176**	$ 2,519	**$ 1,667**	$ 1,732	**$ 37**	$ -

	Market Optimization		Corporate & Other		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
Revenues from Customers						
Product revenues (2)						
Oil	**$ 249**	$ 89	**$ -**	$ -	**$ 3,637**	$ 2,195
NGLs	**7**	8	**-**	-	**1,339**	1,168
Natural gas	**877**	1,109	**-**	-	**2,030**	2,084
Service revenues						
Gathering and processing	**-**	-	**-**	-	**7**	10
Product and Service Revenues	**$ 1,133**	$ 1,206	**$ -**	$ -	**$ 7,013**	$ 5,457

(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 December 31, 2019, receivables and accrued revenues from contracts with customers were $1,095 million (2018 - $662 million).

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 December 31, 2019.

As at December 31, 2019, 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 the Company receives payments is generally 30 to 60 days, there is no financing element associated with customer contracts. In addition, the Company does not disclose unsatisfied performance obligations for customer contracts with terms less than 12 months.

5. Interest

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Interest Expense on:				
Debt	**$ 91**	$ 67	**$ 359**	$ 267
The Bow office building (See Note 2)	**-**	15	**-**	63
Finance leases (See Note 11)	**3**	4	**13**	16
Other	**3**	-	**10**	5
	$ 97	$ 86	**$ 382**	$ 351

Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease with lease costs recognized in administrative expense. Previously, payments related to The Bow were recognized as interest expense and principal repayments. See Notes 2 and 11 for further information.

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar financing debt issued from Canada	**$ (90)**	$ 220	**$ (207)**	$ 358
Translation of U.S. dollar risk management contracts issued from Canada	**1**	17	**(12)**	24
Translation of intercompany notes	**77**	(160)	**196**	(149)
	(12)	77	**(23)**	233
Foreign Exchange on Settlements of:				
U.S. dollar financing debt issued from Canada	**(3)**	2	**(25)**	3
U.S. dollar risk management contracts issued from Canada	**(2)**	1	**(3)**	(10)
Intercompany notes	**(40)**	(1)	**(71)**	(49)
Other Monetary Revaluations	**-**	(4)	**3**	(9)
	$ (57)	$ 75	**$ (119)**	$ 168

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, will no longer attract foreign exchange translation gains or losses.

7. Income Taxes

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018
Current Tax				
United States	**$ -**	$ 2	**$ 3**	$ 4
Canada	**(16)**	4	**(16)**	(62)
Other Countries	**-**	-	**-**	3
Total Current Tax Expense (Recovery)	**(16)**	6	**(13)**	(55)
Deferred Tax				
United States	**30**	191	**147**	195
Canada	**(75)**	(37)	**(53)**	(46)
Other Countries	**(1)**	(11)	**-**	-
Total Deferred Tax Expense (Recovery)	**(46)**	143	**94**	149
Income Tax Expense (Recovery)	**$ (62)**	$ 149	**$ 81**	$ 94
Effective Tax Rate	**91.2%**	12.6%	**25.7%**	8.1%

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 twelve months ended December 31, 2019, the deferred tax expense of $94 million includes an adjustment of $55 million resulting from the re-measurement of the Company's deferred tax position due to the Alberta corporate tax rate reduction.

During the three and twelve months ended December 31, 2019 and twelve months ended December 31, 2018, the current income tax recovery was primarily due to the resolution of certain tax items relating to prior taxation years. During the three months ended December 31, 2019, the deferred tax recovery was primarily due to the net loss before income tax as well as the resolution of certain tax items relating to prior taxation years. During the twelve months ended December 31, 2019, the deferred tax expense was primarily due to net earnings before income tax and the impact of the Alberta corporate tax rate reduction discussed above, partially offset by the resolution of certain tax items relating to prior taxation years. During the three and twelve months ended December 31, 2018, the deferred tax expense was primarily due to earnings in the period.

The Company's annual effective income tax rate is primarily impacted by earnings, income tax related to foreign operations, the effect of legislative changes including the Alberta corporate tax rate reduction discussed above, non-taxable capital gains and losses, tax differences on divestitures and transactions, and partnership tax allocations in excess of funding. The effective tax rate of 25.7 percent for the twelve months ended December 31, 2019, is lower than the Canadian statutory tax rate of 26.6 percent primarily due to partnership tax allocations in excess of funding as well as the resolution of certain tax items relating to prior taxation years, partially offset by the re-measurement of the Company's deferred tax position resulting from the Alberta corporate tax rate reduction discussed above. The effective tax rate of 8.1 percent for the twelve months ended December 31, 2018, was lower than the Canadian statutory tax rate of 27 percent primarily due to the impact of the foreign jurisdictional tax rates relative to the Canadian statutory tax rate applied to jurisdictional earnings, partnership tax allocations in excess of funding, and the successful resolution of certain tax items relating to prior taxation years.

8. Business Combination

Newfield Exploration Company Acquisition

On February 13, 2019, the Company completed the business combination with Newfield Exploration Company, a Delaware corporation ("Newfield"), pursuant to its 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 remained outstanding. 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 assets acquired generated revenues of $2,100 million and net earnings of $101 million for the period from February 14, 2019 to December 31, 2019. The results of Newfield's operations have been included in the Company's 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)		(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.

