ENCANA CORPORATION annual report 2008

SUCCESS BELONGS TO THOSE WHO SEE THE FUTURE BEFORE IT BECOMES OBVIOUS

EnCana

energy for people

WHY OWN ENCANA?

We are a leading North American unconventional natural gas and integrated oil company headquartered in Calgary, Alberta. More than 80 percent of our production is clean burning natural gas. We are also a technical and cost leader in the recovery of oil through steam-assisted gravity drainage (SAGD). One hundred percent of our oil production is fully integrated with our two refineries in the United States.

EnCana represents a unique investment opportunity built upon predictable, low-risk, low-cost production growth from resource plays. Our value-driven and innovative business strategy is underpinned by our high-quality assets and reinforced by our strong financial position, which is guided by prudent risk management practices. This approach provides us with the flexibility to adapt to changing circumstances in these uncertain times.

Natural gas and oil resource plays are our strategic focus. With nine key natural gas and four key oil resource plays in Canada and the United States we are able to invest for the long term and apply continuous improvements to all areas of our business.

CONTENTS

FOCUSED ON CREATING SUSTAINABLE VALUE FOR SHAREHOLDERS

Developing unparalleled asset base to unlock underlying value

- Portfolio of established resource plays capable of sustainable long-term production growth
- Average daily production of **4.6 billion** cubic feet equivalent (more than 80 percent of which is natural gas) in 2008
- **23 million** net acres in North America with significant positions in several emerging resource plays such as the Montney and Horn River in British Columbia, Haynesville in Louisiana and Texas, and Deep Bossier in Texas
- **19.7 trillion** cubic feet equivalent proved reserves
- Drilling inventory of approximately **10 years**

Exercising financial discipline and flexibility allowing us to respond to changing market conditions

- Strong balance sheet
    - Debt to capitalization of **28 percent**
    - Debt to adjusted EBITDA of **0.7** times
- Robust project returns – target risk-adjusted internal rate of return greater than **15 percent**, after tax

Returning value to shareholders

- Free cash flow supports an attractive dividend and flexible share purchase program
    - **$1.2 billion** returned to shareholders through dividends in 2008
    - Since 2002, purchased about **270 million** shares, or 29 percent of shares outstanding*

VAST LAND POSITION

23 million

net acres in North America

LARGEST NATURAL GAS PRODUCER IN NORTH AMERICA

3.8 billion

cubic feet per day

SUBSTANTIAL PROVED RESERVES

19.7 trillion

cubic feet equivalent

EnCana reports in U.S. dollars unless otherwise noted and follows U.S. protocols, which report production, sales and reserves on an after-royalties basis.

Advisory Certain information regarding the Company and its subsidiaries set forth in this document, including management's assessment of the Company's future plans and operations, may constitute forward-looking statements or forward-looking information under applicable securities laws and necessarily involve risks and uncertainties associated with future events. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements or information. For further details see the Advisory on page 67 of this document.

This document contains references to measures commonly referred to as non-GAAP measures, such as cash flow, cash flow from continuing operations, cash flow per share – diluted, free cash flow, operating earnings, operating earnings from continuing operations, operating earnings per share – diluted, adjusted EBITDA, debt, net debt, and capitalization. Additional disclosure relating to these measures is set forth on page 70 in the Advisory.

*Based on shares outstanding as of December 31, 2002, and adjusted for 2 for 1 share split in 2005.

CEO'S MESSAGE

2008 will be remembered as a financial and economic rollercoaster. Oil prices shot from $100 per barrel to record highs above $145 then fell below $35. Natural gas prices climbed above $13 by mid-year before sliding well below $6 per thousand cubic feet. The stock market tumbled by one-third. Companies everywhere faced unforeseen challenges. Rarely has so much changed so quickly. Through the volatility of 2008, EnCana achieved exceptional operational and financial performance, meeting or exceeding targets for production growth, cash flow and capital spending. We continued to achieve sustainable value creation in the development of unconventional natural gas and oil resources in North America. And of vital importance today, we are very well positioned to withstand the financial and economic challenges in 2009 and beyond.

$2.3 billion

free cash flow in 2008. Free cash flow can be used to pay dividends, buy back shares, and reduce debt.

NATURAL GAS GROWTH AVERAGES 8%

In 2008, EnCana's natural gas production growth averaged 8 percent to 3.8 billion cubic feet per day, driven by a year-over-year increase of 14 percent from our natural gas key resource plays across North America. Total 2008 natural gas and oil production increased 6 percent. Our strong gas growth was led by our East Texas resource play, up more than 130 percent, reflecting production increases and a doubling of our ownership interest in the prolific Deep Bossier formation in late 2007. Production from the company's Bighorn resource play in the deep basin of Alberta grew dramatically, up 33 percent, and our Cutbank Ridge resource play, home to our promising Montney assets in British Columbia, performed extremely well, increasing 15 percent.

INTEGRATED OIL DEVELOPMENT CONTINUES ON PACE

Our integrated oil initiatives continued to provide a steady pace of growth as 2008 production from Foster Creek and Christina Lake increased about 13 percent to average about 30,000 barrels per day. Current upstream expansions are setting the stage for continued growth with production expected to average more than 40,000 barrels per day in 2009. Our Integrated Oil Division generated operating cash flow of about $375 million in 2008, down about 75 percent from 2007 levels. We reported a loss in operating cash flow of $241 million from our downstream operations in 2008 versus positive operating cash flow of $1.1 billion in 2007. The 2008 loss was due to a dramatic drop in crack spreads and low year-end crude oil and refined product prices compared to 2007. At the Wood River Refinery, we received regulatory approval and began construction of our coker and refinery expansion (CORE) project. When completed in 2011, the project is expected to more than double heavy oil refining capacity to 240,000 barrels per day. Together, our Wood River and Borger refineries have sufficient capacity to integrate our total oil production.

We are very well positioned to withstand the financial and economic challenges in 2009 and beyond.

