

take a closer look

North American Natural Gas Market

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Denver | June 7 | 2011





Future Oriented Information

In the interests of providing Encana shareholders and potential investors with information regarding Encana, including management's assessment of Encana's and its subsidiaries' future plans and operations, certain statements contained in this presentation are forward-looking statements or information within the meaning of applicable securities legislation, collectively referred to herein as "forward-looking statements." Forward-looking statements in this presentation include, but are not limited to: years of drilling inventory and number of drilling locations; North American estimated reserve life index and total resource potential; forecast U.S. and Canada gas production for 2011; forecast natural gas supply to 2035; forecast U.S. and Canada gas demand for 2011; projected natural gas prices for 2011 to 2020; and projected increase in demand for natural gas for power generation and transportation.

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take a closer look

Who is Encana?

Leading North American energy company

Calgary, Alberta

Denver, Colorado

Dallas, TX

100% production and reserves located in North America

One of the largest producers of North American natural gas

Q1 2011 Average Production: 3,335 MMcfe/d

25,000 Net Drilling Locations (1P + 1C)*

\$24B Market Capitalization (May 2011)

*As of December 31, 2010

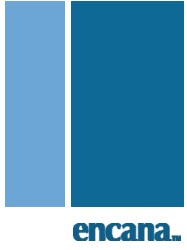


encana™
natural gas



Agenda

- What's happening with North American Natural Gas Supply?
- What's happening with North American Natural Gas Demand?
- What about Colorado?
- What is Encana doing to Promote Natural Gas?



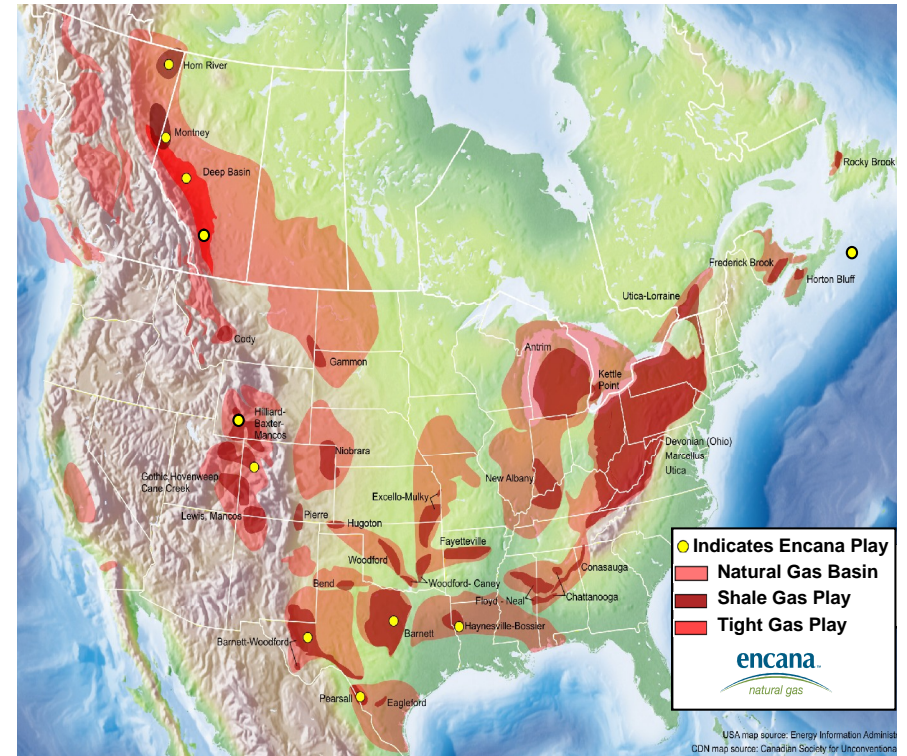
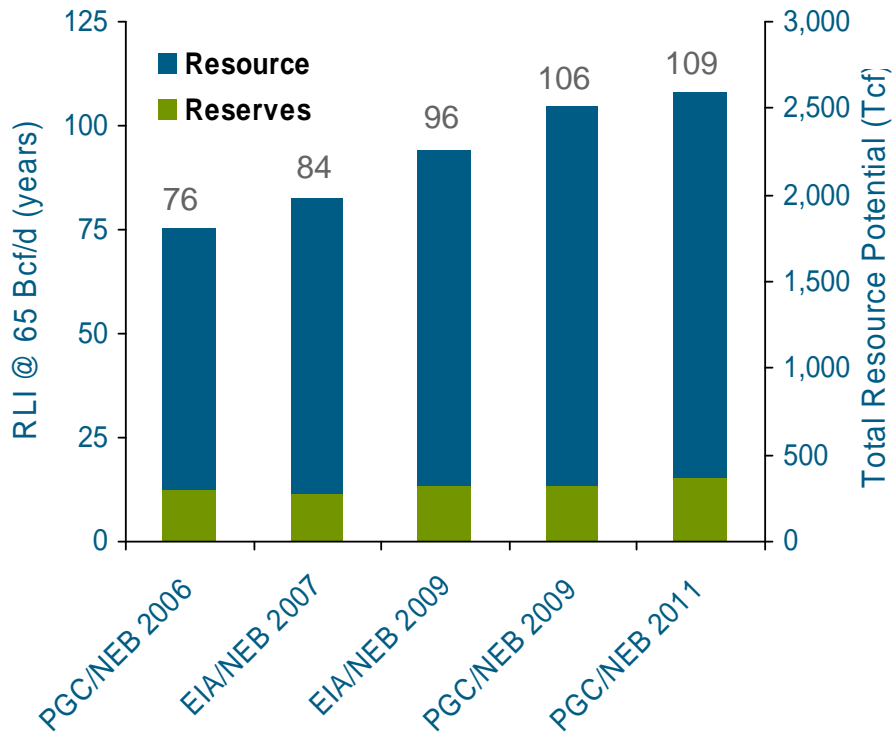
North American Supply



Vast Energy Resources in North America

Technology Continues to Unlock Shale Gas

Canada and U.S.
Natural Gas Resource Estimates



Source: EIA, NEB, PGC, IHS Energy, CSUG



Why Are Shale Reservoirs Unique?

