ENCANA
energy for people

EnCana Corporation

Interim Consolidated Financial Statements
(unaudited)

For the period ended December 31, 2009

(U.S. Dollars)

Consolidated Statement of Earnings *(unaudited)*

($ millions, except per share amounts)		Three Months Ended December 31, 2009	2008	Twelve Months Ended December 31, 2009	2008
Revenues, Net of Royalties	*(Note 5)*	**$ 2,712**	$ 4,862	**$ 11,114**	$ 21,053
Expenses	*(Note 5)*				
Production and mineral taxes		**49**	72	**171**	478
Transportation and selling		**311**	422	**1,280**	1,704
Operating		**381**	432	**1,627**	1,983
Purchased product		**340**	506	**1,460**	2,426
Depreciation, depletion and amortization		**895**	946	**3,704**	4,035
Administrative		**145**	67	**477**	447
Interest, net	*(Note 8)*	**153**	113	**405**	402
Accretion of asset retirement obligation	*(Note 13)*	**16**	17	**71**	77
Foreign exchange (gain) loss, net	*(Note 9)*	**95**	253	**(22)**	423
(Gain) loss on divestitures	*(Note 7)*	**1**	-	**2**	(141)
		2,386	2,828	**9,175**	11,834
Net Earnings Before Income Tax		**326**	2,034	**1,939**	9,219
Income tax expense (recovery)	*(Note 10)*	**(263)**	565	**109**	2,720
Net Earnings From Continuing Operations		**589**	1,469	**1,830**	6,499
Net Earnings (Loss) From Discontinued Operations	*(Note 6)*	**47**	(392)	**32**	(555)
Net Earnings		**$ 636**	$ 1,077	**$ 1,862**	$ 5,944
Net Earnings From Continuing Operations per Common Share	*(Note 14)*				
Basic		**$ 0.78**	$ 1.96	**$ 2.44**	$ 8.66
Diluted		**$ 0.78**	$ 1.96	**$ 2.44**	$ 8.64
Net Earnings per Common Share	*(Note 14)*				
Basic		**$ 0.85**	$ 1.44	**$ 2.48**	$ 7.92
Diluted		**$ 0.85**	$ 1.43	**$ 2.48**	$ 7.91

Consolidated Statement of Comprehensive Income *(unaudited)*

($ millions)	Three Months Ended December 31, 2009	2008	Twelve Months Ended December 31, 2009	2008
Net Earnings	**$ 636**	$ 1,077	**$ 1,862**	$ 5,944
Other Comprehensive Income, Net of Tax				
Foreign Currency Translation Adjustment	**388**	(1,448)	**2,018**	(2,230)
Comprehensive Income	**$ 1,024**	$ (371)	**$ 3,880**	$ 3,714

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet *(unaudited)*

($ millions)		As at December 31, 2009	As at December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents		**$ 4,275**	$ 354
Accounts receivable and accrued revenues		**1,180**	1,436
Current portion of partnership contribution receivable	*(Note 4)*	**-**	313
Risk management	*(Note 17)*	**328**	2,818
Inventories	*(Note 11)*	**12**	184
Assets of discontinued operations	*(Note 6)*	**-**	497
		5,795	5,602
Property, Plant and Equipment, net	*(Note 5)*	**26,173**	31,910
Investments and Other Assets		**164**	72
Partnership Contribution Receivable	*(Note 4)*	**-**	2,834
Risk Management	*(Note 17)*	**32**	234
Goodwill		**1,663**	2,426
Assets of Discontinued Operations	*(Note 6)*	**-**	4,169
	(Note 5)	**$ 33,827**	$ 47,247
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,143**	$ 2,448
Income tax payable		**1,776**	500
Risk management	*(Note 17)*	**126**	43
Current portion of long-term debt	*(Note 12)*	**200**	250
Liabilities of discontinued operations	*(Note 6)*	**-**	653
		4,245	3,894
Long-Term Debt	*(Note 12)*	**7,568**	8,755
Other Liabilities		**1,185**	576
Risk Management	*(Note 17)*	**42**	7
Asset Retirement Obligation	*(Note 13)*	**787**	1,230
Future Income Taxes		**3,386**	6,917
Liabilities of Discontinued Operations	*(Note 6)*	**-**	2,894
		17,213	24,273
Shareholders' Equity			
Share capital	*(Note 14)*	**2,360**	4,557
Paid in surplus	*(Note 14)*	**6**	-
Retained earnings		**13,493**	17,584
Accumulated other comprehensive income		**755**	833
Total Shareholders' Equity		**16,614**	22,974
		$ 33,827	$ 47,247

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity *(unaudited)*

($ millions)		Twelve Months Ended December 31, 2009	2008
Share Capital			
Balance, Beginning of Year		**$ 4,557**	$ 4,479
Common Shares Issued under Option Plans	*(Note 14)*	**5**	80
Common Shares Issued from PSU Trust	*(Note 14)*	**19**	-
Stock-Based Compensation	*(Note 14)*	**1**	11
Common Shares Purchased	*(Note 14)*	**-**	(13)
Common Shares Cancelled	*(Note 4)*	**(4,582)**	-
New EnCana Common Shares Issued	*(Note 4)*	**2,360**	-
EnCana Special Shares Issued	*(Note 4)*	**2,222**	-
EnCana Special Shares Cancelled	*(Note 4)*	**(2,222)**	-
Balance, End of Year		**$ 2,360**	$ 4,557
Paid in Surplus			
Balance, Beginning of Year		**$ -**	$ 80
Common Shares Issued from PSU Trust	*(Note 14)*	**6**	-
Stock-Based Compensation		**-**	1
Common Shares Distributed under Incentive Compensation Plans		**-**	(81)
Balance, End of Year		**$ 6**	$ -
Retained Earnings			
Balance, Beginning of Year		**$ 17,584**	$ 13,082
Net Earnings		**1,862**	5,944
Dividends on Common Shares		**(1,051)**	(1,199)
Charges for Normal Course Issuer Bid	*(Note 14)*	**-**	(243)
Net Distribution to Cenovus Energy	*(Note 4)*	**(4,902)**	-
Balance, End of Year		**$ 13,493**	$ 17,584
Accumulated Other Comprehensive Income			
Balance, Beginning of Year		**$ 833**	$ 3,063
Foreign Currency Translation Adjustment		**2,018**	(2,230)
Transferred to Cenovus Energy	*(Note 4)*	**(2,096)**	-
Balance, End of Year		**$ 755**	$ 833
Total Shareholders' Equity		**$ 16,614**	$ 22,974

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows *(unaudited)*

($ millions)		Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Twelve Months Ended December 31, 2009	Twelve Months Ended December 31, 2008
Operating Activities					
Net earnings from continuing operations		**$ 589**	$ 1,469	**$ 1,830**	$ 6,499
Depreciation, depletion and amortization		**895**	946	**3,704**	4,035
Future income taxes	*(Note 10)*	**(1,281)**	409	**(1,799)**	1,723
Cash tax on sale of assets	*(Note 7)*	**-**	-	**-**	25
Unrealized (gain) loss on risk management	*(Note 17)*	**289**	(1,090)	**2,680**	(2,729)
Unrealized foreign exchange (gain) loss		**(82)**	268	**(231)**	417
Accretion of asset retirement obligation	*(Note 13)*	**16**	17	**71**	77
(Gain) loss on divestitures	*(Note 7)*	**1**	-	**2**	(141)
Other		**189**	(127)	**373**	(79)
Cash flow from discontinued operations		**(13)**	(593)	**149**	(441)
Net change in other assets and liabilities		**(13)**	22	**23**	(257)
Net change in non-cash working capital from continuing operations		**528**	29	**(29)**	(1,353)
Net change in non-cash working capital from discontinued operations		**353**	802	**1,100**	1,210
Cash From Operating Activities		**1,471**	2,152	**7,873**	8,986
Investing Activities					
Capital expenditures	*(Note 5)*	**(1,410)**	(1,806)	**(4,864)**	(7,997)
Proceeds from divestitures	*(Note 7)*	**148**	311	**1,178**	904
Cash tax on sale of assets	*(Note 7)*	**-**	-	**-**	(25)
Corporate acquisitions	*(Note 7)*	**-**	-	**(24)**	-
Cash transferred on Split Transaction	*(Note 4)*	**(3,996)**	-	**(3,996)**	-
Proceeds from notes receivable from Cenovus	*(Note 4)*	**3,750**	-	**3,750**	-
Restricted cash		**3,619**	-	**-**	-
Net change in investments and other		**105**	74	**337**	311
Net change in non-cash working capital from continuing operations		**166**	(17)	**(50)**	34
Discontinued operations		**(227)**	(209)	**(1,137)**	(769)
Cash From (Used in) Investing Activities		**2,155**	(1,647)	**(4,806)**	(7,542)
Financing Activities					
Net issuance (repayment) of revolving long-term debt		**(461)**	(304)	**(1,852)**	(53)
Issuance of long-term debt	*(Note 12)*	**-**	-	**496**	723
Issuance of Cenovus Notes	*(Note 4)*	**-**	-	**3,468**	-
Repayment of long-term debt		**-**	-	**(250)**	(664)
Issuance of common shares	*(Note 14)*	**1**	2	**24**	80
Purchase of common shares	*(Note 14)*	**-**	-	**-**	(326)
Dividends on common shares		**(150)**	(300)	**(1,051)**	(1,199)
Cash From (Used in) Financing Activities		**(610)**	(602)	**835**	(1,439)
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**8**	(23)	**19**	(33)
Increase (Decrease) in Cash and Cash Equivalents		**3,024**	(120)	**3,921**	(28)
Cash and Cash Equivalents, Beginning of Period		**1,251**	474	**354**	382
Cash and Cash Equivalents, End of Period		**$ 4,275**	$ 354	**$ 4,275**	$ 354
Cash, End of Period		**218**	13	**218**	13
Cash Equivalents, End of Period		**4,057**	341	**4,057**	341
Cash and Cash Equivalents, End of Period		**$ 4,275**	$ 354	**$ 4,275**	$ 354