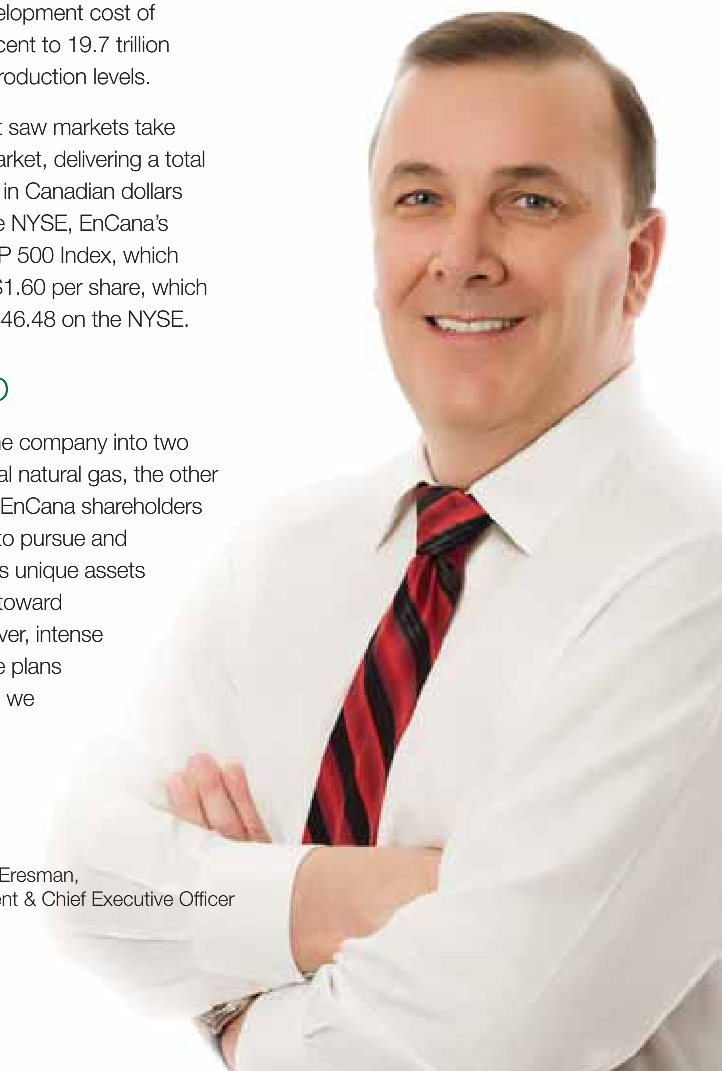
CORPORATE RESULTS REMAIN STRONG

Stronger average commodity prices in 2008 were reflected in our cash flow of $9.4 billion, or $12.48 per share, up 13 percent, and operating earnings of $4.4 billion, or $5.86 per share, up 9 percent. Our $7.1 billion of capital investment increased 17 percent, and we generated $2.3 billion in free cash flow. Our 2008 proved reserves additions continued to be strong – replacing 150 percent of production at a highly-competitive finding and development cost of $2.50 per thousand cubic feet equivalent. Total proved reserves grew 5 percent to 19.7 trillion cubic feet equivalent – resulting in a reserve life of about 12 years at 2008 production levels.

Our strong financial and operational performance occurred during a year that saw markets take an unprecedented move downwards. In 2008, EnCana outperformed the market, delivering a total shareholder return that was down a relatively modest 14 percent on the TSX in Canadian dollars compared to the TSX Composite Index, which was down 33 percent. On the NYSE, EnCana's shareholder return was down 30 percent in U.S. dollars compared to the S&P 500 Index, which declined approximately 37 percent. EnCana paid an annualized dividend of $1.60 per share, which offered investors a 3.4 percent yield based on the year-end closing price of $46.48 on the NYSE.

CORPORATE REORGANIZATION ANNOUNCED

In May, we announced a planned corporate reorganization that would split the company into two independent companies focused on distinct businesses – one unconventional natural gas, the other integrated oil. This transaction was designed to enhance long-term value for EnCana shareholders by creating two highly sustainable, independent entities, each with an ability to pursue and achieve greater success by employing operational strategies best suited to its unique assets and business plans. Extensive preparations were undertaken as we worked toward completing the transaction for a scheduled closing date in early 2009. However, intense uncertainty in global financial markets during the fall caused us to delay these plans until clear signs of stability return, at which time we will reassess our plans as we continue to pursue strategies that enhance the value of every EnCana share.



Randy Eresman,
President & Chief Executive Officer

SHALE GAS EMERGES

This past year, the North American energy industry saw the widespread emergence of technical and commercial success from a variety of natural gas shale reservoirs. In 2008, we added to our extensive new shale gas resources, solidifying a leading presence in two of the most exciting shale plays in North America: approximately 435,000 net acres in the Haynesville Shale play centred in Louisiana and Texas, and about 260,000 net acres in the Horn River Shale play in northeast British Columbia. Both shale plays are at an early stage of development and the resource potential of these opportunities is enormous. Given the promising production performance we achieved from a handful of wells in 2008, and the extent of the shale, we expect both of these plays will become major sources of natural gas production in North America.

HIGH-QUALITY ASSETS AND STRONG RETURNS DISTINGUISH ENCANA

The current worldwide economic downturn is different from anything we have known in our lifetimes and most certainly since the creation of EnCana. While we are not able to predict the depth and duration of the economic turmoil, I believe EnCana will distinguish itself in 2009 and beyond for its resilient business model, financial strength, high-quality assets, operational excellence and capacity to continually build value from its core strength – vision, innovation and leadership in the development of unconventional resources. This is because our North American resource plays have the capability to generate strong returns from predictable, low-risk assets at a cost that is among the lowest in industry. We have a high-quality and diverse asset base from British Columbia to Texas, which gives us the flexibility to narrow our investment focus to our best-return projects during low-price periods. We also have relatively few long-term capital commitments, further enabling us to reduce activity as necessary. Financially, EnCana maintains a strong and conservatively managed balance sheet, and an active hedging program that has about two-thirds of our expected natural gas production hedged at a price of more than $9 per thousand cubic feet until the end of October 2009. Financial strength and risk management are core EnCana business values as outlined on page 6 by Brian Ferguson, EnCana's Chief Financial Officer.

> Our North American resource plays have the capability to generate strong returns from predictable, low-risk assets at a cost that is among the lowest in industry.

CONSERVATIVE, PRUDENT CAPITAL INVESTMENT

In 2009, we are taking a number of measures to enhance our resilience. Our capital investment program is conservative and flexible, allowing us to increase or trim capital investment depending upon how the year unfolds. We currently plan to hold production flat as we continue to invest in multi-year projects that are expected to deliver long-term value, such as Deep Panuke offshore Nova Scotia and the CORE project at Wood River. Management and staff have been conducting extensive reviews of capital projects and applying higher financial hurdles and screening filters to help maintain our financial and operating strength through 2009 and beyond. We are targeting a 10 percent reduction in capital investment and operating costs from the levels that we set in our 2009 budget. We have also frozen hiring and most salaries for 2009. We continue to seek opportunities to sell non-core assets, provided sale prices meet our expectations, and we will continue to look for hedging opportunities. Operationally, our continuous improvement practices are being stepped up to help ensure we capture new efficiencies and find better ways to achieve our goals – operational improvements that can be shared across the company. While we are intensely focused on costs and optimal performance, we are equally dedicated to maintaining a safe and healthy workplace, operating in an environmentally responsible manner and continuing to play a beneficial role in the communities where we live and operate.

