ENCANA

energy for people

EnCana Corporation

Interim Consolidated Financial Statements
(unaudited)
For the period ended June 30, 2009

(U.S. Dollars)

Consolidated Statement of Earnings *(unaudited)*

($ millions, except per share amounts)		Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues, Net of Royalties	*(Note 4)*	**$ 3,762**	$ 7,422	**$ 8,370**	$ 12,856
Expenses	*(Note 4)*				
Production and mineral taxes		**32**	154	**93**	268
Transportation and selling		**321**	427	**614**	839
Operating		**512**	709	**1,065**	1,405
Purchased product		**1,385**	2,882	**2,594**	5,275
Depreciation, depletion and amortization		**980**	1,097	**1,963**	2,132
Administrative		**120**	225	**205**	381
Interest, net	*(Note 6)*	**129**	147	**233**	281
Accretion of asset retirement obligation	*(Note 11)*	**19**	20	**36**	41
Foreign exchange (gain) loss, net	*(Note 7)*	**(60)**	(35)	**(2)**	60
(Gain) loss on divestitures	*(Note 5)*	**3**	(17)	**2**	(17)
		3,441	5,609	**6,803**	10,665
Net Earnings Before Income Tax		**321**	1,813	**1,567**	2,191
Income tax expense	*(Note 8)*	**82**	592	**366**	877
Net Earnings		**$ 239**	$ 1,221	**$ 1,201**	$ 1,314
Net Earnings per Common Share	*(Note 15)*				
Basic		**$ 0.32**	$ 1.63	**$ 1.60**	$ 1.75
Diluted		**$ 0.32**	$ 1.63	**$ 1.60**	$ 1.75

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Retained Earnings *(unaudited)*

($ millions)		Six Months Ended June 30, 2009	2008
Retained Earnings, Beginning of Year		**$ 17,584**	$ 13,082
Net Earnings		**1,201**	1,314
Dividends on Common Shares		**(601)**	(600)
Charges for Normal Course Issuer Bid	*(Note 12)*	**-**	(243)
Retained Earnings, End of Period		**$ 18,184**	$ 13,553

Consolidated Statement of Comprehensive Income *(unaudited)*

($ millions)	Three Months Ended June 30, 2009	2008	Six Months Ended June 30, 2009	2008
Net Earnings	**$ 239**	$ 1,221	**$ 1,201**	$ 1,314
Other Comprehensive Income, Net of Tax				
Foreign Currency Translation Adjustment	**916**	48	**645**	(352)
Comprehensive Income	**$ 1,155**	$ 1,269	**$ 1,846**	$ 962

Consolidated Statement of Accumulated Other Comprehensive Income *(unaudited)*

($ millions)	Six Months Ended June 30, 2009	2008
Accumulated Other Comprehensive Income, Beginning of Year	**$ 833**	$ 3,063
Foreign Currency Translation Adjustment	**645**	(352)
Accumulated Other Comprehensive Income, End of Period	**$ 1,478**	$ 2,711

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet *(unaudited)*

($ millions)		As at June 30, 2009	As at December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents		**$ 330**	$ 383
Accounts receivable and accrued revenues		**1,472**	1,568
Current portion of partnership contribution receivable		**321**	313
Risk management	*(Note 16)*	**1,927**	2,818
Inventories	*(Note 9)*	**710**	520
		4,760	5,602
Property, Plant and Equipment, net	*(Note 4)*	**37,377**	35,424
Investments and Other Assets		**955**	727
Partnership Contribution Receivable		**2,672**	2,834
Risk Management	*(Note 16)*	**44**	234
Goodwill		**2,530**	2,426
	(Note 4)	**$ 48,338**	$ 47,247
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 2,401**	$ 2,871
Income tax payable		**527**	424
Current portion of partnership contribution payable		**315**	306
Risk management	*(Note 16)*	**14**	43
Current portion of long-term debt	*(Note 10)*	**250**	250
		3,507	3,894
Long-Term Debt	*(Note 10)*	**8,688**	8,755
Other Liabilities		**903**	576
Partnership Contribution Payable		**2,697**	2,857
Risk Management	*(Note 16)*	**26**	7
Asset Retirement Obligation	*(Note 11)*	**1,325**	1,265
Future Income Taxes		**6,945**	6,919
		24,091	24,273
Shareholders' Equity			
Share capital	*(Note 12)*	**4,579**	4,557
Paid in surplus	*(Note 12)*	**6**	-
Retained earnings		**18,184**	17,584
Accumulated other comprehensive income		**1,478**	833
Total Shareholders' Equity		**24,247**	22,974
		$ 48,338	$ 47,247

