

CONSOLIDATED STATEMENT OF EARNINGS *(unaudited)*

	Three Months Ended March 31,	
	2006	2005
<i>(\$ millions, except per share amounts)</i>		
REVENUES, NET OF ROYALTIES	<i>(Note 3)</i>	
Upstream	\$ 2,691	\$ 2,106
Market Optimization	716	894
Corporate - Unrealized gain (loss) on risk management	1,263	(962)
	4,670	2,038
EXPENSES	<i>(Note 3)</i>	
Production and mineral taxes	139	87
Transportation and selling	152	133
Operating	412	300
Purchased product	689	879
Depreciation, depletion and amortization	765	679
Administrative	58	61
Interest, net	<i>(Note 6)</i> 88	100
Accretion of asset retirement obligation	<i>(Note 10)</i> 12	9
Foreign exchange (gain) loss, net	<i>(Note 7)</i> 44	32
Stock-based compensation - options	-	4
(Gain) on dispositions	(9)	-
	2,350	2,284
NET EARNINGS (LOSS) BEFORE INCOME TAX	2,320	(246)
Income tax expense (recovery)	<i>(Note 8)</i> 848	(84)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,472	(162)
NET EARNINGS FROM DISCONTINUED OPERATIONS	<i>(Note 4)</i> 2	117
NET EARNINGS (LOSS)	\$ 1,474	\$ (45)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS PER COMMON SHARE	<i>(Note 13)</i>	
Basic	\$ 1.74	\$ (0.18)
Diluted	\$ 1.70	\$ (0.18)
NET EARNINGS (LOSS) PER COMMON SHARE	<i>(Note 13)</i>	
Basic	\$ 1.74	\$ (0.05)
Diluted	\$ 1.70	\$ (0.05)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS *(unaudited)*

	Three Months Ended March 31,	
	2006	2005
<i>(\$ millions)</i>		
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 9,481	\$ 7,935
Net Earnings (Loss)	1,474	(45)
Dividends on Common Shares	(64)	(44)
Charges for Normal Course Issuer Bid	<i>(Note 11)</i> (801)	(490)
Charges for Shares Repurchased and Held	-	(70)
RETAINED EARNINGS, END OF PERIOD	\$ 10,090	\$ 7,286

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET *(unaudited)*

<i>(\$ millions)</i>	As at March 31, 2006	As at December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 324	\$ 105
Accounts receivable and accrued revenues	1,567	1,851
Risk management	(Note 14) 811	495
Inventories	90	103
Assets of discontinued operations	(Note 4) 785	1,050
	3,577	3,604
Property, Plant and Equipment, net	(Note 3) 25,858	24,881
Investments and Other Assets	421	496
Risk Management	(Note 14) 419	530
Assets of Discontinued Operations	(Note 4) -	2,113
Goodwill	2,522	2,524
	(Note 3) \$ 32,797	\$ 34,148
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,519	\$ 2,741
Income tax payable	602	392
Risk management	(Note 14) 254	1,227
Liabilities of discontinued operations	(Note 4) 193	438
Current portion of long-term debt	(Note 9) 73	73
	3,641	4,871
Long-Term Debt	(Note 9) 5,819	6,703
Other Liabilities	87	93
Risk Management	(Note 14) 27	102
Asset Retirement Obligation	(Note 10) 849	816
Liabilities of Discontinued Operations	(Note 4) -	267
Future Income Taxes	5,790	5,289
	16,213	18,141
Shareholders' Equity		
Share capital	(Note 11) 5,006	5,131
Paid in surplus	132	133
Retained earnings	10,090	9,481
Foreign currency translation adjustment	1,356	1,262
	16,584	16,007
	\$ 32,797	\$ 34,148