I have always believed that success belongs to those companies that see where the future of their business needs to be, before it becomes obvious to everyone else.

For the third year in a row, EnCana has been listed on two Dow Jones Sustainability Indexes (DJSI): DJSI World and DJSI North America. The DJSI family of indexes tracks the financial performance of companies that are recognized as global leaders in economic, environmental and social performance, as evaluated by an independent agency, Sustainability Asset Management (SAM). Our inclusion to the DJSI World Index means that we are recognized for being among the top 10 percent of the 2,500 largest companies worldwide in terms of a commitment to the principles of sustainable development. We intend to continue to pursue sustainable practices in the development and production of natural gas and oil for North American consumers.

The theme of this annual report is about success belonging to those companies that see where the future of their business needs to be, before it becomes obvious to everyone else. Many times we have said we believe the future of natural gas and oil development in North America is unconventional, which increasingly became our focus since EnCana's creation in 2002. On the following pages of this report you will find detailed descriptions of innovations, technologies, operational practices, business approaches, and employee programs that we believe will help make it possible for us to engineer value creation from unconventional resources. This is the culture of EnCana – continuous improvement to turn unconventional possibilities into leading achievement.

On behalf of EnCana, I want to thank the members of our Board of Directors for their ongoing skillful guidance and wise leadership as we continually strive towards building the leading unconventional natural gas and oil company in North America. And, I want to again recognize and thank our employees and contractors for an outstanding year of operational and financial excellence. As we look to the rest of 2009 and beyond, our steadfast focus remains on working safely, acting responsibly and enhancing the value of every EnCana share as we provide energy for people.

Randy Eresman
President & Chief Executive Officer

March 5, 2009

10%

EnCana is ranked in the top 10% of companies on the Dow Jones Sustainability Index.

CFO'S Q&A

Maintaining financial strength; Managing risk in a volatile environment

HOW IS ENCANA POSITIONED TO HANDLE THE ECONOMIC UNCERTAINTY?

EnCana is facing the current economic climate from a very solid financial position. We have been building our North American portfolio of low-cost, low-risk, predictable assets, fine-tuning our approach to resource development and establishing strength and flexibility in our balance sheet for years. That discipline is paying off now more than ever. We have deliberately chosen a more measured approach to our 2009 capital program with a continued emphasis on generating free cash flow. With our disciplined approach to capital spending and a strong hedging program to support our cash flow requirements, we have the flexibility in both our development program and balance sheet to help us deal with the turbulent conditions ahead.

At EnCana we are confident that we have prepared ourselves to emerge from this environment operationally strong, with the integrity of our balance sheet intact and we expect to be well positioned to respond quickly when the business environment improves.

AS CFO, WHAT METRICS DO YOU FOCUS ON TO MANAGE ENCANA'S FINANCIAL HEALTH?

We use several metrics to test the resiliency of our balance sheet. They include debt to capitalization, which measures the percentage of total invested capital funded by debt. We target this metric to be in the range of 30 to 40 percent. At the end of 2008, we achieved a lower debt leveraged result with a ratio of 28 percent. We look at debt to adjusted EBITDA ratio as a measure to indicate, on an annualized basis, how long it would take if we applied our most recent year's EBITDA to repay our current level of debt. Our debt to adjusted EBITDA ratio at year end was 0.7 years. Lastly, we target our expected after-tax cash flow to exceed our forecast capital investment, which we refer to as free cash flow. Generating free cash flow improves financial liquidity.

HOW DOES ENCANA FUND ITS CAPITAL PROGRAM IN THIS VOLATILE ENVIRONMENT?

One of EnCana's business objectives is to have a capital investment program that is self-funding using cash flow from existing operations. Between 2002 and 2008, EnCana has been able to grow its cash flow per share at a compound annual growth rate of approximately 29 percent. Cash flow has been driven largely by our growing production base with a low per unit cost structure and, until recently, strong commodity pricing. Commodity prices are always a risk.

To help safeguard our capital and dividend programs, we strive to create some certainty around the cash flow required to fund these programs. EnCana hedges commodity prices to manage volatility and typically hedges up to 50 percent of the upcoming year's production. EnCana has about two-thirds of our expected 2009 daily gas production hedged at an average price of $9.13 per thousand cubic feet until the end of October. In cases where there are transportation constraints, EnCana will often hedge the basis differential, which reflects the cost of transportation between a production area and Henry Hub, North America's main pricing point for natural gas. Our hedging strategy helps to ensure that we have sufficient cash flow to fund our capital investment and free cash flow available to pay dividends. EnCana manages its financial exposure to hedging counterparties by transacting only with a select group of about 25 entities with high investment grade credit ratings.

Our hedging strategy helps to ensure that we have sufficient cash flow to fund our capital investment and free cash flow available to pay dividends.

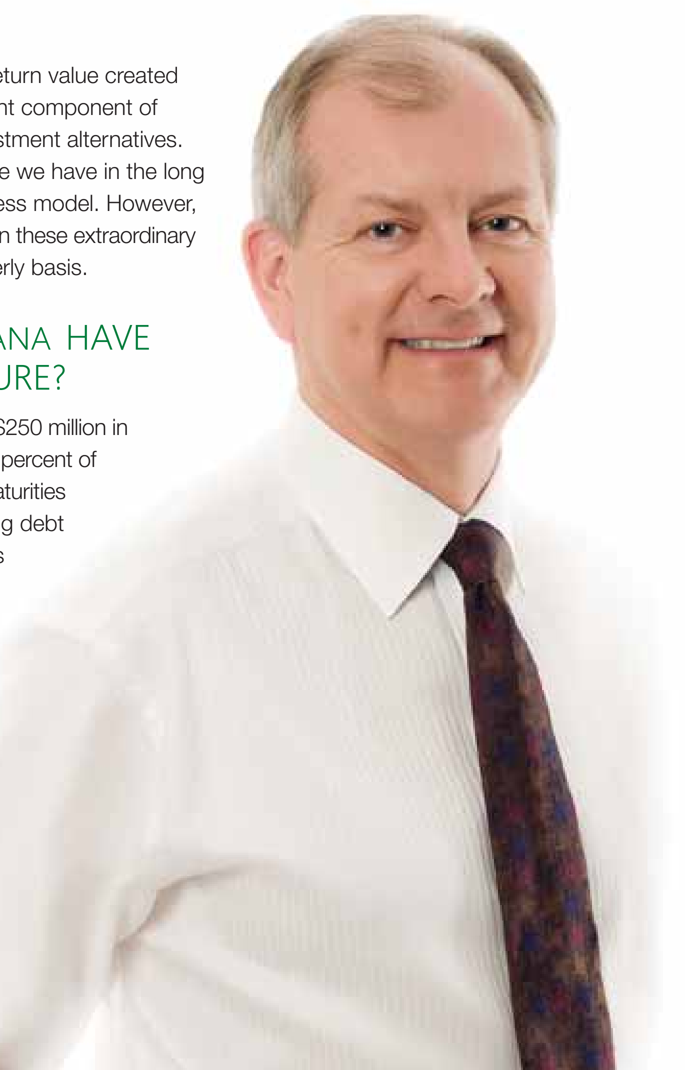
Q IS ENCANA CONSIDERING LOWERING ITS DIVIDEND IN THIS ENVIRONMENT?