A Geologic and Reservoir Engineering Lesson

- 70% of the sedimentary rock in the world is comprised of shale
- Ability to store more gas per unit of volume than conventional reservoirs
- Typically deposited in marine environments over long periods of time resulting in thicker deposits
- Shale's inherently low permeability (flow characteristics) requires technology innovation
- Productive life of a gas shale reservoir is typically 2-5 times longer than conventional reservoirs

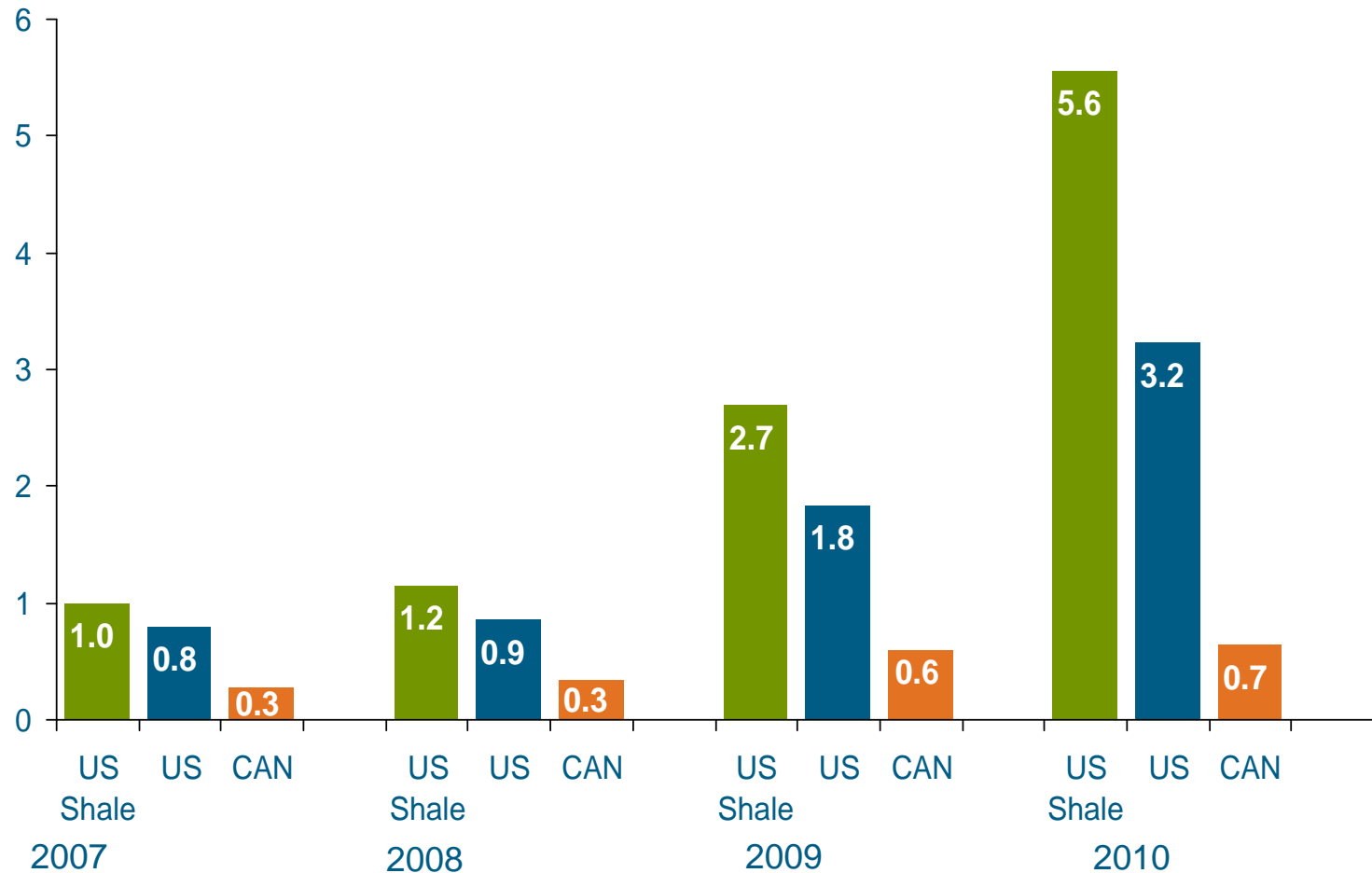




United States and Canada Initial Production Rates

Shale IP's increasingly important to production growth

Weighted Average 30 Day IP (MMcf/d)



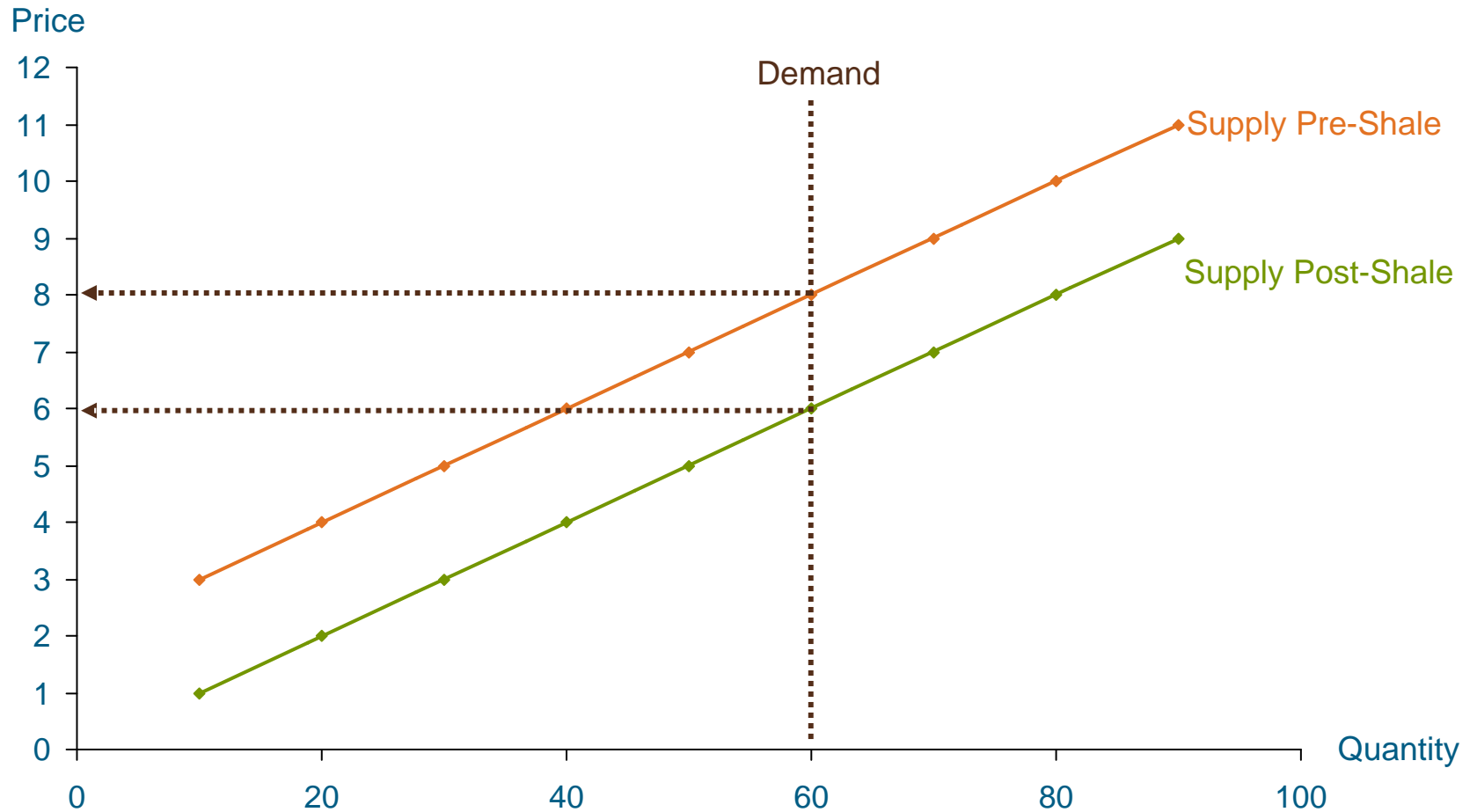
Source: Encana, IHS Energy



Illustrative Supply Curves

Shale a Game Changer

Shale gas resources have increased the amount of supply that can be brought to market and lowered the cost