The Company used the income approach valuation technique 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, 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, 2018. 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 acquisition-related costs incurred of approximately $71 million and severance payments made to employees which totaled $138 million for the twelve months ended December 31, 2019. The pro forma financial information does not include any cost savings or other synergies that may result from the Merger or any costs that have been incurred to integrate the assets.

For the twelve months ended December 31 (US$ millions, except per share amounts)		**2019**		2018
Revenues	**$**	**7,005**	$	8,481
Net Earnings (Loss)	**$**	**376**	$	1,786
Net Earnings (Loss) per Common Share [(1)]				
Basic & Diluted	**$**	**1.44**	$	5.94

(1) Net earnings (loss) per common share reflect the Share Consolidation as described in Note 1.

9. Acquisitions and Divestitures

	Three Months Ended December 31,				Twelve Months Ended December 31,			
		2019		2018		**2019**		2018
Acquisitions								
USA Operations	**$**	**(1)**	$	-	**$**	**65**	$	-
Canadian Operations		**-**		-		**-**		17
Total Acquisitions		**(1)**		-		**65**		17
Divestitures								
USA Operations		**(19)**		(404)		**(196)**		(438)
Canadian Operations		**(1)**		-		**(1)**		(55)
Total Divestitures		**(20)**		(404)		**(197)**		(493)
Net Acquisitions & (Divestitures)	**$**	**(21)**	$	(404)	**$**	**(132)**	$	(476)

Acquisitions

For the twelve months ended December 31, 2019, acquisitions were $65 million which primarily included seismic purchases, water rights and property purchases with oil and liquids rich potential. For the twelve months ended December 31, 2018, acquisitions were $17 million which primarily included property purchases with oil and liquids rich potential.

Divestitures

For the twelve months ended December 31, 2019, divestitures in the USA Operations were $196 million, which primarily included the sale of the Company's Arkoma natural gas assets. For the three and twelve months ended December 31, 2018, divestitures in the USA Operations were $404 million and $438 million, respectively, which primarily included the sale of the San Juan assets located in northwestern New Mexico.

During the twelve months ended December 31, 2018, divestitures in the Canadian Operations were $55 million, which primarily included the sale of certain Pipestone assets located in Alberta.

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 December 31, 2019						As at December 31, 2018					
		Cost		Accumulated DD&A		Net		Cost		Accumulated DD&A		Net
USA Operations												
Proved properties	$	35,870	$	(25,623)	$	10,247	$	27,189	$	(24,099)	$	3,090
Unproved properties		3,491		-		3,491		3,493		-		3,493
Other		19		-		19		8		-		8
		39,380		(25,623)		13,757		30,690		(24,099)		6,591
Canadian Operations												
Proved properties		15,284		(14,320)		964		13,996		(13,261)		735
Unproved properties		223		-		223		237		-		237
Other		18		-		18		27		-		27
		15,525		(14,320)		1,205		14,260		(13,261)		999
Market Optimization		9		(7)		2		7		(6)		1
Corporate & Other		914		(687)		227		2,136		(755)		1,381
	$	55,828	$	(40,637)	$	15,191	$	47,093	$	(38,121)	$	8,972

USA and Canadian Operations' property, plant and equipment include internal costs directly related to exploration, development and construction activities of $228 million, which have been capitalized during the twelve months ended December 31, 2019 (2018 - $147 million).

For the three and twelve months ended December 31, 2019 and 2018, the Company did not recognize any ceiling test impairments in the U.S. or Canadian cost centers.

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 December 31, 2019, the total carrying value of assets under finance lease was $37 million (2018 - $41 million), net of accumulated amortization of $677 million (2018 - $650 million). 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.

Other Arrangement

As at December 31, 2018, Corporate and Other property, plant and equipment and total assets included a carrying value of $1,133 million related to The Bow office building. Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease as discussed in Note 2. As at December 31, 2019, other assets included a ROU asset of $906 million related to The Bow office building.

11. Leases

Leases entered into for the right to use an asset are classified as either an operating or finance lease. Upon commencement of the lease, a ROU asset and corresponding lease liability are recognized on the Condensed Consolidated Balance Sheet for all operating and finance leases. The Company has elected the short-term lease exemption, which does not require a ROU asset or lease liability to be recognized on the Condensed Consolidated Balance Sheet when the lease term is 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Upon commencement of the lease, ROU assets are recognized based on the initial measurement of the lease liability and adjusted for any lease payments made before commencement date of the lease, less any lease incentives and including any initial direct costs incurred. Lease liabilities are initially measured at the present value of future minimum lease payments over the lease term. The discount rate used to determine the present value is the rate implicit in the lease unless that rate cannot be determined, in which case the Company's incremental borrowing rate is used.

Rights to extend or terminate a lease are included in the lease term when there is reasonable certainty the right will be exercised. Factors used to assess reasonable certainty of rights to extend or terminate a lease include current and forecasted drillings plans, anticipated changes in development strategies, historical practice in extending similar contracts and current market conditions. The Company's lease contracts include rights to extend leases after the initial term, ranging from month-to-month to less than 10 years.