We consider dividends to be a fundamental part of our strategy to return value created to the company's owners. We believe our dividend to be an important component of EnCana's strategic positioning which distinguishes us amongst investment alternatives. The distribution of a significant dividend is reflective of the confidence we have in the long term free cash flow generation capacity of our assets and our business model. However, dividend payments are at the discretion of the Board of Directors. Given these extraordinary economic times, we will continue to assess our dividend on a quarterly basis.

Q GIVEN TIGHT DEBT MARKETS DOES ENCANA HAVE ANY DEBT MATURING IN THE NEAR FUTURE?

We have a modest amount of debt maturing over the next two years, $250 million in August of 2009 and $200 million in September of 2010. More than 80 percent of our outstanding debt is made up of long-term, fixed rate notes with maturities between 2009 and 2038. Approximately 73 percent of our outstanding debt is denominated in U.S. dollars. At the end of 2008, we had used less than 50 percent of our committed revolving credit facilities, leaving approximately $2.6 billion undrawn and available.

Brian C. Ferguson
Executive Vice-President &
Chief Financial Officer



ENCANA SEES POSSIBILITIES BEFORE THEY BECOME OBVIOUS

We recognized several years ago that conventional production in North America was in steady decline, and that our future relied on our ability to unlock vast unconventional reservoirs on this continent, home to some of the largest known accumulations of natural gas and oil in the world. In 2004, we determined that North America would become the focus of our growth.

As others continued to expand globally, we were selling our international assets and examining the resource potential of every major basin on the continent. We increased our already extensive hydrocarbon-rich land base in North America, confident in our ability to advance the technology required to unlock the value. Over the past five years, we have established ourselves as a leader in resource play development. Natural gas accounts for more than 80 percent of our total production. In 2008, we produced 1.4 trillion cubic feet of natural gas from approximately 47,000 wells across North America, enough to heat just under 11 million homes for one year.

The huge potential of unconventional reservoirs is now widely understood. Natural gas and oil resource plays are expected to be the most significant source of North American production growth for the industry.

"You can pin that whole concept of resource plays on Randy Eresman specifically."

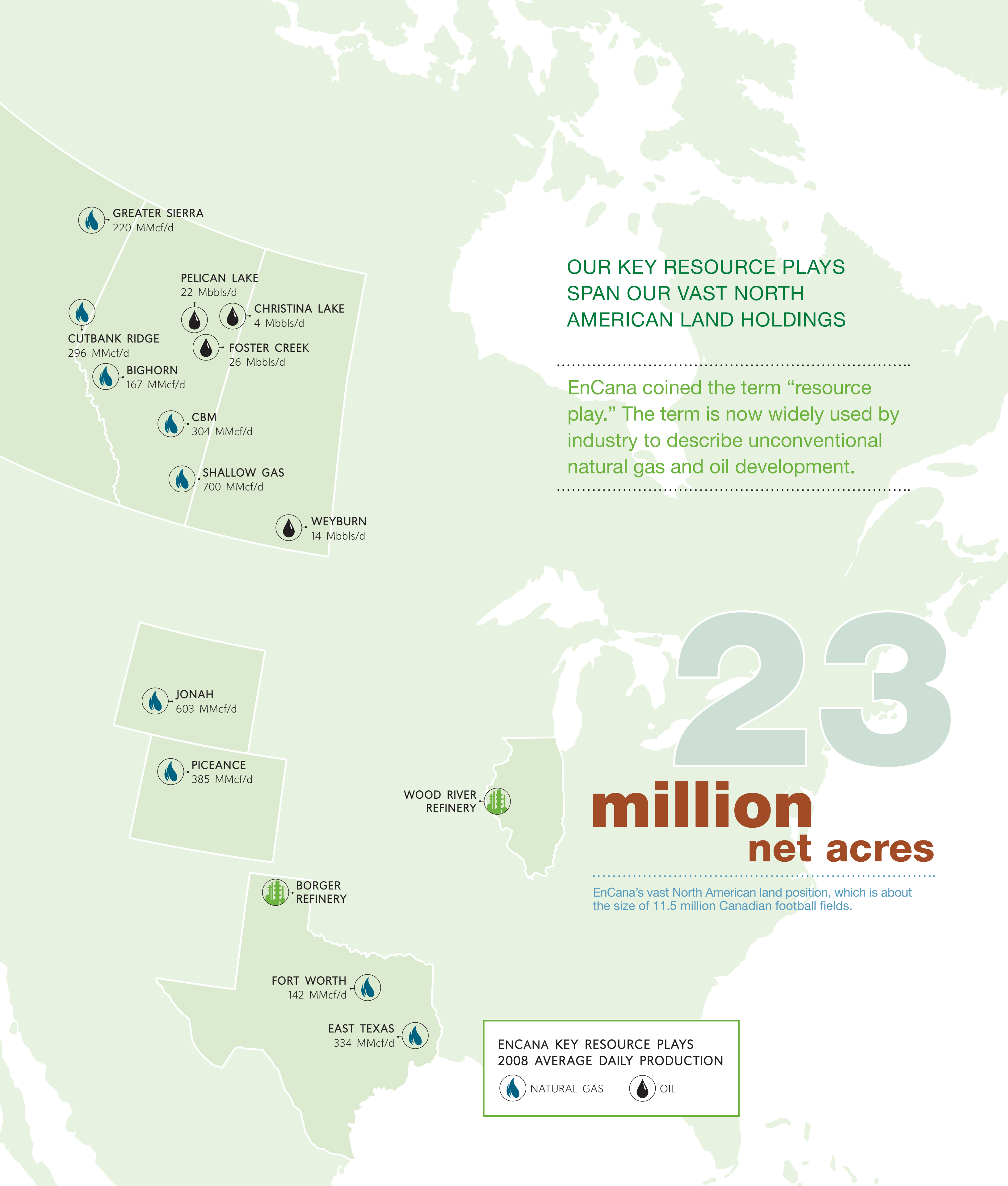
– Chris Theal, Tristone Capital
Report on Business magazine, November 2008

1.4 trillion cubic feet

natural gas we produced in 2008 – enough to heat almost 11 million homes for one year.

