



**EnCana Corporation**

**Interim Consolidated Financial Statements**

***(unaudited)***

**For the period ended June 30, 2008**

**(U.S. Dollars)**

# **CONSOLIDATED STATEMENT OF EARNINGS (unaudited)**

		Three Months Ended June 30,		Six Months Ended June 30,	
(\$ millions, except per share amounts)		2008	2007	2008	2007
<b>REVENUES, NET OF ROYALTIES</b>	(Note 5)	\$ 7,321	\$ 5,613	\$ 12,663	\$ 10,049
<b>EXPENSES</b>	(Note 5)				
Production and mineral taxes		154	57	268	149
Transportation and selling		326	234	646	512
Operating		709	565	1,405	1,116
Purchased product		2,882	1,836	5,275	3,687
Depreciation, depletion and amortization		1,097	899	2,132	1,742
Administrative		225	95	381	190
Interest, net	(Note 7)	147	94	281	195
Accretion of asset retirement obligation	(Note 12)	20	15	41	29
Foreign exchange (gain) loss, net	(Note 8)	(35)	7	60	(5)
(Gain) loss on divestitures	(Note 6)	(17)	1	(17)	(58)
		5,508	3,803	10,472	7,557
<b>NET EARNINGS BEFORE INCOME TAX</b>		1,813	1,810	2,191	2,492
Income tax expense	(Note 9)	592	364	877	549
<b>NET EARNINGS</b>		\$ 1,221	\$ 1,446	\$ 1,314	\$ 1,943
<b>NET EARNINGS PER COMMON SHARE</b>	(Note 16)				
Basic		\$ 1.63	\$ 1.91	\$ 1.75	\$ 2.54
Diluted		\$ 1.63	\$ 1.89	\$ 1.75	\$ 2.51

# **CONSOLIDATED STATEMENT OF RETAINED EARNINGS (unaudited)**

		Six Months Ended June 30,	
(\$ millions)		2008	2007
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>		\$ 13,082	\$ 11,344
Net Earnings		1,314	1,943
Dividends on Common Shares		(600)	(304)
Charges for Normal Course Issuer Bid	(Note 13)	(243)	(1,421)
<b>RETAINED EARNINGS, END OF PERIOD</b>		\$ 13,553	\$ 11,562

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)**

		Three Months Ended June 30,		Six Months Ended June 30,	
(\$ millions)		2008	2007	2008	2007
<b>NET EARNINGS</b>		\$ 1,221	\$ 1,446	\$ 1,314	\$ 1,943
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>					
Foreign Currency Translation Adjustment		48	828	(352)	939
<b>COMPREHENSIVE INCOME</b>		\$ 1,269	\$ 2,274	\$ 962	\$ 2,882

# **CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (unaudited)**

		Six Months Ended June 30,	
(\$ millions)		2008	2007
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR</b>		\$ 3,063	\$ 1,375
Foreign Currency Translation Adjustment		(352)	939
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD</b>		\$ 2,711	\$ 2,314

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED BALANCE SHEET (unaudited)**

		As at June 30, 2008	As at December 31, 2007
(\$ millions)			
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$	778	\$ 553
Accounts receivable and accrued revenues		3,346	2,381
Current portion of partnership contribution receivable		305	297
Risk management	(Note 17)	265	385
Inventories	(Note 10)	1,422	828
		6,116	4,444
Property, Plant and Equipment, net	(Note 5)	37,070	35,865
Investments and Other Assets		654	607
Partnership Contribution Receivable		2,992	3,147
Risk Management	(Note 17)	341	18
Goodwill		2,821	2,893
	(Note 5)	\$ 49,994	\$ 46,974
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$	4,888	\$ 3,982
Income tax payable		909	1,150
Current portion of partnership contribution payable		297	288
Risk management	(Note 17)	1,617	207
Current portion of long-term debt	(Note 11)	491	703
		8,202	6,330
Long-Term Debt	(Note 11)	9,878	8,840
Other Liabilities		450	242
Partnership Contribution Payable		3,012	3,163
Risk Management	(Note 17)	73	29
Asset Retirement Obligation	(Note 12)	1,402	1,458
Future Income Taxes		6,160	6,208
		29,177	26,270
Shareholders' Equity			
Share capital	(Note 13)	4,553	4,479
Paid in surplus		-	80
Retained earnings		13,553	13,082
Accumulated other comprehensive income		2,711	3,063
Total Shareholders' Equity		20,817	20,704
	\$	49,994	\$ 46,974

See accompanying Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS** *(unaudited)*

(\$ millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 1,221	\$ 1,446	\$ 1,314	\$ 1,943
Depreciation, depletion and amortization	1,097	899	2,132	1,742
Future income taxes	(Note 9) 152	79	73	(111)
Unrealized (gain) loss on risk management	(Note 17) 318	(55)	1,411	559
Unrealized foreign exchange (gain) loss	(11)	79	65	76
Accretion of asset retirement obligation	(Note 12) 20	15	41	29
(Gain) loss on divestitures	(Note 6) (17)	1	(17)	(58)
Other	109	85	259	121
Net change in other assets and liabilities	(171)	(16)	(264)	4
Net change in non-cash working capital	(722)	(385)	(1,260)	(249)
Cash From Operating Activities	1,996	2,148	3,754	4,056
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(Note 5) (1,996)	(1,189)	(3,903)	(2,679)
Proceeds from divestitures	(Note 6) 79	165	151	446
Net change in investments and other	(18)	(25)	(9)	(6)
Net change in non-cash working capital	(101)	(45)	191	(103)
Cash (Used in) Investing Activities	(2,036)	(1,094)	(3,570)	(2,342)
<b>FINANCING ACTIVITIES</b>				
Net issuance (repayment) of revolving long-term debt	426	(40)	367	(40)
Issuance of long-term debt	(Note 11) -	-	723	434
Repayment of long-term debt	(196)	-	(196)	-
Issuance of common shares	(Note 13) 13	77	76	153
Purchase of common shares	(Note 13) (15)	(713)	(326)	(1,807)
Dividends on common shares	(300)	(151)	(600)	(304)
Other	-	(14)	-	(3)
Cash From (Used in) Financing Activities	(72)	(841)	44	(1,567)
<b>FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY</b>				
	1	5	(3)	6
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(111)	218	225	153
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	889	337	553	402
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 778	\$ 555	\$ 778	\$ 555

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. EnCana's operations are in the business of exploration for, and development, 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, 2007, 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, 2007.

