FINAL

Interim Consolidated Financial Statements

(unaudited)

For the period ended June 30, 2006

EnCana Corporation

U.S. DOLLARS

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*

($ millions, except per share amounts)		Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
REVENUES, NET OF ROYALTIES	*(Note 3)*				
Upstream		**$ 2,749**	$ 2,227	**$ 5,440**	$ 4,333
Market Optimization		**825**	844	**1,541**	1,738
Corporate - Unrealized gain (loss) on risk management		**230**	315	**1,493**	(647)
		3,804	3,386	**8,474**	5,424
EXPENSES	*(Note 3)*				
Production and mineral taxes		**51**	97	**190**	184
Transportation and selling		**152**	130	**304**	263
Operating		**395**	315	**807**	615
Purchased product		**794**	821	**1,483**	1,700
Depreciation, depletion and amortization		**790**	669	**1,555**	1,348
Administrative		**75**	66	**133**	127
Interest, net	*(Note 6)*	**83**	101	**171**	201
Accretion of asset retirement obligation	*(Note 10)*	**12**	9	**24**	18
Foreign exchange (gain) loss, net	*(Note 7)*	**(202)**	119	**(158)**	151
Stock-based compensation - options		**-**	4	**-**	8
(Gain) on dispositions		**(8)**	-	**(17)**	-
		2,142	2,331	**4,492**	4,615
NET EARNINGS BEFORE INCOME TAX		**1,662**	1,055	**3,982**	809
Income tax expense	*(Note 8)*	**69**	281	**917**	197
NET EARNINGS FROM CONTINUING OPERATIONS		**1,593**	774	**3,065**	612
NET EARNINGS FROM DISCONTINUED OPERATIONS	*(Note 4)*	**564**	65	**566**	182
NET EARNINGS		**$ 2,157**	$ 839	**$ 3,631**	$ 794
NET EARNINGS FROM CONTINUING OPERATIONS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 1.92**	$ 0.89	**$ 3.65**	$ 0.69
Diluted		**$ 1.88**	$ 0.87	**$ 3.58**	$ 0.68
NET EARNINGS PER COMMON SHARE	*(Note 13)*				
Basic		**$ 2.60**	$ 0.96	**$ 4.33**	$ 0.90
Diluted		**$ 2.55**	$ 0.94	**$ 4.24**	$ 0.88

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*

($ millions)		Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
RETAINED EARNINGS, BEGINNING OF YEAR		**$ 9,481**	$ 7,935
Net Earnings		**3,631**	794
Dividends on Common Shares		**(146)**	(110)
Charges for Normal Course Issuer Bid	*(Note 11)*	**(1,700)**	(1,124)
Charges for Shares Repurchased and Held		**-**	(147)
RETAINED EARNINGS, END OF PERIOD		**$ 11,266**	$ 7,348

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET *(unaudited)*

($ millions)		**As at June 30, 2006**	As at December 31, 2005
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 253**	$ 105
Accounts receivable and accrued revenues		**1,518**	1,851
Risk management	*(Note 14)*	**965**	495
Inventories		**109**	103
Assets of discontinued operations	*(Note 4)*	**195**	1,050
		3,040	3,604
Property, Plant and Equipment, net	*(Note 3)*	**27,855**	24,881
Investments and Other Assets		**546**	496
Risk Management	*(Note 14)*	**313**	530
Assets of Discontinued Operations	*(Note 4)*	**-**	2,113
Goodwill		**2,618**	2,524
	(Note 3)	**$ 34,372**	$ 34,148
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,292**	$ 2,741
Income tax payable		**875**	392
Risk management	*(Note 14)*	**170**	1,227
Liabilities of discontinued operations	*(Note 4)*	**363**	438
Current portion of long-term debt	*(Note 9)*	**73**	73
		3,773	4,871
Long-Term Debt	*(Note 9)*	**5,759**	6,703
Other Liabilities		**87**	93
Risk Management	*(Note 14)*	**18**	102
Asset Retirement Obligation	*(Note 10)*	**906**	816
Liabilities of Discontinued Operations	*(Note 4)*	**-**	267
Future Income Taxes		**5,764**	5,289
		16,307	18,141
Shareholders' Equity			
Share capital	*(Note 11)*	**4,859**	5,131
Paid in surplus		**140**	133
Retained earnings		**11,266**	9,481
Foreign currency translation adjustment		**1,800**	1,262
		18,065	16,007
		$ 34,372	$ 34,148

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*

($ millions)		Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
OPERATING ACTIVITIES					
Net earnings from continuing operations		**$ 1,593**	$ 774	**$ 3,065**	$ 612
Depreciation, depletion and amortization		**790**	669	**1,555**	1,348
Future income taxes	*(Note 8)*	**(228)**	(379)	**289**	(674)
Cash tax on sale of assets		**-**	591	**-**	591
Unrealized (gain) loss on risk management	*(Note 14)*	**(230)**	(314)	**(1,491)**	645
Unrealized foreign exchange (gain) loss		**(143)**	105	**(83)**	123
Accretion of asset retirement obligation	*(Note 10)*	**12**	9	**24**	18
(Gain) on dispositions		**(8)**	-	**(17)**	-
Other		**53**	47	**76**	86
Cash flow from continuing operations		**1,839**	1,502	**3,418**	2,749
Cash flow from discontinued operations		**(24)**	70	**88**	236
Cash flow		**1,815**	1,572	**3,506**	2,985
Net change in other assets and liabilities		**38**	(16)	**27**	(14)
Net change in non-cash working capital from continuing operations		**1,508**	(687)	**3,552**	(73)
Net change in non-cash working capital from discontinued operations		**(1,036)**	12	**(2,463)**	(99)
		2,325	881	**4,622**	2,799
INVESTING ACTIVITIES					
Capital expenditures	*(Note 3)*	**(1,903)**	(1,437)	**(3,864)**	(2,946)
Proceeds on disposal of assets	*(Note 5)*	**2**	2,406	**257**	2,459
Cash tax on sale of assets		**-**	(591)	**-**	(591)
Net change in investments and other		**(59)**	(27)	**18**	(8)
Net change in non-cash working capital from continuing operations		**(270)**	290	**(151)**	451
Discontinued operations		**1,064**	(62)	**2,377**	(135)
		(1,166)	579	**(1,363)**	(770)
FINANCING ACTIVITIES					
Net (repayment) of revolving long-term debt		**(101)**	(682)	**(982)**	(715)
Repayment of long-term debt		**-**	-	**-**	(1)
Issuance of common shares	*(Note 11)*	**49**	83	**101**	184
Purchase of common shares	*(Note 11)*	**(1,095)**	(902)	**(2,073)**	(1,662)
Dividends on common shares		**(82)**	(66)	**(146)**	(110)
Other		**(1)**	(1)	**(11)**	(3)
		(1,230)	(1,568)	**(3,111)**	(2,307)
DEDUCT: FOREIGN EXCHANGE (GAIN) ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		**-**	(1)	**-**	(2)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(71)**	(107)	**148**	(276)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**324**	424	**105**	593
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 253**	$ 317	**$ 253**	$ 317