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(unaudited)*

(\$ millions)	Three Months Ended March 31,	
	2006	2005
OPERATING ACTIVITIES		
Net earnings (loss) from continuing operations	\$ 1,472	\$ (162)
Depreciation, depletion and amortization	765	679
Future income taxes	<i>(Note 8)</i> 517	(295)
Unrealized (gain) loss on risk management	<i>(Note 14)</i> (1,261)	959
Unrealized foreign exchange (gain) loss	60	18
Accretion of asset retirement obligation	<i>(Note 10)</i> 12	9
(Gain) on dispositions	(9)	-
Other	23	39
Cash flow from continuing operations	1,579	1,247
Cash flow from discontinued operations	112	166
Cash flow	1,691	1,413
Net change in other assets and liabilities	(11)	2
Net change in non-cash working capital from continuing operations	2,044	614
Net change in non-cash working capital from discontinued operations	(1,427)	(111)
	2,297	1,918
INVESTING ACTIVITIES		
Capital expenditures	<i>(Note 3)</i> (1,961)	(1,509)
Proceeds on disposal of assets	<i>(Note 5)</i> 255	53
Net change in investments and other	77	19
Net change in non-cash working capital from continuing operations	119	161
Discontinued operations	1,313	(73)
	(197)	(1,349)
FINANCING ACTIVITIES		
Net (repayment) issuance of revolving long-term debt	(881)	(33)
Repayment of long-term debt	-	(1)
Issuance of common shares	<i>(Note 11)</i> 52	101
Purchase of common shares	<i>(Note 11)</i> (978)	(760)
Dividends on common shares	(64)	(44)
Other	(10)	(2)
	(1,881)	(739)
DEDUCT: FOREIGN EXCHANGE (GAIN) LOSS ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		
	-	(1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	219	(169)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	105	593
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 324	\$ 424

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 March 31)

	Upstream		Market Optimization	
	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 2,691	\$ 2,106	\$ 716	\$ 894
Expenses				
Production and mineral taxes	139	87	-	-
Transportation and selling	149	131	3	2
Operating	393	292	18	11
Purchased product	-	-	689	879
Depreciation, depletion and amortization	744	660	3	2
Segment Income	\$ 1,266	\$ 936	\$ 3	\$ -

	Corporate *		Consolidated	
	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 1,263	\$ (962)	\$ 4,670	\$ 2,038
Expenses				
Production and mineral taxes	-	-	139	87
Transportation and selling	-	-	152	133
Operating	1	(3)	412	300
Purchased product	-	-	689	879
Depreciation, depletion and amortization	18	17	765	679
Segment Income (Loss)	\$ 1,244	\$ (976)	2,513	(40)
Administrative			58	61
Interest, net			88	100
Accretion of asset retirement obligation			12	9
Foreign exchange (gain) loss, net			44	32
Stock-based compensation - options			-	4
(Gain) on dispositions			(9)	-
			193	206
Net Earnings (Loss) Before Income Tax			2,320	(246)
Income tax expense (recovery)			848	(84)
Net Earnings (Loss) From Continuing Operations			\$ 1,472	\$ (162)

* For the three months ended March 31, 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	\$ 1,263	\$ (962)
Operating Expenses and Other - Corporate	2	(3)
Total Unrealized Gain (Loss) on Risk Management before-tax - Continuing Operations	\$ 1,261	\$ (959)

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 March 31)

<i>Upstream</i>	Canada		United States	
	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 1,830	\$ 1,426	\$ 779	\$ 619
Expenses				
Production and mineral taxes	45	22	94	65
Transportation and selling	83	87	66	44
Operating	242	192	68	44
Depreciation, depletion and amortization	526	462	210	188
Segment Income	\$ 934	\$ 663	\$ 341	\$ 278

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

	Other		Total Upstream	
	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 82	\$ 61	\$ 2,691	\$ 2,106
Expenses				
Production and mineral taxes	-	-	139	87
Transportation and selling	-	-	149	131
Operating	83	56	393	292
Depreciation, depletion and amortization	8	10	744	660
Segment Income (Loss)	\$ (9)	\$ (5)	\$ 1,266	\$ 936

Upstream Geographic and Product Information (Continuing Operations) (For the three months ended March 31)

	Produced Gas					
	Canada		United States		Total	
	2006	2005	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 1,441	\$ 1,133	\$ 718	\$ 564	\$ 2,159	\$ 1,697
Expenses						
Production and mineral taxes	36	16	89	59	125	75
Transportation and selling	67	70	66	44	133	114
Operating	153	121	68	44	221	165
Operating Cash Flow	\$ 1,185	\$ 926	\$ 495	\$ 417	\$ 1,680	\$ 1,343

Transportation and selling for the United States for 2006 includes a one time payment 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	\$ 389	\$ 293	\$ 61	\$ 55	\$ 450	\$ 348
Expenses						
Production and mineral taxes	9	6	5	6	14	12
Transportation and selling	16	17	-	-	16	17
Operating	89	71	-	-	89	71
Operating Cash Flow	\$ 275	\$ 199	\$ 56	\$ 49	\$ 331	\$ 248