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 ("GAAP"). EnCana's operations are in the business of the exploration for, the development of, and the production and marketing of natural gas and crude oil and natural gas liquids ("NGLs").

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, 2008, except as noted below. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements. Certain information and disclosures normally required to be included in the notes to the annual audited Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, 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, 2008.

2. Changes in Accounting Policies and Practices

On January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook section:

- "Goodwill and Intangible Assets", Section 3064. The new standard replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard has had no material impact on EnCana's Consolidated Financial Statements.

3. Recent Accounting Pronouncements

In February 2008, the CICA's Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. EnCana will be required to report its results in accordance with IFRS beginning in 2011. The Company has developed a changeover plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information. The impact of IFRS on the Company's Consolidated Financial Statements is not reasonably determinable at this time.

As of January 1, 2011, EnCana will be required to adopt the following CICA Handbook sections:

- "Business Combinations", Section 1582, which replaces the previous business combinations standard. The standard requires assets and liabilities acquired in a business combination, contingent consideration and certain acquired contingencies to be measured at their fair values as of the date of acquisition. In addition, acquisition-related and restructuring costs are to be recognized separately from the business combination and included in the statement of earnings. The adoption of this standard will impact the accounting treatment of future business combinations.

- "Consolidated Financial Statements", Section 1601, which, together with Section 1602 below, replace the former consolidated financial statements standard. Section 1601 establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard should not have a material impact on EnCana's Consolidated Financial Statements.

- "Non-controlling Interests", Section 1602, which establishes the accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The standard requires a non-controlling interest in a subsidiary to be classified as a separate component of equity. In addition, net earnings and components of other comprehensive income are attributed to both the parent and non-controlling interest. The adoption of this standard should not have a material impact on EnCana's Consolidated Financial Statements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Split Transaction

On November 30, 2009, EnCana completed a corporate reorganization (the “Split Transaction”) involving the division of EnCana into two independent publicly traded energy companies – one, EnCana Corporation, a natural gas company, and the other, an integrated oil company, Cenovus Energy Inc. (“Cenovus”).

The Split Transaction was initially proposed in May 2008. In October 2008, EnCana announced the proposed reorganization would be delayed until the global debt and equity markets regained stability. In September 2009, EnCana’s Board of Directors unanimously approved plans to proceed with the split and in November 2009, shareholders approved to proceed with the Split Transaction.

Under the Split Transaction, EnCana shareholders received one new EnCana Common Share and one EnCana Special Share in exchange for each EnCana Common Share previously held. The book value of EnCana's outstanding Common Shares immediately prior to the Split Transaction was attributed to the new EnCana Common Shares and the EnCana Special Shares in direct proportion to the weighted average trading price of the shares on a "when issued" basis. In accordance with the calculation, the value attributed to the new EnCana Common Shares and the EnCana Special Shares was $2,360 million and $2,222 million, respectively. The EnCana Special Shares were subsequently exchanged by EnCana shareholders for Common Shares of Cenovus, thereby effecting the Split Transaction.

Under the Split Transaction, EnCana's downstream refining operations and certain upstream oil and gas assets were transferred to Cenovus. The historical results associated with the upstream assets transferred are reported as continuing operations in accordance with full cost accounting requirements (See Note 5). The historical results associated with the downstream refining operations have been presented as discontinued operations (See Note 6).

In conjunction with the proposed reorganization, on September 18, 2009, Cenovus completed a private offering of senior unsecured notes for an aggregate principal amount of $3,500 million. The unsecured notes (“Cenovus Notes”) were transferred under the Split Transaction.

The impact of the Split Transaction on EnCana’s Consolidated Balance Sheet is as follows. The net assets were transferred at book value.

Net Assets Transferred Under the Split Transaction	
Assets	
Cash and restricted cash	**$ 3,996**
Property, plant and equipment, net	
Oil and gas	**9,329**
Downstream refining (See Note 6)	**4,710**
Partnership contribution receivable, including current portion	**2,835**
Goodwill	**1,083**
Other current and non-current assets	**2,094**
	24,047
Liabilities	
Notes payable to EnCana	**3,750**
Cenovus notes	**3,436**
Partnership contribution payable, including current portion	**2,857**
Future income taxes	**2,314**
Other current and non-current liabilities	**2,470**
	14,827
Net Assets Transferred Under the Split Transaction	**$ 9,220**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Split Transaction (continued)

The Split Transaction reduced Total Shareholders' Equity by way of a reduction in Share capital of $2,222 million, a reduction in Retained earnings of $4,902 million and a reduction in Accumulated other comprehensive income of $2,096 million.

Following the Split Transaction, EnCana received amounts due from Cenovus and invested the net proceeds of approximately $3.75 billion in short-term marketable securities.

EnCana's continuing operations include all revenues and expenses prior to November 30, 2009 of the oil and gas assets transferred to Cenovus under the Split Transaction (See Note 5).

5. Segmented Information

The Company's operating and reportable segments are as follows:

- **Canada** includes the Company's exploration for, and development and production of natural gas, crude oil and NGLs and other related activities within the Canadian cost centre.

- **USA** includes the Company's exploration for, and development and production of natural gas, NGLs and other related activities within the United States cost centre.

- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are included in the Canada and USA segments. Market optimization activities include 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 and Other** mainly includes unrealized gains or losses recorded on derivative financial instruments. Once amounts are settled, the realized gains and losses are recorded in the operating segment to which the derivative instrument relates.

Market Optimization sells substantially all of the Company's upstream production to third-party customers. Transactions between segments are based on market values and eliminated on consolidation. The tables in this note present financial information on an after eliminations basis.

In conjunction with the Split Transaction (See Note 4), the assets formerly included in EnCana's Canadian Plains Division and Integrated Oil Division were transferred to Cenovus. As a result, EnCana has updated its segmented reporting to present the Canadian Foothills Division as the Canadian Division. The Canadian Plains Division and Integrated Oil - Canada are now presented as Canada – Other. Prior periods have been restated to reflect the new presentation.

EnCana has a decentralized decision-making and reporting structure. Accordingly, the Company reports its divisional results as follows:

- **Canadian Division**, formerly the Canadian Foothills Division, includes natural gas development and production assets located in British Columbia and Alberta, as well as the Company's Canadian offshore assets.

- **USA Division** includes natural gas exploration, development and production assets located in the United States and forms the USA segment described above.

- **Canada - Other** includes the combined results from the former Canadian Plains Division and Integrated Oil - Canada.