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows *(unaudited)*

($ millions)		Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating Activities					
Net earnings		**$ 239**	$ 1,221	**$ 1,201**	$ 1,314
Depreciation, depletion and amortization		**980**	1,097	**1,963**	2,132
Future income taxes	*(Note 8)*	**(231)**	152	**(194)**	73
Unrealized (gain) loss on risk management	*(Note 16)*	**1,118**	318	**1,007**	1,411
Unrealized foreign exchange (gain) loss		**(69)**	(11)	**(49)**	65
Accretion of asset retirement obligation	*(Note 11)*	**19**	20	**36**	41
(Gain) loss on divestitures	*(Note 5)*	**3**	(17)	**2**	(17)
Other		**94**	109	**131**	259
Net change in other assets and liabilities		**9**	(171)	**23**	(264)
Net change in non-cash working capital		**(207)**	(722)	**(334)**	(1,260)
Cash From Operating Activities		**1,955**	1,996	**3,786**	3,754
Investing Activities					
Capital expenditures	*(Note 4)*	**(1,088)**	(1,996)	**(2,675)**	(3,903)
Proceeds from divestitures	*(Note 5)*	**20**	79	**53**	151
Corporate acquisition	*(Note 5)*	**(24)**	-	**(24)**	-
Net change in investments and other		**(28)**	(18)	**(170)**	(9)
Net change in non-cash working capital		**(187)**	(101)	**(279)**	191
Cash (Used in) Investing Activities		**(1,307)**	(2,036)	**(3,095)**	(3,570)
Financing Activities					
Net issuance (repayment) of revolving long-term debt		**(1,170)**	426	**(665)**	367
Issuance of long-term debt	*(Note 10)*	**496**	-	**496**	723
Repayment of long-term debt		**-**	(196)	**-**	(196)
Issuance of common shares	*(Note 12)*	**19**	13	**21**	76
Purchase of common shares	*(Note 12)*	**-**	(15)	**-**	(326)
Dividends on common shares		**(301)**	(300)	**(601)**	(600)
Cash From (Used in) Financing Activities		**(956)**	(72)	**(749)**	44
Foreign Exchange Gain (Loss) on Cash and Cash Equivalents Held in Foreign Currency		**9**	1	**5**	(3)
Increase (Decrease) in Cash and Cash Equivalents		**(299)**	(111)	**(53)**	225
Cash and Cash Equivalents, Beginning of Period		**629**	889	**383**	553
Cash and Cash Equivalents, End of Period		**$ 330**	$ 778	**$ 330**	$ 778

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, crude oil and natural gas liquids ("NGLs"), refining operations 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, 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. 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.

- **Downstream Refining** is focused on the refining of crude oil into petroleum and chemical products at two refineries located in the United States. The refineries are jointly owned with ConocoPhillips.

- **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.

On December 31, 2008, EnCana updated its segmented reporting to present the upstream Canadian and United States cost centres and Downstream Refining as separate reportable segments. This resulted in EnCana presenting the Canadian portion of the Integrated Oil Division as part of the Canada segment. Previously, this was aggregated and presented in the Integrated Oil segment. Prior periods have been restated to reflect the new presentation.

EnCana has a decentralized decision making and reporting structure. Accordingly, the Company is organized into Divisions as follows:

- **Canadian Plains** Division includes natural gas and crude oil exploration, development and production assets located in eastern Alberta and Saskatchewan.

- **Canadian Foothills** Division includes natural gas exploration, development and production assets located in western Alberta and British Columbia 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 comprises the USA segment described above.

- **Integrated Oil** Division is the combined total of Integrated Oil – Canada and Downstream Refining. Integrated Oil – Canada includes the Company's exploration for, and development and production of bitumen using enhanced recovery methods. Integrated Oil – Canada is composed of EnCana's interests in the FCCL Partnership jointly owned with ConocoPhillips, the Athabasca natural gas assets and other bitumen interests.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Segmented Information (continued)

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

Segment and Geographic Information

	Canada		USA		Downstream Refining	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 2,070**	$ 2,810	**$ 1,126**	$ 1,525	**$ 1,313**	$ 2,769
Expenses						
Production and mineral taxes	**17**	36	**15**	118	**-**	-
Transportation and selling	**196**	307	**125**	120	**-**	-
Operating	**291**	396	**99**	186	**112**	127
Purchased product	**(18)**	(46)	**-**	-	**1,047**	2,300
	1,584	2,117	**887**	1,101	**154**	342
Depreciation, depletion and amortization	**523**	570	**379**	421	**46**	44
Segment Income (Loss)	**$ 1,061**	$ 1,547	**$ 508**	$ 680	**$ 108**	$ 298

	Market Optimization		Corporate & Other		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 366**	$ 647	**$ (1,113)**	$ (329)	**$ 3,762**	$ 7,422
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**32**	154
Transportation and selling	**-**	-	**-**	-	**321**	427
Operating	**7**	8	**3**	(8)	**512**	709
Purchased product	**356**	628	**-**	-	**1,385**	2,882
	3	11	**(1,116)**	(321)	**1,512**	3,250
Depreciation, depletion and amortization	**4**	4	**28**	58	**980**	1,097
Segment Income (Loss)	**$ (1)**	$ 7	**$ (1,144)**	$ (379)	**532**	2,153
Administrative					**120**	225
Interest, net					**129**	147
Accretion of asset retirement obligation					**19**	20
Foreign exchange (gain) loss, net					**(60)**	(35)
(Gain) loss on divestitures					**3**	(17)
					211	340
Net Earnings Before Income Tax					**321**	1,813
Income tax expense					**82**	592
Net Earnings					**$ 239**	$ 1,221