	Other		Total Upstream	
	2006	2005	2006	2005
Revenues, Net of Royalties	\$ 82	\$ 61	\$ 2,691	\$ 2,106
Expenses				
Production and mineral taxes	-	-	139	87
Transportation and selling	-	-	149	131
Operating	83	56	393	292
Operating Cash Flow	\$ (1)	\$ 5	\$ 2,010	\$ 1,596

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

3. SEGMENTED INFORMATION (continued)

Capital Expenditures (Continuing Operations)

	Three Months Ended	
	March 31,	
	2006	2005
Upstream Core Capital		
Canada	\$ 1,349	\$ 1,041
United States	537	403
Other Countries	18	13
	1,904	1,457
Upstream Acquisition Capital		
Canada	8	3
United States	7	9
	15	12
Market Optimization	29	34
Corporate	13	6
Total	\$ 1,961	\$ 1,509

Property, Plant and Equipment and Total Assets

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
Upstream	\$ 25,423	\$ 24,247	\$ 29,744	\$ 28,858
Market Optimization	173	371	330	597
Corporate	262	263	1,938	1,530
Assets of Discontinued Operations	(Note 4)		785	3,163
Total	\$ 25,858	\$ 24,881	\$ 32,797	\$ 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 is subject to closing conditions and applicable regulatory approvals and is expected to close in two stages. The first stage of the sale is expected to close in the second quarter of 2006 for proceeds of \$1.3 billion. The second stage will close following receipt of regulatory approvals.

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 which is subject to a final statement of adjustment to be received in the second quarter. A loss on sale of approximately \$47 million, after-tax, was recorded.

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 March 31,							
	Ecuador		United Kingdom		Midstream		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenues, Net of Royalties*	\$ 200	\$ 191	\$ -	\$ -	\$ 435	\$ 623	\$ 635	\$ 814
Expenses								
Production and mineral taxes	23	22	-	-	-	-	23	22
Transportation and selling	10	15	-	-	-	3	10	18
Operating	25	28	-	-	19	72	44	100
Purchased product	-	-	-	-	354	484	354	484
Depreciation, depletion and amortization	84	-	-	-	-	7	84	7
Administrative	-	-	-	-	-	-	-	-
Interest, net	(2)	-	-	-	-	-	(2)	-
Foreign exchange (gain) loss, net	1	-	1	-	-	(1)	2	(1)
(Gain) loss on discontinuance	47	-	-	-	-	-	47	-
	188	65	1	-	373	565	562	630
Net Earnings (Loss) Before Income Tax	12	126	(1)	-	62	58	73	184
Income tax expense	59	46	-	-	12	21	71	67
Net Earnings (Loss) From Discontinued Operations	\$ (47)	\$ 80	\$ (1)	\$ -	\$ 50	\$ 37	\$ 2	\$ 117

* 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 \$23 million and unrealized mark-to-market losses of \$20 million.

Consolidated Balance Sheet

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

	As at							
	March 31, 2006				December 31, 2005			
	United		Total		United		Total	
	Ecuador	Kingdom	Midstream	Total	Ecuador	Kingdom	Midstream	Total
Assets								
Cash and cash equivalents	\$ -	\$ 8	\$ (30)	\$ (22)	\$ 207	\$ 8	\$ (7)	\$ 208
Accounts receivable and accrued revenues	-	-	125	125	137	-	271	408
Risk management	-	-	3	3	-	-	21	21
Inventories	-	-	88	88	23	-	390	413
	-	8	186	194	367	8	675	1,050
Property, plant and equipment, net	1	-	523	524	1,166	-	520	1,686
Investments and other assets	-	-	-	-	360	-	-	360
Goodwill	-	-	67	67	-	-	67	67
	\$ 1	\$ 8	\$ 776	\$ 785	\$ 1,893	\$ 8	\$ 1,262	\$ 3,163
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ 27	\$ 66	\$ 93	\$ 91	\$ 27	\$ 49	\$ 167
Income tax payable	-	6	19	25	184	6	40	230
Risk management	-	-	-	-	-	-	41	41
	-	33	85	118	275	33	130	438
Asset retirement obligation	-	-	-	-	21	-	-	21
Future income taxes	-	-	75	75	162	(2)	86	246
	-	33	160	193	458	31	216	705
Net Assets of Discontinued Operations	\$ 1	\$ (25)	\$ 616	\$ 592	\$ 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. At this point it is not possible to predict whether any indemnification payments will be required to be made to the purchaser.