Operations that have been discontinued are disclosed in Note 6.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

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

Segment and Geographic Information

	Canada		USA		Market Optimization	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,531**	$ 1,961	**$ 1,076**	$ 1,273	**$ 368**	$ 543
Expenses						
Production and mineral taxes	**9**	13	**40**	59	**-**	-
Transportation and selling	**168**	287	**143**	135	**-**	-
Operating	**252**	280	**120**	136	**-**	18
Purchased product	**(13)**	(25)	**-**	-	**353**	531
	1,115	1,406	**773**	943	**15**	(6)
Depreciation, depletion and amortization	**436**	481	**393**	438	**5**	3
Segment Income (Loss)	**$ 679**	$ 925	**$ 380**	$ 505	**$ 10**	$ (9)

	Corporate & Other		Consolidated	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (263)**	$ 1,085	**$ 2,712**	$ 4,862
Expenses				
Production and mineral taxes	**-**	-	**49**	72
Transportation and selling	**-**	-	**311**	422
Operating	**9**	(2)	**381**	432
Purchased product	**-**	-	**340**	506
	(272)	1,087	**1,631**	3,430
Depreciation, depletion and amortization	**61**	24	**895**	946
Segment Income (Loss)	**$ (333)**	$ 1,063	**736**	2,484
Administrative			**145**	67
Interest, net			**153**	113
Accretion of asset retirement obligation			**16**	17
Foreign exchange (gain) loss, net			**95**	253
(Gain) loss on divestitures			**1**	-
			410	450
Net Earnings Before Income Tax			**326**	2,034
Income tax expense			**(263)**	565
Net Earnings from Continuing Operations			**$ 589**	$ 1,469

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

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

Product and Divisional Information

Canada Segment	Canadian Division		Canada - Other		Total	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 691**	$ 923	**$ 840**	$ 1,038	**$ 1,531**	$ 1,961
Expenses						
Production and mineral taxes	**1**	3	**8**	10	**9**	13
Transportation and selling	**39**	72	**129**	215	**168**	287
Operating	**147**	131	**105**	149	**252**	280
Purchased product	**-**	-	**(13)**	(25)	**(13)**	(25)
Operating Cash Flow	**$ 504**	$ 717	**$ 611**	$ 689	**$ 1,115**	$ 1,406

Canadian Division *	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 609**	$ 829	**$ 69**	$ 84	**$ 13**	$ 10	**$ 691**	$ 923
Expenses								
Production and mineral taxes	**-**	2	**1**	1	**-**	-	**1**	3
Transportation and selling	**39**	43	**-**	3	**-**	26	**39**	72
Operating	**139**	117	**4**	9	**4**	5	**147**	131
Operating Cash Flow	**$ 431**	$ 667	**$ 64**	$ 71	**$ 9**	$ (21)	**$ 504**	$ 717

USA Division	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 976**	$ 1,180	**$ 69**	$ 54	**$ 31**	$ 39	**$ 1,076**	$ 1,273
Expenses								
Production and mineral taxes	**34**	54	**6**	5	**-**	-	**40**	59
Transportation and selling	**143**	135	**-**	-	**-**	-	**143**	135
Operating	**90**	86	**-**	-	**30**	50	**120**	136
Operating Cash Flow	**$ 709**	$ 905	**$ 63**	$ 49	**$ 1**	$ (11)	**$ 773**	$ 943

Canada - Other **	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 298**	$ 506	**$ 524**	$ 499	**$ 18**	$ 33	**$ 840**	$ 1,038
Expenses								
Production and mineral taxes	**4**	4	**4**	6	**-**	-	**8**	10
Transportation and selling	**6**	16	**117**	192	**6**	7	**129**	215
Operating	**28**	50	**72**	85	**5**	14	**105**	149
Purchased product	**-**	-	**-**	-	**(13)**	(25)	**(13)**	(25)
Operating Cash Flow	**$ 260**	$ 436	**$ 331**	$ 216	**$ 20**	$ 37	**$ 611**	$ 689

* Formerly known as the Canadian Foothills Division.

** Includes the operations formerly known as the Canadian Plains Division and Integrated Oil - Canada.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

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

Segment and Geographic Information

	Canada		USA		Market Optimization	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 7,585**	$ 10,050	**$ 4,537**	$ 5,629	**$ 1,607**	$ 2,655
Expenses						
Production and mineral taxes	**53**	108	**118**	370	**-**	-
Transportation and selling	**750**	1,202	**530**	502	**-**	-
Operating	**1,118**	1,333	**434**	618	**26**	45
Purchased product	**(85)**	(151)	**-**	-	**1,545**	2,577
	5,749	7,558	**3,455**	4,139	**36**	33
Depreciation, depletion and amortization	**1,980**	2,198	**1,561**	1,691	**20**	15
Segment Income (Loss)	**$ 3,769**	$ 5,360	**$ 1,894**	$ 2,448	**$ 16**	$ 18

	Corporate & Other		Consolidated	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (2,615)**	$ 2,719	**$ 11,114**	$ 21,053
Expenses				
Production and mineral taxes	**-**	-	**171**	478
Transportation and selling	**-**	-	**1,280**	1,704
Operating	**49**	(13)	**1,627**	1,983
Purchased product	**-**	-	**1,460**	2,426
	(2,664)	2,732	**6,576**	14,462
Depreciation, depletion and amortization	**143**	131	**3,704**	4,035
Segment Income (Loss)	**$ (2,807)**	$ 2,601	**2,872**	10,427
Administrative			**477**	447
Interest, net			**405**	402
Accretion of asset retirement obligation			**71**	77
Foreign exchange (gain) loss, net			**(22)**	423
(Gain) loss on divestitures			**2**	(141)
			933	1,208
Net Earnings Before Income Tax			**1,939**	9,219
Income tax expense			**109**	2,720
Net Earnings from Continuing Operations			**$ 1,830**	$ 6,499

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

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

Product and Divisional Information

Canada Segment

	Canadian Division		Canada - Other		Total	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 3,362**	$ 4,355	**$ 4,223**	$ 5,695	**$ 7,585**	$ 10,050
Expenses						
Production and mineral taxes	**14**	33	**39**	75	**53**	108
Transportation and selling	**154**	239	**596**	963	**750**	1,202
Operating	**536**	609	**582**	724	**1,118**	1,333
Purchased product	**-**	-	**(85)**	(151)	**(85)**	(151)
Operating Cash Flow	**$ 2,658**	$ 3,474	**$ 3,091**	$ 4,084	**$ 5,749**	$ 7,558

Canadian Division *

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 3,041**	$ 3,720	**$ 277**	$ 578	**$ 44**	$ 57	**$ 3,362**	$ 4,355
Expenses								
Production and mineral taxes	**11**	28	**3**	5	**-**	-	**14**	33
Transportation and selling	**148**	201	**6**	12	**-**	26	**154**	239
Operating	**501**	549	**21**	39	**14**	21	**536**	609
Operating Cash Flow	**$ 2,381**	$ 2,942	**$ 247**	$ 522	**$ 30**	$ 10	**$ 2,658**	$ 3,474

USA Division

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 4,222**	$ 4,934	**$ 201**	$ 407	**$ 114**	$ 288	**$ 4,537**	$ 5,629
Expenses								
Production and mineral taxes	**100**	334	**18**	36	**-**	-	**118**	370
Transportation and selling	**530**	502	**-**	-	**-**	-	**530**	502
Operating	**327**	352	**-**	-	**107**	266	**434**	618
Operating Cash Flow	**$ 3,265**	$ 3,746	**$ 183**	$ 371	**$ 7**	$ 22	**$ 3,455**	$ 4,139

Canada - Other **

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,781**	$ 2,301	**$ 2,287**	$ 3,223	**$ 155**	$ 171	**$ 4,223**	$ 5,695
Expenses								
Production and mineral taxes	**15**	36	**23**	38	**1**	1	**39**	75
Transportation and selling	**37**	71	**535**	847	**24**	45	**596**	963
Operating	**186**	241	**356**	409	**40**	74	**582**	724
Purchased product	**-**	-	**-**	-	**(85)**	(151)	**(85)**	(151)
Operating Cash Flow	**$ 1,543**	$ 1,953	**$ 1,373**	$ 1,929	**$ 175**	$ 202	**$ 3,091**	$ 4,084

* Formerly known as the Canadian Foothills Division.

** Includes the operations formerly known as the Canadian Plains Division and Integrated Oil - Canada.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	**2009**	2008
Capital				
Canadian Division	**$ 575**	$ 504	**$ 1,869**	$ 2,459
Canada - Other	**134**	425	**848**	1,500
Canada	**709**	929	**2,717**	3,959
USA	**515**	854	**1,821**	2,682
Market Optimization	**4**	6	**2**	17
Corporate & Other	**47**	57	**85**	165
	1,275	1,846	**4,625**	6,823
Acquisition Capital				
Canadian Division	**108**	31	**190**	151
Canada - Other	**2**	-	**3**	-
Canada	**110**	31	**193**	151
USA	**25**	(71)	**46**	1,023
	135	(40)	**239**	1,174
Total	**$ 1,410**	$ 1,806	**$ 4,864**	$ 7,997

On September 25, 2008, EnCana acquired certain land and property in Louisiana for approximately $101 million before closing adjustments. The purchase was facilitated by an unrelated party, Brown Haynesville Leasehold LLC ("Brown Haynesville"), which held the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes. The relationship with Brown Haynesville represented an interest in a Variable Interest Entity ("VIE") from September 25, 2008 to March 24, 2009. During this period, EnCana was the primary beneficiary of the VIE and consolidated Brown Haynesville. On March 24, 2009, when the arrangement with Brown Haynesville was completed, the assets were transferred to EnCana.