Operating lease ROU assets and liabilities are subsequently measured at the present value of the lease payments not yet paid and discounted at the initial discount rate at commencement of the lease, less any impairments to the ROU asset. Operating lease expense and revenue from subleases are recognized in the Condensed Consolidated Statement of Earnings on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the estimated useful life of the asset if the lessee is reasonably certain to exercise a purchase option or ownership of the leased asset transfers at the end of the lease term, otherwise the leased assets are amortized over the lease term. Amortization of finance lease ROU assets is included in depreciation, depletion and amortization in the Condensed Consolidated Statement of Earnings.

Variable lease payments include changes in index rates, mobilization and demobilization costs related to oil and gas equipment and certain costs associated with office and building leases. Variable lease payments are recognized when incurred. Lease and non-lease components are accounted for as a single lease component for compression, coolers and office subleases.

Operating leases include drilling rigs, compressors, marine vessels, camps, office and buildings, certain land easements and various equipment utilized in the development and production of oil, NGLs and natural gas. Finance leases include an office building and an offshore production platform. Subleases relate to office and building leases.

The tables below summarize the Company's operating and finance lease costs and include ROU assets and lease liabilities, amounts recognized in net earnings during the period and other lease information.

(US$ millions, unless otherwise specified)	As at December 31, 2019
Condensed Consolidated Balance Sheet [(1)]:	
Operating Lease ROU Assets, in Other Assets	$ **1,047**
Finance Lease ROU Assets, in Other Property Plant and Equipment	**37**
Operating Lease Liabilities:	
Current	**78**
Long-term	**977**
Finance Lease Liabilities:	
Current, in accounts payable and accrued liabilities	**89**
Long-term, in other liabilities and provisions	**121**
Weighted Average Discount Rate	
Operating leases	**5.41%**
Finance leases	**5.97%**
Weighted Average Remaining Lease Term	
Operating leases	**16.3 years**
Finance leases	**3.2 years**

(1) Total ROU assets and liabilities are recorded at the gross contractual amount. A portion of the future lease payments will be recovered from other working interest owners based on their proportionate share when incurred.

	Three Months Ended December 31, 2019	Twelve Months Ended December 31, 2019
Lease Costs [(1)]:		
Operating Lease Costs, Excluding Short-Term Leases	$ **48**	$ **181**
Finance Lease Costs:		
Amortization of ROU assets	**1**	**4**
Interest on lease liabilities	**3**	**13**
Total Finance Lease Costs	**4**	**17**
Short-Term Lease Costs	**90**	**340**
Variable Lease Costs	**3**	**13**
Sublease Income:		
Operating lease income	**15**	**56**
Variable lease income	**5**	**18**
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating cash outflows from operating leases	**60**	**217**
Investing cash outflows from operating leases	**76**	**296**
Operating cash outflows from finance leases	**3**	**13**
Financing cash outflows from finance leases	**21**	**84**
Supplemental Non-Cash Information:		
New ROU operating lease assets and liabilities	**9**	**20**

(1) Lease costs include amounts capitalized into property, plant and equipment on the Condensed Consolidated Balance Sheet and lease expense recognized in the Condensed Consolidated Statement of Earnings.

Operating lease expense is reflected in the Condensed Consolidated Statement of Earnings as follows:

	Three Months Ended December 31, 2019	Twelve Months Ended December 31, 2019
Operating Lease Expense		
Transportation and processing	**$ 1**	**$ 3**
Operating	**31**	**107**
Administrative [(1)]	**30**	**116**
Total Operating Lease Expense	**$ 62**	**$ 226**

(1) Includes $23 million and $92 million for the three and twelve months ended December 31, 2019, respectively, related to The Bow office building.

The following table outlines the Company's future lease payments and lease liabilities related to the Company's operating and finance leases as at December 31, 2019:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating Leases [(1)]							
Expected Future Lease Payments	$ 133	$ 117	$ 101	$ 88	$ 86	$ 1,101	**$ 1,626**
Less: Discounting							**571**
Present Value of Future Operating Lease Payments							**$ 1,055**
Sublease Income (undiscounted)	$ (41)	$ (42)	$ (37)	$ (37)	$ (37)	$ (529)	**$ (723)**
Finance Leases							
Expected Future Lease Payments	$ 99	$ 87	$ 8	$ 8	$ 8	$ 22	**$ 232**
Less: Discounting							**22**
Present Value of Future Finance Lease Payments							**$ 210**
Sublease Income (undiscounted) [(2)]	$ (8)	$ (8)	$ (8)	$ (7)	$ (7)	$ (17)	**$ (55)**

(1) Lease payments are presented based on the gross contractual amount. A portion of the future lease payments will be recovered from other working interest owners based on their proportionate share when incurred.
(2) Classified as operating lease.

There are no commitments for leases with terms greater than one year that have not yet commenced at December 31, 2019.