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Segmented Information (continued)

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

Product and Divisional Information

Canada Segment	Canadian Plains		Canadian Foothills		Integrated Oil - Canada		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 820**	$ 1,275	**$ 907**	$ 1,189	**$ 343**	$ 346	**$ 2,070**	$ 2,810
Expenses								
Production and mineral taxes	**11**	24	**6**	12	**-**	-	**17**	36
Transportation and selling	**53**	115	**38**	54	**105**	138	**196**	307
Operating	**108**	147	**133**	180	**50**	69	**291**	396
Purchased product	**-**	-	**-**	-	**(18)**	(46)	**(18)**	(46)
Operating Cash Flow	**$ 648**	$ 989	**$ 730**	$ 943	**$ 206**	$ 185	**$ 1,584**	$ 2,117

Canadian Plains Division	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 475**	$ 629	**$ 341**	$ 644	**$ 4**	$ 2	**$ 820**	$ 1,275
Expenses								
Production and mineral taxes	**5**	13	**6**	11	**-**	-	**11**	24
Transportation and selling	**10**	18	**43**	97	**-**	-	**53**	115
Operating	**51**	74	**55**	72	**2**	1	**108**	147
Operating Cash Flow	**$ 409**	$ 524	**$ 237**	$ 464	**$ 2**	$ 1	**$ 648**	$ 989

Canadian Foothills Division	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 823**	$ 1,000	**$ 74**	$ 174	**$ 10**	$ 15	**$ 907**	$ 1,189
Expenses								
Production and mineral taxes	**5**	11	**1**	1	**-**	-	**6**	12
Transportation and selling	**37**	51	**1**	3	**-**	-	**38**	54
Operating	**124**	163	**6**	12	**3**	5	**133**	180
Operating Cash Flow	**$ 657**	$ 775	**$ 66**	$ 158	**$ 7**	$ 10	**$ 730**	$ 943

USA Division	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,044**	$ 1,308	**$ 50**	$ 130	**$ 32**	$ 87	**$ 1,126**	$ 1,525
Expenses								
Production and mineral taxes	**11**	107	**4**	11	**-**	-	**15**	118
Transportation and selling	**125**	120	**-**	-	**-**	-	**125**	120
Operating	**77**	106	**-**	-	**22**	80	**99**	186
Operating Cash Flow	**$ 831**	$ 975	**$ 46**	$ 119	**$ 10**	$ 7	**$ 887**	$ 1,101

Integrated Oil Division	Oil *		Downstream Refining		Other *		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 277**	$ 298	**$ 1,313**	$ 2,769	**$ 66**	$ 48	**$ 1,656**	$ 3,115
Expenses								
Production and mineral taxes	**-**	-	**-**	-	**-**	-	**-**	-
Transportation and selling	**100**	123	**-**	-	**5**	15	**105**	138
Operating	**38**	50	**112**	127	**12**	19	**162**	196
Purchased product	**-**	-	**1,047**	2,300	**(18)**	(46)	**1,029**	2,254
Operating Cash Flow	**$ 139**	$ 125	**$ 154**	$ 342	**$ 67**	$ 60	**$ 360**	$ 527

* Oil and Other comprise Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Segmented Information (continued)

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

Segment and Geographic Information

	Canada		USA		Downstream Refining	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 3,953**	$ 5,313	**$ 2,300**	$ 2,879	**$ 2,239**	$ 4,815
Expenses						
Production and mineral taxes	**32**	54	**61**	214	**-**	-
Transportation and selling	**366**	604	**248**	235	**-**	-
Operating	**577**	780	**214**	355	**230**	259
Purchased product	**(31)**	(81)	**-**	-	**1,796**	4,121
	3,009	3,956	**1,777**	2,075	**213**	435
Depreciation, depletion and amortization	**1,007**	1,139	**795**	818	**97**	88
Segment Income (Loss)	**$ 2,002**	$ 2,817	**$ 982**	$ 1,257	**$ 116**	$ 347

