Attachment 2

EnCana Corporation

(formerly PanCanadian Energy Corporation)

Management's Discussion and Analysis

March 31, 2002

SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

In the interest of providing EnCana Corporation, formerly PanCanadian Energy Corporation ("EnCana" or the "Company") shareholders and potential investors with information regarding the Company, certain statements throughout this Interim Management Discussion and Analysis (the "MD&A") constitutes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words such as "anticipate," "believe," "expect," "plan," "intend," or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: the Company's operating costs, the Company's seismic and drilling plans, oil and gas prices, per unit netbacks, the Company's oil, liquids and gas sales, the Company's cash flow from operations and net earnings, the Company's production levels, development plans with respect to the Company's Deep Panuke and Buzzard projects, the impact of hedges on the Company's revenue, capital investment levels, the sources of funding for capital investments, the successful integration of the Company's personnel and businesses with those of Alberta Energy Company Ltd. ("AEC") and the timing thereof, and future operating results and various components thereof.

Readers are cautioned not to place undue reliance on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: volatility of crude oil and natural gas prices, fluctuations in currency and interest rates, product supply and demand, market competition, risks inherent in the Company's North American and foreign oil and gas and midstream operations, risks inherent in the Company's marketing operations, imprecision of reserves estimates, the Company's ability to replace and expand oil and gas reserves, the Company's ability to either generate sufficient cash flow from operations to meet its current and future obligations or obtain external sources of debt and equity capital, general economic and business conditions, the Company's ability to enter into or renew leases, the timing and costs of well construction, the Company's ability to make capital investments and the amounts of capital investments, imprecision in estimating the timing, costs and levels of production and drilling, the results of exploration, development and drilling, imprecision in estimates of future production capacity, the Company's ability to secure adequate product transportation, uncertainty in the amounts and timing of royalty payments, imprecision in estimates of product sales, changes in environmental and other regulations, political and economic conditions in the countries in which the Company operates, and such other risks and uncertainties described from time to time in the Company's reports and filings with the Canadian securities authorities and the United States Securities and Exchange Commission (the "SEC"). Accordingly, the Company cautions that events or circumstances could cause actual results to differ materially from those predicted. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of important factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements contained in this MD&A, which is as of the date hereof, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

ENCANA CORPORATION
(formerly PANCANADIAN ENERGY CORPORATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for EnCana Corporation, formerly PanCanadian Energy Corporation, ("PanCanadian" or the "Company"), should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2002 and March 31, 2001 and the audited consolidated financial statements and MD&A for the year ended December 31, 2001.

CONSOLIDATED OVERVIEW

In the three months ended March 31, 2002, net income was $133 million, or 52 cents per common share, down from $463 million, or $1.81 per common share, in the same period of 2001. Cash flow of $389 million, or $1.52 per common share, compared with $738 million, or $2.89 per common share, in the first quarter of 2001. Weaker market prices for natural gas and crude oil were only partially offset by higher natural gas production and a decline in the pricing differential between lighter and heavier crude oils.

The Company's financial position remained strong. Cash flow in the quarter provided a significant portion of the funding for investing activities of $527 million. At March 31, 2002, debt amounted to $2,288 million and represented 36 percent of debt plus equity. Cash on hand was $519 million and net debt to trailing 12-month cash flow was 90 percent.

During the first quarter of 2002, the Company adopted, on a retroactive basis, the amended Canadian standard on accounting for foreign currency translation. The amendment eliminates the deferral and amortization of foreign exchange gains or losses on long-term monetary items. As a result, there was an increase in reported net income of $8 million in the first quarter of 2002 and a decrease of $31 million in the same quarter last year.

Early in April 2002, PanCanadian and Alberta Energy Company (AEC) combined their two companies – creating EnCana Corporation. The companies satisfied all closing conditions, including receiving approvals on April 4 from shareholders of PanCanadian and shareholders and option holders of AEC and on April 5 from The Court of Queen's Bench of Alberta. PanCanadian shareholders also approved renaming of the Company to EnCana Corporation. The merger of equals was effected through the exchange of 1.472 PanCanadian (EnCana after the name change) shares for each AEC share. EnCana shares started trading on the Toronto and New York stock exchanges on April 8 under the symbol ECA.

On April 24, 2002, the Company adopted formal plans to dispose of the Houston-based merchant energy operation, which is included in the Marketing and Midstream segment. Exit alternatives are being evaluated to maximize the value of the disposition. Accordingly, these operations have been accounted for as discontinued operations and the financial statements have been restated as described in Note 3 to the Consolidated Financial Statements.