On July 23, 2008, EnCana acquired certain land and mineral interests in Louisiana for approximately $457 million before closing adjustments. The purchase was facilitated by an unrelated party, Brown Southwest Minerals LLC ("Brown Southwest"), which held the majority of the assets in trust for the Company in anticipation of a qualifying like kind exchange for U.S. tax purposes. On November 12, 2008, an unrelated party exercised an option to purchase certain interests as part of the above acquisition for approximately $157 million, reducing the qualifying like kind exchange to approximately $300 million. The relationship with Brown Southwest represented an interest in a VIE from July 23, 2008 to January 19, 2009. During this period, EnCana was the primary beneficiary of the VIE and consolidated Brown Southwest. On January 19, 2009, when the arrangement with Brown Southwest was completed, the assets were transferred to EnCana.

(All amounts in $ millions unless otherwise specified)

5. Segmented Information (continued)

Property, Plant and Equipment and Total Assets by Segment

		Property, Plant and Equipment		Total Assets	
		As at		As at	
		December 31, 2009	December 31, 2008	**December 31, 2009**	December 31, 2008
Canada		**$ 11,162**	$ 17,498	**$ 12,748**	$ 23,419
USA		**13,929**	13,643	**14,962**	14,635
Market Optimization		**124**	140	**303**	429
Corporate & Other		**958**	629	**5,814**	4,098
Assets of Discontinued Operations	*(Note 6)*			**-**	4,666
Total		**$ 26,173**	$ 31,910	**$ 33,827**	$ 47,247

On January 4, 2008, EnCana signed the contract for the design and construction of the Production Field Centre ("PFC") for the Deep Panuke project. As at December 31, 2009, Canada Property, Plant, and Equipment and Total Assets includes EnCana's accrual to date of $427 million ($199 million at December 31, 2008) related to this offshore facility as an asset under construction.

On February 9, 2007, EnCana announced that it had entered into a 25 year lease agreement with a third party developer for The Bow office project. As at December 31, 2009, Corporate and Other Property, Plant and Equipment and Total Assets includes EnCana's accrual to date of $649 million ($252 million at December 31, 2008) related to this office project as an asset under construction.

Corresponding liabilities for these projects are included in Other Liabilities in the Consolidated Balance Sheet. There is no effect on the Company's net earnings or cash flows related to the capitalization of The Bow office project or the Deep Panuke PFC.

6. Discontinued Operations

As a result of the Split Transaction described in Note 4, on November 30, 2009, EnCana transferred its Downstream Refining operations to Cenovus. Downstream Refining focused on the refining of crude oil into petroleum and chemical products at two refineries located in the United States. These refineries were jointly owned with ConocoPhillips.

Consolidated Statement of Earnings

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ 955**	$ 1,497	**$ 4,804**	$ 9,011
Expenses				
Operating	**87**	117	**416**	492
Purchased product	**849**	1,960	**4,070**	8,760
Depreciation, depletion and amortization	**27**	50	**173**	188
Administrative	**26**	7	**44**	26
Interest, net	**27**	45	**163**	184
Accretion of asset retirement obligation	**1**	1	**2**	2
Foreign exchange (gain) loss, net	**-**	-	**1**	-
(Gain) loss on divestitures	**-**	1	**-**	1
	1,017	2,181	**4,869**	9,653
Net Earnings (Loss) Before Income Tax	**(62)**	(684)	**(65)**	(642)
Income tax expense (recovery)	**(109)**	(292)	**(97)**	(87)
Net Earnings (Loss) From Discontinued Operations	**$ 47**	$ (392)	**$ 32**	$ (555)
Net Earnings (Loss) From Discontinued Operations per Common Share				
Basic	**$ 0.07**	$ (0.52)	**$ 0.04**	$ (0.74)
Diluted	**$ 0.07**	$ (0.53)	**$ 0.04**	$ (0.73)

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

6. Discontinued Operations (continued)

Consolidated Balance Sheet

The following table presents the effect of the discontinued operations in the Consolidated Balance Sheet:

	As at December 31, 2009	As at December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	$ -	$ 29
Accounts receivable and accrued revenues	-	132
Inventories	-	336
	-	497
Property, Plant and Equipment, net	-	4,032
Investments and Other Assets	-	137
	$ -	$ 4,666
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ -	$ 423
Income tax payable	-	(76)
Current portion of partnership contribution payable	-	306
	-	653
Partnership Contribution Payable	-	2,857
Asset Retirement Obligation	-	35
Future Income Taxes	-	2
	-	3,547
Net Assets of Discontinued Operations	$ -	$ 1,119

7. Acquisitions and Divestitures

Acquisitions

On May 5, 2009, the Company acquired the common shares of Kerogen Resources Canada, ULC for net cash consideration of $24 million. The acquisition included $37 million of property, plant and equipment and the assumption of $6 million of current liabilities and $7 million of future income taxes. The operations are included in the Canadian Division.

Divestitures

Proceeds received on the sale of assets were $1,178 million (2008 - $904 million). The significant items are described below:

Canada and USA

In 2009, the Company completed the divestiture of mature conventional oil and natural gas assets for proceeds of $1,000 million (2008 - $400 million) in the Canadian Division, $73 million (2008 - $251 million) in the USA Division and $17 million (2008 - $47 million) in Canada - Other.

Corporate and Other

On November 3, 2009, the Company completed the sale of Senlac Oil Limited for cash consideration of $83 million.

In September 2008, the Company completed the sale of its interests in Brazil for net proceeds of $164 million, before closing adjustments, resulting in a gain on sale of $124 million. After recording income tax of $25 million, EnCana recorded an after-tax gain of $99 million.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

8. Interest, Net

	Three Months Ended December 31, 2009	2008	Twelve Months Ended December 31, 2009	2008
Interest Expense - Long-Term Debt	**$ 167**	$ 130	**$ 533**	$ 556
Interest Expense - Other	**15**	32	**40**	49
Interest Income *	**(29)**	(49)	**(168)**	(203)
	$ 153	$ 113	**$ 405**	$ 402

* Interest Income is primarily due to the Partnership Contribution Receivable which was transferred to Cenovus under the Split Transaction (See Note 4).

9. Foreign Exchange (Gain) Loss, Net

	Three Months Ended December 31, 2009	2008	Twelve Months Ended December 31, 2009	2008
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	**$ (204)**	$ 663	**$ (978)**	$ 1,033
Translation of U.S. dollar partnership contribution receivable issued from Canada *	**34**	(390)	**448**	(608)
Other Foreign Exchange (Gain) Loss on:				
Monetary revaluations and settlements	**265**	(20)	**508**	(2)
	$ 95	$ 253	**$ (22)**	$ 423

* The Partnership Contribution Receivable was transferred to Cenovus under the Split Transaction (See Note 4).

10. Income Taxes

The provision for income taxes is as follows:

	Three Months Ended December 31, 2009	2008	Twelve Months Ended December 31, 2009	2008
Current				
Canada	**$ 945**	$ 114	**$ 1,623**	$ 547
United States	**72**	37	**279**	407
Other Countries	**1**	5	**6**	43
Total Current Tax	**1,018**	156	**1,908**	997
Future	**(1,281)**	409	**(1,799)**	1,723
	$ (263)	$ 565	**$ 109**	$ 2,720

11. Inventories

	As at December 31, 2009	As at December 31, 2008
Product		
Canada	**$ 4**	$ 46
USA	**6**	8
Market Optimization	**2**	127
Parts and Supplies	**-**	3
	$ 12	$ 184

At December 31, 2009, there was no inventory impairment. As a result of a significant decline in commodity prices in the latter half of 2008, EnCana wrote down its product inventory by $57 million from cost to net realizable value. As at December 31, 2009, $47 million of the 2008 write down was reversed.

The total amount of inventories recognized as an expense during the year was $24 million (2008 – $140 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. Long-Term Debt

	As at December 31, 2009	As at December 31, 2008
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	$ -	$ 1,410
Unsecured notes	1,194	1,020
	1,194	2,430
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	-	247
Unsecured notes	6,600	6,350
	6,600	6,597
Increase in Value of Debt Acquired	52	49
Debt Discounts and Financing Costs	(78)	(71)
Current Portion of Long-Term Debt	(200)	(250)
	$ 7,568	$ 8,755

On May 4, 2009, EnCana completed a public offering in the United States of senior unsecured notes in the aggregate principal amount of US$500 million. The notes have a coupon rate of 6.5 percent and mature on May 15, 2019. The net proceeds of the offering were used to repay a portion of EnCana's bank and commercial paper indebtedness.