**2. CHANGES IN ACCOUNTING POLICIES AND PRACTICES**

As disclosed in the December 31, 2007 annual audited Consolidated Financial Statements, on January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- "Inventories", Section 3031. The new standard replaces the previous inventories standard and requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with EnCana's former accounting policy. The new standard allows the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this standard has had no material impact on EnCana's Consolidated Financial Statements.
- "Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862. The new disclosure standard increases EnCana's disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (See Note 17). The new presentation standard carries forward the former presentation requirements.
- "Capital Disclosures", Section 1535. The new standard requires EnCana to disclose its objectives, policies and processes for managing its capital structure (See Note 14).

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

As of January 1, 2009, EnCana will be required to adopt the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on EnCana's Consolidated Financial Statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As EnCana will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

**Notes to Consolidated Financial Statements** *(unaudited)*

*(All amounts in \$ millions unless otherwise specified)*

**4. PROPOSED CORPORATE REORGANIZATION**

On May 11, 2008, EnCana announced its plans to split into two highly focused energy companies - one a North American natural gas company and the other a fully integrated oil company with in-situ oilsands properties and refineries supplemented by reliable production from various gas and oil resource plays. The proposed corporate reorganization, expected to close in early January 2009, would be implemented through a court approved Plan of Arrangement and is subject to shareholder approval. The reorganization would result in two publicly traded entities with every EnCana shareholder receiving one share of each entity in exchange for each EnCana common share held. The working names of the two companies are GasCo and IntegratedOilCo ("IOCo") respectively. GasCo will retain the name of EnCana Corporation while the permanent name of IOCo will be determined prior to the close of the transaction.

**5. SEGMENTED INFORMATION**

As a result of the proposed corporate reorganization, EnCana has changed its reportable segments to reflect the realigned reporting hierarchies. The most significant change results in EnCana now presenting Canadian Plains and Canadian Foothills as separate operating segments. These were previously aggregated and presented in the Canada segment. Prior periods have been restated to reflect the new presentation.

GasCo's operating segments will include EnCana's Canadian Foothills, United States and Offshore and International segments. IOCo's operating segments will include EnCana's Canadian Plains and Integrated Oil segments.

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

- **Canadian Plains, Canadian Foothills, United States and Offshore and International** segments include the Company's exploration for, and development and production of natural gas, crude oil and NGLs and other related activities. The majority of the Company's operations are located in Canada and the United States. Offshore and International exploration is mainly focused on opportunities in Atlantic Canada, the Middle East and Europe.
- **Integrated Oil** is focused on two lines of business: the exploration for, and development and production of bitumen in Canada using in-situ recovery methods; and the refining of crude oil into petroleum and chemical products located in the United States. This segment includes EnCana's 50 percent interest in the joint venture with ConocoPhillips.
- **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 Canadian Plains, Canadian Foothills, United States and Integrated Oil segments. 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 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 markets substantially all of the Company's upstream production 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.

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

**5. SEGMENTED INFORMATION** (continued)

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

	Canadian Plains		Canadian Foothills		United States	
	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 1,185	\$ 853	\$ 1,189	\$ 917	\$ 1,525	\$ 1,128
<b>Expenses</b>						
Production and mineral taxes	24	18	12	13	118	26
Transportation and selling	25	28	54	51	120	77
Operating	147	108	180	125	186	154
Purchased product	-	-	-	-	-	-
Depreciation, depletion and amortization	238	242	285	257	421	281
<b>Segment Income (Loss)</b>	\$ 751	\$ 457	\$ 658	\$ 471	\$ 680	\$ 590

  

	Integrated Oil		Offshore & International		Market Optimization	
	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 3,104	\$ 1,943	\$ (1)	\$ 1	\$ 647	\$ 722
<b>Expenses</b>						
Production and mineral taxes	-	-	-	-	-	-
Transportation and selling	127	76	-	-	-	2
Operating	196	176	(1)	(1)	8	10
Purchased product	2,254	1,134	-	-	628	702
Depreciation, depletion and amortization	91	94	35	-	4	4
<b>Segment Income (Loss)</b>	\$ 436	\$ 463	\$ (35)	\$ 2	\$ 7	\$ 4

  

	Corporate		Consolidated	
	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ (328)	\$ 49	\$ 7,321	\$ 5,613
<b>Expenses</b>				
Production and mineral taxes	-	-	154	57
Transportation and selling	-	-	326	234
Operating	(7)	(7)	709	565
Purchased product	-	-	2,882	1,836
Depreciation, depletion and amortization	23	21	1,097	899
<b>Segment Income (Loss)</b>	\$ (344)	\$ 35	2,153	2,022
Administrative			225	95
Interest, net			147	94
Accretion of asset retirement obligation			20	15
Foreign exchange (gain) loss, net			(35)	7
(Gain) loss on divestitures			(17)	1
			340	212
<b>Net Earnings Before Income Tax</b>			1,813	1,810
Income tax expense			592	364
<b>Net Earnings</b>			\$ 1,221	\$ 1,446

# Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

## 5. SEGMENTED INFORMATION (continued)

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

#### Geographic and Product Information

Canadian Plains									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 629	\$ 563	\$ 554	\$ 286	\$ 2	\$ 4	\$ 1,185	\$ 853	
<b>Expenses</b>									
Production and mineral taxes	13	10	11	8	-	-	24	18	
Transportation and selling	18	21	7	7	-	-	25	28	
Operating	74	55	72	52	1	1	147	108	
<b>Operating Cash Flow</b>	\$ 524	\$ 477	\$ 464	\$ 219	\$ 1	\$ 3	\$ 989	\$ 699	