BUSINESS ENVIRONMENT

	Three Months Ended March 31	
	2002	*2001*
Average AECO Price *($ per thousand cubic feet)*	**3.49**	11.37
Average NYMEX Price *(US$ per million British thermal unit)*	**2.32**	7.09
Average WTI *(US$ per barrel)*	**21.63**	28.67
WTI Bow River Differential *(US$ per barrel)*	**5.22**	11.87
US/Canadian dollar exchange rate *(US$)*	**0.627**	0.654

High natural gas storage levels continued to have a dampening effect on natural gas prices. Evidence that demand is benefiting from a milder and briefer than expected economic recession, coupled with the prospects of limited new supply due to reduced drilling activity in the U.S., was of little benefit to prices. The AECO index price averaged $3.49 per thousand cubic feet in the first quarter of 2002, compared with $3.44 per thousand cubic feet in the fourth quarter of 2001 and $11.37 per thousand cubic feet in the first quarter of 2001.

Averaging US$21.63 per barrel in the first quarter of 2002, the West Texas Intermediate (WTI) crude oil price was up five percent from an average of US$20.53 per barrel in the fourth quarter of 2001. Prospects for stronger than expected demand growth, co-ordinated cutbacks in OPEC production and an uncertain situation in Iraq and the Middle East combined to build support for firmer crude oil prices. However, the WTI price remained below its average of US$28.67 per barrel in the first quarter of 2001.

There was a significant narrowing in the differential between heavier and lighter crude oil prices as the supply/demand balance for heavy oil improved. The WTI-Bow River differential averaged US$5.22 per barrel in the first three months of 2002, compared with US$9.52 per barrel and US$11.87 per barrel in the last and first quarters of 2001, respectively. Market fundamentals for heavy oil are expected to further benefit from the scheduled resumption in the second quarter of operations at the CITGO refinery in Illinois, which was closed for several months after it suffered a fire, and from the approaching start of the summer asphalt season.

RESULTS OF OPERATIONS

Upstream

Financial Results *($ millions)*	***2002*** *Natural gas*	*Crude oil*	*Field NGL & other*	*Total*	***2001*** *Natural gas*	*Crude oil*	*Field NGL & other*	*Total*
	Three Months Ended March 31							
Revenues								
Production	**$ 335**	**$ 235**	**$ 30**	**$ 600**	$ 811	$ 249	$ 47	$ 1,107
Royalties and similar payments	**(34)**	**(33)**	**(1)**	**(68)**	(67)	(25)	(2)	(94)
	301	**202**	**29**	**532**	744	224	45	1,013
Expenses								
Direct operating*	**49**	**55**	**-**	**104**	39	64	-	103
Administrative	**-**	**-**	**-**	**22**	-	-	-	20
Depletion, depreciation and amortization	**-**	**-**	**-**	**206**	-	-	-	170
Upstream income	**$ 252**	**$ 147**	**$ 29**	**$ 200**	$ 705	$ 160	$ 45	$ 720
Capital expenditures (excludes net acquisitions / dispositions)				**$ 478**				$ 351

* Direct operating expenses for field NGL are commingled with natural gas expenses.

Revenue Variances for 2002 Compared to 2001 *($ millions)*	*Three Months Ended March 31* *Price*	*Volume*	*Total*
Natural gas	$ (520)	$ 44	$ (476)
Crude oil	(10)	(4)	(14)
Field NGL and other	(26)	9	(17)
Total production revenue	$ (556)	$ 49	$ (507)

In the first quarter of 2002, Upstream production revenues of $600 million were down $507 million, or 46 percent, from the same quarter of 2001.

The Company's realized natural gas price was $3.44 per thousand cubic feet, a decrease of 61 percent from $8.76 per thousand cubic feet in the first three months of 2001. Hedging activities resulted in a gain of $29 million, or 30 cents per thousand cubic feet, versus a cost of $113 million, or $1.22 per thousand cubic feet, in first quarter of 2001. There was a five-percent increase in average daily natural gas production to 1,085 million cubic feet due chiefly to a successful drilling program.

Compared with the first quarter of 2001, a decline in market prices for lighter crude oils was largely offset by a narrowing in the differential between heavier and premium-priced lighter crude oils. The realized price on the Company's mix of crude oil products of $25.55 per barrel in the first quarter of 2002 was down just four percent, while the benchmark WTI crude oil price declined 25 percent. Hedging activities had unfavourable effects of $8 million, or 82 cents per barrel, in the first quarter of 2002 and $11 million, or $1.14 per barrel, in the same quarter of 2001. Production of crude oil was down two percent, averaging 102,000 barrels per day in the first quarter of 2002. The decline reflects the sale of non-core, crude oil producing properties, as well as the Company's focus on growing its natural gas business.

Excluding the impact of commodity and currency hedging, royalties and similar payments were approximately 12 percent of revenues, compared with eight percent in the first quarter of 2001. The higher rate in 2002 reflected an under-accrual of freehold mineral taxes at year-end 2001.