13. 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 assets:

	As at December 31, 2009	As at December 31, 2008
Asset Retirement Obligation, Beginning of Year	$ 1,230	$ 1,437
Liabilities Incurred	21	54
Liabilities Settled	(52)	(110)
Liabilities Divested	(26)	(38)
Liabilities Transferred to Cenovus	(692)	-
Change in Estimated Future Cash Outflows	74	37
Accretion Expense	71	77
Foreign Currency Translation	161	(227)
Asset Retirement Obligation, End of Year	$ 787	$ 1,230

14. Share Capital

(millions)		December 31, 2009 Number	December 31, 2009 Amount	December 31, 2008 Number	December 31, 2008 Amount
Common Shares Outstanding, Beginning of Year		750.4	$ 4,557	750.2	$ 4,479
Common Shares Issued under Option Plans		0.4	5	3.0	80
Common Shares Issued from PSU Trust		0.5	19	-	-
Stock-Based Compensation		-	1	-	11
Common Shares Purchased		-	-	(2.8)	(13)
Common Shares Cancelled	*(Note 4)*	(751.3)	(4,582)	-	-
New EnCana Common Shares Issued	*(Note 4)*	751.3	2,360	-	-
EnCana Special Shares Issued	*(Note 4)*	751.3	2,222	-	-
EnCana Special Shares Cancelled	*(Note 4)*	(751.3)	(2,222)	-	-
Common Shares Outstanding, End of Year		751.3	$ 2,360	750.4	$ 4,557

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Share Capital (continued)

Performance Share Units

In April 2009, the remaining 0.5 million Common Shares held in trust relating to EnCana's Performance Share Unit ("PSU") plan were sold for total consideration of $25 million. Of the amount received, $19 million was credited to Share capital and $6 million to Paid in surplus, representing the excess consideration received over the original price of the Common Shares acquired by the trust. Effective May 15, 2009, the trust agreement was terminated.

Normal Course Issuer Bid

EnCana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under eight consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to 37.5 million Common Shares under the renewed Bid which commenced on December 14, 2009 and terminates on December 13, 2010. During 2009, there have been no purchases under the current or prior Bids (2008 - 4.8 million Common Shares for approximately $326 million).

Stock Options

EnCana has stock-based compensation plans that allow employees to purchase Common Shares of the Company. Option exercise prices approximate the market price for the Common Shares on the date the options were granted. Options granted under the plans are generally fully exercisable after three years and expire five years after the date granted. Options granted under predecessor and/or related company replacement plans expire up to 10 years from the date the options were granted.

As at December 31, 2009, EnCana had 0.2 million stock options (2008 - 0.5 million) outstanding and exercisable with a weighted average exercise price of C$6.25 per stock option (2008 - C$11.62). The weighted average remaining contractual life of the stock options is 0.2 years. These stock options do not have Tandem Share Appreciation Rights ("TSARs") attached.

EnCana Replacement Share Units Held by Cenovus Employees

The share units described below include TSARs, Performance TSARs, Share Appreciation Rights ("SARs") and Performance SARs.

As part of the Split Transaction, on November 30, 2009, each holder of EnCana share units disposed of their right in exchange for the grant of EnCana Replacement share units and Cenovus Replacement share units. The terms and conditions of the Replacement share units are similar to the terms and conditions of the original share units.

Refer to Note 16 for information regarding share units and Replacement share units held by EnCana employees.

With respect to EnCana Replacement share units held by Cenovus employees and Cenovus Replacement share units held by EnCana employees, both EnCana and Cenovus have agreed to reimburse each other for share units exercised for cash by their respective employees. Accordingly, for EnCana Replacement share units held by Cenovus employees, EnCana has recorded a payable to Cenovus employees and a receivable due from Cenovus. The payable to Cenovus employees and the receivable due from Cenovus is based on the fair value of the EnCana Replacement share units determined using the Black-Scholes-Merton model (See Note 17). There is no material impact on EnCana's net earnings for these share units held by Cenovus employees. No further EnCana Replacement share units will be granted to Cenovus employees.

As Cenovus employees may exercise EnCana Replacement TSARs and EnCana Replacement Performance TSARs in exchange for EnCana Common Shares, the following table is provided as at December 31, 2009:

Canadian Dollar Denominated (C$)	Number of EnCana Share Units *(millions)*	Weighted Average Exercise Price
EnCana Replacement TSARs held by Cenovus Employees		
Outstanding, End of Year	**8.3**	**29.36**
Exercisable, End of Year	**4.6**	**27.22**
EnCana Replacement Performance TSARs held by Cenovus Employees		
Outstanding, End of Year	**8.1**	**31.58**
Exercisable, End of Year	**1.5**	**32.03**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Share Capital (continued)

Per Share Amounts

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

(millions)	Three Months Ended December 31, **2009**	2008	Twelve Months Ended December 31, **2009**	2008
Weighted Average Common Shares Outstanding - Basic	**751.3**	750.3	**751.0**	750.1
Effect of Dilutive Securities	**0.1**	1.0	**0.4**	1.7
Weighted Average Common Shares Outstanding - Diluted	**751.4**	751.3	**751.4**	751.8

15. Capital Structure

The Company's capital structure consists of Shareholders' Equity plus Long-Term Debt, defined as the current and long-term portions of long-term debt. The Company's objectives when managing its capital structure are to:

i) maintain financial flexibility to preserve EnCana's access to capital markets and its ability to meet its financial obligations; and

ii) finance internally generated growth, as well as potential acquisitions.

The Company monitors its capital structure and short-term financing requirements using non-GAAP financial metrics consisting of Debt to Capitalization and Debt to Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). These metrics are used to steward the Company's overall debt position as measures of the Company's overall financial strength.

EnCana targets a Debt to Capitalization ratio of less than 40 percent. At December 31, 2009, EnCana's Debt to Capitalization ratio was 32 percent (December 31, 2008 - 28 percent) calculated as follows:

	As at **December 31, 2009**	December 31, 2008
Debt	**$ 7,768**	$ 9,005
Total Shareholders' Equity	**16,614**	22,974
Total Capitalization	**$ 24,382**	$ 31,979
Debt to Capitalization Ratio	**32%**	28%

EnCana targets a Debt to Adjusted EBITDA of less than 2.0 times. At December 31, 2009, Debt to Adjusted EBITDA was 1.3x (December 31, 2008 - 0.6x) calculated on a trailing 12-month basis as follows:

	As at **December 31, 2009**	December 31, 2008
Debt	**$ 7,768**	$ 9,005
Net Earnings from Continuing Operations	**$ 1,830**	$ 6,499
Add (deduct):		
Interest, net	**405**	402
Income tax expense	**109**	2,720
Depreciation, depletion and amortization	**3,704**	4,035
Accretion of asset retirement obligation	**71**	77
Foreign exchange (gain) loss, net	**(22)**	423
(Gain) loss on divestitures	**2**	(141)
Adjusted EBITDA	**$ 6,099**	$ 14,015
Debt to Adjusted EBITDA	**1.3x**	0.6x

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Capital Structure (continued)

EnCana has a long-standing practice of maintaining capital discipline, managing its capital structure and adjusting its capital structure according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, the Company may adjust capital spending, adjust dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt or repay existing debt.

The Company's capital management objectives, evaluation measures and definitions have remained unchanged over the periods presented. EnCana is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

16. Compensation Plans

The following tables outline certain information related to EnCana's compensation plans at December 31, 2009. Additional information is contained in Note 19 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2008.

As part of the Split Transaction, each holder of EnCana share units disposed of their right in exchange for the grant of EnCana Replacement share units and Cenovus Replacement share units. The terms and conditions of the Replacement share units are similar to the terms and conditions of the original share units. Share units include TSARs, Performance TSARs, SARs and Performance SARs.

The original exercise price of the share units was apportioned to the EnCana and Cenovus Replacement share units based on a valuation methodology that included the weighted average trading price of the New EnCana Common Shares and the weighted average trading price of the Cenovus Common Shares on the Toronto Stock Exchange ("TSX") on a "when issued" basis on the last trading date prior to the exchange of EnCana Common Shares for New EnCana Common Shares and EnCana Special Shares.

For EnCana Replacement share units held by EnCana employees, EnCana accrues compensation cost over the vesting period based on the intrinsic method of accounting.

