The New Encana:
the clear energy choice

# The New Encana Investor Day 2010

Randy Eresman |
President & Chief Executive Officer

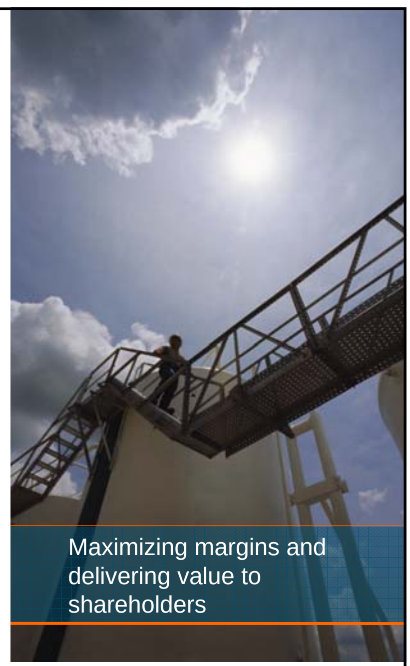
Calgary | March 16, 2010
New York | March 18, 2010

encana. natural gas

## The New Encana
Overview

### A new company for a new era…

- North American portfolio of unconventional natural gas assets
- History of entering plays early and leveraging technology to unlock unconventional resources
- Consistently among lowest cost structures in natural gas industry
- Tremendous reserves & economic contingent resources base
  - Capable of double-digit growth
  - Support doubling size of company over next 5 years on a per share basis
- Disciplined approach to capital spending and financial stewardship



# The New Encana

## The Game Has Changed

- Fundamental change to North American natural gas supply
  - Abundant supply with emergence of shale gas
  - Supply outpacing demand
  - Lower long-term price expectations
  - Need to play the game differently
- Increased focus on lowering cost structures & maximizing margins
  - Optimizing efficiencies, leveraging technology, manufacturing approach
- Encana has strategy, assets and value-driven culture to win
  - Launching company to higher level of growth
  - Growth in production & maximizing margins

The game has changed!

At Encana, we are positioned to win



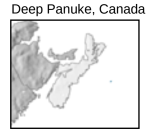
# The New Encana

## Leading North American Natural Gas Resource Plays

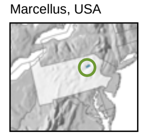

**Land – MM net acres***

| | |
|---|---|
| • North America | 12.7 |

Deep Panuke, Canada



Marcellus, USA



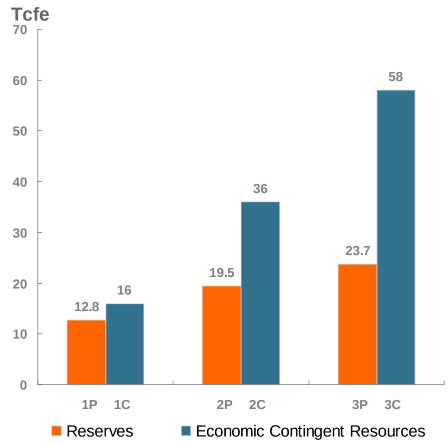
Key Resource Play
Emerging Play

*Land as at December 31, 2009.

# The New Encana

## Tremendous Resource Potential

### Reserves and Economic Contingent Resources*




- Source of organic growth
- 23,000 net drilling locations
  - Based on 1P & 1C only
- 1C = 120% 1P
  - 90% probability that the quantities actually recovered will equal or exceed the estimate

**Reserves:** 1P is proved, 2P is proved plus probable, 3P is proved plus probable and possible
**Economic contingent resources:** 1C is low estimate, 2C is best estimate, 3C is high estimate

* Evaluated by Independent Qualified Reserves Evaluators as at December 31, 2009.

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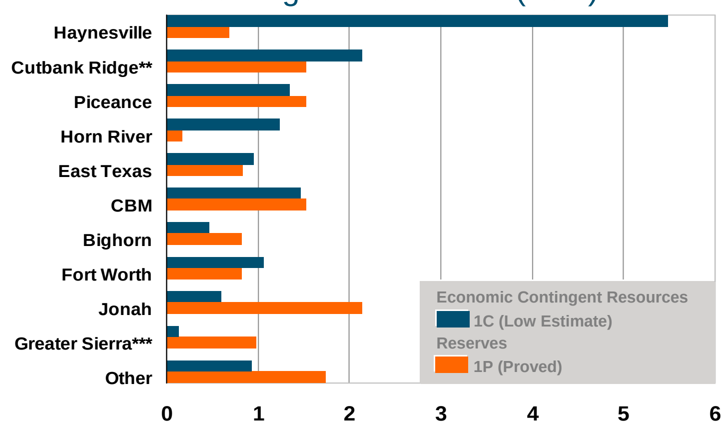
## Tremendous Resource Potential