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

1. BASIS OF PRESENTATION

The interim Consolidated Financial Statements include the accounts of EnCana Corporation and its subsidiaries ("EnCana" or the "Company"), and are presented in accordance with Canadian generally accepted accounting principles. The Company is in the business of exploration for, and production and marketing of, natural gas, crude oil and natural gas liquids, as well as natural gas storage, natural gas liquids processing and power generation operations.

The interim 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, 2005, except as noted 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, 2005.

2. CHANGE IN ACCOUNTING POLICIES AND PRACTICES

On January 1, 2006, the Company adopted Emerging Issues Task Force ("EITF") Abstract No. 04-13 - Accounting for Purchases and Sales of Inventory with the Same Counterparty. As of January 1, 2006, purchases and sales of inventory with the same counterparty that are entered into in contemplation of each other are recorded on a net basis in the Consolidated Statement of Earnings. This change has been adopted prospectively and has no effect on the net earnings of the reported periods.

3. SEGMENTED INFORMATION

The Company has defined its continuing operations into the following segments:

- **Upstream** includes the Company’s exploration for, and development and production of, natural gas, crude oil and natural gas liquids and other related activities. The majority of the Company's Upstream operations are located in Canada and the United States. Frontier and international new venture exploration is mainly focused on opportunities in Chad, Brazil, the Middle East, Greenland and France.

- **Market Optimization** is conducted by the Midstream & Marketing division. The Marketing groups' primary responsibility is the sale of the Company's proprietary production. The results are included in the Upstream segment. Correspondingly, the Marketing groups also undertake market optimization activities which comprise third party purchases and sales of product that provide operational flexibility for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment.

- **Corporate** includes unrealized gains or losses recorded on derivative instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization purchases substantially all of the Company's North American Upstream production for sale to third party customers. Transactions between business segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

Operations that have been discontinued are disclosed in Note 4.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

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

	Upstream		Market Optimization	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 2,749**	$ 2,227	**$ 825**	$ 844
Expenses				
Production and mineral taxes	**51**	97	**-**	-
Transportation and selling	**142**	126	**10**	4
Operating	**383**	296	**13**	18
Purchased product	**-**	-	**794**	821
Depreciation, depletion and amortization	**768**	648	**2**	3
Segment Income (Loss)	**$ 1,405**	$ 1,060	**$ 6**	$ (2)

	Corporate *		Consolidated	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 230**	$ 315	**$ 3,804**	$ 3,386
Expenses				
Production and mineral taxes	**-**	-	**51**	97
Transportation and selling	**-**	-	**152**	130
Operating	**(1)**	1	**395**	315
Purchased product	**-**	-	**794**	821
Depreciation, depletion and amortization	**20**	18	**790**	669
Segment Income	**$ 211**	$ 296	**1,622**	1,354
Administrative			**75**	66
Interest, net			**83**	101
Accretion of asset retirement obligation			**12**	9
Foreign exchange loss (gain), net			**(202)**	119
Stock-based compensation - options			**-**	4
(Gain) on divestitures			**(8)**	-
			(40)	299
Net Earnings Before Income Tax			**1,662**	1,055
Income tax expense			**69**	281
Net Earnings From Continuing Operations			**$ 1,593**	$ 774

* For the three months ended June 30, the pre-tax unrealized gain (loss) on risk management is recorded in the Consolidated Statement of Earnings as follows (see Note 14):

	2006	2005
Revenues, Net of Royalties - Corporate	**$ 230**	$ 315
Operating Expenses and Other - Corporate	**-**	(1)
Total Unrealized Gain on Risk Management before-tax - Continuing Operations	**$ 230**	$ 314

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

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

Upstream	Canada		United States	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 1,911**	$ 1,514	**$ 766**	$ 655
Expenses				
Production and mineral taxes	**24**	29	**27**	68
Transportation and selling	**90**	85	**52**	41
Operating	**245**	200	**75**	48
Depreciation, depletion and amortization	**539**	469	**216**	171
Segment Income	**$ 1,013**	$ 731	**$ 396**	$ 327

	Other		Total Upstream	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 72**	$ 58	**$ 2,749**	$ 2,227
Expenses				
Production and mineral taxes	**-**	-	**51**	97
Transportation and selling	**-**	-	**142**	126
Operating	**63**	48	**383**	296
Depreciation, depletion and amortization	**13**	8	**768**	648
Segment Income (Loss)	**$ (4)**	$ 2	**$ 1,405**	$ 1,060

Upstream Geographic and Product Information (Continuing Operations) *(For the three months ended June 30)*

Produced Gas	Produced Gas					
	Canada		United States		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties	**$ 1,296**	$ 1,184	**$ 695**	$ 601	**$ 1,991**	$ 1,785
Expenses						
Production and mineral taxes	**15**	21	**23**	62	**38**	83
Transportation and selling	**71**	71	**52**	41	**123**	112
Operating	**153**	122	**75**	48	**228**	170
Operating Cash Flow	**$ 1,057**	$ 970	**$ 545**	$ 450	**$ 1,602**	$ 1,420