For Cenovus Replacement share units held by EnCana employees, EnCana accrues compensation cost over the vesting period based on the fair value of the Cenovus Replacement share units. The fair value of the Cenovus Replacement share units is determined using the Black-Scholes-Merton model. At December 31, 2009, the fair value was estimated using the following weighted average assumptions: risk free rate of 1.46 percent, dividend yield of 3.16 percent, volatility of 34.18 percent and Cenovus closing market share price of C$26.50 (See Note 17). No further Cenovus Replacement share units will be granted to EnCana employees.

Refer to Note 14 for information regarding EnCana Replacement share units held by Cenovus employees.

A) Tandem Share Appreciation Rights

The following table summarizes information related to the TSARs at December 31, 2009:

Canadian Dollar Denominated (C$)	Outstanding TSARs	Weighted Average Exercise Price
Outstanding, Beginning of Year	**19,411,939**	**53.97**
Granted	**4,030,680**	**55.39**
Exercised - SARs	**(1,994,556)**	**42.65**
Exercised - Options	**(60,914)**	**34.89**
Forfeited	**(452,606)**	**60.11**
Exchanged for Replacement TSARs	**(20,934,543)**	**55.25**
Outstanding, End of Year	**-**	**-**
Exercisable, End of Year	**-**	**-**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Compensation Plans (continued)

A) Tandem Share Appreciation Rights (continued)

The following table summarizes information related to the EnCana and Cenovus Replacement TSARs held by EnCana employees at December 31, 2009:

Canadian Dollar Denominated (C$)	EnCana TSARs Outstanding	EnCana TSARs Weighted Average Exercise Price	Cenovus TSARs Outstanding	Cenovus TSARs Weighted Average Exercise Price
Replacement TSARs exchanged November 30, 2009	**12,556,585**	**28.83**	**12,556,585**	**26.07**
Granted	**12,775**	**29.96**	**-**	**-**
Exercised - SARs	**(54,075)**	**21.26**	**(29,840)**	**18.57**
Exercised - Options	**(206)**	**22.65**	**(1,206)**	**16.77**
Forfeited	**(41,865)**	**33.46**	**(42,845)**	**30.17**
Outstanding, End of Year	**12,473,214**	**28.85**	**12,482,694**	**26.08**
Exercisable, End of Year	**7,713,376**	**26.94**	**7,735,631**	**24.35**

Range of Exercise Price (C$)	Outstanding EnCana TSARs: Number of TSARs	Outstanding EnCana TSARs: Weighted Average Remaining Contractual Life (years)	Outstanding EnCana TSARs: Weighted Average Exercise Price	Exercisable EnCana TSARs: Number of TSARs	Exercisable EnCana TSARs: Weighted Average Exercise Price
10.00 to 19.99	**8,940**	**0.09**	**19.35**	**8,940**	**19.35**
20.00 to 29.99	**9,367,727**	**1.89**	**26.54**	**6,423,436**	**25.36**
30.00 to 39.99	**2,929,747**	**2.87**	**35.34**	**1,230,960**	**34.53**
40.00 to 49.99	**165,300**	**3.39**	**44.36**	**49,590**	**44.36**
50.00 to 59.99	**1,500**	**3.39**	**50.39**	**450**	**50.39**
	12,473,214	**2.14**	**28.85**	**7,713,376**	**26.94**

Range of Exercise Price (C$)	Outstanding Cenovus TSARs: Number of TSARs	Outstanding Cenovus TSARs: Weighted Average Remaining Contractual Life (years)	Outstanding Cenovus TSARs: Weighted Average Exercise Price	Exercisable Cenovus TSARs: Number of TSARs	Exercisable Cenovus TSARs: Weighted Average Exercise Price
10.00 to 19.99	**1,097,538**	**0.13**	**18.21**	**1,097,538**	**18.21**
20.00 to 29.99	**8,781,794**	**2.11**	**24.96**	**5,724,948**	**24.16**
30.00 to 39.99	**2,521,012**	**3.05**	**32.85**	**888,440**	**32.63**
40.00 to 49.99	**82,350**	**3.44**	**42.82**	**24,705**	**42.82**
	12,482,694	**2.14**	**26.08**	**7,735,631**	**24.35**

For the year ended December 31, 2009, EnCana recorded compensation costs of $5 million related to the outstanding TSARs prior to the Split Transaction, $11 million related to the EnCana Replacement TSARs and $46 million related to the Cenovus Replacement TSARs (2008 - a reduction of compensation costs of $47 million).

B) Performance Tandem Share Appreciation Rights

The following table summarizes information related to the Performance TSARs at December 31, 2009:

Canadian Dollar Denominated (C$)	Outstanding Performance TSARs	Weighted Average Exercise Price
Outstanding, Beginning of Year	**12,979,725**	**63.13**
Granted	**7,751,720**	**55.31**
Exercised - SARs	**(144,707)**	**56.09**
Exercised - Options	**(980)**	**56.09**
Forfeited	**(2,041,565)**	**62.64**
Exchanged for Replacement Performance TSARs	**(18,544,193)**	**59.97**
Outstanding, End of Year	**-**	**-**
Exercisable, End of Year	**-**	**-**

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Compensation Plans (continued)

B) Performance Tandem Share Appreciation Rights (continued)

The following table summarizes information related to the EnCana and Cenovus Replacement Performance TSARs held by EnCana employees at December 31, 2009:

Canadian Dollar Denominated (C$)	EnCana Performance TSARs Outstanding	EnCana Performance TSARs Weighted Average Exercise Price	Cenovus Performance TSARs Outstanding	Cenovus Performance TSARs Weighted Average Exercise Price
Replacement Performance TSARs exchanged November 30, 2009	10,491,119	31.42	10,491,119	28.42
Exercised - SARs	(2,070)	29.45	-	-
Forfeited	(27,148)	31.59	(28,476)	28.49
Outstanding, End of Year	10,461,901	31.42	10,462,643	28.42
Exercisable, End of Year	2,235,899	31.55	2,236,641	28.54

	Outstanding EnCana Performance TSARs			Exercisable EnCana Performance TSARs	
Range of Exercise Price (C$)	Number of TSARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of TSARs	Weighted Average Exercise Price
20.00 to 29.99	7,279,507	3.24	29.22	1,563,005	29.45
30.00 to 39.99	3,182,394	3.12	36.44	672,894	36.44
	10,461,901	3.21	31.42	2,235,899	31.55

	Outstanding Cenovus Performance TSARs			Exercisable Cenovus Performance TSARs	
Range of Exercise Price (C$)	Number of TSARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of TSARs	Weighted Average Exercise Price
20.00 to 29.99	7,280,249	3.24	26.43	1,563,747	26.64
30.00 to 39.99	3,182,394	3.12	32.96	672,894	32.96
	10,462,643	3.21	28.42	2,236,641	28.54

For the year ended December 31, 2009, EnCana recorded compensation costs of $4 million related to the outstanding Performance TSARs prior to the Split Transaction, $20 million related to the EnCana Replacement Performance TSARs and $19 million related to the Cenovus Replacement Performance TSARs (2008 - a reduction of compensation costs of $6 million).

C) Share Appreciation Rights

The following table summarizes information related to the SARs at December 31, 2009:

Canadian Dollar Denominated (C$)	Outstanding SARs	Weighted Average Exercise Price
Outstanding, Beginning of Year	1,285,065	72.13
Granted	1,126,850	55.48
Exercised - SARs	(990)	43.50
Forfeited	(60,365)	66.64
Exchanged for Replacement SARs	(2,350,560)	64.30
Outstanding, End of Year	-	-
Exercisable, End of Year	-	-

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Compensation Plans (continued)

C) Share Appreciation Rights (continued)

The following table summarizes information related to the EnCana and Cenovus Replacement SARs held by EnCana employees at December 31, 2009:

Canadian Dollar Denominated (C$)	EnCana SARs Outstanding	EnCana SARs Weighted Average Exercise Price	Cenovus SARs Outstanding	Cenovus SARs Weighted Average Exercise Price
Replacement SARs exchanged November 30, 2009	2,329,835	33.78	2,329,835	30.55
Granted	19,525	29.87	-	-
Forfeited	(5,875)	32.24	(5,875)	29.17
Outstanding, End of Year	2,343,485	33.75	2,323,960	30.55
Exercisable, End of Year	370,438	37.93	370,438	34.30

Range of Exercise Price (C$)	Outstanding EnCana SARs: Number of SARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable EnCana SARs: Number of SARs	Weighted Average Exercise Price
20.00 to 29.99	1,099,490	4.12	28.96	7,640	25.79
30.00 to 39.99	1,061,795	3.30	36.52	308,138	36.71
40.00 to 49.99	177,200	3.44	46.39	53,160	46.39
50.00 to 59.99	5,000	3.46	50.09	1,500	50.09
	2,343,485	3.70	33.75	370,438	37.93

Range of Exercise Price (C$)	Outstanding Cenovus SARs: Number of SARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Exercisable Cenovus SARs: Number of SARs	Weighted Average Exercise Price
20.00 to 29.99	1,140,395	4.11	26.29	14,780	25.62
30.00 to 39.99	1,048,065	3.25	33.53	315,008	33.53
40.00 to 49.99	135,500	3.44	43.43	40,650	43.43
	2,323,960	3.69	30.55	370,438	34.30

For the year ended December 31, 2009, EnCana recorded compensation costs of $1 million related to the outstanding SARs prior to the Split Transaction, $2 million related to the EnCana Replacement SARs and $5 million related to the Cenovus Replacement SARs (2008 - nil).