### Proved Reserves and 1C Economic Contingent Resources (Tcfe)*




* Evaluated by Independent Qualified Reserves Evaluators as of December 31, 2009
** Includes Montney
*** Jean Marie only

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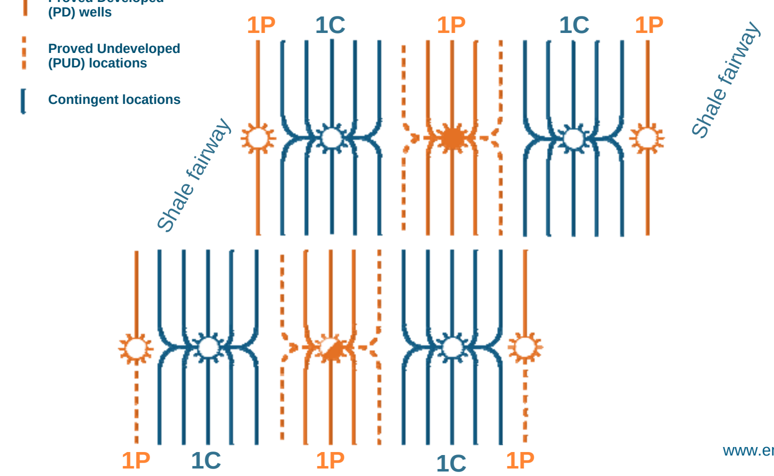
1P proved reserves & 1C economic contingent resources

- Proved reserves (1P): 12.8Tcfe; 12 yr RLI
  - PD: 7.2 Tcfe; 7 yr RLI
  - PUD: 5.6 Tcfe; 5 yr RLI
- 1C Economic contingent resource: 16 Tcfe






# The New Encana

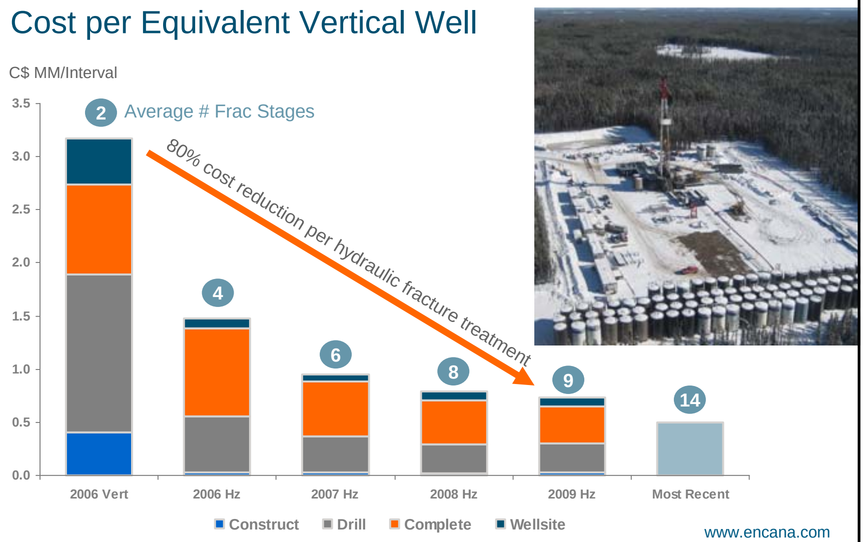
High Growth Pure-play Natural Gas Company

## Double Company Size Over Next Five Years

# Horizontal Well Technology

Combined with Multi-stage Fracturing in the Montney

## Cost per Equivalent Vertical Well

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# Gas Factories – Optimizing Efficiency

Achieving Economies Of Scale Across Our Portfolio

Concentrated resource + Pad drilling + Manufacturing practices = Gas factory

- Innovative
- Simultaneous operations
- Reduce costs
- Improve efficiencies
- Reduce environmental footprint
- Transferable learnings across portfolio