Canadian Foothills									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 1,000	\$ 816	\$ 174	\$ 88	\$ 15	\$ 13	\$ 1,189	\$ 917	
<b>Expenses</b>									
Production and mineral taxes	11	12	1	1	-	-	12	13	
Transportation and selling	51	49	3	2	-	-	54	51	
Operating	163	114	12	7	5	4	180	125	
<b>Operating Cash Flow</b>	\$ 775	\$ 641	\$ 158	\$ 78	\$ 10	\$ 9	\$ 943	\$ 728	

United States									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 1,308	\$ 989	\$ 130	\$ 70	\$ 87	\$ 69	\$ 1,525	\$ 1,128	
<b>Expenses</b>									
Production and mineral taxes	107	20	11	6	-	-	118	26	
Transportation and selling	120	77	-	-	-	-	120	77	
Operating	106	85	-	-	80	69	186	154	
<b>Operating Cash Flow</b>	\$ 975	\$ 807	\$ 119	\$ 64	\$ 7	\$ -	\$ 1,101	\$ 871	

Integrated Oil									
Oil		Downstream Refining		Other *		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 298	\$ 172	\$ 2,769	\$ 1,717	\$ 37	\$ 54	\$ 3,104	\$ 1,943	
<b>Expenses</b>									
Production and mineral taxes	-	-	-	-	-	-	-	-	
Transportation and selling	123	72	-	-	4	4	127	76	
Operating	50	39	127	119	19	18	196	176	
Purchased product	-	-	2,300	1,157	(46)	(23)	2,254	1,134	
<b>Operating Cash Flow</b>	\$ 125	\$ 61	\$ 342	\$ 441	\$ 60	\$ 55	\$ 527	\$ 557	

\* Includes exploration and production of natural gas and bitumen for the Athabasca and Senlac properties.



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

**5. SEGMENTED INFORMATION** (continued)

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

**Company Operating Information\***

GasCo																
Canadian Foothills				United States		Offshore & International		Total								
2008		2007	2008		2007	2008		2007	2008		2007					
Revenues, Net of Royalties	\$	1,189	\$	917	\$	1,525	\$	1,128	\$	(1)	\$	1	\$	2,713	\$	2,046
Expenses																
Production and mineral taxes		12		13		118		26		-		-		130		39
Transportation and selling		54		51		120		77		-		-		174		128
Operating		180		125		186		154		(1)		(1)		365		278
Operating Cash Flow	\$	943	\$	728	\$	1,101	\$	871	\$	-	\$	2	\$	2,044	\$	1,601

IOCo													
Canadian Plains				Integrated Oil		Total							
2008		2007	2008		2007	2008		2007	2008		2007		
Revenues, Net of Royalties		\$	1,185	\$	853	\$	3,104	\$	1,943	\$	4,289	\$	2,796
Expenses													
Production and mineral taxes			24		18		-		-		24		18
Transportation and selling			25		28		127		76		152		104
Operating			147		108		196		176		343		284
Purchased product			-		-		2,254		1,134		2,254		1,134
Operating Cash Flow		\$	989	\$	699	\$	527	\$	557	\$	1,516	\$	1,256

\* GasCo and IOCo company operating information excluding their respective share of the Market Optimization and Corporate segments.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 5. SEGMENTED INFORMATION (continued)

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

	Canadian Plains		Canadian Foothills		United States	
	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 2,244	\$ 1,700	\$ 2,264	\$ 1,781	\$ 2,879	\$ 2,091
<b>Expenses</b>						
Production and mineral taxes	37	35	16	24	214	90
Transportation and selling	52	58	110	98	235	143
Operating	289	209	358	254	355	301
Purchased product	-	-	-	-	-	-
Depreciation, depletion and amortization	483	472	560	493	818	546
<b>Segment Income (Loss)</b>	\$ 1,383	\$ 926	\$ 1,220	\$ 912	\$ 1,257	\$ 1,011

  

	Integrated Oil		Offshore & International		Market Optimization	
	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 5,427	\$ 3,566	\$ 1	\$ (1)	\$ 1,272	\$ 1,478
<b>Expenses</b>						
Production and mineral taxes	1	-	-	-	-	-
Transportation and selling	249	203	-	-	-	10
Operating	392	341	1	2	19	17
Purchased product	4,040	2,253	-	-	1,235	1,434
Depreciation, depletion and amortization	184	184	35	1	8	7
<b>Segment Income (Loss)</b>	\$ 561	\$ 585	\$ (35)	\$ (4)	\$ 10	\$ 10

  

	Corporate		Consolidated	
	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ (1,424)	\$ (566)	\$ 12,663	\$ 10,049
<b>Expenses</b>				
Production and mineral taxes	-	-	268	149
Transportation and selling	-	-	646	512
Operating	(9)	(8)	1,405	1,116
Purchased product	-	-	5,275	3,687
Depreciation, depletion and amortization	44	39	2,132	1,742
<b>Segment Income (Loss)</b>	\$ (1,459)	\$ (597)	2,937	2,843
Administrative			381	190
Interest, net			281	195
Accretion of asset retirement obligation			41	29
Foreign exchange (gain) loss, net			60	(5)
(Gain) loss on divestitures			(17)	(58)
			746	351
<b>Net Earnings Before Income Tax</b>			2,191	2,492
Income tax expense			877	549
<b>Net Earnings</b>			\$ 1,314	\$ 1,943

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 5. SEGMENTED INFORMATION (continued)