Oil & NGLs	Oil & NGLs					
	Canada		United States		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties	**$ 615**	$ 330	**$ 71**	$ 54	**$ 686**	$ 384
Expenses						
Production and mineral taxes	**9**	8	**4**	6	**13**	14
Transportation and selling	**19**	14	**-**	-	**19**	14
Operating	**92**	78	**-**	-	**92**	78
Operating Cash Flow	**$ 495**	$ 230	**$ 67**	$ 48	**$ 562**	$ 278

Other & Total Upstream	Other		Total Upstream	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 72**	$ 58	**$ 2,749**	$ 2,227
Expenses				
Production and mineral taxes	**-**	-	**51**	97
Transportation and selling	**-**	-	**142**	126
Operating	**63**	48	**383**	296
Operating Cash Flow	**$ 9**	$ 10	**$ 2,173**	$ 1,708

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

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

	Upstream		Market Optimization	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 5,440**	$ 4,333	**$ 1,541**	$ 1,738
Expenses				
Production and mineral taxes	**190**	184	**-**	-
Transportation and selling	**291**	257	**13**	6
Operating	**776**	588	**31**	29
Purchased product	**-**	-	**1,483**	1,700
Depreciation, depletion and amortization	**1,512**	1,308	**5**	5
Segment Income (Loss)	**$ 2,671**	$ 1,996	**$ 9**	$ (2)

	Corporate *		Consolidated	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 1,493**	$ (647)	**$ 8,474**	$ 5,424
Expenses				
Production and mineral taxes	**-**	-	**190**	184
Transportation and selling	**-**	-	**304**	263
Operating	**-**	(2)	**807**	615
Purchased product	**-**	-	**1,483**	1,700
Depreciation, depletion and amortization	**38**	35	**1,555**	1,348
Segment Income (Loss)	**$ 1,455**	$ (680)	**4,135**	1,314
Administrative			**133**	127
Interest, net			**171**	201
Accretion of asset retirement obligation			**24**	18
Foreign exchange (gain) loss, net			**(158)**	151
Stock-based compensation - options			**-**	8
(Gain) on dispositions			**(17)**	-
			153	505
Net Earnings Before Income Tax			**3,982**	809
Income tax expense			**917**	197
Net Earnings From Continuing Operations			**$ 3,065**	$ 612

* For the six months ended June 30, the pre-tax unrealized gain (loss) on risk management is recorded in the Consolidated Statement of Earnings as follows (see Note 14):

	2006	2005
Revenues, Net of Royalties - Corporate	**$ 1,493**	$ (647)
Operating Expenses and Other - Corporate	**(2)**	2
Total Unrealized Gain (Loss) on Risk Management before-tax - Continuing Operations	**$ 1,491**	$ (645)

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

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

Upstream	Canada		United States	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 3,741**	$ 2,940	**$ 1,545**	$ 1,274
Expenses				
Production and mineral taxes	**69**	51	**121**	133
Transportation and selling	**173**	172	**118**	85
Operating	**487**	392	**143**	92
Depreciation, depletion and amortization	**1,065**	931	**426**	359
Segment Income	**$ 1,947**	$ 1,394	**$ 737**	$ 605

Transportation and selling for the United States includes a one time payment in the first quarter of 2006 of $14 million to terminate a long-term physical delivery contract.

	Other		Total Upstream	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 154**	$ 119	**$ 5,440**	$ 4,333
Expenses				
Production and mineral taxes	**-**	-	**190**	184
Transportation and selling	**-**	-	**291**	257
Operating	**146**	104	**776**	588
Depreciation, depletion and amortization	**21**	18	**1,512**	1,308
Segment Income (Loss)	**$ (13)**	$ (3)	**$ 2,671**	$ 1,996

Upstream Geographic and Product Information (Continuing Operations) *(For the six months ended June 30)*

	Produced Gas					
	Canada		United States		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties	**$ 2,737**	$ 2,317	**$ 1,413**	$ 1,165	**$ 4,150**	$ 3,482
Expenses						
Production and mineral taxes	**51**	37	**112**	121	**163**	158
Transportation and selling	**138**	141	**118**	85	**256**	226
Operating	**306**	243	**143**	92	**449**	335
Operating Cash Flow	**$ 2,242**	$ 1,896	**$ 1,040**	$ 867	**$ 3,282**	$ 2,763

Transportation and selling for the United States includes a one time payment in the first quarter of 2006 of $14 million to terminate a long-term physical delivery contract.

	Oil & NGLs					
	Canada		United States		Total	
	2006	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties	**$ 1,004**	$ 623	**$ 132**	$ 109	**$ 1,136**	$ 732
Expenses						
Production and mineral taxes	**18**	14	**9**	12	**27**	26
Transportation and selling	**35**	31	**-**	-	**35**	31
Operating	**181**	149	**-**	-	**181**	149
Operating Cash Flow	**$ 770**	$ 429	**$ 123**	$ 97	**$ 893**	$ 526

	Other		Total Upstream	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 154**	$ 119	**$ 5,440**	$ 4,333
Expenses				
Production and mineral taxes	**-**	-	**190**	184
Transportation and selling	**-**	-	**291**	257
Operating	**146**	104	**776**	588
Operating Cash Flow	**$ 8**	$ 15	**$ 4,183**	$ 3,304

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	**2006**	2005
Upstream Core Capital				
Canada	**$ 953**	$ 830	**$ 2,302**	$ 1,871
United States	**633**	475	**1,170**	878
Other Countries	**21**	16	**39**	29
	1,607	1,321	**3,511**	2,778
Upstream Acquisition Capital				
Canada	**21**	20	**29**	23
United States	**250**	6	**257**	15
	271	26	**286**	38
Market Optimization	**9**	81	**38**	115
Corporate	**16**	9	**29**	15
Total	**$ 1,903**	$ 1,437	**$ 3,864**	$ 2,946

Property, Plant and Equipment and Total Assets

		Property, Plant and Equipment As at		Total Assets As at	
		June 30, 2006	December 31, 2005	**June 30, 2006**	December 31, 2005
Upstream		**$ 27,418**	$ 24,247	**$ 31,827**	$ 28,858
Market Optimization		**162**	371	**413**	597
Corporate		**275**	263	**1,937**	1,530
Assets of Discontinued Operations	*(Note 4)*			**195**	3,163
Total		**$ 27,855**	$ 24,881	**$ 34,372**	$ 34,148

4. DISCONTINUED OPERATIONS

Midstream

On December 13, 2005, EnCana completed the sale of its Midstream natural gas liquids processing operations for total proceeds of $625 million (C$720 million). The natural gas liquids processing operations included various interests in a number of processing and related facilities as well as a marketing entity. A gain on sale of approximately $370 million, after-tax, was recorded.