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# The New Encana

## Well Positioned To Thrive

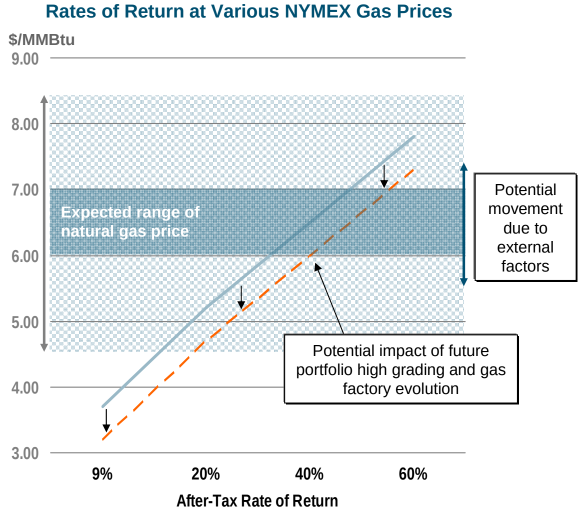
- Portfolio Across North America
  - Breadth of portfolio across provides insight into natural gas fundamentals
  - Competitive advantage
- Expect lower long-term natural gas prices
  - Focused on maximizing margins and lowering cost structures
- Financial Strength
- Experienced People
  - Value-driven culture




# The New Encana

## Focused on Lowest Supply Costs

**Rates of Return at Various NYMEX Gas Prices**




Illustrative, based on weighted average of portfolio.

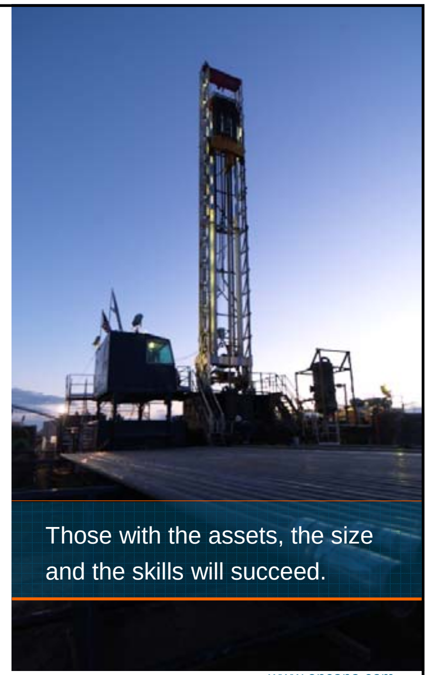
- Lower long-term natural gas price in the $6-7/MMBtu range based on 2010F input costs
  - Price range to rise and fall with input costs
- Attractive returns due to optimization and economies of scale even with lower long-term price expectations
- Focused on maximizing margins (recycle ratio)
- Expect portfolio high grading to improve supply costs over time

# The New Encana

## Strategic Implications

### Encana's Business Model

- Increased pace of development
- Increased capital efficiency
  - Leverage economies of scale
  - Manufacturing approach to the business
- Expand market share
- Maintain/expand margins
- Focus on growth in shareholder value



Those with the assets, the size and the skills will succeed.



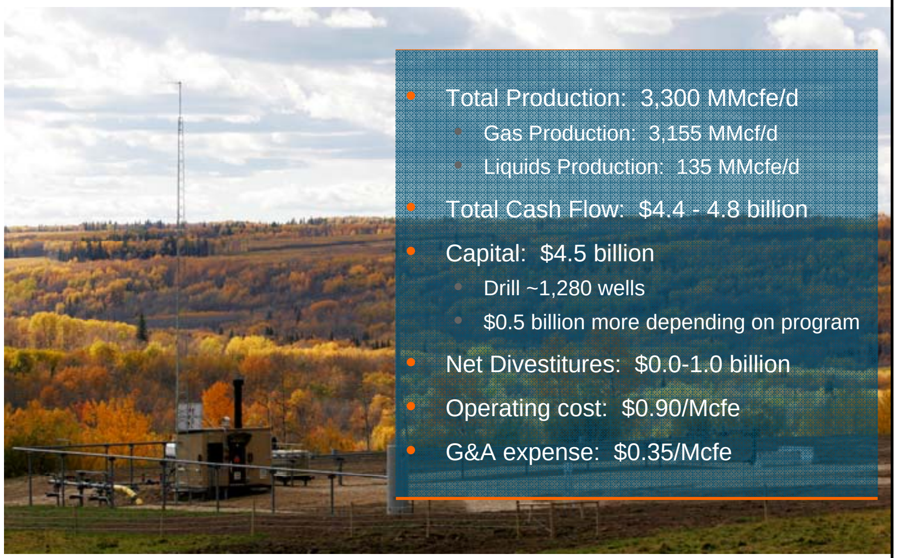
# The New Encana

## Forecast Growth Profile – 2011 to 2014

- Capital: ~ $6 billion per year
- Drill: ~ 2,500 wells per year
- Haynesville reaches over 1.2 Bcfe/d
- Montney reaches over 600 MMcef/d
- Horn River reaches over 500 MMcfe/d
- Panuke on stream