Unit Direct Operating Expenses *($ per unit)*		*Three Months Ended March 31* **2002**		*2001*
Natural gas and field liquids *(per thousand cubic feet)**	**$**	**0.50**	$	0.42
Crude oil *(per barrel)*		**6.60**		7.75
Per barrel of oil equivalent**		**4.24**		4.41

* Field liquids converted to natural gas at 1 barrel = 6 thousand cubic feet.

**Natural gas converted to barrel of oil equivalent at 6 thousand cubic feet = 1 barrel of oil equivalent.

Direct operating expenses in the Upstream division amounted to $104 million in the first quarter of 2002, compared with $103 million in the corresponding quarter of 2001. For natural gas and field liquids, unit operating costs on working interest production rose eight cents to 50 cents per thousand cubic feet equivalent as higher processing and maintenance costs more than offset the benefit of lower electricity charges. Costs associated with working interest production of crude oil decreased $1.15 to $6.60 per barrel. The improvement in unit operating expenses for crude oil was due chiefly to lower electricity costs.

Administrative expenses in the Upstream division were $22 million in the first quarter of 2002, up $2 million from the same period last year. On a barrel of oil equivalent basis, administrative expenses were 82 cents, or up six percent.

Depletion, depreciation and amortization charges amounted to $206 million and compared with $170 million in the first quarter last year. On a barrel of oil equivalent basis, depletion, depreciation and amortization expenses were up 17 percent to $7.69 per barrel due to higher levels of capital spending.

Capital expenditures in the Upstream division were $478 million, up $127 million from the first quarter of 2001. The majority, approximately 72 percent, of this investment in 2002 was directed towards natural gas and crude oil exploration and development in the Western Basin. Approximately 28 percent was targeted to high impact exploration and other activities internationally and offshore the East Coast of Canada. The Company drilled 571 wells in the first quarter of 2002, 92 percent of which were successful.

Financial Results *($ millions)*	Three Months Ended March 31 ***2002***	*2001*
Revenues		
Marketing*	**$ 976**	$ 1,644
Midstream	**85**	115
	1,061	1,759
Direct expenses		
Marketing*	**953**	1,616
Midstream	**61**	102
	1,014	1,718
Margin	**47**	41
Administrative	**9**	5
Depreciation and amortization	**8**	5
Marketing and Midstream income	**$ 30**	$ 31
Capital expenditures (excludes net acquisitions / dispositions)	**$ 4**	$ 26

* Marketing and Midstream segment results for the first quarter of 2002 include inter-segment sales of $541 million (2001 - $1,115 million), as disclosed in Note 2 to the unaudited financial statements.

Marketing and Midstream

Marketing

Marketed Volumes*	Three Months Ended March 31 ***2002***	*2001*
Natural gas *(million cubic feet per day)*	**1,347**	1,158
Crude oil *(thousand barrels per day)*	**194**	167
Natural gas liquids *(thousand barrels per day)*	**70**	62
Electricity *(thousand megawatt hours)*	**137**	-
Total *(thousand MMBTUs per day)***	**2,936**	2,532

* Included in the marketed volume totals are amounts related to PanCanadian production.

** Conversion assumed at: 1 million cubic feet = 1 thousand MMBTU; 1 thousand barrels = 6 thousand MMBTU; 1 thousand megawatt hours = 10 thousand MMBTU.

Marketing revenues were down 41 percent to $976 million from $1,644 million in the first three months of 2001. The Marketing margin declined to $23 million from $28 million. Lower natural gas prices were the main factor underlying the decline. The margin increased to 2.4 from 1.7 percent of revenues even with lower volatility than in the prior year.

Midstream

Midstream Production	*Three Months Ended March 31* ***2002***	*2001*
Natural gas liquids *(thousand barrels per day)*	**34**	25

Midstream Electricity Megawatt Capacity *(as at March 31, 2002)*	*Megawatt Capacity*	*Ownership (%)*	*PanCanadian Megawatt Capacity*
Kingston	108	25	**27**
Cavalier	85	100	**85**
Balzac	85	50	**43**
			155

Midstream revenues were down $30 million, or 26 percent, to $85 million in the three months ended March 31, 2002. However, the associated margin nearly doubled, increasing to $24 million from $13 million in the same quarter of 2001. Natural gas liquids (NGL) production improved 36 percent to 34,000 barrels per day. During the first quarter of last year, the Company reduced production of extracted NGL in order to realize incremental value through the sale of natural gas, which would have otherwise been consumed in the production process. In the first quarter of 2002, product prices declined from the same period last year; however, significantly lower input costs of natural gas more than offset the price decline and the midstream margin improved substantially.