	Market Optimization		Corporate & Other		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 858**	$ 1,272	**$ (980)**	$ (1,423)	**$ 8,370**	$ 12,856
Expenses						
Production and mineral taxes	**-**	-	**-**	-	**93**	268
Transportation and selling	**-**	-	**-**	-	**614**	839
Operating	**15**	19	**29**	(8)	**1,065**	1,405
Purchased product	**829**	1,235	**-**	-	**2,594**	5,275
	14	18	**(1,009)**	(1,415)	**4,004**	5,069
Depreciation, depletion and amortization	**9**	8	**55**	79	**1,963**	2,132
Segment Income (Loss)	**$ 5**	$ 10	**$ (1,064)**	$ (1,494)	**2,041**	2,937
Administrative					**205**	381
Interest, net					**233**	281
Accretion of asset retirement obligation					**36**	41
Foreign exchange (gain) loss, net					**(2)**	60
(Gain) loss on divestitures					**2**	(17)
					474	746
Net Earnings Before Income Tax					**1,567**	2,191
Income tax expense					**366**	877
Net Earnings					**$ 1,201**	$ 1,314

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Segmented Information (continued)

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

Product and Divisional Information

Canada Segment

	Canadian Plains		Canadian Foothills		Integrated Oil - Canada		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,595**	$ 2,416	**$ 1,822**	$ 2,264	**$ 536**	$ 633	**$ 3,953**	$ 5,313
Expenses								
Production and mineral taxes	**21**	37	**11**	16	**-**	1	**32**	54
Transportation and selling	**115**	224	**75**	110	**176**	270	**366**	604
Operating	**211**	289	**263**	358	**103**	133	**577**	780
Purchased product	**-**	-	**-**	-	**(31)**	(81)	**(31)**	(81)
Operating Cash Flow	**$ 1,248**	$ 1,866	**$ 1,473**	$ 1,780	**$ 288**	$ 310	**$ 3,009**	$ 3,956

Canadian Plains Division

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 996**	$ 1,219	**$ 593**	$ 1,193	**$ 6**	$ 4	**$ 1,595**	$ 2,416
Expenses								
Production and mineral taxes	**8**	18	**13**	19	**-**	-	**21**	37
Transportation and selling	**21**	37	**94**	187	**-**	-	**115**	224
Operating	**102**	147	**106**	140	**3**	2	**211**	289
Operating Cash Flow	**$ 865**	$ 1,017	**$ 380**	$ 847	**$ 3**	$ 2	**$ 1,248**	$ 1,866

Canadian Foothills Division

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,671**	$ 1,909	**$ 131**	$ 322	**$ 20**	$ 33	**$ 1,822**	$ 2,264
Expenses								
Production and mineral taxes	**9**	14	**2**	2	**-**	-	**11**	16
Transportation and selling	**71**	104	**4**	6	**-**	-	**75**	110
Operating	**244**	324	**12**	23	**7**	11	**263**	358
Operating Cash Flow	**$ 1,347**	$ 1,467	**$ 113**	$ 291	**$ 13**	$ 22	**$ 1,473**	$ 1,780

USA Division

	Gas		Oil & NGLs		Other		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 2,162**	$ 2,491	**$ 79**	$ 229	**$ 59**	$ 159	**$ 2,300**	$ 2,879
Expenses								
Production and mineral taxes	**54**	194	**7**	20	**-**	-	**61**	214
Transportation and selling	**248**	235	**-**	-	**-**	-	**248**	235
Operating	**159**	207	**-**	-	**55**	148	**214**	355
Operating Cash Flow	**$ 1,701**	$ 1,855	**$ 72**	$ 209	**$ 4**	$ 11	**$ 1,777**	$ 2,075

Integrated Oil Division

	Oil *		Downstream Refining		Other *		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenues, Net of Royalties	**$ 440**	$ 536	**$ 2,239**	$ 4,815	**$ 96**	$ 97	**$ 2,775**	$ 5,448
Expenses								
Production and mineral taxes	**-**	-	**-**	-	**-**	1	**-**	1
Transportation and selling	**166**	243	**-**	-	**10**	27	**176**	270
Operating	**78**	91	**230**	259	**25**	42	**333**	392
Purchased product	**-**	-	**1,796**	4,121	**(31)**	(81)	**1,765**	4,040
Operating Cash Flow	**$ 196**	$ 202	**$ 213**	$ 435	**$ 92**	$ 108	**$ 501**	$ 745

* Oil and Other comprise Integrated Oil - Canada. Other includes production of natural gas and bitumen from the Athabasca and Senlac properties.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

4. Segmented Information (continued)

Capital Expenditures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Capital				
Canadian Plains	**$ 69**	$ 158	**$ 228**	$ 420
Canadian Foothills	**280**	583	**745**	1,363
Integrated Oil - Canada	**103**	144	**229**	352
Canada	**452**	885	**1,202**	2,135
USA	**385**	660	**925**	1,179
Downstream Refining	**227**	122	**429**	177
Market Optimization	**-**	5	**(3)**	7
Corporate & Other	**14**	46	**33**	69
	1,078	1,718	**2,586**	3,567
Acquisition Capital				
Canadian Plains	**1**	-	**1**	-
Canadian Foothills	**1**	20	**74**	92
Canada	**2**	20	**75**	92
USA	**8**	258	**14**	244
	10	278	**89**	336
Total	**$ 1,088**	$ 1,996	**$ 2,675**	$ 3,903