5. DIVESTITURES

Total proceeds received on sale of assets and investments was \$255 million (2005 - \$53 million) as described below:

Upstream

In 2006, the Company has completed the disposition of mature conventional oil and natural gas assets for proceeds of \$11 million (2005 - \$53 million).

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 March 31,	
	2006	2005
Interest Expense - Long-Term Debt	\$ 94	\$ 101
Interest Expense - Other	5	4
Interest Income	(11)	(5)
	\$ 88	\$ 100

7. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended March 31,	
	2006	2005
Unrealized Foreign Exchange (Gain) Loss on Translation of U.S. Dollar Debt Issued in Canada	\$ 4	\$ 18
Other Foreign Exchange (Gain) Loss	40	14
	\$ 44	\$ 32

8. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended March 31,	
	2006	2005
Current		
Canada	\$ 308	\$ 172
United States	23	32
Other	-	7
Total Current Tax	331	211
Future	517	(295)
	\$ 848	\$ (84)

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

	Three Months Ended March 31,	
	2006	2005
Net Earnings (Loss) Before Income Tax	\$ 2,320	\$ (246)
Canadian Statutory Rate	35.9%	37.9%
Expected Income Tax	833	(93)
Effect on Taxes Resulting from:		
Non-deductible Canadian crown payments	31	42
Canadian resource allowance	(20)	(48)
Canadian resource allowance on unrealized risk management losses	-	18
Statutory and other rate differences	(16)	(13)
Non-taxable capital (gains) losses	(1)	5
Large corporations tax	1	4
Other	20	1
	\$ 848	\$ (84)
Effective Tax Rate	36.6%	34.1%

Notes to Consolidated Financial Statements (unaudited)
(All amounts in \$ millions unless otherwise specified)

9. LONG-TERM DEBT

	As at March 31, 2006	As at December 31, 2005
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 542	\$ 1,425
Unsecured notes	793	793
	1,335	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 *	63	64
Current Portion of Long-Term Debt	(73)	(73)
	\$ 5,819	\$ 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 March 31, 2006	As at December 31, 2005
Asset Retirement Obligation, Beginning of Year	\$ 816	\$ 611
Liabilities Incurred	22	77
Liabilities Settled	(13)	(42)
Liabilities Disposed	-	(23)
Change in Estimated Future Cash Flows	13	135
Accretion Expense	12	37
Other	(1)	21
Asset Retirement Obligation, End of Period	\$ 849	\$ 816

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

11. SHARE CAPITAL

(millions)	March 31, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Common Shares Outstanding, Beginning of Year	854.9	\$ 5,131	900.6	\$ 5,299
Common Shares Issued under Option Plans	2.6	52	15.0	294
Common Shares Repurchased	(21.3)	(177)	(60.7)	(462)
Common Shares Outstanding, End of Period	836.2	\$ 5,006	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 March 31, 2006, the Company purchased 21.3 million Common Shares for total consideration of approximately \$978 million. Of the amount paid, \$177 million was charged to Share capital and \$801 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 March 31, 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	(2.6)	23.55
Forfeited	(0.2)	23.93
Outstanding, End of Period	17.9	23.33
Exercisable, End of Period	14.4	23.16

Range of Exercise Price (C\$)	Outstanding Options			Exercisable Options	
	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\$)
10.50 to 22.99	1.6	2.2	15.41	1.5	15.25
23.00 to 23.49	0.3	1.8	23.23	0.2	23.25
23.50 to 23.99	6.5	2.1	23.89	3.4	23.89
24.00 to 24.49	9.0	1.0	24.18	9.0	24.18
24.50 to 25.99	0.5	2.4	25.24	0.3	25.19
	17.9	1.6	23.33	14.4	23.16

At March 31, 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 March 31, 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	
	March 31,	
	2006	2005
Current Service Cost	\$ 3	\$ 2
Interest Cost	4	3
Expected Return on Plan Assets	(4)	(3)
Expected Actuarial Loss on Accrued Benefit Obligation	1	1
Expected Amortization of Past Service Costs	1	1
Amortization of Transitional Obligation	-	(1)
Expense for Defined Contribution Plan	5	5
Net Benefit Plan Expense	\$ 10	\$ 8

For the period ended March 31, 2006, there were no contributions to the defined benefit pension plans.