OUR KEY RESOURCE PLAYS SPAN OUR VAST NORTH AMERICAN LAND HOLDINGS

EnCana coined the term "resource play." The term is now widely used by industry to describe unconventional natural gas and oil development.



23 million net acres

EnCana's vast North American land position, which is about the size of 11.5 million Canadian football fields.

OUR CULTURE IS ONE THAT UNLOCKS POTENTIAL – BOTH BELOW THE GROUND, AND FROM WITHIN OUR PEOPLE

seeing THE POSSIBILITIES

Our people are critical to our success. Since this industry is one of the most sophisticated and technology-intensive in the world, EnCana has built a high-performing workforce that excels in this environment.

Our people pursue innovation, bring leadership and passion to their work, and strengthen the teams they join. And they are accountable for developing objectives that guide them and the company to great results.

Over the years, we've learned that we can devise better ways of doing things when we share ideas. And by doing things better, we're able to decrease costs, increase production, create a safer work environment, and reduce our environmental footprint. We identify and apply the most effective technology to our resource plays to increase the amount of natural gas and oil we recover and drive down costs over time. Our teams continuously make small improvements that can be applied broadly and, in many cases, across all our operations.

Our innovative teams' ability to develop, test and implement technologies is key to unlocking the value from our resource plays.

acting ON THE POSSIBILITIES

NATURAL GAS

EVOLVING TECHNOLOGIES

As a result of sharing knowledge between our teams in North America we have implemented or, in many cases, evolved a number of technologies. In our natural gas operations, we've substantially reduced the number of drilling locations and the surface area of our operations by using horizontal well advancements to employ longer-reaching wells. This allows for an increased number of fracture stimulations (fracs) along the horizontal leg of the well, resulting in time and cost savings. Additionally, we've increased production from wells by changing the fracing fluid, and reduced flaring through the use of portable flowback test units. In 2007, we began using infrared cameras across our natural gas operations to detect leaks that are too small to be seen by the human eye or sensed by gas detection instrumentation. This has increased the safety of our operations and helped eliminate waste and inefficiency.

$1 million

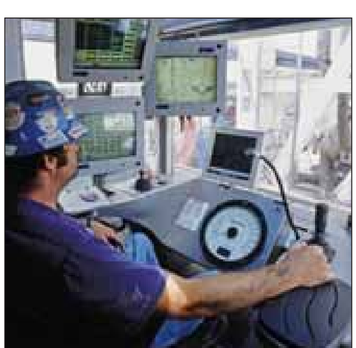
annual savings in fuel costs per rig from converting diesel-powered rigs to natural gas.

INDUSTRY PARTNER

GAINING EXPOSURE TO FULL VALUE CHAIN

To expand our oil business, we determined we needed a more reliable market for our bitumen. The solution? An industry partner that could give us immediate participation in North American refining. The resulting 50/50 business venture with ConocoPhillips in 2007 paired two of our high-quality bitumen properties with two of their leading refineries. This gives us greater certainty to grow production from our SAGD projects by reducing price risk and gaining exposure to the full value chain – from the wellhead to transportation fuels – enhancing our ability to achieve strong economic returns. The first two years of this business venture have set the stage for a long-term mutually beneficial relationship.

The driller's control cabin pictured here is part of an automated rig built specifically for EnCana.



FIT-FOR-PURPOSE RIGS

INCREASING SAFETY AND EFFICIENCY

Over the past two years, we have worked with drilling companies in North America to customize rigs to meet our specific and varied project needs with safety, environmental impact and efficiency as foremost priorities. To date, we have 60 fit-for-purpose rigs in use across our operations.

acting ON THE POSSIBILITIES

A drilling site at Christina Lake.

Foster Creek's gross production has grown steadily to approximately 60,000 barrels per day at the end of 2008.

SAGD TECHNOLOGY

LEADING THE WAY

Our development of oil properties in the Athabasca and Cold Lake regions in Alberta began in the mid-1990s with a pilot program, Foster Creek. A second pilot, Christina Lake, followed in 1997. Our experienced team has advanced the technology to better extract the abundant bitumen through the application of SAGD technology. We built and commissioned the world's first commercial SAGD project in 2001 at Foster Creek. With about 80 producing wells, Foster Creek's gross production has grown steadily to approximately 60,000 barrels per day at the end of 2008. The Christina Lake project is in an earlier stage of development with 15 wells, and had gross production of about 14,000 barrels per day at the end of 2008.

A key measure of efficiency for SAGD operations is the amount of steam needed to produce every barrel of bitumen. It's thanks to the quality of our assets and our team's dedication to continuously improve operational performance that our SAGD projects have achieved a steam to oil ratio of approximately 2.5, which is among the lowest in the industry. By using technologies such as electric submersible pumps, and solvent-aided processes (which combine a solvent, such as butane, with steam to help mobilize the bitumen), we continue to decrease the amount of steam required and thereby minimize emissions by reducing the amount of energy used.

WEYBURN OILFIELD

WORLD'S LARGEST CARBON CAPTURE PROJECT

Our enhanced oil recovery facility at the Weyburn field in Saskatchewan is the site of the largest CO_2 sequestration project in the world. This technology helps maximize the recovery of oil reserves while decreasing greenhouse gases released into the atmosphere. More than 13 million tonnes of CO_2 have been sequestered at Weyburn to date, with 30 million tonnes projected over the life of the field.

The cumulative reduction in greenhouse gas emissions at Weyburn is equal to taking about 6.7 million cars off the road for an entire year.

08 execution EXCELLENCE

During a year that saw extreme volatility in natural gas and oil prices and a challenging operating environment, our continued concentration on our resource play strategy delivered strong operational and financial performance. Once again, our operating focus in 2008 was on finding efficiencies and on excellence in execution in all facets of our business: from growing our resource base, to implementing new technologies, to sharing ideas, to introducing new employee programs. All the while we continued our commitment to working safely and being a trusted, thoughtful neighbour.