In the first quarter of 2002, Midstream revenue included approximately $7 million from the two new 106-megawatt electricity generation plants. The Midstream unit commenced operations of the Cavalier plant at 80 percent of capacity in the third quarter of 2001 and the Balzac plant, which is 50 percent owned by PanCanadian, commenced operations in December 2001 at 80 percent of capacity.

Marketing and Midstream administrative expenses were $9 million in the first quarter of 2002, up from $5 million in the corresponding quarter of 2001. The increase principally reflected higher staffing levels that stemmed from an expanded Marketing and Midstream asset and activity base.

Depreciation and amortization expenses in Marketing and Midstream increased to $8 million from $5 million in the first quarter of 2001 largely because of the depreciation charges on the two new electricity generation plants.

Compared with the first quarter of 2001, capital expenditures decreased $22 million to $4 million due mainly to the completion of construction on the two new electricity generation plants.

Corporate

The Company's foreign exchange position contributed revenue of $10 million in the first quarter of 2002, which contrasted with a charge of $24 million in 2001. In the first quarter of 2002, the

Company adopted, on a retroactive basis, the amended Canadian standard on accounting for foreign currency translation. This amendment eliminates the deferral and amortization of foreign exchange gains or losses on long-term monetary items. The effect of the change is disclosed in Note 1 to the unaudited consolidated financial statements.

Corporate administrative expenses in the first quarter of 2002 included a one-time benefit of $5 million. The benefit stemmed from an over-accrual in 2001 of charges associated with the reorganization of Canadian Pacific Limited.

Compared to the first quarter last year, interest expense was up $12 million to $32 million, principally reflecting a higher borrowing level.

The provision for income taxes decreased $189 million to $82 million in the first quarter of 2002 because of the lower operating income. The effective tax rate was 38 percent, unchanged from the first quarter of 2001.

LIQUIDITY, CAPITAL RESOURCES AND RISK MANAGEMENT

Cash flow from continuing operations of $387 million in the first three months of 2002 decreased from $712 million in the same period of 2001. The decline stemmed chiefly from weaker market prices. In addition, cash from operating activities was adversely affected by changes in non-cash working capital, which used $243 million in the first quarter of 2002 compared with a source of $142 million in 2001. The variance in working capital changes principally reflected the timing of payments for current income taxes.

The Company's net investing activities in the first quarter of 2002 were up $223 million to $527 million, including Upstream capital spending of $478 million and Marketing and Midstream expenditures of $4 million. Acquisition and disposition activities resulted in net proceeds of $3 million in the first quarter of 2002 and $152 million in the same period of 2001 when dispositions included the sale of the Pelican Lake property.

In the first quarter of 2002, $80 million, or US$50 million, of medium term notes matured and were retired. The consolidated debt position, including the current portion, was $2,288 million at March 31, 2002 compared with $2,370 million at December 31, 2001. Debt to debt plus equity was 36 percent, essentially unchanged from 37 percent at year-end 2001. At the end of the first quarter, interest coverage on a trailing 12-month basis was 24.5 times, cash on hand was $519 million and net debt to trailing 12-month cash flow was 90 percent.

The Company's financial strength and flexibility is supplemented by a $1.1 billion syndicated credit facility, other bank facilities of $550 million and a $300 million commercial paper program. PanCanadian has US$650 million available under its US$1.5 billion shelf prospectus that was established in the fourth quarter of 2001 for a two-year term. During the third quarter of 2001, the Company renewed a $1 billion Canadian medium-term note shelf for a two-year term. At March 31, 2002, no issuances were outstanding and the total authorized amounts were available for use.

Risk management assets and liabilities recorded on the balance sheet result from the application of mark-to-market accounting for the physical and financial derivative positions in the marketing business, representing primarily current year values. These assets and liabilities are managed strictly in accordance with the Company's prescribed risk limits, and all transactions are executed in accordance with the approved processes and controls set out in the risk management and credit policies. There were no new significant credit provisions taken in 2001 or 2002.

OUTLOOK

The outlook that follows excludes the effect of the merger of PanCanadian and AEC completed early in April 2002.

The Company expects to post a solid performance in 2002. Its growing production should benefit from firming energy prices as the North American economy recovers.

As of March 31, 2002, PanCanadian had the following hedges in place:

- approximately 205 million cubic feet per day of natural gas at an average AECO equivalent of $5.97 per thousand cubic feet from April 1, 2002 to October 31, 2002; and
- 10,000 barrels per day of crude oil sold forward for the period April 2002 to June 2002 at an average WTI price of US$23.57.