During the fourth quarter of 2005, EnCana decided to divest of its natural gas storage operations. EnCana's natural gas storage operations include the 100 percent interest in the AECO storage facility as well as facilities in the United States. On March 6, 2006, EnCana announced that it had reached an agreement to sell the gas storage operations for $1.5 billion. The sale, to a single purchaser, which is subject to closing conditions and applicable regulatory approvals, is expected to close in two stages. On May 12, 2006, the first stage of the sale was closed for proceeds of $1.3 billion. The second stage will close following receipt of regulatory approvals, expected to be later in 2006.

Ecuador

At December 31, 2004, EnCana decided to divest of its Ecuador operations and such operations have been accounted for as discontinued operations. EnCana's Ecuador operations include the 100 percent working interest in the Tarapoa Block, majority operating interest in Blocks 14, 17 and Shiripuno, the non-operated economic interest in relation to Block 15 and the 36.3 percent indirect equity investment in Oleoducto de Crudos Pesados (OCP) Ltd. ("OCP"), which is the owner of a crude oil pipeline in Ecuador that ships crude oil from the producing areas of Ecuador to an export marine terminal. The Company is a shipper on the OCP Pipeline and pays commercial rates for tariffs. The majority of the Company's crude oil produced in Ecuador is sold to a single marketing company. Payments are secured by letters of credit from a major financial institution which has a high quality investment grade credit rating.

In accordance with Canadian generally accepted accounting principles, depletion, depreciation and amortization expense has not been recorded in the Consolidated Statement of Earnings for discontinued operations.

On February 28, 2006, EnCana completed the sale of its interest in its Ecuador operations for $1.4 billion before indemnifications which are discussed further in this note.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. DISCONTINUED OPERATIONS (continued)

Consolidated Statement of Earnings

The following table presents the effect of the discontinued operations in the Consolidated Statement of Earnings:

	For the three months ended June 30,							
	Ecuador		United Kingdom		Midstream		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties	**$ -**	$ 241	**$ -**	$ -	**$ 28**	$ 195	**$ 28**	$ 436
Expenses								
Production and mineral taxes	**-**	30	**-**	-	**-**	-	**-**	30
Transportation and selling	**-**	16	**-**	-	**-**	1	**-**	17
Operating	**-**	34	**-**	-	**10**	58	**10**	92
Purchased product	**-**	-	**-**	-	**-**	112	**-**	112
Depreciation, depletion and amortization	**-**	-	**-**	-	**-**	6	**-**	6
Administrative	**-**	-	**-**	-	**-**	-	**-**	-
Interest, net	**-**	-	**-**	-	**-**	-	**-**	-
Accretion of asset retirement obligation	**-**	1	**-**	-	**-**	-	**-**	1
Foreign exchange (gain) loss, net	**-**	1	**(1)**	(3)	**9**	-	**8**	(2)
(Gain) loss on discontinuance	**232**	-	**-**	-	**(768)**	-	**(536)**	-
	232	82	**(1)**	(3)	**(749)**	177	**(518)**	256
Net Earnings (Loss) Before Income Tax	**(232)**	159	**1**	3	**777**	18	**546**	180
Income tax expense (recovery)	**-**	108	**2**	1	**(20)**	6	**(18)**	115
Net Earnings (Loss) From Discontinued Operations	**$ (232)**	$ 51	**$ (1)**	$ 2	**$ 797**	$ 12	**$ 564**	$ 65

	For the six months ended June 30,							
	Ecuador		United Kingdom		Midstream		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Revenues, Net of Royalties *	**$ 200**	$ 432	**$ -**	$ -	**$ 463**	$ 818	**$ 663**	$ 1,250
Expenses								
Production and mineral taxes	**23**	52	**-**	-	**-**	-	**23**	52
Transportation and selling	**10**	31	**-**	-	**-**	4	**10**	35
Operating	**25**	62	**-**	-	**29**	130	**54**	192
Purchased product	**-**	-	**-**	-	**354**	596	**354**	596
Depreciation, depletion and amortization	**84**	-	**-**	-	**-**	13	**84**	13
Administrative	**-**	-	**-**	-	**-**	-	**-**	-
Interest, net	**(2)**	-	**-**	-	**-**	-	**(2)**	-
Accretion of asset retirement obligation	**-**	1	**-**	-	**-**	-	**-**	1
Foreign exchange (gain) loss, net	**1**	1	**-**	(3)	**9**	(1)	**10**	(3)
(Gain) loss on discontinuance	**279**	-	**-**	-	**(768)**	-	**(489)**	-
	420	147	**-**	(3)	**(376)**	742	**44**	886
Net Earnings (Loss) Before Income Tax	**(220)**	285	**-**	3	**839**	76	**619**	364
Income tax expense (recovery)	**59**	154	**2**	1	**(8)**	27	**53**	182
Net Earnings (Loss) From Discontinued Operations	**$ (279)**	$ 131	**$ (2)**	$ 2	**$ 847**	$ 49	**$ 566**	$ 182

* Revenues, net of royalties in Ecuador include realized losses of $1 million related to derivative financial instruments. In 2005, revenues, net of royalties included realized losses of $55 million and unrealized mark-to-market gains of $11 million.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. DISCONTINUED OPERATIONS (continued)

Consolidated Balance Sheet

The impact of the discontinued operations in the Consolidated Balance Sheet is as follows:

	As at							
	June 30, 2006				December 31, 2005			
	Ecuador	United Kingdom	Midstream	Total	Ecuador	United Kingdom	Midstream	Total
Assets								
Cash and cash equivalents	**$ -**	**$ 6**	**$ (13)**	**$ (7)**	$ 207	$ 8	$ (7)	$ 208
Accounts receivable and accrued revenues	**-**	**-**	**22**	**22**	137	-	271	408
Risk management	**-**	**-**	**2**	**2**	-	-	21	21
Inventories	**-**	**-**	**19**	**19**	23	-	390	413
	-	**6**	**30**	**36**	367	8	675	1,050
Property, plant and equipment, net	**1**	**-**	**158**	**159**	1,166	-	520	1,686
Investments and other assets	**-**	**-**	**-**	**-**	360	-	-	360
Goodwill	**-**	**-**	**-**	**-**	-	-	67	67
	$ 1	**$ 6**	**$ 188**	**$ 195**	$ 1,893	$ 8	$ 1,262	$ 3,163
Liabilities								
Accounts payable and accrued liabilities	**$ 265**	**$ 27**	**$ 15**	**$ 307**	$ 91	$ 27	$ 49	$ 167
Income tax payable	**-**	**7**	**27**	**34**	184	6	40	230
Risk management	**-**	**-**	**-**	**-**	-	-	41	41
	265	**34**	**42**	**341**	275	33	130	438
Asset retirement obligation	**-**	**-**	**-**	**-**	21	-	-	21
Future income taxes	**-**	**-**	**22**	**22**	162	(2)	86	246
	265	**34**	**64**	**363**	458	31	216	705
Net Assets of Discontinued Operations	**$ (264)**	**$ (28)**	**$ 124**	**$ (168)**	$ 1,435	$ (23)	$ 1,046	$ 2,458

Contingencies

EnCana has agreed to indemnify the purchaser of its Ecuador interests against losses that may arise in certain circumstances which are defined in the share sale agreements. The obligation to indemnify will arise should losses exceed amounts specified in the sale agreements and is limited to maximum amounts which are set forth in the share sale agreements.

During the second quarter, the Government of Ecuador seized the Block 15 assets, in which EnCana previously held a 40 percent economic interest, from the operator which is an event requiring indemnification under terms of EnCana's sale agreement with Andes Petroleum Company. The purchaser requested payment and EnCana has accrued the maximum amount, calculated in accordance with the terms of the agreements, of approximately $265 million. At this point EnCana does not expect that any further significant indemnification payments relating to any other business matters addressed in the share sale agreements will be required to be made to the purchaser.

5. DIVESTITURES

Total proceeds received on sale of assets and investments was $257 million (2005 - $2,459 million) as described below:

Upstream
In 2006, the Company has completed the disposition of mature conventional oil and natural gas assets for proceeds of $13 million (2005 - $408 million).

In May 2005, the Company completed the sale of its Gulf of Mexico assets for approximately $2.1 billion resulting in net proceeds of approximately $1.5 billion after deducting $591 million in tax plus other adjustments. In accordance with full cost accounting for oil and gas activities, proceeds were credited to property, plant and equipment.

Market Optimization
In February 2006, the Company sold its investment in Entrega Gas Pipeline LLC for approximately $244 million.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

6. INTEREST, NET

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Interest Expense - Long-Term Debt	**$ 87**	$ 105	**$ 181**	$ 206
Interest Expense - Other	**5**	3	**10**	7
Interest Income	**(9)**	(7)	**(20)**	(12)
	$ 83	$ 101	**$ 171**	$ 201

7. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Unrealized Foreign Exchange (Gain) Loss on Translation of U.S. Dollar Debt Issued in Canada	**$ (163)**	$ 47	**$ (159)**	$ 65
Other Foreign Exchange (Gain) Loss	**(39)**	72	**1**	86
	$ (202)	$ 119	**$ (158)**	$ 151

8. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Current				
Canada	**$ 281**	$ 110	**$ 589**	$ 282
United States	**13**	559	**36**	591
Other	**3**	(9)	**3**	(2)
Total Current Tax	**297**	660	**628**	871
Future	**(228)**	(379)	**289**	(674)
	$ 69	$ 281	**$ 917**	$ 197

Current income tax in the United States for the six months ended June 30, 2005 relates to income tax on the sale of the Gulf of Mexico assets.

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual income taxes:

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
Net Earnings Before Income Tax	**$ 1,662**	$ 1,055	**$ 3,982**	$ 809
Canadian Statutory Rate	**34.8%**	37.9%	**34.8%**	37.9%
Expected Income Tax	**578**	399	**1,384**	307
Effect on Taxes Resulting from:				
Non-deductible Canadian crown payments	**21**	44	**52**	86
Canadian resource allowance	**1**	(42)	**(19)**	(90)
Canadian resource allowance on unrealized risk management losses	**1**	(5)	**1**	13
Statutory and other rate differences	**(1)**	(67)	**(17)**	(80)
Effect of tax rate changes*	**(457)**	-	**(457)**	-
Non-taxable capital (gains) losses	**(32)**	11	**(33)**	16
Tax basis retained on dispositions	**-**	(68)	**-**	(68)
Large corporations tax	**(1)**	-	**-**	4
Other	**(41)**	9	**6**	9
	$ 69	$ 281	**$ 917**	$ 197
Effective Tax Rate	**4.2%**	26.6%	**23.0%**	24.4%

*During the second quarter, the Canadian federal and Alberta governments substantively enacted income tax rate reductions.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

9. LONG-TERM DEBT

	As at June 30, 2006	As at December 31, 2005
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 443**	$ 1,425
Unsecured notes	**830**	793
	1,273	2,218
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**-**	-
Unsecured notes	**4,494**	4,494
	4,494	4,494
Increase in Value of Debt Acquired *	**65**	64
Current Portion of Long-Term Debt	**(73)**	(73)
	$ 5,759	$ 6,703

* Certain of the notes and debentures of EnCana were acquired in business combinations and were accounted for at their fair value at the dates of acquisition. The difference between the fair value and the principal amount of the debt is being amortized over the remaining life of the outstanding debt acquired, approximately 21 years.

10. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties:

	As at June 30, 2006	As at December 31, 2005
Asset Retirement Obligation, Beginning of Year	**$ 816**	$ 611
Liabilities Incurred	**37**	77
Liabilities Settled	**(26)**	(42)
Liabilities Disposed	**-**	(23)
Change in Estimated Future Cash Flows	**16**	135
Accretion Expense	**24**	37
Other	**39**	21
Asset Retirement Obligation, End of Period	**$ 906**	$ 816

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

11. SHARE CAPITAL

(millions)	June 30, 2006 Number	June 30, 2006 Amount	December 31, 2005 Number	December 31, 2005 Amount
Common Shares Outstanding, Beginning of Year	**854.9**	**$ 5,131**	900.6	$ 5,299
Common Shares Issued under Option Plans	**4.6**	**101**	15.0	294
Common Shares Repurchased	**(43.7)**	**(373)**	(60.7)	(462)
Common Shares Outstanding, End of Period	**815.8**	**$ 4,859**	854.9	$ 5,131

Information related to common shares and stock options has been restated to reflect the effect of the common share split approved in April 2005.

Normal Course Issuer Bid

To June 30, 2006, the Company purchased 43.7 million Common Shares for total consideration of approximately $2,073 million. Of the amount paid, $373 million was charged to Share capital and $1,700 million was charged to Retained earnings.

EnCana has obtained regulatory approval each year under Canadian securities laws to purchase Common Shares under four consecutive Normal Course Issuer Bids ("Bids") which commenced in October 2002 and may continue until October 30, 2006. EnCana is entitled to purchase, for cancellation, up to approximately 85.6 million Common Shares under the renewed Bid which commenced on October 31, 2005 and will terminate no later than October 30, 2006.

Stock Options

The Company has stock-based compensation plans that allow employees and directors to purchase Common Shares of the Company. Option exercise prices approximate the market price for the Common Shares on the date the options were issued. Options granted under the plans are generally fully exercisable after three years and expire five years after the grant date. Options granted under predecessor and/or related company replacement plans expire up to ten years from the date the options were granted.

The following tables summarize the information about options to purchase Common Shares that do not have Tandem Share Appreciation Rights ("TSAR's") attached to them at June 30, 2006. Information related to TSAR's is included in Note 12.

	Stock Options ***(millions)***	**Weighted Average Exercise Price *(C$)***
Outstanding, Beginning of Year	**20.7**	**23.36**
Exercised	**(4.6)**	**23.64**
Forfeited	**(0.3)**	**23.81**
Outstanding, End of Period	**15.8**	**23.27**
Exercisable, End of Period	**15.4**	**23.24**

	Outstanding Options			**Exercisable Options**	
Range of Exercise Price (C$)	Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(C$)*	Number of Options Outstanding *(millions)*	Weighted Average Exercise Price *(C$)*
11.00 to 22.99	1.4	2.0	15.22	1.4	15.05
23.00 to 23.49	0.3	1.6	23.23	0.2	23.25
23.50 to 23.99	5.9	1.8	23.89	5.8	23.89
24.00 to 24.49	7.7	0.9	24.17	7.7	24.17
24.50 to 25.99	0.5	2.2	25.23	0.3	25.23
	15.8	1.4	23.27	15.4	23.24

At June 30, 2006 the balance in Paid in surplus relates to Stock-Based Compensation programs.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at June 30, 2006. Additional information is contained in Note 15 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2005.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	**2006**	2005
Current Service Cost	**$ 4**	$ 2	**$ 7**	$ 4
Interest Cost	**4**	3	**8**	6
Expected Return on Plan Assets	**(4)**	(3)	**(8)**	(6)
Expected Actuarial Loss on Accrued Benefit Obligation	**2**	-	**3**	1
Expected Amortization of Past Service Costs	**-**	-	**1**	1
Amortization of Transitional Obligation	**(1)**	1	**(1)**	-
Expense for Defined Contribution Plan	**6**	5	**11**	10
Net Benefit Plan Expense	**$ 11**	$ 8	**$ 21**	$ 16

For the period ended June 30, 2006, contributions of $6 million have been made to the defined benefit pension plans.

B) Share Appreciation Rights ("SAR's")

The following table summarizes the information about SAR's at June 30, 2006:

	Outstanding SAR's	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**246,739**	**23.13**
Exercised	**(242,739)**	**23.18**
Outstanding, End of Period	**4,000**	**20.25**
Exercisable, End of Period	**4,000**	**20.25**
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	**319,511**	**14.33**
Exercised	**(253,875)**	**14.94**
Outstanding, End of Period	**65,636**	**11.96**
Exercisable, End of Period	**65,636**	**11.96**

For the period ended June 30, 2006, EnCana has not recorded any compensation costs related to the outstanding SAR's (2005 - $10 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. COMPENSATION PLANS (continued)

C) Tandem Share Appreciation Rights ("TSAR's")

The following table summarizes the information about Tandem SAR's at June 30, 2006:

	Outstanding TSAR's	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**8,403,967**	**38.41**
Granted	**10,676,500**	**48.63**
Exercised - SAR's	**(344,212)**	**35.01**
Exercised - Options	**(16,044)**	**32.47**
Forfeited	**(471,892)**	**40.81**
Outstanding, End of Period	**18,248,319**	**44.40**
Exercisable, End of Period	**2,067,199**	**36.33**

For the period ended June 30, 2006, EnCana recorded compensation costs of $58 million related to the outstanding TSAR's (2005 - $31 million).

D) Deferred Share Units ("DSU's")

The following table summarizes the information about DSU's at June 30, 2006:

	Outstanding DSU's	Average Share Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**836,561**	**26.81**
Granted, Directors	**70,000**	**56.71**
Exercised	**(52,562)**	**27.92**
Units, in Lieu of Dividends	**5,748**	**56.85**
Outstanding, End of Period	**859,747**	**29.38**
Exercisable, End of Period	**859,747**	**29.38**

For the period ended June 30, 2006, EnCana recorded compensation costs of $8 million related to the outstanding DSU's (2005 - $13 million).