## The New Encana

### 2010F Guidance*



- Total Production: 3,300 MMcfe/d
  - Gas Production: 3,155 MMcf/d
  - Liquids Production: 135 MMcfe/d
- Total Cash Flow: $4.4 - 4.8 billion
- Capital: $4.5 billion
  - Drill ~1,280 wells
  - $0.5 billion more depending on program
- Net Divestitures: $0.0-1.0 billion
- Operating cost: $0.90/Mcfe
- G&A expense: $0.35/Mcfe

*Assumptions as noted in Encana Corporate Guidance dated March 16, 2010.



## The New Encana

### Financial Flexibility

- Total debt of $7.8 billion at an average pre-tax rate of 6.2%
  - Current cash and cash equivalents of $2.4 billion
- Bank credit facilities – best in class
  - Unused committed $5 billion revolving facility
- Strong investment grade credit ratings

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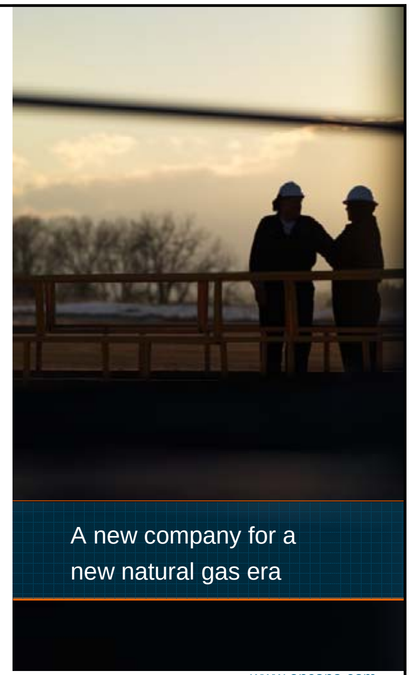
# The New Encana

## Guiding Principles

- Maintain flexibility
  - Always ensure we are doing the right thing appropriate for the time
- Capital discipline balancing physical and per share growth through pace of development
- Maintain investment grade credit rating
- Continue prudent risk management
- Active portfolio management
  - Use proceeds from sale of producing assets to purchase shares
- Accelerate value recognition through additional capital and 3rd party investment
- Target a competitive dividend



A new company for a new natural gas era



# The Natural Gas Renaissance

## Opportunities For Market Growth

- Abundant – 100 years of supply!
- Affordable - long term price expected to be in the range of $6.00-7.00/Mcf
- Clean – reduces greenhouse gas and toxic emissions!
- Reliable – 100 year history of widespread societal use
- Domestic Energy Solution – significant economic contributions

# The New Encana

## The Clear Energy Choice

### A focused pure-play natural gas company with…

- A huge resource base in many of the key North American unconventional natural gas resource plays
- Tremendous reserves & resource base
  - Capable of double-digit growth
  - Support doubling size of company over next 5 years
- An innovative, value-driven internal culture focused on maximizing margins by increasing operational efficiencies
- A disciplined approach to capital spending and financial stewardship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Supplemental

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natural gas

## The New Encana

### Encana Guidance Summary

| | 2010F |
|---|---|
| Gas production (MMcf/d) | 3,155 |
| Liquids production (MMcfe/d) | 135 |
| Total production (MMcfe/d) | 3,300 |
| • **Canada** | **1,355** |
| • **USA** | **1,935** |
| | $ billion |
| Total Cash Flow | $4.4 – 4.8 |
| Capital | $4.5 |
| • **Canada** | **$1.9** |
| • **USA** | **$2.5** |
| • **Market Optimization & Corporate** | **$0.1** |
| Net Divestitures | $0.0 – 1.0 |

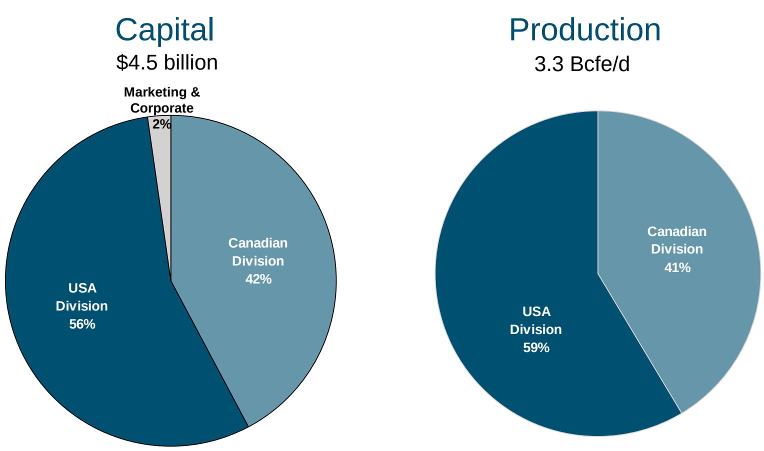
*Assumptions as noted in Encana Corporate Guidance dated March 16, 2010.