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

##### Geographic and Product Information

Canadian Plains									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 1,219	\$ 1,121	\$ 1,021	\$ 573	\$ 4	\$ 6	\$ 2,244	\$ 1,700	
<b>Expenses</b>									
Production and mineral taxes	18	20	19	15	-	-	37	35	
Transportation and selling	37	43	15	15	-	-	52	58	
Operating	147	107	140	100	2	2	289	209	
<b>Operating Cash Flow</b>	\$ 1,017	\$ 951	\$ 847	\$ 443	\$ 2	\$ 4	\$ 1,866	\$ 1,398	
Canadian Foothills									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 1,909	\$ 1,587	\$ 322	\$ 168	\$ 33	\$ 26	\$ 2,264	\$ 1,781	
<b>Expenses</b>									
Production and mineral taxes	14	23	2	1	-	-	16	24	
Transportation and selling	104	94	6	4	-	-	110	98	
Operating	324	231	23	14	11	9	358	254	
<b>Operating Cash Flow</b>	\$ 1,467	\$ 1,239	\$ 291	\$ 149	\$ 22	\$ 17	\$ 1,780	\$ 1,405	
United States									
Gas		Oil & NGLs		Other		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 2,491	\$ 1,820	\$ 229	\$ 124	\$ 159	\$ 147	\$ 2,879	\$ 2,091	
<b>Expenses</b>									
Production and mineral taxes	194	78	20	12	-	-	214	90	
Transportation and selling	235	143	-	-	-	-	235	143	
Operating	207	160	-	-	148	141	355	301	
<b>Operating Cash Flow</b>	\$ 1,855	\$ 1,439	\$ 209	\$ 112	\$ 11	\$ 6	\$ 2,075	\$ 1,557	
Integrated Oil									
Oil		Downstream Refining		Other *		Total			
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 536	\$ 392	\$ 4,815	\$ 3,060	\$ 76	\$ 114	\$ 5,427	\$ 3,566	
<b>Expenses</b>									
Production and mineral taxes	-	-	-	-	1	-	1	-	
Transportation and selling	243	196	-	-	6	7	249	203	
Operating	91	88	259	219	42	34	392	341	
Purchased product	-	-	4,121	2,291	(81)	(38)	4,040	2,253	
<b>Operating Cash Flow</b>	\$ 202	\$ 108	\$ 435	\$ 550	\$ 108	\$ 111	\$ 745	\$ 769	

\* Includes exploration and production of natural gas and bitumen for the Athabasca and Senlac properties.

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

**5. SEGMENTED INFORMATION** (continued)

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

**Company Operating Information\***

GasCo									
Canadian Foothills			United States			Offshore & International		Total	
	2008	2007		2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 2,264	\$ 1,781	\$ 2,879	\$ 2,091	\$ 1	\$ (1)	\$ 5,144	\$ 3,871	
<b>Expenses</b>									
Production and mineral taxes	16	24	214	90	-	-	230	114	
Transportation and selling	110	98	235	143	-	-	345	241	
Operating	358	254	355	301	1	2	714	557	
<b>Operating Cash Flow</b>	\$ 1,780	\$ 1,405	\$ 2,075	\$ 1,557	\$ -	\$ (3)	\$ 3,855	\$ 2,959	

  

IOCo									
Canadian Plains			Integrated Oil			Total			
	2008	2007		2008	2007	2008	2007	2008	2007
<b>Revenues, Net of Royalties</b>	\$ 2,244	\$ 1,700	\$ 5,427	\$ 3,566	\$ 7,671	\$ 5,266			
<b>Expenses</b>									
Production and mineral taxes	37	35	1	-	38	35			
Transportation and selling	52	58	249	203	301	261			
Operating	289	209	392	341	681	550			
Purchased product	-	-	4,040	2,253	4,040	2,253			
<b>Operating Cash Flow</b>	\$ 1,866	\$ 1,398	\$ 745	\$ 769	\$ 2,611	\$ 2,167			

\* GasCo and IOCo company operating information excluding their respective share of the Market Optimization and Corporate segments.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 5. SEGMENTED INFORMATION (continued)

#### Capital Expenditures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Capital				
Canadian Plains	\$ 158	\$ 156	\$ 420	\$ 340
Canadian Foothills	570	404	1,337	1,052
United States	660	422	1,179	861
Integrated Oil	266	126	529	270
Offshore & International	28	44	53	62
Market Optimization	5	2	7	3
Corporate	31	18	42	67
	1,718	1,172	3,567	2,655
Acquisition Capital				
Canadian Foothills	20	-	92	7
United States	258	3	244	3
Integrated Oil	-	14	-	14
	278	17	336	24
Total	\$ 1,996	\$ 1,189	\$ 3,903	\$ 2,679

On November 20, 2007, EnCana acquired certain natural gas and land interests in Texas for approximately \$2.55 billion before closing adjustments. The purchase was facilitated by an unrelated party, Brown Kilgore Properties LLC ("Brown Kilgore"), 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 Kilgore represented an interest in a Variable Interest Entity ("VIE") from November 20, 2007 to May 18, 2008. During this period, EnCana was the primary beneficiary of the VIE and consolidated Brown Kilgore. On May 18, 2008, when the arrangement with Brown Kilgore was completed, the assets were transferred to EnCana.

#### Property, Plant and Equipment and Total Assets by Segment

	Property, Plant and Equipment		Total Assets	
	As at June 30, 2008	December 31, 2007	As at June 30, 2008	December 31, 2007
Canadian Plains	\$ 6,675	\$ 6,967	\$ 8,413	\$ 8,626
Canadian Foothills	10,611	10,127	12,757	12,184
United States	12,385	11,879	13,831	12,948
Integrated Oil	5,462	5,164	10,976	10,122
Offshore & International	1,229	1,104	1,331	1,135
Market Optimization	165	171	656	478
Corporate	543	453	2,030	1,481
Total	\$ 37,070	\$ 35,865	\$ 49,994	\$ 46,974

On February 9, 2007, EnCana announced that it had completed the next phase in the development of The Bow office project with the sale of project assets and has entered into a 25 year lease agreement with a third party developer. As at June 30, 2008, Corporate Property, Plant and Equipment and Total Assets includes EnCana's accrual to date of \$232 million (\$147 million at December 31, 2007) 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, 2008, Offshore and International Property, Plant, and Equipment and Total Assets includes EnCana's accrual to date of \$91 million 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.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 6. DIVESTITURES

Total year-to-date proceeds received on sale of assets and investments were \$151 million (2007 - \$446 million) as described below:

#### *Canadian Plains, Canadian Foothills and United States*

In 2008, the Company completed the divestiture of mature conventional oil and natural gas assets for proceeds of \$31 million (2007 - nil) in Canadian Plains, \$70 million (2007 - \$12 million) in Canadian Foothills, and \$95 million (2007 - \$11 million) in the United States.