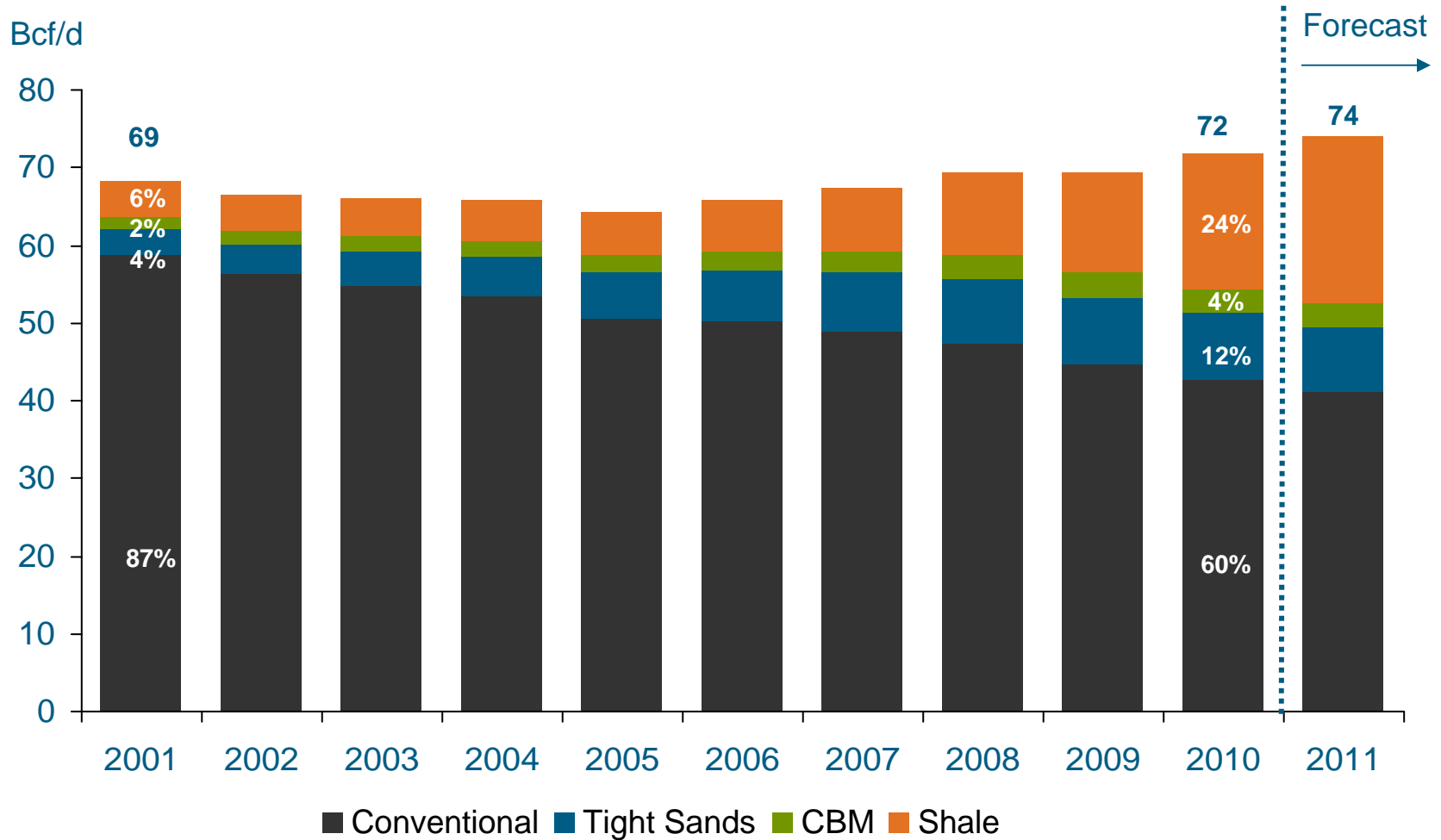


Source: Encana

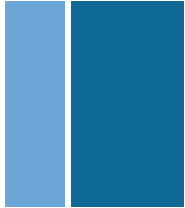


United States and Canada Production Annual Average

Shale plays account for the majority of the growth in supply



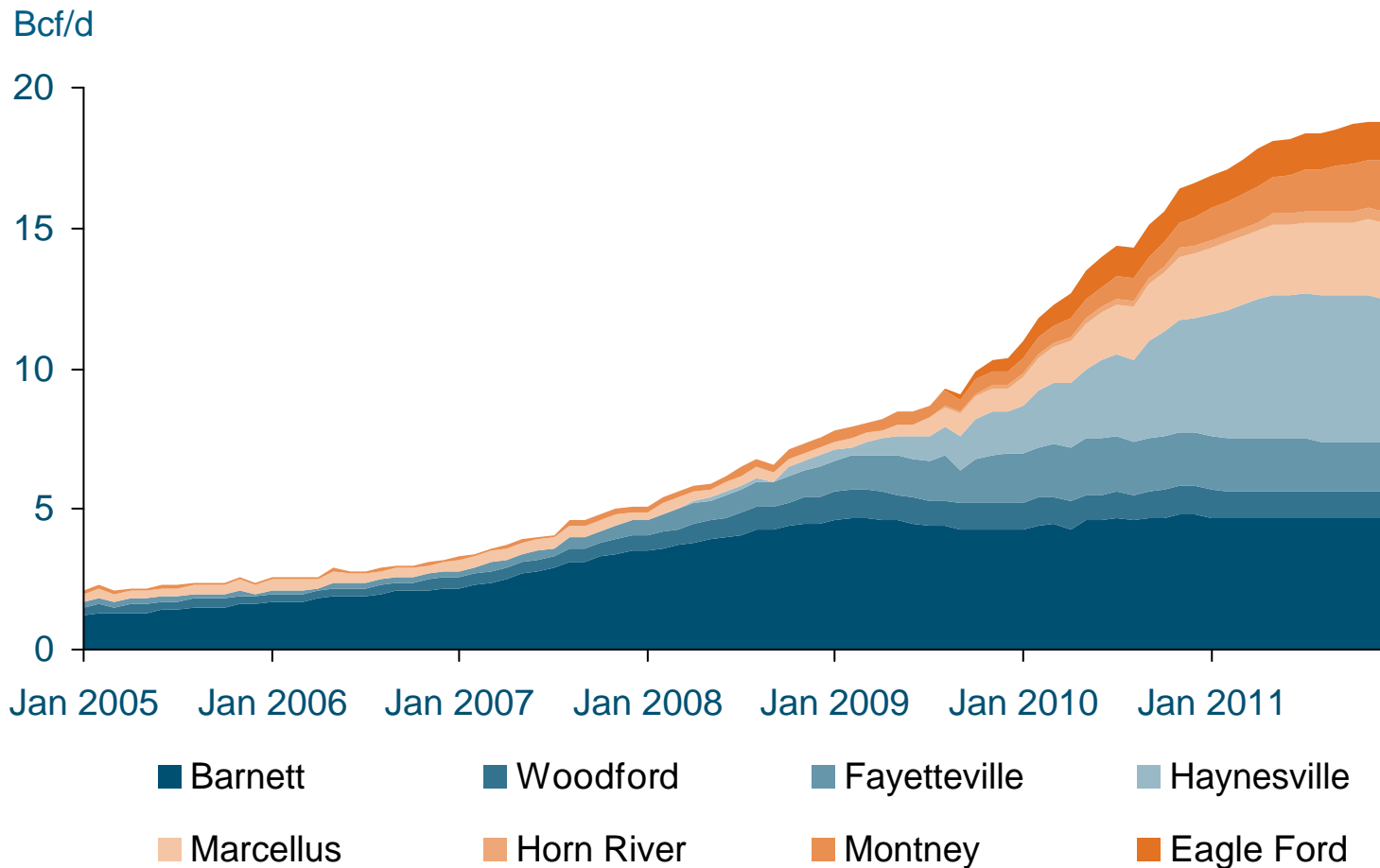
Source: Encana, IHS Energy



Shale Production Breakout Growth Plays

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The key shale plays will have grown 500 percent and contributed 16.7 Bcf/d to North American supply in 2010