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)

4. Segmented Information (continued)

Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment		Total Assets	
	As at		As at	
	June 30, 2009	December 31, 2008	**June 30, 2009**	December 31, 2008
Canada	**$ 18,362**	$ 17,082	**$ 24,889**	$ 23,419
USA	**13,677**	13,541	**14,752**	14,635
Downstream Refining	**4,376**	4,032	**5,075**	4,637
Market Optimization	**134**	140	**419**	429
Corporate & Other	**828**	629	**3,203**	4,127
Total	**$ 37,377**	$ 35,424	**$ 48,338**	$ 47,247

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 June 30, 2009, Corporate and Other Property, Plant and Equipment and Total Assets includes EnCana's accrual to date of $442 million ($252 million at December 31, 2008) related to this office project as an asset under construction.

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 June 30, 2009, Canada Property, Plant, and Equipment and Total Assets includes EnCana's accrual to date of $311 million ($199 million at December 31, 2008) related to this offshore facility 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.

5. 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 Foothills Division.

Divestitures

Total year-to-date proceeds received on the sale of assets were $53 million (2008 - $151 million). The significant items are described below:

Canada

In 2009, the Company completed the divestiture of mature conventional oil and natural gas assets for proceeds of $44 million (2008 - $70 million) in Canadian Foothills and did not complete any divestitures in Canadian Plains (2008 - $31 million).

6. Interest, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Interest Expense - Long-Term Debt	**$ 123**	$ 144	**$ 241**	$ 284
Interest Expense - Other *	**50**	56	**89**	110
Interest Income *	**(44)**	(53)	**(97)**	(113)
	$ 129	$ 147	**$ 233**	$ 281

* Interest Expense - Other and Interest Income are primarily due to the Partnership Contribution Payable and Receivable, respectively.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

7. Foreign Exchange (Gain) Loss, Net

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada *	**$ (439)**	$ (52)	**$ (289)**	$ 165
Translation of U.S. dollar partnership contribution receivable issued from Canada *	**247**	44	**160**	(99)
Other Foreign Exchange (Gain) Loss on:				
Monetary revaluations and settlements	**132**	(27)	**127**	(6)
	$ (60)	$ (35)	**$ (2)**	$ 60

* Reflects the current year change in foreign exchange rates calculated on the period end balance.

8. Income Taxes

The provision for income taxes is as follows:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Current				
Canada	**$ 268**	$ 172	**$ 440**	$ 406
United States	**38**	256	**114**	385
Other Countries	**7**	12	**6**	13
Total Current Tax	**313**	440	**560**	804
Future	**(231)**	152	**(194)**	73
	$ 82	$ 592	**$ 366**	$ 877

9. Inventories

	As at June 30, 2009	As at December 31, 2008
Product		
Canada	**$ 57**	$ 46
USA	**5**	8
Downstream Refining	**480**	323
Market Optimization	**154**	127
Parts and Supplies	**14**	16
	$ 710	$ 520

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

10. Long-Term Debt

	As at June 30, 2009	As at December 31, 2008
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	**$ 914**	$ 1,410
Unsecured notes	**1,075**	1,020
	1,989	2,430
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	**125**	247
Unsecured notes	**6,850**	6,350
	6,975	6,597
Increase in Value of Debt Acquired	**49**	49
Debt Discounts and Financing Costs	**(75)**	(71)
Current Portion of Long-Term Debt	**(250)**	(250)
	$ 8,688	$ 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 existing bank and commercial paper indebtedness.

11. 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 and refining facilities:

	As at June 30, 2009	As at December 31, 2008
Asset Retirement Obligation, Beginning of Year	**$ 1,265**	$ 1,458
Liabilities Incurred	**10**	54
Liabilities Settled	**(31)**	(115)
Liabilities Divested	**-**	(38)
Change in Estimated Future Cash Flows	**(8)**	54
Accretion Expense	**36**	79
Foreign Currency Translation	**53**	(227)
Asset Retirement Obligation, End of Period	**$ 1,325**	$ 1,265

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

12. Share Capital

(millions)	June 30, 2009 Number		June 30, 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	**0.2**		**2**	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 Outstanding, End of Period	**751.1**	**$**	**4,579**	750.4	$	4,557

Performance Share Units ("PSUs")

In April, 2009, the remaining 0.5 million Common Shares held in trust relating to EnCana's 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, EnCana's PSU plan was complete and the trust ageement was terminated.

Normal Course Issuer Bid

EnCana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under seven consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to approximately 75.0 million Common Shares under the renewed Bid which commenced on November 13, 2008 and terminates on November 12, 2009. To June 30, 2009, there have been no purchases under the current bid (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.

The following tables summarize the information related to options to purchase Common Shares that do not have Tandem Share Appreciation Rights ("TSARs") attached to them at June 30, 2009. Information related to TSARs is included in Note 14.