Highlights

SHALE PLAYS

AN EMERGING UNCONVENTIONAL NATURAL GAS RESOURCE

There was a lot of attention on shale gas as an emerging resource in 2008. Realizing the potential of this resource as early as 2003, we began acquiring the land and drilling rights to explore plays in the Haynesville Shale in Louisiana and Texas, and the Horn River Shale in British Columbia. Recent exploration wells drilled by EnCana, our partners and industry, indicate these natural gas reservoirs hold the potential to be among the largest sources of natural gas growth in North America. Each of these plays has been compared in size and scope to the prolific Barnett Shale in Texas, which currently produces about 4 billion cubic feet per day and continues to grow. We have assembled vast land positions in each of these emerging plays – 260,000 net acres in the heart of the Horn River Shale and 435,000 net acres, including 63,000 net acres of mineral rights, in the Haynesville Shale.

Shale plays have the potential to be among the largest sources of natural gas growth in North America.

CORE STRENGTH

EXPANDING UPSTREAM AND DOWNSTREAM TOGETHER

We began construction on a coker and refinery expansion (CORE) project at the Wood River Refinery, which will more than double its heavy oil refining capacity. The expansion will cost an estimated $1.8 billion net to EnCana ($3.6 billion gross) and is expected to be in full operation in 2011. Combined, the Wood River Refinery in Illinois and the Borger Refinery in Texas will have a total heavy oil refining capacity of about 275,000 barrels per day, placing us among the leading heavy oil refiners in the U.S. In parallel with the Wood River Refinery expansion, the integrated oil venture between EnCana and ConocoPhillips has approved upstream expansions at Foster Creek and Christina Lake in northern Alberta, where we expect gross bitumen production capacity will grow from the current level of 78,000 barrels per day to about 178,000 barrels per day in 2011.

EnCana expects more than just hard work from its employees and contractors. It's a company that expects them to be innovative and make the most of their ideas.

90%

demonstrated reduction in deep natural gas frac time.

TIME SAVER

ADVANCES IN HORIZONTAL WELL COMPLETIONS

In 2008, we implemented the use of long-reach horizontal wells and multi-stage hydraulic fracturing technology more broadly across our natural gas resource plays, including the Montney and Horn River plays in British Columbia and the Haynesville play in Louisiana and Texas. This approach has resulted in improved economics and reduced environmental footprint for our plays. The horizontal leg of each well can extend as far as two kilometres in length and support as many as 14 frac stages. Using this multi-stage completions approach has multiple benefits. It decreases the number of wells that we have to drill to access the resource, minimizes the number of days it takes to fracture a well – from as many as 30 down to as few as two or three in some cases – and enables us to centralize our gathering and processing facilities allowing manufacturing-type operations to be conducted. Together, these improvements can reduce our overall surface footprint, and generate significant cost savings.

GETTING THE LAST DROP

WEDGE WELLS

We developed and proved the concept of wedge wells, a new approach that enables us to extract more bitumen from our SAGD operations. During the SAGD process, a considerable amount of heated bitumen sits undrained between adjacent steam chambers. Using wedge wells, single horizontal wells drilled between two SAGD well pairs, we can now extract much of the bitumen that was previously unrecovered. Since wedge wells require minimal steam to extract the remaining bitumen, we have been able to increase our bitumen production by about 500 barrels per day per wedge well while at the same time reducing our per barrel operating costs, water use and environmental impact. A patent on this technology is pending.

"EnCana's wedge well innovation will radically alter perceptions on SAGD economics and recovery factor limitations."

– TD Newcrest, January 2009

WASTE NOT

ENHANCED WATER RECYCLING

We developed an enhanced steam generation process that significantly improves water recycling. After a boiler converts most of its water into steam, about one-quarter of the water is left over. To minimize waste, we developed a process to re-boil this blowdown water in a second boiler to make more steam. This energy efficient process helps increase our water recycling rate to more than 90 percent at Foster Creek – a significant milestone in the evolution of our SAGD technology. We have tested the process extensively in the field and have filed for a patent.

08
execution
EXCELLENCE

SHARING KNOWLEDGE

GENERATING NEW IDEAS

More than 2,500 EnCana staff from all our disciplines across North America gathered in Calgary in May 2008 for our third biennial gEnerate Summit. The goal of the Summit is to impart learnings and enhance our execution excellence by sharing information on new technologies and innovations, and learning from our challenges and successes. Consisting of poster sessions, panel discussions, and feature presentations, the Summit is our largest staff networking and knowledge-sharing opportunity.

"I FOUND THE INFORMATION EXCHANGE TO BE EXTREMELY EXCITING AND EYE-OPENING. I AM THRILLED TO BE A PART OF A COMPANY THAT IS FORWARD-THINKING."

– EnCana employee (gEnerate employee survey 2008)

INVESTING IN FUTURE SOLUTIONS

ENVIRONMENTAL INNOVATION FUND

Last year, through our Environmental Innovation Fund, we entered into an agreement to contribute C$3 million over a three-year period to a technology that gives end users the potential to reduce emissions and improve their efficiency. Atlantic Hydrogen's CarbonSaver™ Demonstration Project captures carbon as a solid – which has the potential to be sold for use in products such as tires, inks, and plastics – while the extraction process leaves behind a hydrogen-enriched natural gas low-emissions fuel. An industry first of its kind, our Environmental Innovation Fund invests in people and ideas that address future solutions. It focuses on advancing technologies that aim to reduce emissions, increase energy efficiency, improve water conservation, enhance waste management, and develop new renewable energy. We continuously review opportunities to support new clean-energy technologies.

C$27 million

committed to 17 projects to date in North America.

COURTESY MATTERS

PUTTING COMMUNITY NEEDS FIRST

Our Courtesy Matters™ program, which we originally created in 2006 to address community concerns in our operating areas, is attracting attention from other companies in the industry. In 2008 the Petroleum Services Association of Canada endorsed the merits of our program with its member companies. Courtesy Matters™ addresses nuisance issues sometimes associated with the oil and gas industry, such as noise, dust, garbage, and increased traffic. The program focuses on putting the needs of the community first and doing what we can to ensure a long-lasting mutual respect.

"PSAC members have been pleased to work with EnCana on the Courtesy Matters™ program because it provides innovative solutions to issues in communities where we work and makes a genuine difference."