D) Performance Share Appreciation Rights

The following table summarizes information related to the Performance SARs at December 31, 2009:

Canadian Dollar Denominated (C$)	Outstanding Performance SARs	Weighted Average Exercise Price
Outstanding, Beginning of Year	1,620,930	69.40
Granted	2,140,440	55.31
Forfeited	(256,235)	67.47
Exchanged for Replacement Performance SARs	(3,505,135)	60.94
Outstanding, End of Period	-	-
Exercisable, End of Period	-	-

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Compensation Plans (continued)

D) Performance Share Appreciation Rights (continued)

The following table summarizes information related to the EnCana and Cenovus Replacement Performance SARs held by EnCana employees at December 31, 2009:

	EnCana Performance SARs		Cenovus Performance SARs	
Canadian Dollar Denominated (C$)	Outstanding	Weighted Average Exercise Price	Outstanding	Weighted Average Exercise Price
Replacement SARs exchanged November 30, 2009	3,481,203	31.99	3,481,203	28.94
Forfeited	(9,205)	29.97	(9,205)	27.11
Outstanding, End of Year	3,471,998	32.00	3,471,998	28.94
Exercisable, End of Year	293,344	36.44	293,344	32.96

	Outstanding EnCana Performance SARs			Exercisable EnCana Performance SARs	
Range of Exercise Price (C$)	Number of SARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
20.00 to 29.99	2,085,310	4.11	29.04	-	-
30.00 to 39.99	1,386,688	3.12	36.44	293,344	36.44
	3,471,998	3.72	32.00	293,344	36.44

	Outstanding Cenovus Performance SARs			Exercisable Cenovus Performance SARs	
Range of Exercise Price (C$)	Number of SARs	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of SARs	Weighted Average Exercise Price
20.00 to 29.99	2,085,310	4.11	26.27	-	-
30.00 to 39.99	1,386,688	3.12	32.96	293,344	32.96
	3,471,998	3.72	28.94	293,344	32.96

For the year ended December 31, 2009, EnCana recorded compensation costs of $1 million related to the outstanding Performance SARs prior to the Split Transaction, $3 million related to the EnCana Replacement Performance SARs and $7 million related to the Cenovus Replacement Performance SARs (2008 - nil).

E) Deferred Share Units ("DSUs")

The following table summarizes information related to the DSUs at December 31, 2009:

Canadian Dollar Denominated	Outstanding DSUs
Outstanding, Beginning of Year	656,841
Granted	74,600
Converted from HPR awards	46,884
EnCana DSUs exchanged for Cenovus DSUs	(367,293)
EnCana DSU credit adjustment	321,375
Units, in Lieu of Dividends	22,749
Redeemed	(83,009)
Outstanding, End of Year	672,147

For the year ended December 31, 2009, EnCana recorded compensation costs of $8 million related to the outstanding DSUs (2008 - $2 million).

16. Compensation Plans (continued)

E) Deferred Share Units ("DSUs") (continued)

Employees have the option to convert either 25 or 50 percent of their annual High Performance Results ("HPR") award into DSUs. The number of DSUs is based on the value of the award divided by the closing value of EnCana's share price at the end of the performance period of the HPR award. DSUs vest immediately, can be redeemed in accordance with the terms of the agreement and expire on December 15 of the calendar year following the year of termination.

Pursuant to the Split Transaction, additional EnCana DSUs were credited to employees, officers and directors of EnCana to compensate employees, officers and directors for the loss in value of the EnCana Common Shares. The number of EnCana DSUs credited to each was determined so that immediately after the adjustment, each participant has an aggregate number of EnCana DSUs based on a formula that the EnCana DSUs fair value would equal the fair value of the exchanged EnCana DSUs. EnCana DSUs credited to employees, officers and directors of Cenovus were exchanged for Cenovus DSUs, each having a notional value equal to the value of one Cenovus Common Share.

F) Pensions

EnCana's net benefit plan expense for the twelve months ended December 31, 2009 was $77 million (2008 - $65 million) and for the three months ended December 31, 2009 was $19 million (2008 - $18 million). EnCana's contributions to the defined benefit pension plans for the twelve months ended December 31, 2009 was $12 million (2008 - $8 million).

17. Financial Instruments and Risk Management

EnCana's financial assets and liabilities include cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, the partnership contribution receivable, risk management assets and liabilities and long-term debt. Risk management assets and liabilities arise from the use of derivative financial instruments. Fair values of financial assets and liabilities, summarized information related to risk management positions, and discussion of risks associated with financial assets and liabilities are presented as follows:

A) Fair Value of Financial Assets and Liabilities

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments except for the amounts associated with Replacement share units issued as part of the Split Transaction, as discussed in Notes 14 and 16.

At December 31, 2008, the fair value of the partnership contribution receivable approximates its carrying amount due to the specific nature of the instrument in relation to the creation of the Integrated Oil joint venture. Further information about this note is disclosed in Note 11 to the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2008.

Risk management assets and liabilities are recorded at their estimated fair value based on the mark-to-market method of accounting, using quoted market prices or, in their absence, third-party market indications and forecasts.

Long-term debt is carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings have been determined based on market information where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Company at period end.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

A) Fair Value of Financial Assets and Liabilities (continued)

The fair value of financial assets and liabilities were as follows:

	As at December 31, 2009		As at December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	**$ 4,275**	**$ 4,275**	$ 354	$ 354
Accounts receivable and accrued revenues [(1)]	**75**	**75**	-	-
Risk management assets [(2)]	**360**	**360**	3,052	3,052
Loans and Receivables:				
Accounts receivable and accrued revenues	**1,105**	**1,105**	1,436	1,436
Partnership contribution receivable [(2)]	**-**	**-**	3,147	3,147
Financial Liabilities				
Held-for-Trading:				
Accounts payable and accrued liabilities [(3), (4)]	**$ 155**	**$ 155**	$ -	$ -
Risk management liabilities [(2)]	**168**	**168**	50	50
Other Financial Liabilities:				
Accounts payable and accrued liabilities	**1,988**	**1,988**	2,448	2,448
Long-term debt [(2)]	**7,768**	**8,527**	9,005	8,242

(1) Represents amounts due from Cenovus for EnCana Replacement share units held by Cenovus employees as discussed in Note 14.
(2) Including current portion.
(3) Includes amounts due to Cenovus employees for EnCana Replacement share units held as discussed in Note 14.
(4) Includes amounts due to Cenovus for Cenovus Replacement share units held by EnCana employees as discussed in Notes 14 and 16.

B) Risk Management Assets and Liabilities

Net Risk Management Position	**As at December 31, 2009**	As at December 31, 2008
Risk Management		
Current asset	**$ 328**	$ 2,818
Long-term asset	**32**	234
	360	3,052
Risk Management		
Current liability	**126**	43
Long-term liability	**42**	7
	168	50
Net Risk Management Asset	**$ 192**	$ 3,002

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Summary of Unrealized Risk Management Positions

	As at December 31, 2009			As at December 31, 2008		
	Risk Management			Risk Management		
	Asset	Liability	Net	Asset	Liability	Net
Commodity Prices						
Natural gas	$ 298	$ 88	$ 210	$ 2,941	$ 10	$ 2,931
Crude oil	62	72	(10)	92	40	52
Power	-	8	(8)	19	-	19
Total Fair Value	$ 360	$ 168	$ 192	$ 3,052	$ 50	$ 3,002

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

	As at December 31, 2009	As at December 31, 2008
Prices actively quoted	$ 285	$ 2,055
Prices sourced from observable data or market corroboration	(93)	947
Total Fair Value	$ 192	$ 3,002

Prices actively quoted refers to the fair value of contracts valued using quoted prices in an active market. Prices sourced from observable data or market corroboration refers to the fair value of contracts valued in part using active quotes and in part using observable, market-corroborated data.