12. Long-Term Debt

		As at December 31, 2019		As at December 31, 2018
U.S. Dollar Denominated Debt				
Revolving credit and term loan borrowings	**$**	**698**	$	-
U.S. Unsecured Notes:				
6.50% due May 15, 2019		**-**		500
3.90% due November 15, 2021		**600**		600
5.75% due January 30, 2022 (See Note 8)		**750**		-
5.625% due July 1, 2024 (See Note 8)		**1,000**		-
5.375% due January 1, 2026 (See Note 8)		**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		**505**		505
5.15% due November 15, 2041		**244**		244
Total Principal		**6,859**		4,211
Increase in Value of Debt Acquired		**149**		22
Unamortized Debt Discounts and Issuance Costs		**(34)**		(35)
Total Long-Term Debt	**$**	**6,974**	$	4,198
Current Portion	**$**	**-**	$	500
Long-Term Portion		**6,974**		3,698
	$	**6,974**	$	4,198

As at December 31, 2019, total long-term debt had a carrying value of $6,974 million and a fair value of $7,657 million (2018 - carrying value of $4,198 million and a fair value of $4,511 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.

As at December 31, 2019, the Company had $698 million of commercial paper outstanding under its U.S. CP program maturing at various dates with a weighted average interest rate of approximately 2.28 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.

13. Other Liabilities and Provisions

		As at December 31, 2019		As at December 31, 2018
The Bow Office Building	**$**	**-**	$	1,224
Finance Lease Obligations (See Note 11)		**121**		211
Unrecognized Tax Benefits		**159**		167
Pensions and Other Post-Employment Benefits		**119**		105
Long-Term Incentive Costs (See Note 19)		**38**		34
Other Derivative Contracts (See Notes 21, 22)		**7**		10
Other		**20**		18
	$	**464**	$	1,769

Upon adoption of Topic 842 on January 1, 2019, The Bow office building was determined to be an operating lease. See Notes 2 and 11 for further information.

14. Asset Retirement Obligation

	As at December 31, 2019	As at December 31, 2018
Asset Retirement Obligation, Beginning of Year	$ 455	$ 514
Liabilities Incurred	15	17
Liabilities Acquired (See Note 8)	184	-
Liabilities Settled and Divested	(141)	(56)
Change in Estimated Future Cash Outflows	47	(20)
Accretion Expense	37	32
Foreign Currency Translation	17	(32)
Asset Retirement Obligation, End of Year	$ 614	$ 455
Current Portion	$ 189	$ 90
Long-Term Portion	425	365
	$ 614	$ 455

15. Share Capital

Authorized

As at December 31, 2019, the Company was authorized to issue an unlimited number of no par value common shares and Class A Preferred Shares limited to a number equal to not more than 20 percent of the issued and outstanding number of common shares at the time of issuance. No Class A Preferred Shares were outstanding.

Subsequent to the Reorganization, the Company 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.

Issued and Outstanding

	As at December 31, 2019		As at December 31, 2018	
	Number [(1)] (millions)	Amount	Number [(1)] (millions)	Amount
Common Shares Outstanding, Beginning of Year	190.5	$ 4,656	194.6	$ 4,757
Common Shares Purchased	(39.4)	(1,073)	(4.1)	(102)
Common Shares Issued	108.7	3,478	-	-
Common Shares Issued Under Dividend Reinvestment Plan	-	-	-	1
Common Shares Outstanding, End of Year	259.8	$ 7,061	190.5	$ 4,656

(1) Number of common shares reflects the Share Consolidation as described in Note 1. Accordingly, the comparative period has been restated.

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.

Upon completion of the Reorganization as described in Note 1, the amount recognized in share capital as at December 31, 2019 in excess of Ovintiv's established par value will be reclassified to paid in surplus. Accordingly, approximately $7,058 million will be reclassified in 2020.

Substantial Issuer Bid

On June 10, 2019, the Company announced its intention to purchase, for cancellation, up to $213 million of Encana common shares through a substantial issuer bid (“SIB”) which commenced on July 8, 2019. On August 29, 2019, the Company purchased approximately 47.3 million Encana common shares at a price of $4.50 per share, on a pre-Share Consolidation basis (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, up to approximately 149.4 million Encana common shares, on a pre-Share Consolidation basis (approximately 29.9 million post-Share Consolidation shares), pursuant to a NCIB over a 12-month period from March 4, 2019 to March 3, 2020.

During the twelve months ended December 31, 2019, the Company purchased approximately 149.4 million Encana common shares, on a pre-Share Consolidation basis (approximately 29.9 million post-Share Consolidation shares), under its current 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.

For the twelve months ended December 31, 2018, the Company purchased approximately 20.7 million Encana common shares, on a pre-Share Consolidation basis (approximately 4.1 million post-Share Consolidation shares), under the previous NCIB which was in place from February 28, 2018 to February 27, 2019 for total consideration of approximately $250 million. Of the amount paid, $102 million was charged to share capital and $148 million was charged to retained earnings.