– Rob Gray, Manager, Communications & Member Relations
Petroleum Services Association of Canada (PSAC)

08 execution EXCELLENCE

SAM AWARD

INTERNATIONAL RECOGNITION

In addition to three straight years on the Dow Jones Sustainability Index, we have also been awarded a Sustainable Asset Management (SAM) distinction for demonstrating leadership in sustainability for the second year in a row. We are the only North American company to be recognized with a class distinction for our 2008 operations under the category of 'Oil & Gas Producers' in the Sustainability Yearbook 2009.

sam creating sustainable value

Dow Jones Sustainability Indexes Member 2008/09

C$36 million

invested in 2008 in community programs – from sports, recreation and wellness, to education, science and technology.

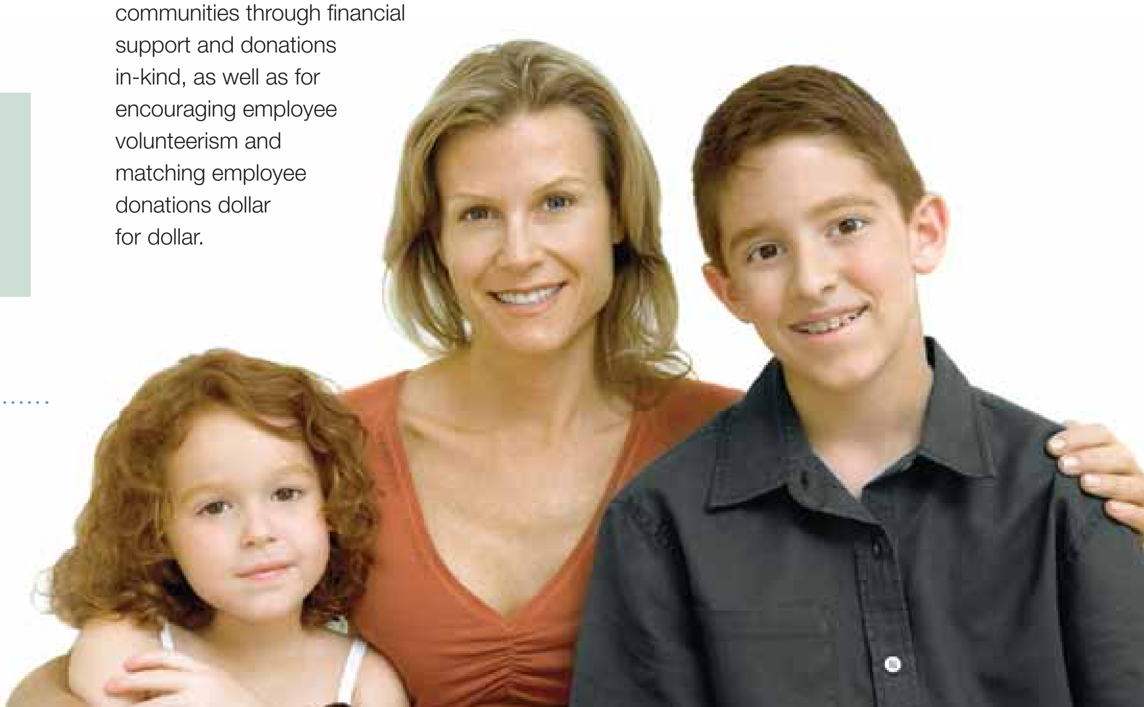
C$3.1 million

given by employees across North America to non-profit organizations of their choice. The company match increased that total to more than C$6.2 million.

MORE CASH FOR NON-PROFIT ORGANIZATIONS

EMPLOYEES GIVING TIME

In recognition of their time volunteered, we introduced a program in 2008 that supports all our employees and their families in making a difference in their communities. What's different about our program is that it gives employees and their immediate families the opportunity to volunteer together and apply for a donation from EnCana to the non-profit organizations where they give their time. The donation is based on the total volunteer hours of each family member. In 2008, we received the Generosity of Spirit Award from the Association of Fundraising Professionals. Nominated by Imagine Canada, we were identified as a company that plays a significant role in improving Canadian communities through financial support and donations in-kind, as well as for encouraging employee volunteerism and matching employee donations dollar for dollar.



CHAIRMAN'S MESSAGE

EnCana delivered strong performance in 2008 as management and the Board of Directors applied a steady hand and sharp focus on capital discipline, risk management and sound corporate governance during a year of considerable economic and commodity price volatility. The Board's combined decades of experience enabled us to provide knowledgeable advice and support to EnCana's executives as they worked to ensure the company's continued success despite the market challenges.

As with every strategic decision the company makes, shareholders' interests were top of mind when the Board approved the decision in May to split EnCana into two publicly traded companies, and then endorsed the move in October to delay those plans. When there are clear signs of stabilization in the global financial markets, the executives and the Board will reassess those plans as part of the company's continued pursuit of strategies that enhance shareholder value.

A significant role of the Board is to ensure that a system is in place to identify the principal risks to EnCana, including those risks inherent to the energy industry, and that the best practical procedures are in place to monitor and mitigate the risks. Board members are responsible for approving EnCana's Corporate Risk Management Policy and monitoring compliance. EnCana's Chief Risk Officer, an executive-level position created in 2007, provides regular updates to the Board about the identification and mitigation of principal risks in all areas of the company, including those of a financial, operational, safety, environmental and regulatory nature, and whether they have strategic or near-term impacts. Board members are supportive of EnCana's efforts to continually improve its risk management strategy and procedures.

The strength of EnCana's corporate governance was even more evident in 2008 as the Board provided oversight for strategic actions taken during a time of extreme market turbulence. In addition, EnCana continues to fully comply with the applicable corporate governance requirements, including best practices guidelines published by the Canadian securities regulatory authorities, the provisions of the Sarbanes-Oxley Act of 2002 and the rules adopted by the U.S. Securities and Exchange Commission pursuant to that Act. The company is also in compliance with all applicable New York Stock Exchange requirements and is committed to high standards of transparent reporting and accountability.