#### *Offshore and International*

In May 2007, the Company completed the sale of its assets in the Mackenzie Delta and Beaufort Sea for proceeds of \$159 million, which were credited to property, plant and equipment.

In January 2007, the Company completed the sale of its interests in Chad, properties that were in the pre-production stage, for proceeds of \$207 million which resulted in a gain on sale of \$59 million.

#### *Corporate*

In February 2007, the Company sold The Bow office project assets for proceeds of approximately \$57 million, representing its investment at the date of sale. Refer to Note 5 for further discussion of The Bow office project assets.

### 7. INTEREST, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest Expense - Long-Term Debt	\$ 144	\$ 118	\$ 284	\$ 218
Interest Expense - Other *	56	43	110	106
Interest Income *	(53)	(67)	(113)	(129)
	\$ 147	\$ 94	\$ 281	\$ 195

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

### 8. FOREIGN EXCHANGE (GAIN) LOSS, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar debt issued from Canada	\$ (52)	\$ (289)	\$ 165	\$ (330)
Translation of U.S. dollar partnership contribution receivable issued from Canada	44	305	(99)	343
Other Foreign Exchange (Gain) Loss	(27)	(9)	(6)	(18)
	\$ (35)	\$ 7	\$ 60	\$ (5)

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 9. INCOME TAXES

The provision for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Current				
Canada	\$ 172	\$ 61	\$ 406	\$ 343
United States	256	220	385	312
Other Countries	12	4	13	5
Total Current Tax	440	285	804	660
Future	152	79	73	(111)
	\$ 592	\$ 364	\$ 877	\$ 549

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net Earnings Before Income Tax	\$ 1,813	\$ 1,810	\$ 2,191	\$ 2,492
Canadian Statutory Rate	29.7%	32.3%	29.7%	32.3%
Expected Income Tax	538	585	650	805
Effect on Taxes Resulting from:				
Statutory and other rate differences	75	19	78	24
Effect of tax rate changes*	-	(37)	-	(37)
Effect of legislative changes	-	(231)	-	(231)
Non-taxable downstream partnership income	(8)	(13)	(7)	(19)
International financing	(79)	(14)	(159)	(29)
Foreign exchange gains not included in net earnings	24	-	180	-
Non-taxable capital (gains) losses	(4)	8	11	(12)
Other	46	47	124	48
	\$ 592	\$ 364	\$ 877	\$ 549
Effective Tax Rate	32.7%	20.1%	40.0%	22.0%

\* The Canadian federal government, during the second quarter of 2007, enacted income tax rate changes.

### 10. INVENTORIES

	As at June 30, 2008	As at December 31, 2007
Product		
Canadian Plains	\$ 1	\$ -
United States	-	2
Integrated Oil	1,092	646
Market Optimization	327	180
Parts and Supplies	2	-
	\$ 1,422	\$ 828

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

**11. LONG-TERM DEBT**

	As at June 30, 2008	As at December 31, 2007
Canadian Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 1,673	\$ 1,506
Unsecured notes	1,718	1,138
	3,391	2,644
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	650	495
Unsecured notes	6,350	6,421
	7,000	6,916
Increase in Value of Debt Acquired *	61	66
Debt Discounts and Financing Costs	(83)	(83)
Current Portion of Long-Term Debt	(491)	(703)
	\$ 9,878	\$ 8,840

\* 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 20 years.

On January 18, 2008, EnCana completed a public offering in Canada of senior unsecured medium term notes in the aggregate principal amount of C\$750 million. The notes have a coupon rate of 5.80 percent and mature on January 18, 2018.

**12. 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, 2008	As at December 31, 2007
Asset Retirement Obligation, Beginning of Year	\$ 1,458	\$ 1,051
Liabilities Incurred	26	89
Liabilities Settled	(80)	(100)
Liabilities Divested	(3)	-
Change in Estimated Future Cash Flows	(5)	184
Accretion Expense	41	64
Other	(35)	170
Asset Retirement Obligation, End of Period	\$ 1,402	\$ 1,458



## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 13. SHARE CAPITAL

(millions)	June 30, 2008		December 31, 2007	
	Number	Amount	Number	Amount
Common Shares Outstanding, Beginning of Year	750.2	\$ 4,479	777.9	\$ 4,587
Common Shares Issued under Option Plans	2.8	76	8.3	176
Stock-Based Compensation	-	11	-	17
Common Shares Purchased	(2.8)	(13)	(36.0)	(301)
Common Shares Outstanding, End of Period	750.2	\$ 4,553	750.2	\$ 4,479

#### Normal Course Issuer Bid

To June 30, 2008, the Company purchased 4.8 million Common Shares for total consideration of approximately \$326 million. Of the amount paid, \$29 million was charged to Share capital and \$297 million was charged to Retained earnings. Included in the Common Shares Purchased in 2008 are 2.0 million Common Shares distributed (2007 - 2.9 million), valued at \$16 million (2007 - \$24 million), from the EnCana Employee Benefit Plan Trust that vested under EnCana's Performance Share Unit Plan (See Note 15). For these Common Shares distributed, there was a \$54 million adjustment to Retained earnings (2007 - \$82 million) with a reduction to Paid in surplus of \$70 million (2007 - \$106 million).

EnCana has received regulatory approval each year under Canadian securities laws to purchase Common Shares under six consecutive Normal Course Issuer Bids ("Bids"). EnCana is entitled to purchase, for cancellation, up to approximately 75.1 million Common Shares under the renewed Bid which commenced on November 13, 2007 and terminates on November 12, 2008.