Dividend Reinvestment Plan

On February 28, 2019, the Company suspended its dividend reinvestment plan (“DRIP”) and in conjunction with the Reorganization as described in Note 1, the DRIP was terminated. During the twelve months ended December 31, 2018, Encana issued 69,329 common shares, on a pre-Share Consolidation basis (approximately 13,866 post-Share Consolidation shares), totaling $0.6 million under the DRIP.

Dividends

During the three months ended December 31, 2019, on a pre-Share Consolidation basis, the Company declared and paid dividends of $0.01875 per Encana common share, totaling $25 million (2018 - $0.015 per Encana common share, totaling $14 million). On a post-Share Consolidation basis, the dividends declared and paid were $0.09375 per common share (2018 - $0.075 per common share).

During the twelve months ended December 31, 2019, on a pre-Share Consolidation basis, the Company declared and paid dividends of $0.075 per Encana common share, totaling $102 million (2018 - $0.06 per Encana common share, totaling $57 million). On a post-Share Consolidation basis, the dividends declared and paid were $0.375 per common share (2018 - $0.30 per common share).

For the three and twelve months ended December 31, 2018, the dividends paid included $0.1 million and $0.6 million, respectively, in Encana common shares issued in lieu of cash dividends under the DRIP.

On February 19, 2020, the Board of Directors declared a dividend of $0.09375 per share of Ovintiv common stock payable on March 31, 2020 to common stockholders of record as of March 13, 2020.

Earnings Per Common Share

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
(US$ millions, except per share amounts)	**2019**	2018	**2019**	2018
Net Earnings (Loss)	**$ (6)**	$ 1,030	**$ 234**	$ 1,069
Number of Common Shares [(1)]:				
Weighted average common shares outstanding - Basic	**259.8**	190.5	**261.2**	192.0
Effect of dilutive securities	**-**	-	**-**	-
Weighted Average Common Shares Outstanding - Diluted	**259.8**	190.5	**261.2**	192.0
Net Earnings (Loss) per Common Share [(1)]				
Basic & Diluted	**$ (0.02)**	$ 5.41	**$ 0.90**	$ 5.57

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

Stock Option Plan

The Company 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 December 31, 2019 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 the Company'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.

Restricted Share Units

The Company 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 December 31, 2019		Three Months Ended December 31, 2018		Twelve Months Ended December 31, 2019		Twelve Months Ended December 31, 2018	
Foreign Currency Translation Adjustment								
Balance, Beginning of Period	**$**	**1,008**	$	1,050	**$**	**976**	$	1,029
Change in Foreign Currency Translation Adjustment		**(4)**		(74)		**28**		(53)
Balance, End of Period	**$**	**1,004**	$	976	**$**	**1,004**	$	976
Pension and Other Post-Employment Benefit Plans								
Balance, Beginning of Period	**$**	**(2)**	$	12	**$**	**22**	$	13
Other Comprehensive Income Before Reclassifications:								
Net actuarial gains and (losses) (See Note 20)		**58**		14		**58**		14
Income taxes		**(12)**		(3)		**(12)**		(3)
Net prior service costs from plan amendment (See Note 20)		**(2)**		-		**(31)**		-
Income taxes		**-**		-		**6**		-
Amounts Reclassified from Other Comprehensive Income:								
Reclassification of net actuarial (gains) and losses to net earnings (See Note 20)		**(1)**		-		**(2)**		(1)
Income taxes		**-**		-		**-**		-
Reclassification of net prior service costs to net earnings (See Note 20)		**1**		(1)		**1**		(1)
Income taxes		**-**		-		**-**		-
Balance, End of Period	**$**	**42**	$	22	**$**	**42**	$	22
Total Accumulated Other Comprehensive Income	**$**	**1,046**	$	998	**$**	**1,046**	$	998

During the twelve months ended December 31, 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 December 31, 2019, VMLP provides approximately 1,206 MMcf/d of natural gas gathering and compression and 939 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from 12 to 26 years and have various renewal terms providing up to a potential maximum of 10 years.

The Company has determined that VMLP is a VIE and that the Company holds variable interests in VMLP. The Company 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. The Company is not required to provide any financial support or guarantees to VMLP.

As a result of the Company's involvement with VMLP, the maximum total exposure, which represents the potential exposure to the Company in the event the assets under the agreements are deemed worthless, is estimated to be $2,091 million as at December 31, 2019. 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 December 31, 2019, there were no accounts payable and accrued liabilities outstanding 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 the organizational structure with the Company's strategy. During the three and twelve months ended December 31, 2019, the Company incurred total restructuring charges of $4 million and $138 million, respectively, before tax, primarily related to severance costs. As at December 31, 2019, $8 million remains accrued and is expected to be paid in 2020.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Severance and Benefits	**$ 1**	$ -	**$ 133**	$ -
Outplacement, Moving and Other Expenses	**3**	-	**5**	-
Restructuring Expenses	**$ 4**	$ -	**$ 138**	$ -

	As at December 31, 2019	As at December 31, 2018
Outstanding Restructuring Accrual, Beginning of Year	**$ -**	$ -
Restructuring Expenses Incurred	**138**	-
Restructuring Costs Paid	**(130)**	-
Outstanding Restructuring Accrual, End of Year (1)	**$ 8**	$ -

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

19. Compensation Plans

The Company 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.