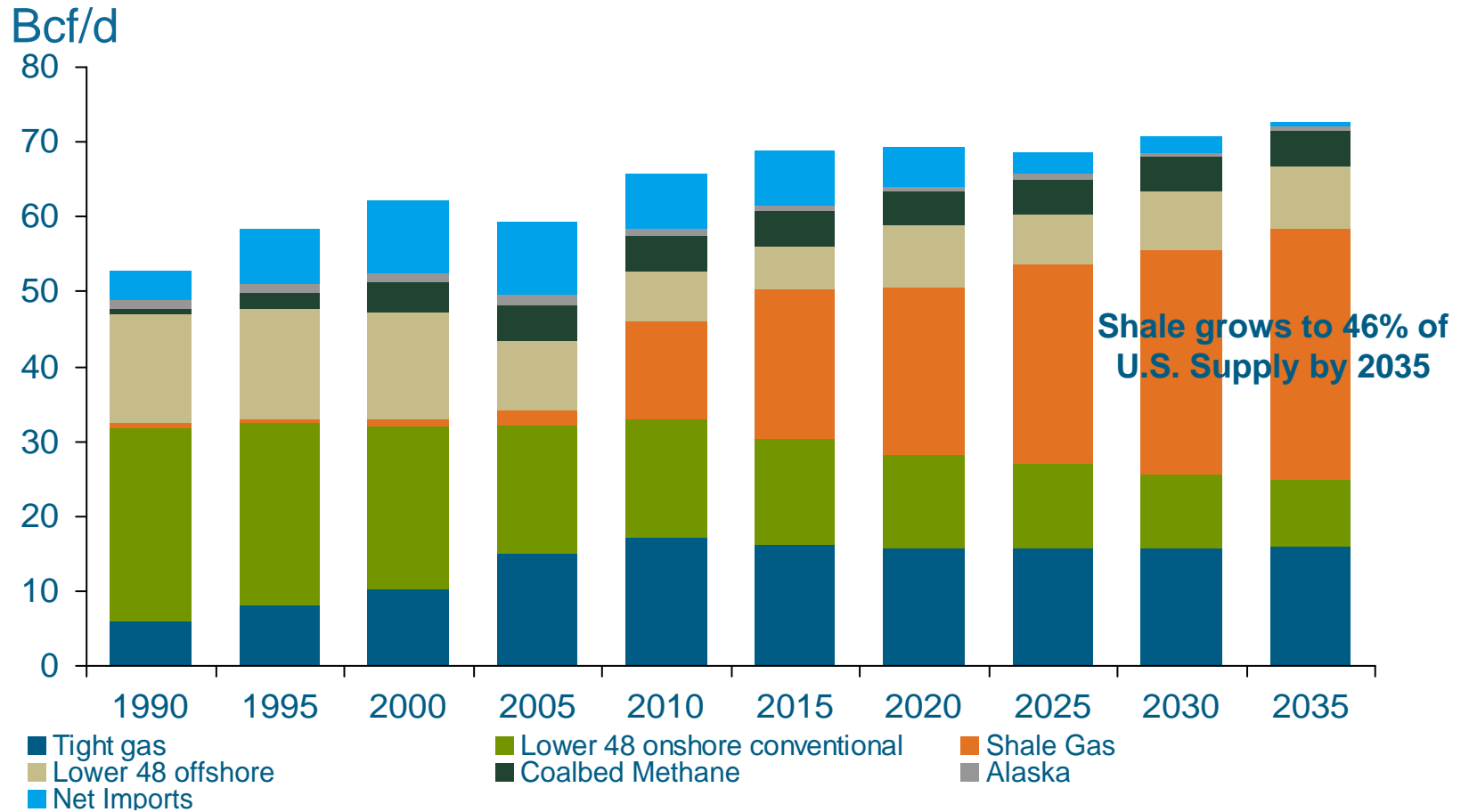


Source: Encana, IHS Energy

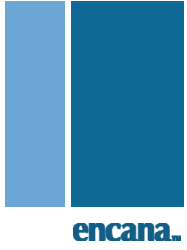


Natural Gas Supply to 2035

U.S. Energy Information Administration Outlook



Source: EIA, Annual Energy Outlook 2011



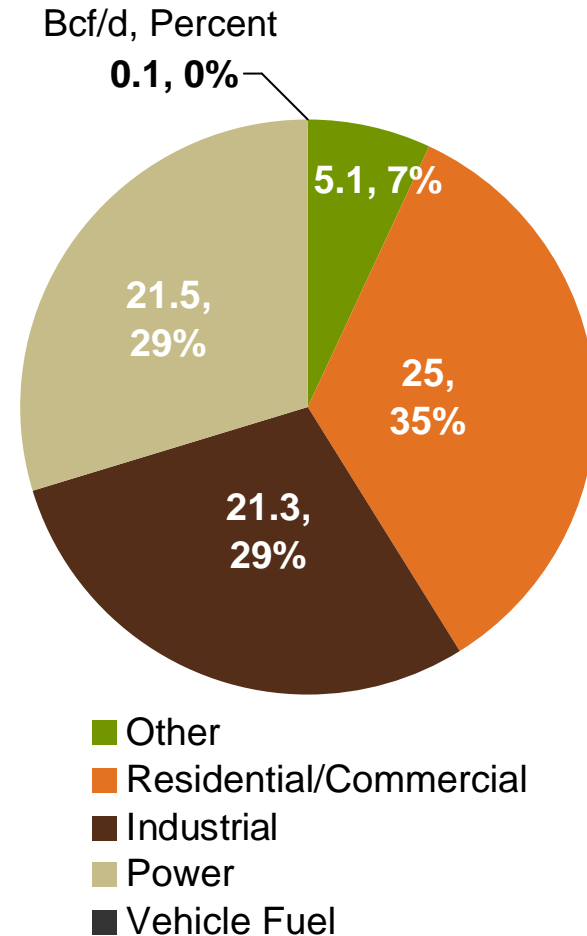
North American Demand

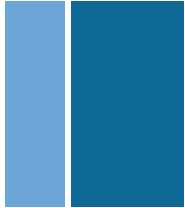


Natural Gas Demand

Where do we use natural gas?