#### 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 issued. 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 about options to purchase Common Shares that do not have Tandem Share Appreciation Rights ("TSARs") attached to them at June 30, 2008. Information related to TSARs is included in Note 15.

	Stock Options (millions)	Weighted Average Exercise Price (C\$)
Outstanding, Beginning of Year	3.4	21.82
Exercised	(2.8)	23.66
Outstanding, End of Period	0.6	13.25
Exercisable, End of Period	0.6	13.25

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\$)
11.00 to 21.99	0.5	1.4	11.62	0.5	11.62
22.00 to 25.99	0.1	0.3	24.62	0.1	24.62
	0.6	1.3	13.25	0.6	13.25

At December 31, 2007, the balance in Paid in surplus related to stock-based compensation programs.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 14. 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 so as to preserve EnCana's access to capital markets and its ability to meet its financial obligations; and
- ii) finance internally generated growth as well as potential acquisitions.

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

EnCana targets a Net Debt to Capitalization ratio of between 30 and 40 percent that is calculated as follows:

	As at	
	June 30, 2008	December 31, 2007
Long-Term Debt, excluding current portion	\$ 9,878	\$ 8,840
Less: Working capital	(2,086)	(1,886)
Net Debt	11,964	10,726
Total Shareholders' Equity	20,817	20,704
Total Capitalization	\$ 32,781	\$ 31,430
<b>Net Debt to Capitalization ratio</b>	<b>36%</b>	<b>34%</b>

EnCana's Net Debt to Capitalization ratio increased to 36 percent from 34 percent at December 31, 2007 primarily due to unrealized mark-to-market losses on risk management instruments which increased Net Debt. Excluding this impact, the Net Debt to Capitalization ratio would have been 34 percent at June 30, 2008 and would have remained unchanged at 34 percent at December 31, 2007.

EnCana targets a Net Debt to Adjusted EBITDA of 1.0 to 2.0 times. At June 30, 2008, the Net Debt to Adjusted EBITDA was 1.3x (December 31, 2007 - 1.2x) calculated on a trailing twelve-month basis as follows:

	As at	
	June 30, 2008	December 31, 2007
Net Debt	\$ 11,964	\$ 10,726
Net Earnings from Continuing Operations	\$ 3,255	\$ 3,884
Add (deduct):		
Interest, net	514	428
Income tax expense	1,265	937
Depreciation, depletion and amortization	4,206	3,816
Accretion of asset retirement obligation	76	64
Foreign exchange (gain) loss, net	(99)	(164)
(Gain) loss on divestitures	(24)	(65)
Adjusted EBITDA	\$ 9,193	\$ 8,900
<b>Net Debt to Adjusted EBITDA</b>	<b>1.3x</b>	<b>1.2x</b>

EnCana manages its capital structure and makes adjustments 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, definitions and targets 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)

### 15. COMPENSATION PLANS

The tables below outline certain information related to EnCana's compensation plans at June 30, 2008. Additional information is contained in Note 17 of the Company's annual audited Consolidated Financial Statements for the year ended December 31, 2007.

#### A) Pensions

The following table summarizes the net benefit plan expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Current Service Cost	\$ 4	\$ 4	\$ 8	\$ 8
Interest Cost	6	5	11	9
Expected Return on Plan Assets	(5)	(5)	(10)	(9)
Expected Actuarial Loss on Accrued Benefit Obligation	1	1	2	2
Expected Amortization of Past Service Costs	-	1	1	1
Amortization of Transitional Obligation	-	(1)	(1)	(1)
Expense for Defined Contribution Plan	10	9	20	16
Net Benefit Plan Expense	\$ 16	\$ 14	\$ 31	\$ 26

For the period ended June 30, 2008, contributions of \$7 million have been made to the defined benefit pension plans (2007 - \$4 million).

#### B) Tandem Share Appreciation Rights ("TSARs")

The following table summarizes the information about TSARs at June 30, 2008:

	Outstanding TSARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	18,854,141	48.44
Granted	3,998,422	70.26
Exercised - SARs	(2,845,548)	43.72
Exercised - Options	(46,810)	42.41
Forfeited	(288,175)	52.59
Outstanding, End of Period	19,672,030	53.51
Exercisable, End of Period	8,317,809	45.57

For the period ended June 30, 2008, EnCana recorded compensation costs of \$340 million related to the outstanding TSARs (2007 - \$157 million).

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

The following table summarizes the information about Performance TSARs at June 30, 2008:

	Outstanding TSARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	6,930,925	56.09
Granted	7,058,538	69.40
Exercised - SARs	(259,466)	56.09
Exercised - Options	(3,669)	56.09
Forfeited	(454,914)	57.94
Outstanding, End of Period	13,271,414	63.11
Exercisable, End of Period	1,497,135	56.09

For the period ended June 30, 2008, EnCana recorded compensation costs of \$126 million related to the outstanding Performance TSARs (2007 - \$9 million).

## Notes to Consolidated Financial Statements *(unaudited)*

*(All amounts in \$ millions unless otherwise specified)*

### 15. COMPENSATION PLANS (continued)

#### D) Share Appreciation Rights ("SARs")

In 2008, EnCana granted SARs to certain employees which entitles the employee to receive a cash payment equal to the excess of the market price of EnCana's Common Shares at the time of exercise over the grant price. SARs are exercisable at 30 percent of the number granted after one year, an additional 30 percent of the number granted after two years and are fully exercisable after three years and expire five years after the grant date.

The following table summarizes the information about SARs at June 30, 2008:

	Outstanding SARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	-	-
Granted	951,065	71.71
Forfeited	(17,250)	69.40
Outstanding, End of Period	933,815	71.75
Exercisable, End of Period	-	-

For the period ended June 30, 2008, EnCana recorded compensation costs of \$5 million related to the outstanding SARs (2007 - nil).