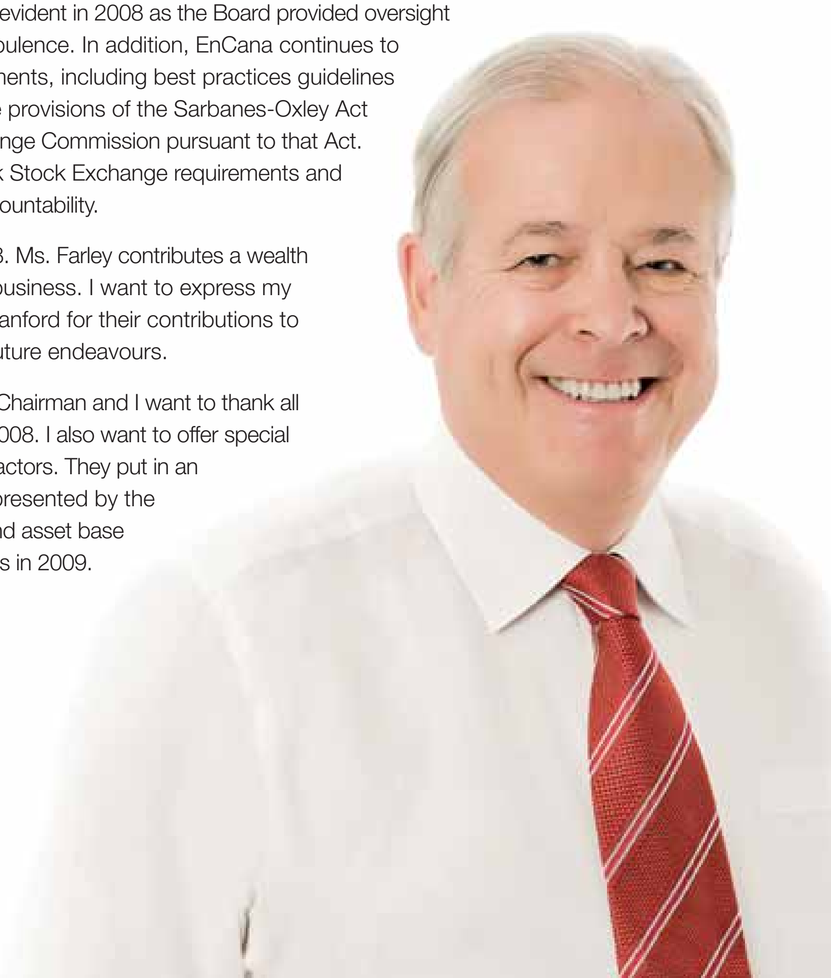
I was pleased to welcome Claire Farley to the Board in April 2008. Ms. Farley contributes a wealth of knowledge and experience in all aspects of the oil and gas business. I want to express my appreciation to retiring Board members Dale Lucas and Jim Stanford for their contributions to EnCana's Board over many years. We wish them well in their future endeavours.

It has been a privilege for me to serve another year as EnCana's Chairman and I want to thank all Board members for their dedication and leadership throughout 2008. I also want to offer special thanks to EnCana's executive team and all employees and contractors. They put in an extraordinary effort this year as they dealt with the challenges presented by the dynamic business environment. EnCana has a strong financial and asset base which will enable us to successfully navigate the challenging times in 2009.

On behalf of the Board of Directors,

David P. O'Brien

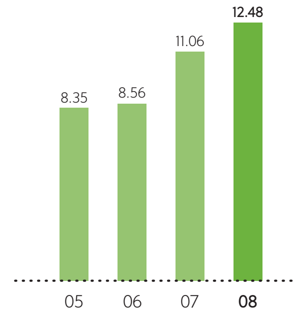
David P. O'Brien
Chairman of the Board



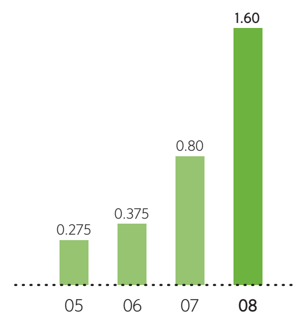
FINANCIAL HIGHLIGHTS

US$ millions, except per share amounts	2008	2007	% Change
Revenues, Net of Royalties	30,064	21,700	39
Cash Flow (1)	9,386	8,453	11
Per Share – Diluted	12.48	11.06	13
Net Earnings	5,944	3,959	50
Per Share – Diluted	7.91	5.18	53
Operating Earnings (1)	4,405	4,100	7
Per Share – Diluted	5.86	5.36	9
Total Capital Investment	7,080	6,035	17
Net Acquisition & Divestiture Activity	270	2,221	(88)
Net Capital Investment	7,350	8,256	(11)
Dividends Per Common Share ($/share)	1.60	0.80	100
Dividend Yield (%) (2)	3.4	1.2	183
Debt to Capitalization (%) (1)	28	32	(13)
Debt to EBITDA (times) (1)	0.7	1.1	(36)
Debt (1) to Proved Developed Reserves ($/Mcfe)	0.83	0.94	(12)

(1) Non-GAAP measures as referenced in the Advisory on page 70.
(2) Based on NYSE closing share price at year end.



CASH FLOW PER SHARE
($/share)

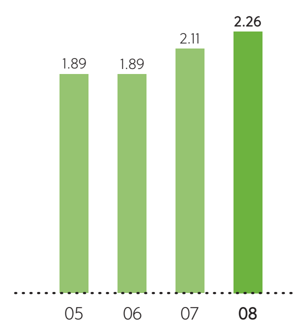


DIVIDENDS PER SHARE
($/share)

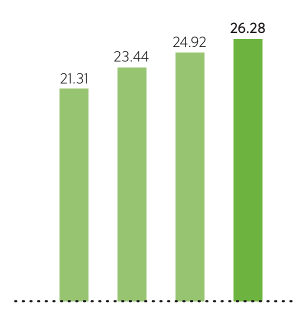
OPERATING HIGHLIGHTS

After royalties	2008	2007	% Change
Production			
Natural Gas (MMcf/d)			
Canada	2,205	2,221	(1)
USA	1,633	1,345	21
Total Natural Gas (MMcf/d)	3,838	3,566	8
Oil & NGLs (bbls/d)			
Foster Creek & Christina Lake	30,183	26,814	13
North America, Other	103,397	107,340	(4)
Total Oil & NGLs (bbls/d)	133,580	134,154	–
Total Production (MMcfe/d)	4,639	4,371	6
Refinery Operations (1)			
Crude Oil Capacity (Mbbls/d)	452	452	–
Crude Oil Runs (Mbbls/d)	423	432	(2)
Reserves (2)			
Year-End Reserves (Bcfe)	19,712	18,863	
Net Reserve Additions (Bcfe) (3)	2,547	3,629	
Production Replacement (%)	150	227	
Finding & Development Cost ($/Mcfe)	2.50	1.65	
Recycle Ratio	2.6	3.5	
Reserve Life Index (years)	11.6	11.8	

(1) Represents 100% of the Wood River and Borger refinery operations.
(2) Proved reserves only.
(3) 2007 excludes Foster Creek and Christina Lake reserves contributed to a 50/50 upstream partnership with ConocoPhillips.



PRODUCTION PER SHARE
(Mcfe/share)



RESERVES PER SHARE
(Mcfe/share)