- Residential/Commercial: homes and businesses for space heating, water heating, cooking, and certain appliances
- Industrial: manufacturing (steel, food and chemicals, etc.), construction, mining, and agriculture
- Electric Power: used to generate electricity for residential, commercial, and industrial sectors
- Vehicle Fuel: commercial fleets (city bus, trucks), cars

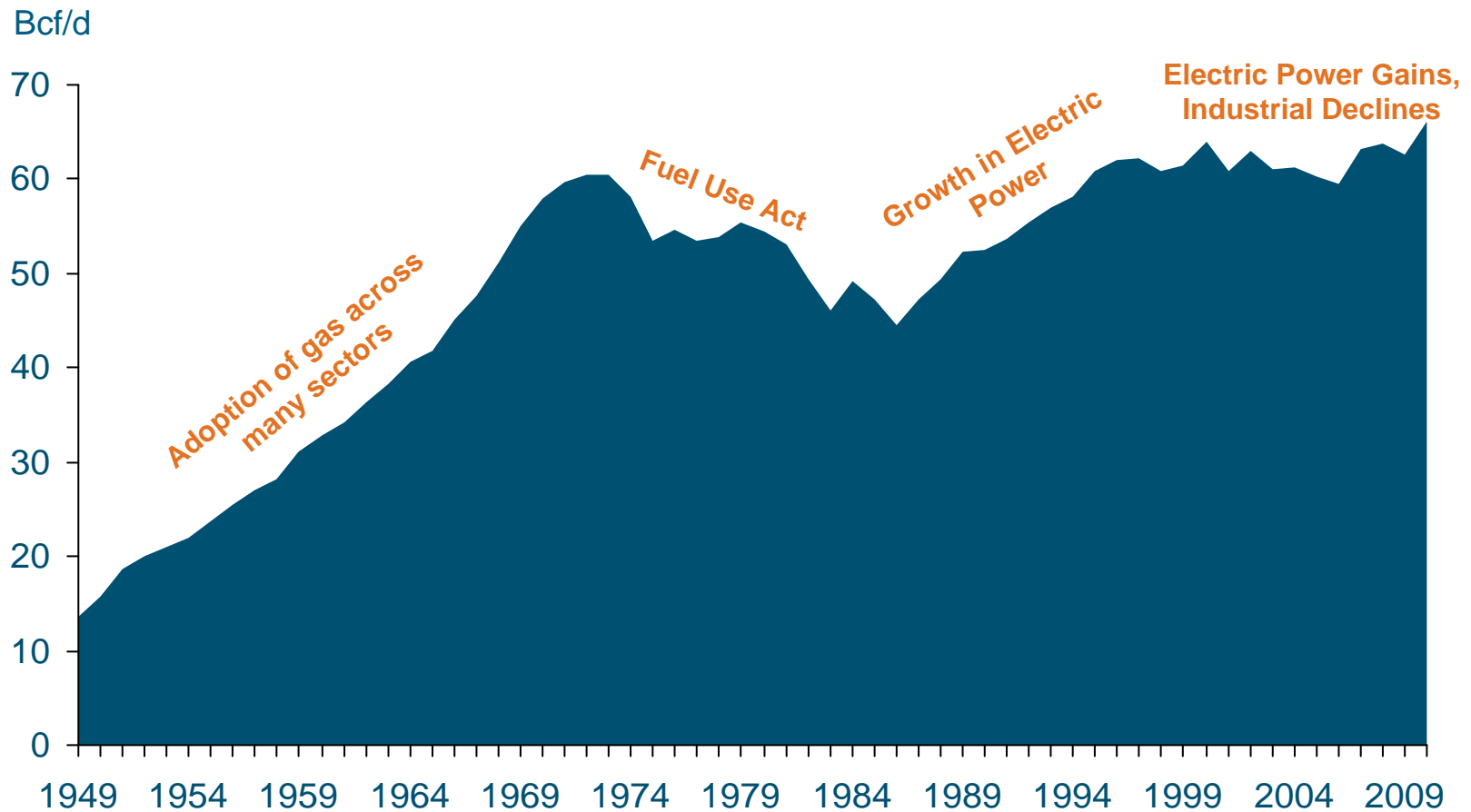




United States Natural Gas Demand Historical Perspective

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The natural gas market has seen little demand growth over the last 15 years.



Source: Encana, EIA



United States and Canada Gas Demand

The Last 10 Years

While demand has remained relatively flat for the last decade increased use in the electric power sector has been at the expense of the industrial sector.



Source: Encana, EIA, Statistics Canada and lease fuel.