	Stock Options *(millions)*	**Weighted Average Exercise Price *(C$)***
Outstanding, Beginning of Year	**0.5**	**11.62**
Exercised	**(0.2)**	**11.58**
Outstanding, End of Period	**0.3**	**11.79**
Exercisable, End of Period	**0.3**	**11.79**

Range of Exercise Price (C$)	**Outstanding & Exercisable Options** Number of Options Outstanding *(millions)*	Weighted Average Remaining Contractual Life *(years)*	Weighted Average Exercise Price *(C$)*
11.50 to 14.50	0.3	0.6	11.79

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

13. Capital Structure

The Company's capital structure is comprised of Shareholders' Equity plus 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;
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 ("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 June 30, 2009, EnCana's Debt to Capitalization ratio was 27 percent (December 31, 2008 - 28 percent) calculated as follows:

	As at	
	June 30, 2009	December 31, 2008
Debt	**$ 8,938**	$ 9,005
Total Shareholders' Equity	**24,247**	22,974
Total Capitalization	**$ 33,185**	$ 31,979
Debt to Capitalization ratio	**27%**	28%

EnCana targets a Debt to Adjusted EBITDA of less than 2.0 times. At June 30, 2009, Debt to Adjusted EBITDA was 0.7x (December 31, 2008 - 0.7x) calculated on a trailing twelve-month basis as follows:

	As at	
	June 30, 2009	December 31, 2008
Debt	**$ 8,938**	$ 9,005
Net Earnings	**$ 5,831**	$ 5,944
Add (deduct):		
Interest, net	**538**	586
Income tax expense	**2,122**	2,633
Depreciation, depletion and amortization	**4,054**	4,223
Accretion of asset retirement obligation	**74**	79
Foreign exchange (gain) loss, net	**361**	423
(Gain) loss on divestitures	**(121)**	(140)
Adjusted EBITDA	**$ 12,859**	$ 13,748
Debt to Adjusted EBITDA	**0.7x**	0.7x

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.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

14. Compensation Plans

The following tables outline certain information related to EnCana's compensation plans at June 30, 2009. Additional information is contained in Note 19 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2008.

A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Current Service Cost	**$ 3**	$ 4	**$ 7**	$ 8
Interest Cost	**5**	6	**10**	11
Expected Return on Plan Assets	**(3)**	(5)	**(7)**	(10)
Amortization of Net Actuarial Losses	**2**	1	**4**	2
Amortization of Past Service Costs	**-**	-	**1**	1
Amortization of Transitional Obligation	**1**	-	**1**	(1)
Expense for Defined Contribution Plan	**11**	10	**22**	20
Net Benefit Plan Expense	**$ 19**	$ 16	**$ 38**	$ 31

For the six months ended June 30, 2009, contributions of $3 million have been made to the defined benefit pension plans (2008 - $7 million).

B) Tandem Share Appreciation Rights ("TSARs")

The following table summarizes information related to the TSARs at June 30, 2009:

	Outstanding TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**19,411,939**	**53.97**
Granted	**3,937,960**	**55.33**
Exercised - SARs	**(1,457,058)**	**42.20**
Exercised - Options	**(45,264)**	**33.97**
Forfeited	**(257,684)**	**59.12**
Outstanding, End of Period	**21,589,893**	**55.00**
Exercisable, End of Period	**12,544,910**	**50.64**

For the period ended June 30, 2009, EnCana recorded compensation costs of $32 million related to the outstanding TSARs (2008 - $340 million).

C) Performance Tandem Share Appreciation Rights ("Performance TSARs")

The following table summarizes information related to the Performance TSARs at June 30, 2009:

	Outstanding Performance TSARs	**Weighted Average Exercise Price**
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**12,979,725**	**63.13**
Granted	**7,751,720**	**55.31**
Exercised - SARs	**(99,163)**	**56.09**
Exercised - Options	**(765)**	**56.09**
Forfeited	**(1,768,602)**	**62.87**
Outstanding, End of Period	**18,862,915**	**59.98**
Exercisable, End of Period	**3,839,884**	**60.46**

For the period ended June 30, 2009, EnCana recorded compensation costs of $14 million related to the outstanding Performance TSARs (2008 - $126 million).

(All amounts in $ millions unless otherwise specified)

14. Compensation Plans (continued)

D) Share Appreciation Rights ("SARs")

The following table summarizes information related to the SARs at June 30, 2009:

	Outstanding SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**1,285,065**	**72.13**
Granted	**1,112,020**	**55.41**
Forfeited	**(37,205)**	**68.14**
Outstanding, End of Period	**2,359,880**	**64.31**
Exercisable, End of Period	**281,758**	**72.33**

For the period ended June 30, 2009, EnCana has recorded compensation costs of $1 million related to the outstanding SARs (2008 - $5 million).