EnCana Corporation
(formerly PanCanadian Energy Corporation)

Consolidated Financial Statements
March 31, 2002

EnCana Corporation (formerly PanCanadian Energy

CONSOLIDATED STATEMENT OF INCOME

(unaudited) ($ millions, except per share amounts)		*Three Months Ended March 31* **2002**	*2001*
Revenues	*(note 2)*	**$ 1,062**	$ 1,641
Expenses	*(note 2)*		
Direct		**577**	706
Administrative		**26**	25
Interest on long-term debt		**32**	20
Depletion, depreciation and amortization		**214**	175
		849	926
Income before Income Taxes		**213**	715
Provision for Income Taxes			
Current		**40**	195
Future		**42**	76
		82	271
Income from continuing operations		**131**	444
Discontinued operations	*(note 3)*	**2**	19
Net Income		**$ 133**	$ 463
Distributions on Preferred Securities, Net of Tax		**-**	(1)
Net Income Attributable to Common Shareholders		**$ 133**	$ 462
Net Income Attributable per Common Share			
Basic			
Income from continuing operations		**$ 0.51**	$ 1.74
Net income		**$ 0.52**	$ 1.81
Diluted			
Income from continuing operations		**$ 0.51**	$ 1.70
Net income		**$ 0.51**	$ 1.77
Weighted Average Number of Shares Outstanding *(millions)*		**255.3**	255.3

CONSOLIDATED STATEMENT OF RETAINED INCOME

(unaudited) ($ millions)		*Three Months Ended March 31* **2002**	*2001*
Retained income at beginning of period			
As previously reported		**$ 3,689**	$ 3,721
Prior period adjustment	*(note 1)*	**(59)**	(42)
As restated		**3,630**	3,679
Net income		**133**	463
Dividends		**(25)**	(26)
Distributions on preferred securities, net of tax		**-**	(1)
Retained income at end of period		**$ 3,738**	$ 4,115

See selected notes to consolidated financial statements.

EnCana Corporation (formerly PanCanadian Energy Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) ($ millions)	*Three Months Ended March 31* ***2002***	*2001*
Operating Activities		
Income from continuing operations	**$ 131**	$ 444
Depletion, depreciation and amortization	**214**	175
Future income taxes	**42**	76
Other	**-**	17
Cash flow from continuing operations	**387**	712
Cash flow from discontinued operations	**2**	26
Cash flow	**389**	738
Net change in non-cash working capital from continuing operations	**(268)**	142
Net change in non-cash working capital from discontinued operations	**53**	113
	174	993
Financing Activities		
Repayment of short-term financing	**-**	(250)
Issuance of long-term debt	**-**	94
Repayment of long-term debt	**(80)**	(155)
Issuance of common shares	**18**	24
Dividends on common shares	**(25)**	(26)
Distribution on preferred securities	**-**	(2)
Net change in non-cash working capital	**(2)**	(2)
	(89)	(317)
Investing Activities		
Petroleum and natural gas properties	**(356)**	(249)
Plant, production and other equipment	**(122)**	(102)
Upstream	**(478)**	(351)
Midstream	**(4)**	(26)
	(482)	(377)
Net (acquisitions) dispositions	**3**	152
Net change in other assets	**(17)**	(7)
Net change in non-cash working capital	**(31)**	(75)
Discontinued operations	**-**	3
	(527)	(304)
Foreign Exchange Gain (Loss) on Cash held in Foreign Currency	**(2)**	22
Increase (Decrease) in Cash	**(444)**	394
Cash at Beginning of Period	**963**	197
Cash at End of Period	**$ 519**	$ 591
Supplementary Disclosure of Cash Flow Information		
Interest paid	**$ 11**	$ 19
Income taxes paid	**$ 191**	$ 14

See selected notes to consolidated financial statements.

EnCana Corporation (formerly PanCanadian Energy Corporation)

CONSOLIDATED BALANCE SHEET

($ millions)		***As at March 31 2002***	*As at December 31 2001*
		(unaudited)	(audited)
Assets			
Current assets			
Cash		**$ 519**	$ 963
Accounts receivable		**443**	518
Risk management assets		**97**	105
Inventories		**81**	87
		1,140	1,673
Property, plant and equipment, at cost		**15,208**	14,738
Less accumulated depletion, depreciation and amortization		**(6,760)**	(6,576)
		8,448	8,162
Deferred charges and other assets	*(note 1)*	**242**	237
Net assets of discontinued operations	*(note 3)*	**90**	142
		$ 9,920	$ 10,214
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 473**	$ 684
Income taxes payable		**509**	656
Risk management liabilities		**91**	100
Current portion of deferred credits and liabilities		**33**	40
Current portion of long-term debt		**193**	160
		1,299	1,640
Long-term debt		**2,095**	2,210
Deferred credits and liabilities	*(note 1)*	**320**	325
Future income taxes		**2,101**	2,060
Shareholders' equity			
Preferred securities		**126**	126
Common shares	*(note 4)*	**214**	196
Paid in surplus		**27**	27
Retained income	*(note 1)*	**3,738**	3,630
		4,105	3,979
		$ 9,920	$ 10,214

See selected notes to consolidated financial statements.