E) Performance Share Units ("PSU's")

The following table summarizes the information about PSU's at June 30, 2006:

	Outstanding PSU's	Average Share Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**4,704,348**	**30.65**
Granted	**18,540**	**29.66**
Exercised	**(239,794)**	**23.26**
Forfeited	**(200,818)**	**30.45**
Outstanding, End of Period	**4,282,276**	**31.08**
U.S. Dollar Denominated *(US$)*		
Outstanding, Beginning of Year	**739,649**	**25.22**
Granted	**2,367**	**25.53**
Forfeited	**(80,876)**	**22.50**
Outstanding, End of Period	**661,140**	**25.56**

For the period ended June 30, 2006, EnCana recorded a reduction to compensation costs of $1 million related to the outstanding PSU's (2005 - $33 million).

At June 30, 2006, EnCana has approximately 5.5 million Common Shares held in trust for issuance upon vesting of the PSU's.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

13. PER SHARE AMOUNTS

The following table summarizes the Common Shares used in calculating Net Earnings per Common Share:

	Three Months Ended			Six Months Ended	
	March 31,	June 30,		June 30,	
(millions)	2006	**2006**	2005	**2006**	2005
Weighted Average Common Shares Outstanding - Basic	847.9	**829.6**	872.0	**838.7**	881.8
Effect of Dilutive Securities	16.9	**15.5**	19.9	**16.7**	18.9
Weighted Average Common Shares Outstanding - Diluted	864.8	**845.1**	891.9	**855.4**	900.7

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As a means of managing commodity price volatility, EnCana entered into various financial instrument agreements and physical contracts. The following information presents all positions for financial instruments.

Realized and Unrealized (Loss) Gain on Risk Management Activities

The following tables summarize the gains and losses on risk management activities:

	Realized Gain (Loss)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 160**	$ (114)	**$ (46)**	$ (133)
Operating Expenses and Other	**2**	5	**3**	10
Gain (Loss) on Risk Management - Continuing Operations	**162**	(109)	**(43)**	(123)
Gain (Loss) on Risk Management - Discontinued Operations	**3**	(32)	**4**	(56)
	$ 165	$ (141)	**$ (39)**	$ (179)

	Unrealized Gain (Loss)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	**2006**	2005
Revenues, Net of Royalties	**$ 230**	$ 315	**$ 1,493**	$ (647)
Operating Expenses and Other	**-**	(1)	**(2)**	2
Gain (Loss) on Risk Management - Continuing Operations	**230**	314	**1,491**	(645)
Gain (Loss) on Risk Management - Discontinued Operations	**(1)**	31	**22**	1
	$ 229	$ 345	**$ 1,513**	$ (644)

Amounts Recognized on Transition

Upon initial adoption of the current accounting policy for risk management instruments on January 1, 2004, the fair value of all outstanding financial instruments that were not considered accounting hedges was recorded in the Consolidated Balance Sheet with an offsetting net deferred loss amount (the "transition amount"). The transition amount is recognized into net earnings over the life of the related contracts. Changes in fair value after that time are recorded in the Consolidated Balance Sheet with an associated unrealized gain or loss recorded in net earnings.

At June 30, 2006, a net unrealized gain remains to be recognized over the next three years as follows:

	Unrealized Gain
2006	
Three months ended September 30, 2006	$ 7
Three months ended December 31, 2006	6
Total remaining to be recognized in 2006	$ 13
2007	$ 15
2008	1
Total to be recognized	$ 29

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value of Outstanding Risk Management Positions

The following table presents a reconciliation of the change in the unrealized amounts from January 1, 2006 to June 30, 2006:

	Transition Amount	Fair Market Value	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	$ (40)	$ (640)	$ -
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During 2006	-	1,463	1,463
Fair Value of Contracts in Place at Transition Expired During 2006	11	-	11
Fair Value of Contracts Realized During 2006	-	39	39
Fair Value of Contracts Outstanding	$ (29)	$ 862	$ 1,513
Unamortized Premiums Paid on Options		230	
Fair Value of Contracts and Premiums Paid, End of Period		$ 1,092	
Amounts Allocated to Continuing Operations	$ (29)	$ 1,090	$ 1,491
Amounts Allocated to Discontinued Operations	-	2	22
	$ (29)	$ 1,092	$ 1,513

At June 30, 2006, the remaining net deferred amounts recognized on transition and the risk management amounts are recorded in the Consolidated Balance Sheet as follows:

	As at June 30, 2006
Remaining Deferred Amounts Recognized on Transition	
Accounts receivable and accrued revenues	**$ 1**
Accounts payable and accrued liabilities	**22**
Other liabilities	**8**
Net Deferred Gain - Continuing Operations	**$ 29**
Risk Management	
Current asset	**$ 965**
Long-term asset	**313**
Current liability	**170**
Long-term liability	**18**
Net Risk Management Asset - Continuing Operations	**1,090**
Net Risk Management Asset - Discontinued Operations	**2**
	$ 1,092

A summary of all unrealized estimated fair value financial positions is as follows:	**As at June 30, 2006**
Commodity Price Risk	
Natural gas	**$ 1,153**
Crude oil	**(68)**
Credit Derivatives	**(1)**
Interest Rate Risk	**6**
Total Fair Value Positions - Continuing Operations	**1,090**
Total Fair Value Positions - Discontinued Operations	**2**
	$ 1,092

Information with respect to credit derivatives and interest rate risk contracts in place at December 31, 2005 is disclosed in Note 16 to the Company's annual audited Consolidated Financial Statements. No significant new contracts have been entered into as at June 30, 2006.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Natural Gas

At June 30, 2006, the Company's gas risk management activities from financial contracts had an unrealized gain of $985 million and a fair market value position of $1,155 million. The contracts were as follows:

	Notional Volumes *(MMcf/d)*	Term	Average Price		Fair Market Value
Sales Contracts					
Fixed Price Contracts					
NYMEX Fixed Price	515	2006	5.65	US$/Mcf	$ (133)
Colorado Interstate Gas (CIG)	100	2006	4.44	US$/Mcf	(23)
Houston Ship Channel (HSC)	90	2006	5.08	US$/Mcf	(22)
Other	91	2006	5.07	US$/Mcf	(16)
NYMEX Fixed Price	260	2007	7.86	US$/Mcf	(117)
Other	8	2007	8.97	US$/Mcf	-
Options					
Purchased NYMEX Put Options	2,693	2006	7.77	US$/Mcf	530
Purchased NYMEX Put Options	240	2007	6.00	US$/Mcf	3
Basis Contracts					
Fixed NYMEX to AECO Basis	789	2006	(0.69)	US$/Mcf	71
Fixed NYMEX to Rockies Basis	322	2006	(0.60)	US$/Mcf	46
Fixed NYMEX to CIG Basis	297	2006	(0.83)	US$/Mcf	31
Other	170	2006	(0.34)	US$/Mcf	12
Fixed NYMEX to AECO Basis	747	2007	(0.72)	US$/Mcf	166
Fixed NYMEX to Rockies Basis	538	2007	(0.65)	US$/Mcf	205
Fixed NYMEX to CIG Basis	390	2007	(0.76)	US$/Mcf	135
Fixed Rockies to CIG Basis	12	2007	(0.10)	US$/Mcf	-
Fixed NYMEX to AECO Basis	191	2008	(0.78)	US$/Mcf	22
Fixed NYMEX to Rockies Basis	162	2008	(0.59)	US$/Mcf	48
Fixed NYMEX to Rockies Basis (NYMEX Adjusted)	100	2008	17% of NYMEX	US$/Mcf	(1)
Fixed NYMEX to CIG Basis	40	2008-2009	(0.68)	US$/Mcf	20
Purchase Contracts					
Fixed Price Contracts					
Waha Purchase	23	2006	5.32	US$/Mcf	4
					981
Other Financial Positions *					4
Total Unrealized Gain on Financial Contracts					985
Unamortized Premiums Paid on Options					170
Total Fair Value Positions					$ 1,155
Total Fair Value Positions - Continuing Operations					$ 1,153
Total Fair Value Positions - Discontinued Operations					2
Total Fair Value Positions					$ 1,155

* Other financial positions are part of the ongoing operations of the Company's proprietary production management activities.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At June 30, 2006, the Company's oil risk management activities from financial contracts had an unrealized loss of $(128) million and a fair market value position of $(68) million. The contracts were as follows:

	Notional Volumes *(bbls/d)*	Term	Average Price	Fair Market Value
Fixed WTI NYMEX Price	15,000	2006	34.56 US$/bbl	$ (111)
Unwind WTI NYMEX Fixed Price	(1,300)	2006	52.75 US$/bbl	5
Purchased WTI NYMEX Put Options	59,000	2006	50.44 US$/bbl	(16)
Purchased WTI NYMEX Call Options	(13,700)	2006	61.24 US$/bbl	27
Purchased WTI NYMEX Put Options	43,000	2007	44.44 US$/bbl	(29)
				(124)
Other Financial Positions *				(4)
Total Unrealized Loss on Financial Contracts				(128)
Unamortized Premiums Paid on Options				60
Total Fair Value Positions				$ (68)
Total Fair Value Positions - Continuing Operations				$ (68)

* Other financial positions are part of the ongoing operations of the Company's proprietary production management.

15. CONTINGENCIES

Legal Proceedings

The Company is involved in various legal claims associated with the normal course of operations. The Company believes it has made adequate provision for such legal claims.

Discontinued Merchant Energy Operations

California

As disclosed previously, in July 2003, the Company's indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. ("WD"), concluded a settlement with the U.S. Commodity Futures Trading Commission ("CFTC") of a previously disclosed CFTC investigation whereby WD agreed to pay a civil monetary penalty in the amount of $20 million without admitting or denying the findings in the CFTC's order.

EnCana Corporation and WD are defendants in a lawsuit filed by E. & J. Gallo Winery in the United States District Court in California, further described below. The Gallo lawsuit claims damages in excess of $30 million. California law allows for the possibility that the amount of damages assessed could be tripled.

Along with other energy companies, EnCana Corporation and WD are defendants in several other lawsuits relating to sales of natural gas in California from 1999 to 2002 (some of which are class actions and some of which are brought by individual parties on their own behalf). As is customary, these lawsuits do not specify the precise amount of damages claimed. The Gallo and other California lawsuits contain allegations that the defendants engaged in a conspiracy with unnamed competitors in the natural gas and derivatives market in California in violation of U.S. and California anti-trust and unfair competition laws.

In the Gallo action, the decision dealing with the issue of whether the scope of the Federal Energy Regulatory Commission's exclusive jurisdiction over natural gas prices precludes the plaintiffs from maintaining their claims is on appeal to the United States Court of Appeals for the Ninth Circuit. The Gallo lawsuit is stayed pending this appeal.

Without admitting any liability in the lawsuits, WD has agreed to pay $20.5 million to settle the class action lawsuits that were consolidated in San Diego Superior Court subject to final documentation and approval by the San Diego Superior Court. The individual parties who had brought their own actions are not parties to this settlement. WD has also agreed to pay $2.4 million to settle the class action lawsuits filed in the United States District Court in California, without admitting any liability in the lawsuits, subject to final documentation and approval by the United States District Court.

New York

WD was a defendant in a consolidated class action lawsuit filed in the United States District Court in New York. The consolidated New York lawsuit claims that the defendants' alleged manipulation of natural gas price indices affected natural gas futures and option contracts traded on the NYMEX from 2000 to 2002. EnCana Corporation was dismissed from the New York lawsuit, leaving WD and several other companies unrelated to EnCana Corporation as the remaining defendants. Without admitting any liability in the lawsuit, WD agreed to pay $8.2 million to settle the New York class action lawsuit. Final documentation and approval by the New York District Court have been obtained and WD has paid the stated settlement amount.

Based on the aforementioned settlements, a total of $31 million has been accrued. EnCana Corporation and WD intend to vigorously defend against the remaining outstanding claims; however, the Company cannot predict the outcome of these proceedings or any future proceedings against the Company, whether these proceedings would lead to monetary damages which could have a material adverse effect on the Company's financial position, or whether there will be other proceedings arising out of these allegations.