Note: Other includes pipeline, plant,

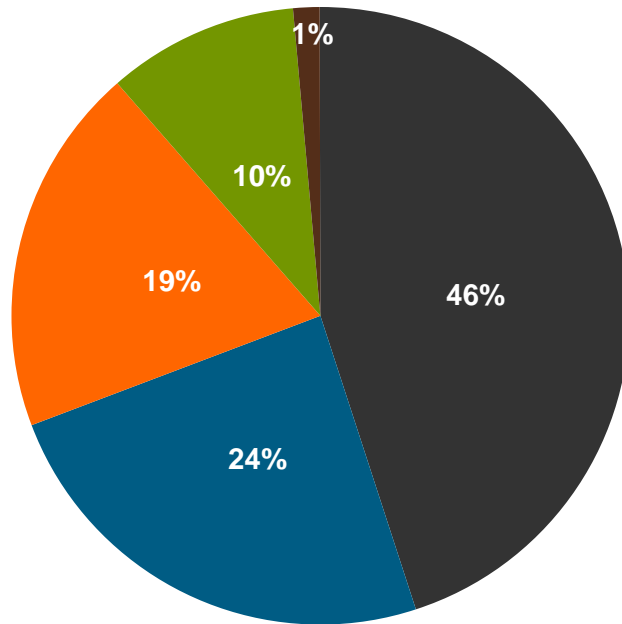


U.S. Electric Power Generation

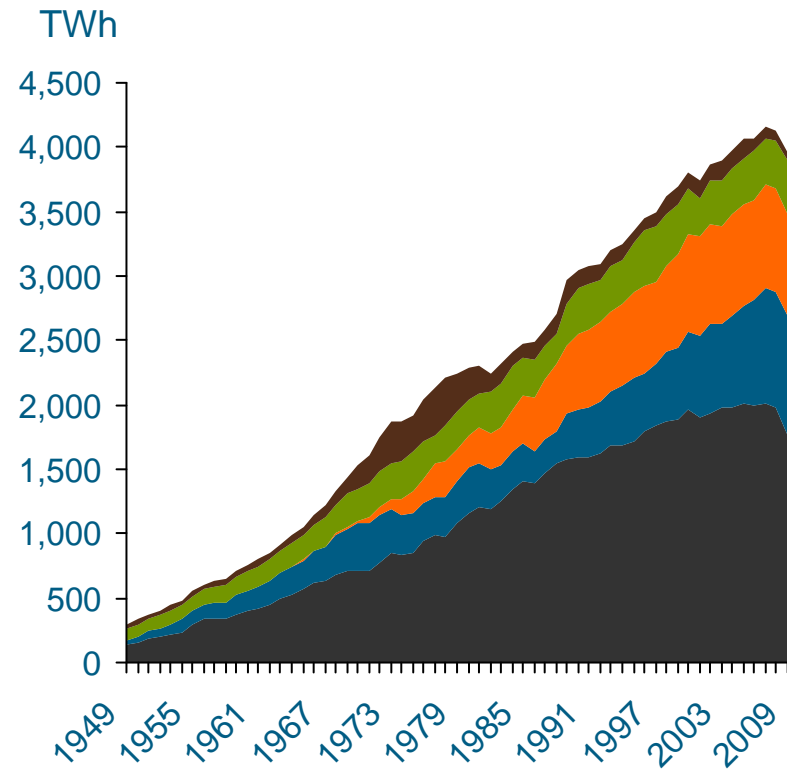
Coal Remains King

Today natural gas only accounts for 24 percent of electric power generation

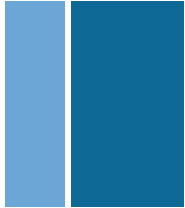
2010 Total Generation: 3,902 TWh



Generation Over Time



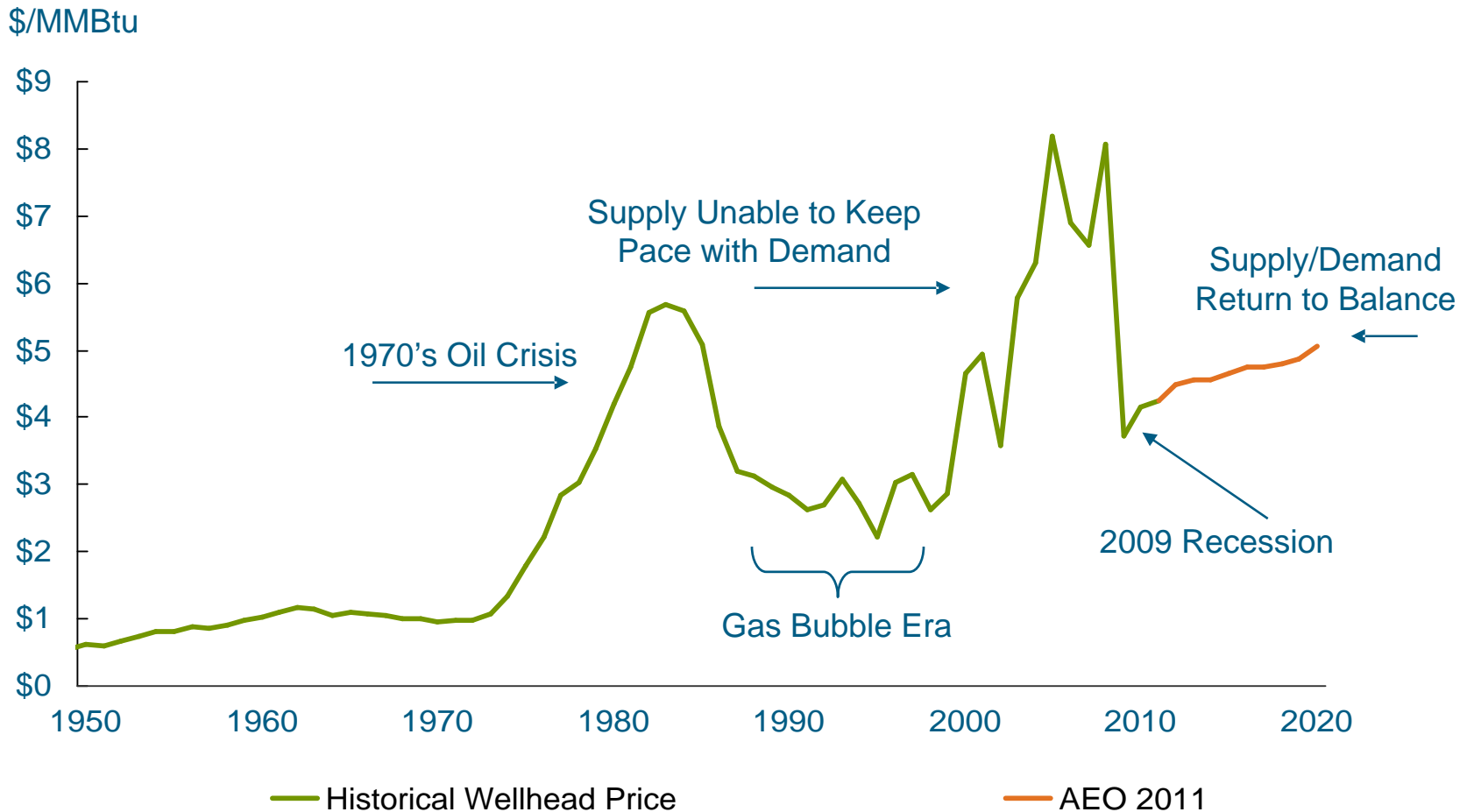
■ Coal ■ Natural Gas ■ Nuclear ■ Renewables ■ Other



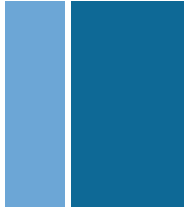
Natural Gas Prices Past, Present, and Future

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Natural gas prices have risen over time with increased use, except for periods of oversupply during the 1990s and more recently 2009-11.