EnCana Corporation (formerly PanCanadian Energy Corporation)

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2002 (unaudited)

The interim consolidated financial statements include the accounts of EnCana Corporation (formerly PanCanadian Energy Corporation) and its subsidiaries (the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2001, except as described below. The disclosures provided below are incremental to those included with the annual audited consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2001.

Note 1. Changes in Accounting Policies

Foreign Currency Translation

Effective January 1, 2002, the Company retroactively adopted amendments to the Canadian accounting standard for foreign currency translation. As a result of the amendments, all exchange gains and losses on long-term monetary items, that do not qualify for hedge accounting, are recorded in earnings as they arise. Previously, these exchange gains or losses were deferred and amortized over the remaining life of the monetary item. Prior periods have been restated for the change in accounting policy. The change results in an increase to net income of $8 million for 2002 (2001 – decrease of $31 million). The effect of this change on the December 31, 2001 consolidated balance sheet is an increase in long-term debt and a reduction in deferred credits of $92 million, as well as a reduction in deferred charges and retained income of $59 million.

EnCana Corporation (formerly PanCanadian Energy Corporation)

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2002 (unaudited)

Note 2. Segmented Information

Statement of Income *($ millions)*		***Three Months Ended March 31*** ***2002***	*2001*
Upstream			
Revenues			
Gas		**$ 335**	$ 811
Oil - Light/medium		**193**	222
Oil - Heavy		**42**	27
Field liquids		**25**	43
Processing and other income		**5**	4
Royalties and similar payments		**(68)**	(94)
		532	1,013
Expenses			
Direct			
Gas and related products		**47**	37
Oil - Light/medium		**39**	45
Oil - Heavy		**16**	19
Gas processing - royalty interest		**2**	2
		104	103
Administrative		**22**	20
Depletion, depreciation and amortization		**206**	170
		332	293
Upstream income		**200**	720
Marketing and Midstream			
Revenues			
Marketing		**976**	1,644
Midstream		**85**	115
		1,061	1,759
Expenses			
Direct			
Marketing		**953**	1,616
Midstream		**61**	102
		1,014	1,718
Administrative		**9**	5
Depreciation and amortization		**8**	5
		1,031	1,728
Marketing and Midstream income		**30**	31
Income before corporate activities		**230**	751
Foreign exchange gain (loss)		**10**	(24)
Interest and other revenues		**-**	8
Interest expense on long term debt		**(32)**	(20)
Corporate administrative expenses *		**5**	-
Income before income taxes		**213**	715
Provision for income taxes		**82**	271
Income from continuing operations		**131**	444
Discontinued operations	*(note 3)*	**2**	19
Consolidated net income		**$ 133**	$ 463

* 2002 corporate administrative expenses include a $5 million recovery for costs associated with the reorganization of CPL.

EnCana Corporation (formerly PanCanadian Energy Corporation)
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Three months ended March 31, 2002 (unaudited)

Note 2. Segmented Information (continued)

Reconciliation of Segment Results to the Consolidated Income Statement

For the three months ended March 31, 2002 ($ millions)	*Upstream*	*Marketing & Midstream*	*Corporate*	*Inter-segment Eliminations**	*Consolidated Total*
Revenues	**$ 532**	**$ 1,061**	**$ 10**	**$ (541)**	**$ 1,062**
Expenses					
Direct	**104**	**1,014**	**-**	**(541)**	**577**
Administrative	**22**	**9**	**(5)**	**-**	**26**
Interest on long-term debt	**-**	**-**	**32**	**-**	**32**
Depletion, depreciation and amortization	**206**	**8**	**-**	**-**	**214**
Income before income taxes	**$ 200**	**$ 30**	**$ (17)**	**$ -**	**$ 213**
For the three months ended March 31, 2001 ($ millions)					
Revenues	$ 1,013	$ 1,759	$ (16)	$ (1,115)	$ 1,641
Expenses					
Direct	103	1,718	-	(1,115)	706
Administrative	20	5	-	-	25
Interest on long-term debt	-	-	20	-	20
Depletion, depreciation and amortization	170	5	-	-	175
Income before income taxes	$ 720	$ 31	$ (36)	$ -	$ 715

***** Inter-segment eliminations represent the sales of natural gas, crude oil and NGL from the Upstream segment to the Marketing and Midstream segment.