The Company 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 December 31, 2019		As at December 31, 2018	
	US$ Share Units	**C$ Share Units**	US$ Share Units	C$ Share Units
Risk Free Interest Rate	**1.69%**	**1.69%**	1.85%	1.85%
Dividend Yield	**1.60%**	**1.64%**	1.04%	0.99%
Expected Volatility Rate [(1)]	**44.98%**	**43.61%**	51.28%	48.68%
Expected Term	**2.8 yrs**	**2.4 yrs**	1.4 yrs	1.8 yrs
Market Share Price - Pre-Share Consolidation	**US$4.69**	**C$6.08**	US$5.78	C$7.88
Market Share Price - Post-Share Consolidation (See Note 1)	**US$23.45**	**C$30.40**	US$28.90	C$39.40

(1) Volatility was estimated using historical rates.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Total Compensation Costs of Transactions Classified as Cash-Settled	**$ 13**	$ (183)	**$ 59**	$ (65)
Less: Total Share-Based Compensation Costs Capitalized	**(4)**	52	**(20)**	19
Total Share-Based Compensation Expense (Recovery)	**$ 9**	$ (131)	**$ 39**	$ (46)
Recognized on the Condensed Consolidated Statement of Earnings in:				
Operating	**$ 4**	$ (37)	**$ 16**	$ (13)
Administrative	**5**	(94)	**23**	(33)
	$ 9	$ (131)	**$ 39**	$ (46)

As at December 31, 2019, the liability for share-based payment transactions totaled $78 million (2018 - $165 million), of which $40 million (2018 - $131 million) is recognized in accounts payable and accrued liabilities and $38 million (2018 - $34 million) is recognized in other liabilities and provisions in the Condensed Consolidated Balance Sheet.

	As at December 31, 2019	As at December 31, 2018
Liability for Cash-Settled Share-Based Payment Transactions:		
Unvested	**$ 65**	$ 148
Vested	**13**	17
	$ 78	$ 165

The following units were granted primarily in conjunction with the Company's annual grant of long-term incentive awards. The TSARs, SARs, PSUs and RSUs were granted at the volume-weighted average trading price of the Company's common shares for the five days prior to the grant date.

Twelve Months Ended December 31, 2019 (thousands of units) (1)	
TSARs	249
SARs	344
PSUs	1,577
DSUs	27
RSUs	2,282

(1) Units granted reflect the Share Consolidation as described in Note 1.

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 twelve months ended December 31 as follows:

	Pension Benefits		OPEB		Total	
	2019	2018	**2019**	2018	**2019**	2018
Net Defined Periodic Benefit Cost	**$ 2**	$ 1	**$ 16**	$ 7	**$ 18**	$ 8
Defined Contribution Plan Expense	**29**	24	**-**	-	**29**	24
Total Benefit Plans Expense	**$ 31**	$ 25	**$ 16**	$ 7	**$ 47**	$ 32

Of the total benefit plans expense, $31 million (2018 - $23 million) was included in operating expense and $9 million (2018 - $9 million) was included in administrative expense. Excluding service costs, net defined periodic benefit costs of $7 million (2018 - nil) were recorded in other (gains) losses, net.

The net defined periodic benefit cost for the twelve months ended December 31 is as follows:

	Defined Benefits		OPEB		Total	
	2019	2018	**2019**	2018	**2019**	2018
Service Cost	**$ 1**	$ 1	**$ 10**	$ 7	**$ 11**	$ 8
Interest Cost	**7**	7	**4**	3	**11**	10
Expected Return on Plan Assets	**(7)**	(8)	**-**	-	**(7)**	(8)
Amounts Reclassified from Accumulated Other Comprehensive Income:						
Amortization of net actuarial (gains) and losses	**1**	1	**(3)**	(2)	**(2)**	(1)
Amortization of net prior service costs	**-**	-	**1**	(1)	**1**	(1)
Curtailment	**-**	-	**4**	-	**4**	-
Total Net Defined Periodic Benefit Cost (1)	**$ 2**	$ 1	**$ 16**	$ 7	**$ 18**	$ 8

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

The amounts recognized in other comprehensive income for the twelve months ended December 31 are as follows:

	Defined Benefits		OPEB		Total	
	2019	2018	**2019**	2018	**2019**	2018
Net Actuarial (Gains) Losses	**$ (6)**	$ 1	**$ (52)**	$ (15)	**$ (58)**	$ (14)
Net Prior Service Costs from Plan Amendment	**-**	-	**31**	-	**31**	-
Amortization of Net Actuarial Gains and (Losses)	**(1)**	(1)	**3**	2	**2**	1
Amortization of Net Prior Service Costs	**-**	-	**(1)**	1	**(1)**	1
Total Amounts Recognized in Other Comprehensive (Income) Loss, Before Tax	**$ (7)**	$ -	**$ (19)**	$ (12)	**$ (26)**	$ (12)
Total Amounts Recognized in Other Comprehensive (Income) Loss, After Tax	**$ (5)**	$ -	**$ (15)**	$ (9)	**$ (20)**	$ (9)

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. There have been no significant transfers between the hierarchy levels during the period.