## The New Encana - 2010 Overview

### Transition to Accelerating Growth

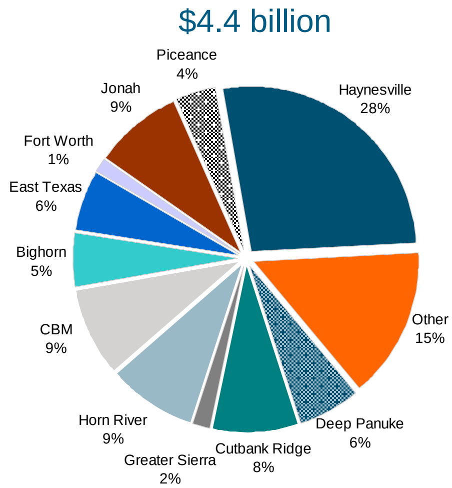
### Forecast 2010 exit rate of 3.5 Bcfe/d




Based on assumptions as noted in Encana guidance dated March 16, 2010.

# The New Encana
## 2010 Upstream Capital Forecast

### Increased Investment in Key & Emerging Plays






# The New Encana
## Operating Efficiency

### Development Program – Forecast Metrics

| Metric | Target |
|---|---|
| Internal Rate of Return (IRR, %) | >20% |
| Profit to Investment Ratio (PIR) @ 0% | >1.0 |
| Profit to Investment Ratio (PIR) @ 9% | >0.3 |
| Production Efficiency ($/Mcfe/d) | ~5,000 |
| Supply Cost* ($/MMBtu) | ~4.00 |

*Supply Cost is defined as the flat NYMEX price that yields a risked IRR of 9% ATax and does not include land costs.

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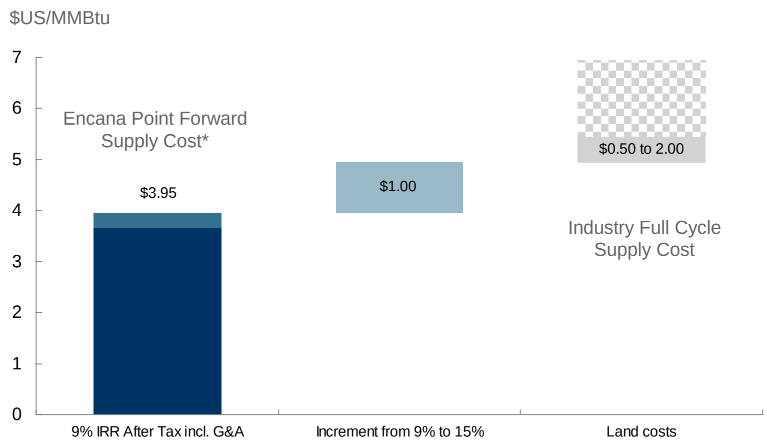
## Encana Point Forward vs. Industry Full Cycle Supply Costs

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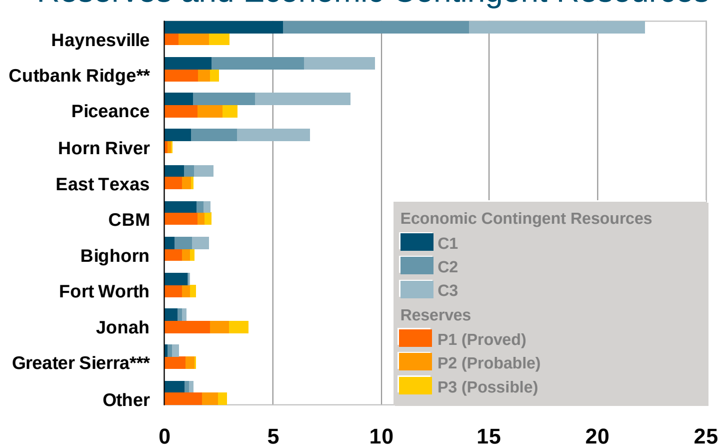


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