Net additions to capital assets *($ millions)*	*Three Months Ended March 31* ***2002***	*2001*
Upstream	**$ 476**	$ 114
Marketing and Midstream	**4**	21
	$ 480	$ 135

EnCana Corporation (formerly PanCanadian Energy Corporation)
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Note 2. Segmented Information (continued)

Selected Balance Sheet Disclosure

As at March 31, 2002 ($ millions)	*Upstream*	*Marketing & Midstream*	*Corporate & Eliminations*	*Discontinued Operations*	*Consolidated Total*
Cash*	**$ -**	**$ -**	**$ 519**	**$ -**	**$ 519**
Non-cash current assets	**525**	**449**	**(353)**	**519**	**1,140**
Property, plant and equipment, net	**7,975**	**473**	**-**	**9**	**8,457**
Other assets and deferred charges	**182**	**8**	**52**	**17**	**259**
Total identifiable assets	**$ 8,682**	**$ 930**	**$ 218**	**$ 545**	**$ 10,375**
Current liabilities*	**$ (381)**	**$ (329)**	**$ (396)**	**$ (454)**	**$ (1,560)**

As at December 31, 2001 ($ millions)	*Upstream*	*Marketing & Midstream*	*Corporate & Eliminations*	*Discontinued Operations*	*Consolidated Total*
Cash*	$ -	$ -	$ 963	$ -	$ 963
Non-cash current assets	447	588	(325)	702	1,412
Property, plant and equipment, net	7,687	475	-	9	8,171
Other assets and deferred charges	187	6	44	17	254
Total identifiable assets	$ 8,321	$ 1,069	$ 682	$ 728	$ 10,800
Current liabilities*	$ (489)	$ (456)	$ (535)	$ (584)	$ (2,064)

As at March 31, 2001 ($ millions)	*Upstream*	*Marketing & Midstream*	*Corporate & Eliminations*	*Discontinued Operations*	*Consolidated Total*
Cash*	$ -	$ -	$ 591	$ -	$ 591
Non-cash current assets	808	704	(715)	742	1,539
Property, plant and equipment, net	6,717	356	-	5	7,078
Other assets and deferred charges	194	13	41	27	275
Total identifiable assets	$ 7,719	$ 1,073	$ (83)	$ 774	$ 9,483
Current liabilities*	$ (357)	$ (669)	$ 64	$ (785)	$ (1,747)

* Current liabilities excludes short-term financing and current portion of long-term debt. Cash and income taxes payable have been included in the Corporate and Elimination balances.

Note 3. Discontinued Operations

On April 24, 2002, the Company adopted formal plans to dispose of the Houston-based merchant energy operation, which is included in the Marketing and Midstream segment. Accordingly, these operations have been accounted for as discontinued operations.

The following tables present the effect of the discontinued operations on the Consolidated Financial Statements as at March 31.

Consolidated Statement of Income *($ millions)*		***2002***		*2001*
Revenues	**$**	**746**	$	1,522
Expenses				
Direct		**733**		1,483
Administrative		**10**		7
Depletion, depreciation and amortization		**-**		1
		743		1,491
Income before income taxes		**3**		31
Income taxes		**1**		12
Net income from discontinued operations	$	**2**	$	19

Consolidated Balance Sheet *($ millions)*		***2002***		*2001*
Accounts receivable	**$**	**359**	$	507
Risk management assets		**138**		227
Inventories		**22**		8
		519		742
Property, plant and equipment, at cost		**13**		8
Less accumulated depletion, depreciation and amortization		**(4)**		(3)
		9		5
Deferred charges and other assets		**17**		27
		545		774
Accounts payable and accrued liabilities		**339**		568
Risk management liabilities		**115**		217
		454		785
Deferred credits and liabilities		**1**		2
		455		787
Net assets of discontinued operations	**$**	**90**	$	(13)

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Note 3. Discontinued Operations (continued)

For comparative purposes, the following tables present the effect of the Discontinued Operations on the Consolidated Financial Statements for the years ended December 31.

Consolidated Statement of Income *($ millions)*	*2001*	*2000*	*1999*
Revenues	$ 4,085 *	$ 3,025	$ 1,612
Expenses			
Direct	3,983 *	2,961	1,623
Administrative	43	26	20
Depletion, depreciation and amortization	4	3	3
	4,030	2,990	1,646
Income before income taxes	55	35	(34)
Income taxes	22	13	(14)
Net income from discontinued operations	$ 33	$ 22	$ (20)

* Upon review of additional information related to 2001 sales and purchases of natural gas by the US marketing subsidiary, the Company has determined certain revenue and expenses should have been reflected in the financial statements on a net basis rathe than included on a gross basis as Revenue and Expenses-Direct. The amendment had no effect on net income or cash flow but Revenues and Expenses-Direct have been reduced by $1,126 million.