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 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**

As at December 31, 2018	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	$ -	$ 492	$ 139	$ 631	$ (77)	$ 554
Long-term assets	-	177	-	177	(16)	161
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	$ -	$ 81	$ -	$ 81	$ (77)	$ 4
Long-term liabilities	-	38	-	38	(16)	22
Foreign Currency Derivatives:						
Current liabilities	-	21	-	21	-	21
Other Derivative Contracts						
Current in accounts payable and accrued liabilities	$ -	$ 4	$ -	$ 4	$ -	$ 4
Long-term in other liabilities and provisions	-	10	-	10	-	10

(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 December 31, 2019, 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 the twelve months ended December 31 is presented below:

	Risk Management	
	2019	2018
Balance, Beginning of Year	**$ 139**	$ (51)
Total Gains (Losses)	**(123)**	97
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	**-**	-
Settlements	**(68)**	93
Transfers Out of Level 3 (1)	**-**	-
Balance, End of Year	**$ (52)**	$ 139
Change in Unrealized Gains (Losses) Related to Assets and Liabilities Held at End of Year	**$ (52)**	$ 139

(1) The Company's policy is to recognize transfers out of Level 3 on the date of the event of change in circumstances that caused the transfer.

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

	Valuation Technique	Unobservable Input	**As at December 31, 2019**	As at December 31, 2018
Risk Management - WTI Options	Option Model	Implied Volatility	**18% - 65%**	29% - 73%

A 10 percent increase or decrease in implied volatility for the WTI options would cause an approximate corresponding $8 million (2018 - $6 million) increase or decrease to net risk management assets and liabilities.

22. Financial Instruments and Risk Management

A) Financial Instruments

The Company'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

The Company 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 December 31, 2019, the Company has entered into $425 million notional U.S. dollar denominated currency swaps at an average exchange rate of US$0.7483 to C$1, which mature monthly throughout 2020.

Risk Management Positions as at December 31, 2019

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil and NGL Contracts			**US$/bbl**	
Fixed Price Contracts				
WTI Fixed Price	70.0 Mbbls/d	2020	57.56	**$ (22)**
Propane Fixed Price	12.0 Mbbls/d	2020	21.34	**10**
Butane Fixed Price	8.0 Mbbls/d	2020	23.54	**(4)**
Iso-Butane Fixed Price	3.5 Mbbls/d	2020	24.36	**(3)**
WTI Fixed Price Swaptions (1)	10.0 Mbbls/d	2021	58.00	**(11)**
WTI Three-Way Options				
Sold call / bought put / sold put	80.0 Mbbls/d	2020	61.68 / 53.44 / 43.44	**(43)**
WTI Costless Collars				
Sold call / bought put	15.0 Mbbls/d	2020	68.71 / 50.00	**2**
Basis Contracts (2)		2020		**(41)**
Crude Oil and NGLs Fair Value Position				**(112)**
Natural Gas Contracts			**US$/Mcf**	
Fixed Price Contracts				
NYMEX Fixed Price	803 MMcf/d	2020	2.65	**107**
NYMEX Fixed Price Swaptions (3)	330 MMcf/d	2021	2.56	**(15)**
NYMEX Three-Way Options				
Sold call / bought put / sold put	330 MMcf/d	2020	2.72 / 2.60 / 2.25	**22**
NYMEX Costless Collars				
Sold call / bought put	55 MMcf/d	2020	2.88 / 2.50	**6**
NYMEX Call Options				
Sold call	230 MMcf/d	2020	3.25	**7**
Basis Contracts (4)		2020		**(11)**
		2021		**(13)**
		2022 - 2025		**(27)**
Natural Gas Fair Value Position				**76**
Net Premiums Received on Unexpired Options				**(9)**
Other Derivative Contracts				
Fair Value Position				**(9)**
Foreign Currency Contracts				
Fair Value Position (5)		2020		**13**
Total Fair Value Position and Net Premiums Received				**$ (41)**

(1) WTI Fixed Price Swaptions give the counterparty the option to extend certain 2020 Fixed Price swaps to 2021.
(2) The Company has entered into crude oil and NGL differential swaps associated with Midland, Magellan East Houston, Belvieu, Conway, Brent, Edmonton Condensate and WTI.
(3) NYMEX Fixed Price Swaptions give the counterparty the option to extend certain 2020 Fixed Price swaps to 2021.
(4) The Company has entered into natural gas basis swaps associated with AECO, Dawn, Chicago, Malin, Waha, Houston Ship Channel and NYMEX.
(5) The Company 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 December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Realized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues [1]	**$ 68**	$ (9)	**$ 369**	$ (104)
Foreign Currency Derivatives:				
Foreign exchange	**2**	(1)	**3**	10
	$ 70	$ (10)	**$ 372**	$ (94)
Unrealized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues [2]	**$ (345)**	$ 941	**$ (730)**	$ 519
Foreign Currency Derivatives:				
Foreign exchange	**8**	(34)	**34**	(51)
	$ (337)	$ 907	**$ (696)**	$ 468
Total Realized and Unrealized Gains (Losses) on Risk Management, net				
Commodity and Other Derivatives:				
Revenues [1] [2]	**$ (277)**	$ 932	**$ (361)**	$ 415
Foreign Currency Derivatives:				
Foreign exchange	**10**	(35)	**37**	(41)
	$ (267)	$ 897	**$ (324)**	$ 374