Source: EIA

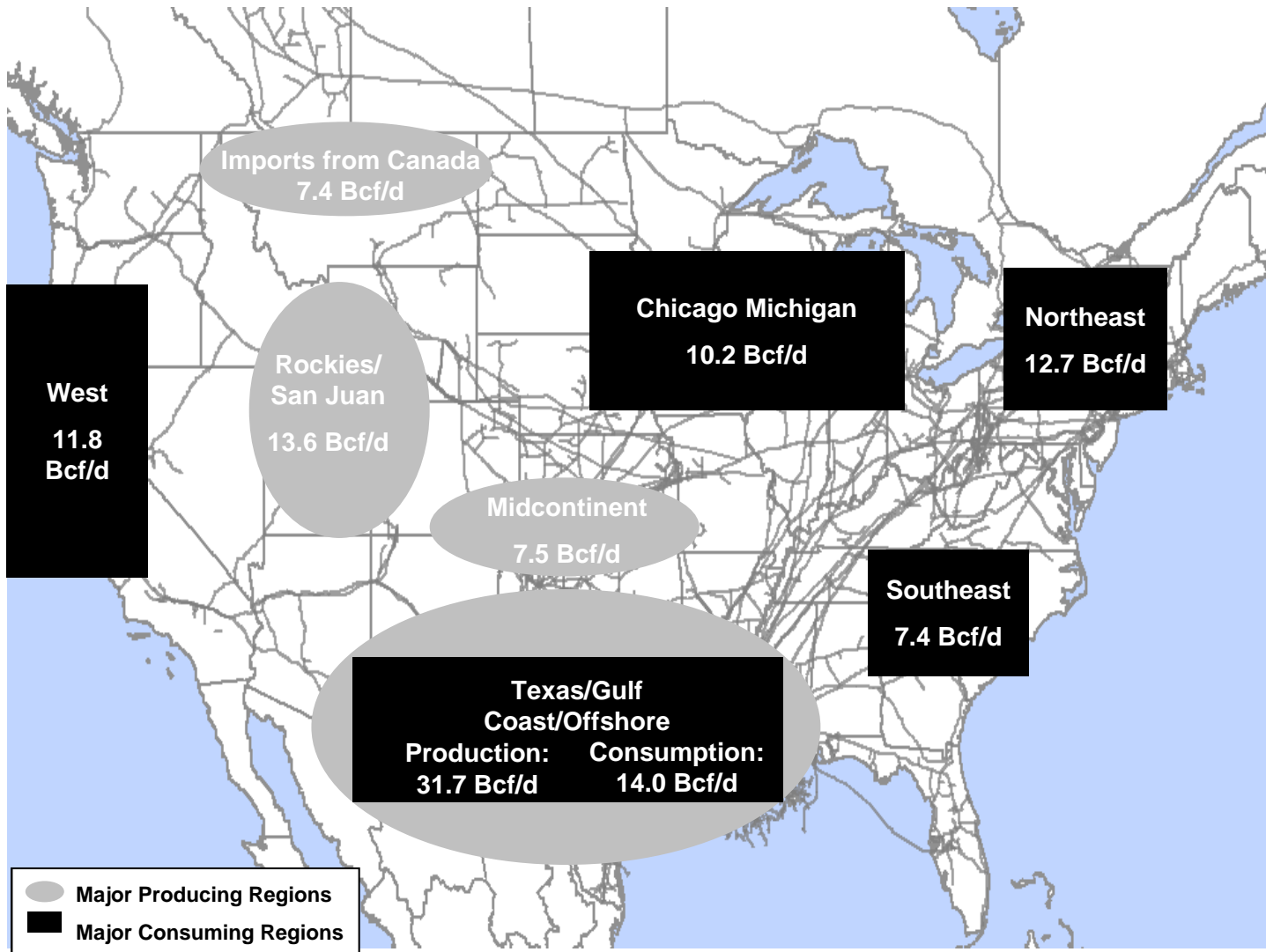


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Colorado



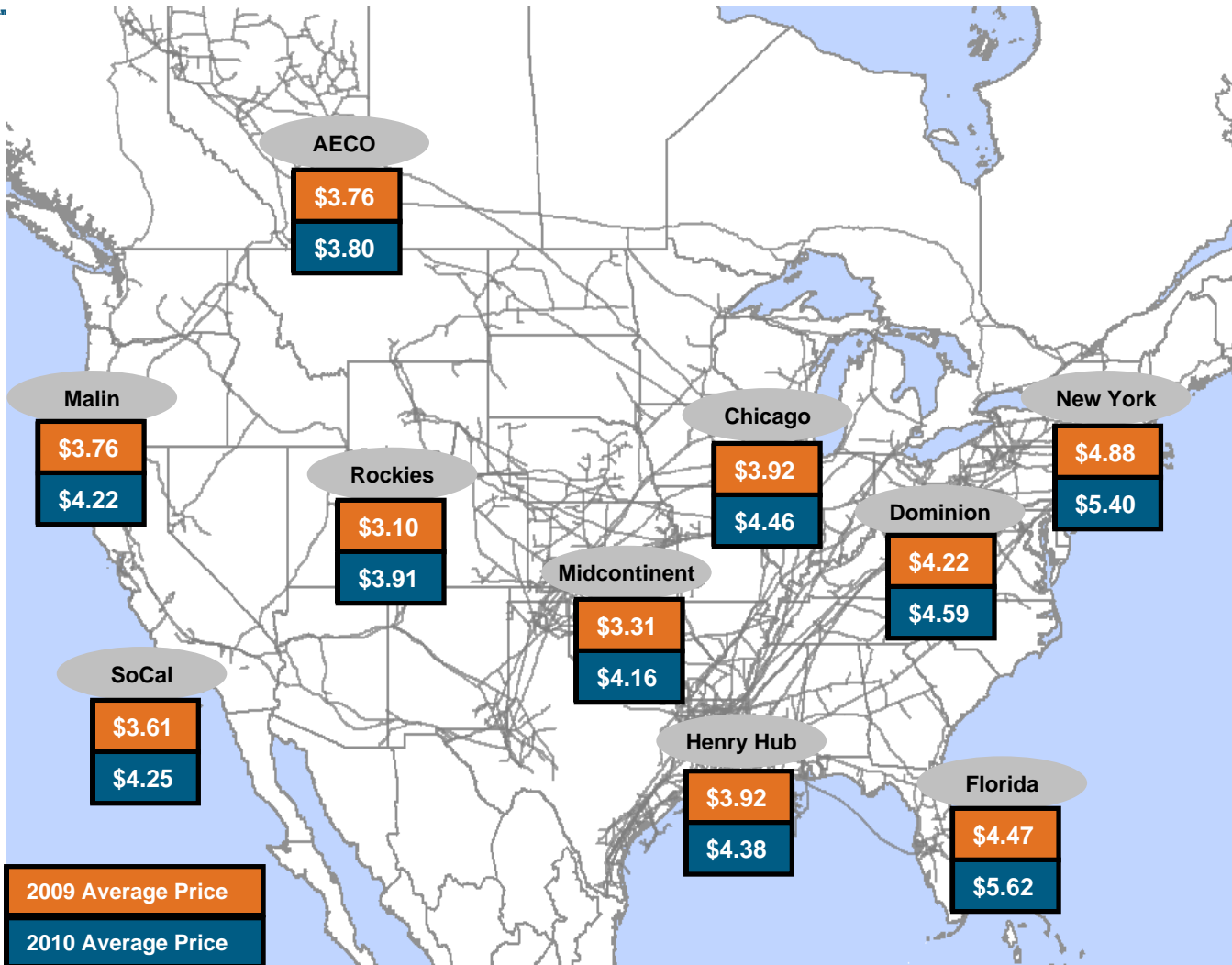
Major Producing & Consuming Regions



Source: EIA, IHS Energy, all volumes 2009 averages



Regional Prices



- Henry Hub
Serves as the pricing point for the NYMEX futures contract
- Basis Differential
The difference in price between two physical locations
 - Most commonly referenced as a relationship to Henry Hub
- Regional Spreads
Substantial price spreads can exist between U.S. producing and consuming regions

Source: Argus



What makes the Rockies different?

encana. Historically, Rockies prices have been depressed relative to other US pricing points.