Consolidated Balance Sheet *($ millions)*	*2001*	*2000*
Accounts receivable	$ 323	$ 699
Risk management assets	309	-
Inventories	70	2
	702	701
Property, plant and equipment, at cost	13	5
Less accumulated depletion, depreciation and amortization	(4)	(2)
	9	3
Deferred charges and other assets	17	32
	728	736
Accounts payable and accrued liabilities	306	631
Risk management liabilities	278	-
	584	631
Deferred credits and liabilities	2	3
	586	634
Net assets of discontinued operations	$ 142	$ 102

Consolidated Statement of Cash flows *($ millions)*	*2001*	*2000*	*1999*
Operating Activities			
Cash flow	47	26	(21)
Net change in non-cash working capital	(48)	(2)	(44)
Cash from operating activities - discontinued operations	(1)	24	(65)

Note 4. Common Shares

The Company's authorized share capital consists of an unlimited number of common shares.

Issued and Outstanding	*Number of Shares*		*($ millions)*
Balance at January 1, 2002	254,939,851	$	196
Issued under stock option plan	750,036		18
Balance at March 31, 2002	255,689,887	$	214

The Company has a stock-based compensation plan (PanCanadian plan) that allows certain key employees to purchase common shares of the Company. Option exercise prices approximate the market price for the common shares on the date the options are issued. Options granted under the plan are generally fully exercisable after three years and expire five years after the grant date. Options granted under previous plans expire 10 years from the date the options were granted. As a result of the transaction as described in Note 5, all options outstanding under the PanCanadian plan became exercisable after the close of business on April 5, 2002.

As part of the Canadian Pacific Limited (CPL) reorganization in 2001, CPL stock options were replaced with stock options granted by the Company (CPL replacement plan) in a manner that was consistent with the provisions of the CPL stock option plan. Under CPL's stock option plan, options were granted to certain key employees to purchase common shares of CPL at a price not less than the market value of the shares at the grant date. The options expire 10 years after the grant date and, as a result of the reorganization are all fully vested and exercisable.

Continuity of stock options	*Number of Options*		*Weighted Average Exercise Price*
Outstanding at January 1, 2002	10,511,178	$	32.31
Granted under PanCanadian plan	31,000		43.69
Exercised	(750,036)		24.26
Cancelled	(71,650)		29.81
Outstanding at March 31, 2002	9,720,492	$	33.00
Exercisable at March 31, 2002	2,692,150	$	22.39

The Company accounts for its stock-based compensation plans using the intrinsic-value method. Under the intrinsic-value method, compensation costs are not recognized in the financial statements for share options granted to employees and directors when issued at market value.

Effective January 1, 2002, Canadian accounting standards require disclosure of the impact on net income of using the fair value method for stock options issued on or after January 1, 2002. If the fair-value method had been used, the effect on the Company's 2002 net income and net income per share would have been immaterial based on the number of stock options granted in this period.

Note 5. Financial Instruments

Unrecognized gains (losses) on risk management activities:

($ millions)	***March 31, 2002***
Natural gas	**$ 50**
Crude oil	**(4)**
Foreign currency	**(167)**
Interest rates	**47**
Preferred securities	**4**
	$ (70)

Information with respect to crude oil, currency, and interest rate hedge contracts at December 31, 2001, is disclosed in Note 17 to the annual audited consolidated financial statements. No new material hedging contracts have been entered into subsequent to this disclosure.

Note 6. Subsequent Event

On January 27, 2002, PanCanadian and Alberta Energy Company Ltd. ("AEC") announced plans to combine their companies. The transaction was accomplished through a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta). The Arrangement included a common share exchange, pursuant to which holders of common shares of AEC received 1.472 common shares of PanCanadian for each common share of AEC that they held. After obtaining approvals of the common shareholders of PanCanadian and of the common shareholders and optionholders of AEC, the Court of Queen's Bench of Alberta and appropriate regulatory and other authorities, the transaction closed April 5, 2002, and PanCanadian changed its name to EnCana Corporation ("EnCana"). On completion of the transaction, former PanCanadian shareholders own approximately 54% and former AEC shareholders own approximately 46% of EnCana.

Note 7. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2002.

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Note 8. Consolidated Financial Ratios

The following ratios, based on the consolidated financial statements, are provided in connection with the Company's continuous offering of medium term notes and debt securities and are for the twelve-month period then ended.

		March 31
	2002	*2001*
Interest coverage on long-term debt:		
Net income excluding carrying charges of preferred securities	**16.3**	25.6
Net income including carrying charges of preferred securities	**15.5**	23.2
Cash flow excluding carrying charges of preferred securities	**26.1**	35.0
Cash flow including carrying charges of preferred securities	**24.7**	31.7