(1) Includes realized gains of $1 million and $6 million for the three and twelve months ended December 31, 2019, respectively, (2018 - gains of $2 million and $7 million, respectively) related to other derivative contracts.
(2) Includes unrealized losses of nil and $1 million for the three and twelve months ended December 31, 2019, respectively, (2018 - losses of $1 million and $2 million, respectively) related to other derivative contracts.

Reconciliation of Unrealized Risk Management Positions from January 1 to December 31

	2019		2018
	Fair Value	**Total Unrealized Gain (Loss)**	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ 654**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Year	**(324)**	**$ (324)**	$ 374
Settlement of Other Derivative Contracts	**6**		
Amortization of Option Premiums During the Year	**(5)**		
Fair Value of Contracts Realized During the Year	**(372)**	**(372)**	94
Fair Value of Contracts and Net Premiums Received, End of Year	**$ (41)**	**$ (696)**	$ 468

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 December 31, 2019		As at December 31, 2018
Risk Management Assets			
Current	$	148	$ 554
Long-term		2	161
		150	715
Risk Management Liabilities			
Current		114	25
Long-term		68	22
		182	47
Other Derivative Contracts			
Current in accounts payable and accrued liabilities		2	4
Long-term in other liabilities and provisions		7	10
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	$	(41)	$ 654

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 the Company 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 December 31, 2019, the Company had no significant credit derivatives in place and held no collateral.

As at December 31, 2019, 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 December 31, 2019, approximately 95 percent (2018 - 97 percent) of the Company's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

As at December 31, 2019, the Company had six 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 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. As at December 31, 2018, the Company had four counterparties whose net settlement position accounted for 30 percent, 13 percent, 12 percent and 10 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 two to five years with a fair value recognized of $9 million as at December 31, 2019 (2018 - $14 million). The maximum potential amount of undiscounted future payments is $129 million as at December 31, 2019, 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 December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Operating Activities				
Accounts receivable and accrued revenues	**$ (69)**	$ 2	**$ 109**	$ (150)
Accounts payable and accrued liabilities	**22**	42	**(44)**	141
Current portion of operating lease liabilities	**(3)**	-	**49**	-
Income tax receivable and payable	**7**	2	**(27)**	254
	$ (43)	$ 46	**$ 87**	$ 245

B) Non-Cash Activities

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	**2019**	2018
Non-Cash Investing Activities				
Asset retirement obligation incurred (See Note 14)	**$ 2**	$ 4	**$ 15**	$ 17
Asset retirement obligation change in estimated future cash outflows (See Note 14)	**47**	(20)	**47**	(20)
Property, plant and equipment accruals	**(45)**	(77)	**(78)**	(16)
Capitalized long-term incentives	**4**	(53)	**(27)**	(47)
Property additions/dispositions (swaps)	**93**	15	**159**	210
New ROU operating lease assets and liabilities (See Note 11)	**(9)**	-	**(20)**	-
Non-Cash Financing Activities				
Common shares issued in conjunction with the Newfield business combination (See Note 8)	**$ -**	$ -	**$ (3,478)**	$ -
Common shares issued under dividend reinvestment plan (See Note 15)	**-**	1	**-**	1

24. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at December 31, 2019:

	Expected Future Payments						
(undiscounted)	2020	2021	2022	2023	2024	Thereafter	Total
Transportation and Processing	$ 734	$ 679	$ 642	$ 528	$ 419	$ 2,163	**$ 5,165**
Drilling and Field Services	90	6	-	-	-	-	**96**
Building Leases	14	15	11	7	7	8	**62**
Total	$ 838	$ 700	$ 653	$ 535	$ 426	$ 2,171	**$ 5,323**

Associated with the adoption of Topic 842, all operating leases were recognized on the Condensed Consolidated Balance Sheet. Accordingly, 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. See Notes 2 and 11 for additional disclosures on 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

The Company 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 the Company'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.

In conjunction with the acquisition of Newfield as described in Note 8, 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") to settle arbitration claims arising from Sapura's purchase of Newfield's Malaysian business in February 2014. Under the Agreement and Mutual Release, Newfield and its wholly-owned subsidiary paid Sapura $22.5 million. The settlement amount including legal fees was included in the purchase price allocation as part of the current liabilities assumed by the Company at the acquisition date. Although the outcome of any remaining legal claims and actions assumed by the Company 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.

25. Subsequent Events

On January 24, 2020 the Company completed the previously announced Reorganization as described in Note 1. Subsequently, Ovintiv Inc. and its subsidiaries continue to carry on business previously conducted by Encana and its subsidiaries prior to the completion of the Reorganization. Refer to Notes 6 and 15 for certain transactions and impacts associated with the Reorganization.