E) Performance Share Appreciation Rights ("Performance SARs")

The following table summarizes information related to the Performance SARs at June 30, 2009:

	Outstanding Performance SARs	Weighted Average Exercise Price
Canadian Dollar Denominated *(C$)*		
Outstanding, Beginning of Year	**1,620,930**	**69.40**
Granted	**2,140,440**	**55.31**
Forfeited	**(221,323)**	**68.62**
Outstanding, End of Period	**3,540,047**	**60.93**
Exercisable, End of Period	**298,663**	**69.40**

For the period ended June 30, 2009, EnCana has recorded compensation costs of $1 million related to the outstanding Performance SARs (2008 - $4 million).

F) Deferred Share Units ("DSUs")

The following table summarizes information related to the DSUs at June 30, 2009:

	Outstanding DSUs
Canadian Dollar Denominated	
Outstanding, Beginning of Year	**656,841**
Granted	**72,808**
Converted from HPR awards	**46,884**
Units, in Lieu of Dividends	**13,434**
Redeemed	**(45,352)**
Outstanding, End of Period	**744,615**

For the period ended June 30, 2009, EnCana has recorded compensation costs of $5 million related to the outstanding DSUs (2008 - $23 million).

In 2009, employees had 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.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

15. Per Share Amounts

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

	Three Months Ended			Six Months Ended	
	March 31,	June 30,		June 30,	
(millions)	2009	**2009**	2008	**2009**	2008
Weighted Average Common Shares Outstanding - Basic	750.5	**751.0**	750.2	**750.8**	749.8
Effect of Dilutive Securities	0.9	**0.4**	1.1	**0.6**	2.5
Weighted Average Common Shares Outstanding - Diluted	751.4	**751.4**	751.3	**751.4**	752.3

16. Financial Instruments and Risk Management

EnCana's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable and accrued revenues, accounts payable and accrued liabilities, the partnership contribution receivable and payable, 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.

The fair values of the partnership contribution receivable and partnership contribution payable approximate their carrying amount due to the specific nature of these instruments in relation to the creation of the integrated oil joint venture. Further information about these notes 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.

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

	As at June 30, 2009		As at December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	**$ 330**	**$ 330**	$ 383	$ 383
Risk management assets *	**1,971**	**1,971**	3,052	3,052
Loans and Receivables:				
Accounts receivable and accrued revenues	**1,472**	**1,472**	1,568	1,568
Partnership contribution receivable *	**2,993**	**2,993**	3,147	3,147
Financial Liabilities				
Held-for-Trading:				
Risk management liabilities *	**$ 40**	**$ 40**	$ 50	$ 50
Other Financial Liabilities:				
Accounts payable and accrued liabilities	**2,401**	**2,401**	2,871	2,871
Long-term debt *	**8,938**	**9,349**	9,005	8,242
Partnership contribution payable *	**3,012**	**3,012**	3,163	3,163

* Including current portion.

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities

Net Risk Management Position

	As at June 30, 2009	As at December 31, 2008
Risk Management		
Current asset	**$ 1,927**	$ 2,818
Long-term asset	**44**	234
	1,971	3,052
Risk Management		
Current liability	**14**	43
Long-term liability	**26**	7
	40	50
Net Risk Management Asset (Liability)	**$ 1,931**	$ 3,002

Summary of Unrealized Risk Management Positions

	As at June 30, 2009			As at December 31, 2008		
	Risk Management			Risk Management		
	Asset	**Liability**	**Net**	Asset	Liability	Net
Commodity Prices						
Natural gas	**$ 1,952**	**$ 27**	**$ 1,925**	$ 2,941	$ 10	$ 2,931
Crude oil	**13**	**13**	**-**	92	40	52
Power	**6**	**-**	**6**	19	-	19
Total Fair Value	**$ 1,971**	**$ 40**	**$ 1,931**	$ 3,052	$ 50	$ 3,002

Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

	As at June 30, 2009	As at December 31, 2008
Prices actively quoted	**$ 1,501**	$ 2,055
Prices sourced from observable data or market corroboration	**430**	947
Total Fair Value	**$ 1,931**	$ 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.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

Net Fair Value of Commodity Price Positions at June 30, 2009

	Notional Volumes		Term	Average Price		Fair Value
Natural Gas Contracts						
Fixed Price Contracts						
NYMEX Fixed Price	1,897	MMcf/d	2009	8.35	US$/Mcf	$ 1,388
NYMEX Fixed Price	1,415	MMcf/d	2010	6.13	US$/Mcf	112
Purchased Options						
NYMEX Call	(120)	MMcf/d	2009	11.67	US$/Mcf	(10)
NYMEX Put	414	MMcf/d	2009	9.10	US$/Mcf	355
Basis Contracts						
Canada	80	MMcf/d	2009			6
United States	373	MMcf/d	2009			(3)
Canada and United States *			2010-2013			31
						1,879
Other Financial Positions **						1
Total Unrealized Gain on Financial Contracts						1,880
Premiums Paid on Unexpired Options						45
Natural Gas Fair Value Position						$ 1,925

* 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	19,000	bbls/d	2010	76.46	US$/bbl	$ 8
Other Financial Positions *						(8)
Crude Oil Fair Value Position						$ -

* Other financial positions are part of the ongoing operations of the Company's proprietary production and condensate management and its share of downstream crude supply positions.