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

The following table summarizes the information about SAR's at March 31, 2006:

	Outstanding SAR's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	246,739	23.13
Exercised	(239,115)	23.15
Forfeited	-	-
Outstanding, End of Period	7,624	22.53
Exercisable, End of Period	7,624	22.53
U.S. Dollar Denominated (US\$)		
Outstanding, Beginning of Year	319,511	14.33
Exercised	(228,359)	15.14
Outstanding, End of Period	91,152	12.49
Exercisable, End of Period	91,152	12.49

For the period ended March 31, 2006, EnCana recorded compensation costs of \$4 million related to the outstanding SAR's (2005 - \$9 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 March 31, 2006:

	Outstanding TSAR's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	8,403,967	38.41
Granted	10,220,600	48.34
Exercised - SAR's	(142,171)	35.59
Exercised - Options	(2,560)	34.44
Forfeited	(174,456)	39.17
Outstanding, End of Period	18,305,380	43.97
Exercisable, End of Period	1,977,078	36.70

For the period ended March 31, 2006, EnCana recorded compensation costs of \$28 million related to the outstanding TSAR's (2005 - \$5 million).

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

The following table summarizes the information about DSU's at March 31, 2006:

	Outstanding DSU's	Weighted Average Exercise Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	836,561	26.81
Granted, Directors	71,304	56.71
Exercised	(28,750)	54.50
Units, in Lieu of Dividends	1,292	54.50
Outstanding, End of Period	880,407	28.37
Exercisable, End of Period	880,407	28.37

For the period ended March 31, 2006, EnCana recorded compensation costs of \$6 million related to the outstanding DSU's (2005 - \$5 million).

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

The following table summarizes the information about PSU's at March 31, 2006:

	Outstanding PSU's	Weighted Average Grant Price
Canadian Dollar Denominated (C\$)		
Outstanding, Beginning of Year	4,704,348	30.65
Granted	10,409	28.56
Exercised	(239,794)	23.26
Forfeited	(31,756)	32.93
Outstanding, End of Period	4,443,207	31.04
U.S. Dollar Denominated (US\$)		
Outstanding, Beginning of Year	739,649	25.22
Granted	1,113	25.49
Forfeited	(52,426)	21.58
Outstanding, End of Period	688,336	25.50

For the period ended March 31, 2006, EnCana recorded a reduction to compensation costs of \$16 million related to the outstanding PSU's (2005 - \$14 million compensation cost).

At March 31, 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:

<i>(millions)</i>	Three Months Ended	
	March 31,	
	2006	2005
Weighted Average Common Shares Outstanding - Basic	847.9	891.8
Effect of Dilutive Securities	16.9	17.2
Weighted Average Common Shares Outstanding - Diluted	864.8	909.0

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	
	March 31,	
	2006	2005
Revenues, Net of Royalties	\$ (206)	\$ (19)
Operating Expenses and Other	1	5
Loss on Risk Management - Continuing Operations	(205)	(14)
Gain (Loss) on Risk Management - Discontinued Operations	1	(24)
	\$ (204)	\$ (38)

	Unrealized Gain (Loss)	
	Three Months Ended	
	March 31,	
	2006	2005
Revenues, Net of Royalties	\$ 1,263	\$ (962)
Operating Expenses and Other	(2)	3
Gain (Loss) on Risk Management - Continuing Operations	1,261	(959)
Gain (Loss) on Risk Management - Discontinued Operations	23	(30)
	\$ 1,284	\$ (989)

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 March 31, 2006, a net unrealized gain remains to be recognized over the next three years as follows:

	Unrealized Gain
2006	
Three months ended June 30, 2006	\$ 7
Three months ended September 30, 2006	7
Three months ended December 31, 2006	6
Total remaining to be recognized in 2006	\$ 20
2007	\$ 15
2008	1
Total to be recognized	\$ 36

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 March 31, 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	-	1,076	1,076
Fair Value of Contracts in Place at Transition Expired During 2006	4	-	4
Fair Value of Contracts Realized During 2006	-	204	204
Fair Value of Contracts Outstanding	\$ (36)	\$ 640	\$ 1,284
Unamortized Premiums Paid on Options		312	
Fair Value of Contracts and Premiums Paid, End of Period		\$ 952	
Amounts Allocated to Continuing Operations	\$ (36)	\$ 949	\$ 1,261
Amounts Allocated to Discontinued Operations	-	3	23
	\$ (36)	\$ 952	\$ 1,284