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

In 2008, EnCana granted Performance SARs to certain employees which entitles the employee to receive a cash payment equal to the excess of the market price of EnCana's Common Shares at the time of exercise over the grant price. Performance SARs vest and expire under the same terms and service conditions as SARs and are also subject to EnCana attaining prescribed performance relative to pre-determined key measures. Performance SARs that do not vest when eligible are forfeited.

The following table summarizes the information about Performance SARs at June 30, 2008:

	Outstanding SARs	Weighted Average Exercise Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	-	-
Granted	1,677,030	69.40
Forfeited	(34,500)	69.40
Outstanding, End of Period	1,642,530	69.40
Exercisable, End of Period	-	-

For the period ended June 30, 2008, EnCana recorded compensation costs of \$4 million related to the outstanding Performance SARs (2007 - nil).

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 15. COMPENSATION PLANS (continued)

#### F) Deferred Share Units ("DSUs")

The following table summarizes the information about DSUs at June 30, 2008:

	Outstanding DSUs	Average Share Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	589,174	33.78
Granted, Directors	82,218	67.92
Exercised	(34,008)	91.00
Units, in Lieu of Dividends	6,208	85.17
Outstanding, End of Period	643,592	35.61
Exercisable, End of Period	643,592	35.61

For the period ended June 30, 2008, EnCana recorded compensation costs of \$23 million related to the outstanding DSUs (2007 - \$11 million).

#### G) Performance Share Units ("PSUs")

The following table summarizes the information about PSUs at June 30, 2008:

	Outstanding PSUs	Average Share Price
<b>Canadian Dollar Denominated (C\$)</b>		
Outstanding, Beginning of Year	1,685,036	38.79
Granted	408,686	70.77
Distributed	(2,042,541)	45.34
Forfeited	(51,181)	38.32
Outstanding, End of Period	-	-

For the period ended June 30, 2008, EnCana recorded compensation costs of \$1 million related to the outstanding PSUs (2007 - \$15 million).

### 16. 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, 2008	June 30, 2008	2007	June 30, 2008	2007
(millions)					
Weighted Average Common Shares Outstanding - Basic	749.5	750.2	758.5	749.8	763.5
Effect of Dilutive Securities	3.5	1.1	6.7	2.5	9.7
Weighted Average Common Shares Outstanding - Diluted	753.0	751.3	765.2	752.3	773.2

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. 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.

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 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 10 to the Company's annual audited Consolidated Financial Statements.

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

	As at June 30, 2008		As at December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Held-for-Trading:				
Cash and cash equivalents	\$ 778	\$ 778	\$ 553	\$ 553
Risk management assets *	606	606	403	403
Loans and Receivables:				
Accounts receivable and accrued revenues	3,346	3,346	2,381	2,381
Partnership contribution receivable *	3,297	3,297	3,444	3,444
Financial Liabilities				
Held-for-Trading:				
Risk management liabilities *	\$ 1,690	\$ 1,690	\$ 236	\$ 236
Other Financial Liabilities:				
Accounts payable and accrued liabilities	4,888	4,888	3,982	3,982
Long-term debt *	10,369	10,461	9,543	9,763
Partnership contribution payable *	3,309	3,309	3,451	3,451

\* Including current portion.

#### B) Risk Management Assets and Liabilities

Net Risk Management Position	As at June 30, 2008	As at December 31, 2007
Risk Management		
Current asset	\$ 265	\$ 385
Long-term asset	341	18
	606	403
Risk Management		
Current liability	1,617	207
Long-term liability	73	29
	1,690	236
Net Risk Management Asset (Liability)	\$ (1,084)	\$ 167

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### B) Risk Management Assets and Liabilities (continued)

##### Summary of Unrealized Risk Management Positions

	As at June 30, 2008			As at December 31, 2007		
	Risk Management			Risk Management		
	Asset	Liability	Net	Asset	Liability	Net
Commodity Prices						
Natural gas	\$ 566	\$ 1,381	\$ (815)	\$ 375	\$ 29	\$ 346
Crude oil	5	309	(304)	6	205	(199)
Power	35	-	35	19	-	19
Interest Rates	-	-	-	2	-	2
Credit	-	-	-	1	2	(1)
Total Fair Value	\$ 606	\$ 1,690	\$ (1,084)	\$ 403	\$ 236	\$ 167

##### Net Fair Value Methodologies Used to Calculate Unrealized Risk Management Positions

	As at June 30, 2008	As at December 31, 2007
Prices actively quoted	\$ (1,476)	\$ 148
Prices sourced from observable data or market corroboration	392	19
Total Fair Value	\$ (1,084)	\$ 167

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

##### Net Fair Value of Commodity Price Positions at June 30, 2008

	Notional Volumes	Term	Average Price	Fair Market Value
<b>Natural Gas Sales Contracts</b>				
Fixed Price Contracts				
NYMEX Fixed Price	1,494 MMcf/d	2008	8.20 US\$/Mcf	\$ (1,419)
NYMEX Fixed Price	391 MMcf/d	2009	9.85 US\$/Mcf	(364)
Options				
Purchased AECO Call Options	(6) MMcf/d	2008	10.85 C\$/Mcf	1
Purchased NYMEX Call Options	(851) MMcf/d	2008	11.55 US\$/Mcf	223
Purchased NYMEX Put Options	136 MMcf/d	2008	8.85 US\$/Mcf	(9)
Purchased NYMEX Put Options	341 MMcf/d	2009	8.85 US\$/Mcf	(18)
Basis Contracts				
Canada	175 MMcf/d	2008	(0.76) US\$/Mcf	27
United States	1,058 MMcf/d	2008	(1.66) US\$/Mcf	240
Canada and United States *		2009-2011		377
				(942)
Other Financial Positions **				(33)
Total Unrealized Loss on Financial Contracts				(975)
Paid Premiums on Unexpired Options				160
Natural Gas Fair Value Position				\$ (815)

\* 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 and transportation commitment management.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### B) Risk Management Assets and Liabilities (continued)