Net Fair Value of Commodity Price Positions at December 31, 2009

	Notional Volumes	Term	Average Price	Fair Value
Natural Gas Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	1,852 MMcf/d	2010	6.05 US$/Mcf	$ 223
NYMEX Fixed Price	640 MMcf/d	2011	6.57 US$/Mcf	63
NYMEX Fixed Price	267 MMcf/d	2012	6.55 US$/Mcf	8
Basis Contracts *				
Canada		2010		(4)
United States		2010		(3)
Canada and United States		2011-2013		(78)
				209
Other Financial Positions **				1
Natural Gas Fair Value Position				$ 210

* EnCana has entered into swaps to protect against widening natural gas price differentials between production areas, including Canada, the U.S. Rockies and Texas, and various sales points. These basis swaps are priced using both fixed prices and basis prices determined as a percentage of NYMEX.

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

	Notional Volumes	Term	Average Price	Fair Value
Crude Oil Contracts				
Fixed Price Contracts				
WTI NYMEX Fixed Price	5,400 bbls/d	2010	76.99 US$/bbl	$ (10)
Crude Oil Fair Value Position				$ (10)

	Fair Value
Power Purchase Contracts	
Power Fair Value Position	$ (8)

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

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

	Realized Gain (Loss)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ 644**	$ 646	**$ 4,420**	$ (309)
Operating Expenses and Other	**(11)**	30	**(44)**	28
Gain (Loss) on Risk Management	**$ 633**	$ 676	**$ 4,376**	$ (281)

	Unrealized Gain (Loss)			
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (286)**	$ 1,084	**$ (2,640)**	$ 2,717
Operating Expenses and Other	**(3)**	6	**(40)**	12
Gain (Loss) on Risk Management	**$ (289)**	$ 1,090	**$ (2,680)**	$ 2,729

Reconciliation of Unrealized Risk Management Positions from January 1 to December 31, 2009

	2009		2008
	Fair Value	**Total Unrealized Gain (Loss)**	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	**$ 2,892**		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	**1,696**	**$ 1,696**	$ 2,448
Foreign Exchange Translation Adjustment on Canadian Dollar Contracts	**4**	**-**	-
Fair Value of Contracts Transferred to Cenovus	**(24)**	**-**	-
Fair Value of Contracts Realized During the Year	**(4,376)**	**(4,376)**	281
Fair Value of Contracts and Premiums Paid, End of Year	**$ 192**	**$ (2,680)**	$ 2,729

Commodity Price Sensitivities

The following table summarizes the sensitivity of the fair value of the Company's risk management positions to fluctuations in commodity prices, with all other variables held constant. The Company has used a 10 percent variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting pre-tax net earnings as at December 31, 2009 as follows:

	10% Price Increase	**10% Price Decrease**
Natural gas price	**$ (608)**	**$ 608**
Crude oil price	**(9)**	**9**
Power price	**5**	**(5)**

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. Financial risks include market risks (such as commodity prices, foreign exchange and interest rates), credit risk and liquidity risk. The fair value or future cash flows of financial assets or liabilities may fluctuate due to movement in market prices and the exposure to credit and liquidity risks.

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities. To partially mitigate exposure to commodity price risk, the Company has entered into various financial derivative instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors (the "Board"). The Company's policy is to not use derivative financial instruments for speculative purposes.

Natural Gas - To partially mitigate the natural gas commodity price risk, the Company has entered into swaps which fix the NYMEX prices. To help protect against widening natural gas price differentials in various production areas, EnCana has entered into swaps to manage the price differentials between these production areas and various sales points.

Crude Oil - The Company has partially mitigated its commodity price risk on crude oil with swaps which fix WTI NYMEX prices.

Power - The Company has in place two Canadian dollar denominated derivative contracts, which commenced January 1, 2007 for a period of 11 years, to manage its electricity consumption costs.

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. This credit risk exposure is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparties' credit quality. At December 31, 2009, cash equivalents include high-grade, short-term securities, placed with Governments, crown corporations and financial institutions with strong investment grade ratings. Any foreign currency agreements entered into are with major financial institutions in Canada and the United States or with counterparties having investment grade credit ratings. A substantial portion of the Company’s accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. As at December 31, 2009, approximately 93 percent (2008 - 95 percent) of EnCana's accounts receivable and financial derivative credit exposures are with investment grade counterparties.

At December 31, 2009, EnCana had two counterparties (2008 - two counterparties) whose net settlement position individually account for more than 10 percent of the fair value of the outstanding in-the-money net financial instrument contracts by counterparty. The maximum credit risk exposure associated with accounts receivable and accrued revenues, risk management assets and the partnership contribution receivable is the total carrying value.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting a demand to fund its financial liabilities as they come due. The Company manages its liquidity risk through cash and debt management. As disclosed in Note 15, EnCana targets a Debt to Capitalization ratio of less than 40 percent and a Debt to Adjusted EBITDA of less than 2.0 times to steward the Company's overall debt position.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through commercial paper, capital markets and banks. As at December 31, 2009, EnCana had available unused committed bank credit facilities in the amount of $4.9 billion and unused capacity under shelf prospectuses, the availability of which is dependent on market conditions, in the amount of $5.4 billion. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

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(All amounts in $ millions unless otherwise specified)

17. Financial Instruments and Risk Management (continued)

C) Risks Associated with Financial Assets and Liabilities (continued)

EnCana maintains investment grade credit ratings on its senior unsecured debt. On November 30, 2009 following the completion of the Split Transaction (see Note 4), Standard & Poor's Ratings Services lowered the rating to "BBB+" from "A-" and changed the outlook to "Stable" from "CreditWatch" with negative implications. Moody's Investors Service affirmed the rating of "Baa2" with a "Stable" outlook. DBRS Limited maintained the rating of "A (low)" and changed the outlook to "Stable" from "Under Review with Developing Implications". These credit ratings remained unchanged at December 31, 2009.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Thereafter	Total
Accounts Payable and Accrued Liabilities	$ 2,143	$ -	$ -	$ -	$ 2,143
Risk Management Liabilities	126	34	8	-	168
Long-Term Debt *	685	1,875	2,282	9,936	14,778

* Principal and interest, including current portion.

EnCana's total long-term debt obligations were $14,778 million at December 31, 2009. Further information on Long-Term Debt is contained in Note 12.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign exchange rates that may affect the fair value or future cash flows of the Company's financial assets or liabilities. As EnCana operates primarily in North America, fluctuations in the exchange rate between the U.S./Canadian dollar can have a significant effect on the Company's reported results. EnCana's functional currency is Canadian dollars; however, the Company reports its results in U.S. dollars as most of its revenue is closely tied to the U.S. dollar and to facilitate a more direct comparison to other North American oil and gas companies. As the effects of foreign exchange fluctuations are embedded in the Company's results, the total effect of foreign exchange fluctuations are not separately identifiable.

To mitigate the exposure to the fluctuating U.S./Canadian exchange rate, EnCana maintains a mix of both U.S. dollar and Canadian dollar debt.

As disclosed in Note 9, EnCana's foreign exchange (gain) loss primarily includes foreign exchange gains and losses on U.S. dollar cash and short-term investments, unrealized foreign exchange gains and losses on the translation of U.S. dollar debt issued from Canada, foreign exchange gains and losses on the translation of the U.S. dollar partnership contribution receivable issued from Canada and unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated risk management assets and liabilities.

At December 31, 2009, EnCana had $5,600 million in U.S. dollar debt issued from Canada ($5,350 million at December 31, 2008). At December 31, 2009, as a result of the Split Transaction (see Note 4), EnCana had nil related to the U.S. dollar partnership contribution receivable ($3,147 million at December 31, 2008). A $0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a $20 million change in foreign exchange (gain) loss at December 31, 2009 (2008 - $18 million).

Interest Rate Risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. Typically, the Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

At December 31, 2009, the Company had no floating rate debt. Therefore, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt was nil (2008 - $12 million).

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(All amounts in $ millions unless otherwise specified)

18. 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

During the period between 2003 and 2005, EnCana and its indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. (“WD”), along with other energy companies, were named as defendants in several lawsuits, some of which were class action lawsuits, relating to sales of natural gas from 1999 to 2002. All but one of these lawsuits had been settled prior to 2009. Without admitting any liability whatsoever, the remaining lawsuit was settled on October 16, 2009.

19. Reclassification

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2009.