At March 31, 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 March 31, 2006
Remaining Deferred Amounts Recognized on Transition	
Accounts receivable and accrued revenues	\$ 1
Accounts payable and accrued liabilities	24
Other liabilities	13
Net Deferred Gain - Continuing Operations	\$ 36
Risk Management	
Current asset	\$ 811
Long-term asset	419
Current liability	254
Long-term liability	27
Net Risk Management Asset - Continuing Operations	949
Net Risk Management Asset - Discontinued Operations	3
	\$ 952

A summary of all unrealized estimated fair value financial positions is as follows:

	As at March 31, 2006
Commodity Price Risk	
Natural gas	\$ 1,033
Crude oil	(90)
Credit Derivatives	(2)
Interest Rate Risk	8
Total Fair Value Positions - Continuing Operations	949
Total Fair Value Positions - Discontinued Operations	3
	\$ 952

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 March 31, 2006.

Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Natural Gas

At March 31, 2006, the Company's gas risk management activities from financial contracts had an unrealized gain of \$797 million and a fair market value position of \$1,036 million. The contracts were as follows:

	Notional Volumes (MMcf/d)	Term	Average Price	Fair Market Value
Sales Contracts				
Fixed Price Contracts				
NYMEX Fixed Price	522	2006	5.65 US\$/Mcf	\$ (330)
Colorado Interstate Gas (CIG)	100	2006	4.44 US\$/Mcf	(50)
Houston Ship Channel (HSC)	90	2006	5.08 US\$/Mcf	(57)
Other	81	2006	4.58 US\$/Mcf	(42)
NYMEX Fixed Price	240	2007	7.76 US\$/Mcf	(151)
Options				
Purchased NYMEX Put Options	2,659	2006	7.77 US\$/Mcf	359
Purchased NYMEX Put Options	240	2007	6.00 US\$/Mcf	(2)
Basis Contracts				
Fixed NYMEX to AECO Basis	796	2006	(0.69) US\$/Mcf	169
Fixed NYMEX to Rockies Basis	345	2006	(0.60) US\$/Mcf	100
Fixed NYMEX to CIG Basis	309	2006	(0.83) US\$/Mcf	74
Other	178	2006	(0.35) US\$/Mcf	27
Fixed NYMEX to AECO Basis	747	2007	(0.72) US\$/Mcf	175
Fixed NYMEX to Rockies Basis	538	2007	(0.65) US\$/Mcf	241
Fixed NYMEX to CIG Basis	390	2007	(0.76) US\$/Mcf	167
Fixed Rockies to CIG Basis	12	2007	(0.10) US\$/Mcf	-
Fixed NYMEX to AECO Basis	191	2008	(0.78) US\$/Mcf	20
Fixed NYMEX to Rockies Basis	162	2008	(0.59) US\$/Mcf	60
Fixed NYMEX to CIG Basis	40	2008-2009	(0.68) US\$/Mcf	26
Purchase Contracts				
Fixed Price Contracts				
Waha Purchase	23	2006	5.32 US\$/Mcf	9
				795
Other Financial Positions*				2
Total Unrealized Gain on Financial Contracts				797
Unamortized Premiums Paid on Options				239
Total Fair Value Positions				\$ 1,036
Total Fair Value Positions - Continuing Operations				\$ 1,033
Total Fair Value Positions - Discontinued Operations				3
Total Fair Value Positions				\$ 1,036

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

Notes to Consolidated Financial Statements (unaudited)
(All amounts in \$ millions unless otherwise specified)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Crude Oil

At March 31, 2006, the Company's oil risk management activities from financial contracts had an unrealized loss of \$(163) million and a fair market value position of \$(90) 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	\$ (139)
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	(21)
Purchased WTI NYMEX Call Options	(13,700)	2006	61.24 US\$/bbl	21
Purchased WTI NYMEX Put Options	43,000	2007	44.44 US\$/bbl	(25)
				(159)
Other Financial Positions *				(4)
Total Unrealized Loss on Financial Contracts				(163)
Unamortized Premiums Paid on Options				73
Total Fair Value Positions				\$ (90)
Total Fair Value Positions - Continuing Operations				\$ (90)

* 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 all but one of the class actions in the United States District Court and in the Gallo action, decisions 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 are on appeal to the United States Court of Appeals for the Ninth Circuit.

Without admitting any liability in the lawsuits, in November 2005, 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.

New York

WD is also 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 has agreed to pay \$8.2 million to settle the New York class action lawsuit, subject to final documentation and approval by the New York District Court.

Based on the aforementioned settlements, a total of \$30 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.