	Fair Value
Power Purchase Contracts	
Power Fair Value Position	$ 6

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. Financial Instruments and Risk Management (continued)

B) Risk Management Assets and Liabilities (continued)

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

	Realized Gain (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ 1,345**	$ (586)	**$ 2,414**	$ (566)
Operating Expenses and Other	**(5)**	(2)	**(29)**	-
Gain (Loss) on Risk Management	**$ 1,340**	$ (588)	**$ 2,385**	$ (566)

	Unrealized Gain (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Revenues, Net of Royalties	**$ (1,114)**	$ (328)	**$ (981)**	$ (1,424)
Operating Expenses and Other	**(4)**	10	**(26)**	13
Gain (Loss) on Risk Management	**$ (1,118)**	$ (318)	**$ (1,007)**	$ (1,411)

Reconciliation of Unrealized Risk Management Positions from January 1 to June 30, 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	**1,378**	**$ 1,378**	$ (1,977)
Foreign Exchange Gain (Loss) on Canadian Dollar Contracts	**1**	**-**	-
Fair Value of Contracts Realized During the Period	**(2,385)**	**(2,385)**	566
Fair Value of Contracts Outstanding	**$ 1,886**	**$ (1,007)**	$ (1,411)
Premiums Paid on Unexpired Options	**45**		
Fair Value of Contracts and Premiums Paid, End of Period	**$ 1,931**		

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% variability to assess the potential impact of commodity price changes. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting net earnings as at June 30, 2009 as follows:

	10% Price Increase	10% Price Decrease
Natural gas price	$ (469)	$ 469
Crude oil price	(57)	57
Power price	10	(10)

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. 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 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 option contracts and 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 and condensate supply 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 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. 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 June 30, 2009, approximately 94 percent of EnCana's accounts receivable and financial derivative credit exposures are with investment grade counterparties.

At June 30, 2009, EnCana had three 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 13, EnCana targets a Debt to Capitalization ratio between 30 and 40 percent and a Debt to Adjusted EBITDA of 1.0 to 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 June 30, 2009, EnCana had available unused committed bank credit facilities in the amount of $3.4 billion and unused capacity under shelf prospectuses, the availability of which is dependent on market conditions, for $5.2 billion. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

16. 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. Standard & Poor's Ratings Services has assigned a rating of "A-" with a "Negative" outlook, Moody's Investors Service has assigned a rating of "Baa2" with a "Stable" outlook and DBRS Limited has assigned a rating of "A (low)" and placed the rating "Under Review with Developing Implications". DBRS Limited placed the rating "Under Review" following the May 11, 2008 announcement of the proposed corporate reorganization.

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	$ 2,401	$ -	$ -	$ -	$ 2,401
Risk Management Liabilities	14	26	-	-	40
Long-Term Debt *	736	2,046	3,341	9,924	16,047
Partnership Contribution Payable *	489	978	978	1,344	3,789

* Principal and interest, including current portion.

Included in EnCana's total long-term debt obligations of $16,047 million at June 30, 2009 are $1,039 million in principal obligations related to Commercial Paper. These amounts are fully supported and Management expects that they will continue to be supported by revolving credit and term loan facilities that have no repayment requirements within the next year. The revolving credit and term loan facilities are fully revolving for a period of up to five years. Based on the current maturity dates of the credit facilities, these amounts are included in cash outflows for the period disclosed as 4 - 5 Years. Further information on Long-term Debt is contained in Note 10.

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 7, EnCana's foreign exchange (gain) loss is primarily comprised of unrealized foreign exchange gains and losses on the translation of U.S. dollar debt issued from Canada and the translation of the U.S. dollar partnership contribution receivable issued from Canada. At June 30, 2009, EnCana had $5,850 million in U.S. dollar debt issued from Canada ($5,350 million at December 31, 2008) and $2,993 million 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 $25 million change in foreign exchange (gain) loss at June 30, 2009 (2008 - $21 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. The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

At June 30, 2009, the increase or decrease in net earnings for each one percent change in interest rates on floating rate debt amounts to $7 million (2008 - $16 million).

Notes to Consolidated Financial Statements *(unaudited)*

(All amounts in $ millions unless otherwise specified)

17. 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. The lawsuits allege that the defendants engaged in a conspiracy with unnamed competitors in the natural gas markets in California in violation of U.S. and California anti-trust and unfair competition laws. All but one of these lawsuits has been settled prior to 2009, without admitting any liability in the lawsuits.

The remaining lawsuit was commenced by E. & J. Gallo Winery (“Gallo”). 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.

The Company and WD intend to vigorously defend against this outstanding claim; 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.

18. Reclassification

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