#### Net Fair Value of Commodity Price Positions at June 30, 2008 (continued)

	Notional Volumes	Term	Average Price	Fair Market Value
<b>Crude Oil Sales Contracts</b>				
Fixed Price Contracts				
WTI NYMEX Fixed Price	23,000 bbls/d	2008	70.13 US\$/bbl	\$ (297)
Other Financial Positions **				(7)
Crude Oil Fair Value Position				\$ (304)
<b>Power Purchase Contracts</b>				
Power Fair Value Position				\$ 35

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

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

	Realized Gain (Loss)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues, Net of Royalties	\$ (586)	\$ 382	\$ (566)	\$ 697
Operating Expenses and Other	(2)	-	-	1
Gain (Loss) on Risk Management	\$ (588)	\$ 382	\$ (566)	\$ 698

  

	Unrealized Gain (Loss)			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues, Net of Royalties	\$ (328)	\$ 49	\$ (1,424)	\$ (566)
Operating Expenses and Other	10	6	13	7
Gain (Loss) on Risk Management	\$ (318)	\$ 55	\$ (1,411)	\$ (559)

#### Reconciliation of Unrealized Risk Management Positions from January 1 to June 30, 2008

	2008		2007
	Fair Market Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ 167		
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	(1,977)	\$ (1,977)	\$ 132
Fair Value of Contracts in Place at Transition that Expired During the Period	-	-	7
Fair Value of Contracts Realized During the Period	566	566	(698)
Fair Value of Contracts Outstanding	\$ (1,244)	\$ (1,411)	\$ (559)
Paid Premiums on Unexpired Options	160		
Fair Value of Contracts and Premiums Paid, End of Period	\$ (1,084)		



## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### B) Risk Management Assets and Liabilities (continued)

##### 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. When assessing the potential impact of these commodity price changes, the Company believes 10% volatility is a reasonable measure. Fluctuations in commodity prices could have resulted in unrealized gains (losses) impacting net earnings as at June 30, 2008 as follows:

		Favorable 10% Change	Unfavorable 10% Change
Natural gas price	\$	347	\$ (303)
Crude oil price		60	(60)
Power price		4	(4)

#### C) Risks Associated with Financial Assets and Liabilities

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange rates, credit risk and liquidity risk.

##### Market Risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, is comprised of the following:

- Commodity Price Risk**

As a means of mitigating exposure to commodity price risk volatility, the Company has entered into various derivative agreements. The use of 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 enters 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 exposure to the WTI NYMEX price with fixed price swaps.

*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.

- Interest Rate Risk**

The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

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

- Foreign Exchange Risk**

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 8, 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 U.S. dollar partnership contribution receivable issued from Canada. At June 30, 2008, EnCana had \$5,350 million in U.S. dollar debt issued from Canada (\$5,421 million at December 31, 2007) and \$3,297 million related to the U.S. dollar partnership contribution receivable (\$3,444 million at December 31, 2007). A \$0.01 change in the U.S. to Canadian dollar exchange rate would have resulted in a \$21 million change in foreign exchange (gain) loss at June 30, 2008.

## Notes to Consolidated Financial Statements (unaudited)

(All amounts in \$ millions unless otherwise specified)

### 17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

##### Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. This credit 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. All foreign currency agreements 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.

At June 30, 2008, 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 its financial liability obligations. The Company manages its liquidity risk through cash and debt management. As disclosed in Note 14, EnCana targets a Net Debt to Capitalization ratio between 30 and 40 percent and a Net 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, 2008, EnCana had available unused committed bank credit facilities in the amount of \$2.7 billion and unused capacity under shelf prospectuses, the availability of which is dependent on market conditions, for up to \$7.2 billion. Of this unused shelf capacity, \$2 billion expired on July 9, 2008. The Company believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

EnCana maintains investment grade credit ratings on its senior unsecured debt. On May 12, 2008, following the proposed corporate reorganization (See Note 4), Standard & Poor's Ratings Service assigned a rating of A- and placed the Company on "CreditWatch with Negative Implications", DBRS Limited assigned a rating of A(low) and placed the Company "Under Review with Developing Implications", and Moody's Investors Service has assigned a rating of Baa2 and changed the outlook to "Stable" from "Positive".

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

	1 year	2 - 3 years	4 - 5 years	beyond 5 years	Total
Accounts payable and accrued liabilities	\$ 4,888	\$ -	\$ -	\$ -	4,888
Risk management liabilities	1,617	73	-	-	1,690
Long-term debt *	491	450	3,314	6,136	10,391
Partnership contribution payable *	297	649	732	1,631	3,309

\* Principal, including current portion.

Included in EnCana's total long-term debt obligations of \$10,391 million at June 30, 2008 are \$2,323 million in obligations related to Bankers' Acceptances, Commercial Paper and LIBOR loans. 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.

**Notes to Consolidated Financial Statements (unaudited)**

*(All amounts in \$ millions unless otherwise specified)*

**18. CONTINGENCIES**

***Legal Proceedings***

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

***Discontinued Merchant Energy Operations***

During the period between 2003 and 2005, EnCana and its indirect wholly owned U.S. marketing subsidiary, WD Energy Services Inc. ("WD"), along with other energy companies, were named as defendants in several lawsuits, some of which were class action lawsuits, relating to sales of natural gas from 1999 to 2002. 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.

Without admitting any liability in the lawsuits, WD agreed to settle all of the class action lawsuits in both state and federal court for payment of \$20.5 million and \$2.4 million, respectively. Also, as previously disclosed, without admitting any liability whatsoever, WD concluded settlements with the U.S. Commodity Futures Trading Commission ("CFTC") for \$20 million and of a previously disclosed consolidated class action lawsuit in the United States District Court in New York for \$8.2 million. Also, without admitting any liability whatsoever, WD concluded settlement negotiations with a group of individual plaintiffs. It was agreed that WD would settle these claims for \$23 million. Execution of the Settlement Agreement is pending.

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.

**19. RECLASSIFICATION**

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2008.