- **Cause**

- Strong production growth and vast resource base given recent technology advances
- Limited local demand – less than 25% of current supply
- Timing disconnect between new supply and new infrastructure
- Constrained export capacity to consuming regions

- **Effect**

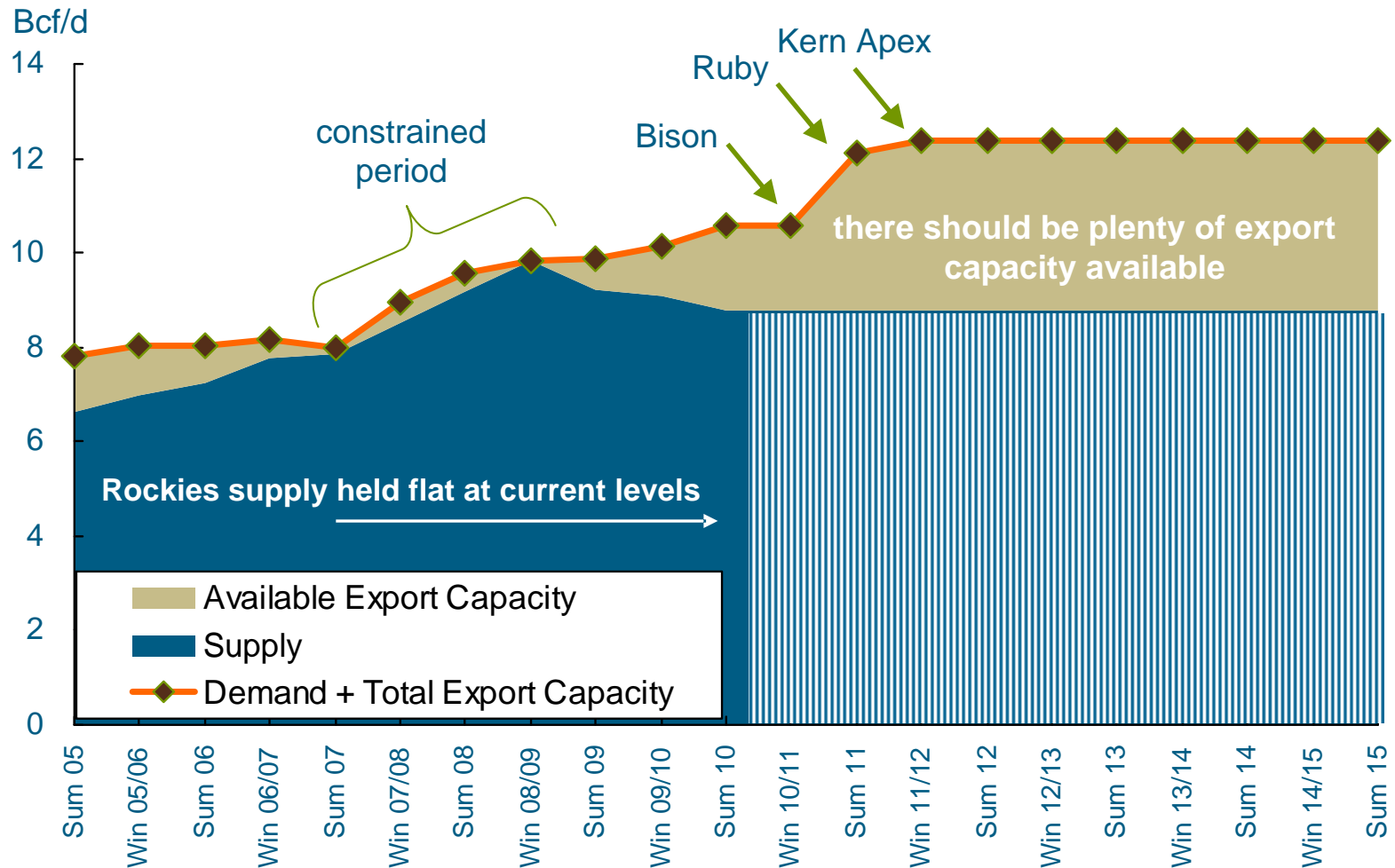
- Lower regional prices complicate the capital allocation process
- Field development plans must include infrastructure cost and timing
- Producers need to drive proactive long-term solutions

Today, the Rockies have adequate export capacity to reach market centers outside of the region.

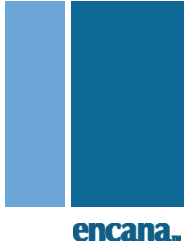


Rockies Exports vs. Export Capacity

Going forward, there should be plenty of export capacity available out of the Rockies – as a result, Rockies prices should remain well-connected to neighboring markets.



Source: Encana



What is Encana Doing?

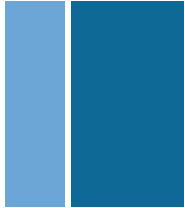


Encana's Future Vision

Cleaner, More Attractive Energy Solutions

Abundance of Natural Gas enables an energy plan that will include...

- **Natural gas as preferred fuel for power generation**
 - Clean, price competitive and improved health benefits
 - Addresses large component of emission targets
- **Creation of Natural Gas Highways**
 - Creates jobs, government revenue, economic growth
 - Reduces emissions particularly for ozone non-attainment zones
 - Domestic supply of fuel



Advocacy for Switching to Natural Gas

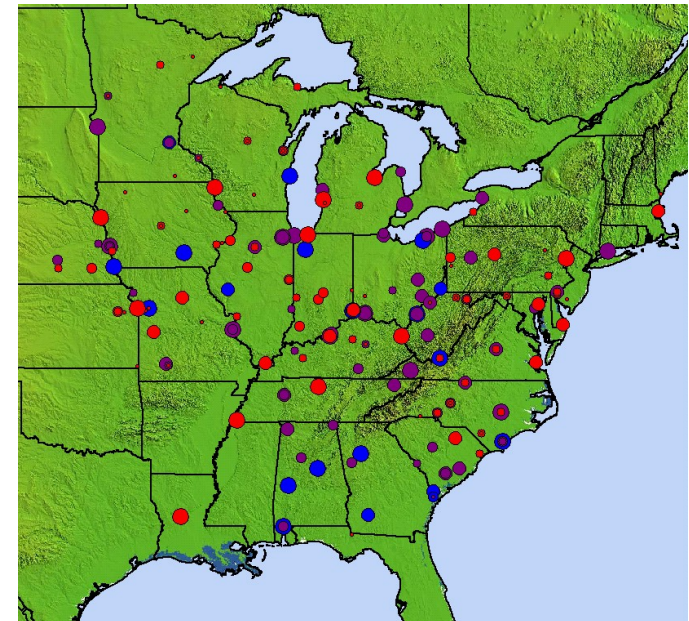
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- **Colorado 1365: Clean Air Clean Jobs Act**
 - Led successful industry coalition
 - Retirement of 900 MW of coal fired electricity generation capacity
 - New demand for ~150 mmcf/d of gas
 - Landmark result to influence other jurisdictions

- **Other Advocacy**
 - Provincial / Municipal efforts
 - Alberta, Saskatchewan, Ontario
 - Federal Canadian and U.S. efforts
 - Working w/Environment Canada on Coal Generation retirement regulation
 - U.S. Merchant Coal Retirement Coalition

- **Coal Unit Shutdown Strategy**
 - Quantitative analysis identified U.S. opportunity
 - 3.7 – 8.3 Bcf/day – varies with regulatory scenario
 - Venue analysis identified “high value” targets
 - Michigan, Tennessee Valley Authority
 - Action plans enlisting key ECA resources
 - EH&S, Fundamentals, Gov. Affairs, Marketing

Quantitative Analysis: Coal Unit Shutdown Potential



- Strong NPV incentive to shutdown
- Moderate NPV incentive to shutdown
- Weak NPV incentive to shutdown