MCDEP LLC

Independent Stock Idea

October 24, 2008

rating: buy
s&p 500: 908

Encana Corporation (ECA)
High-Performance Clean Energy Producer

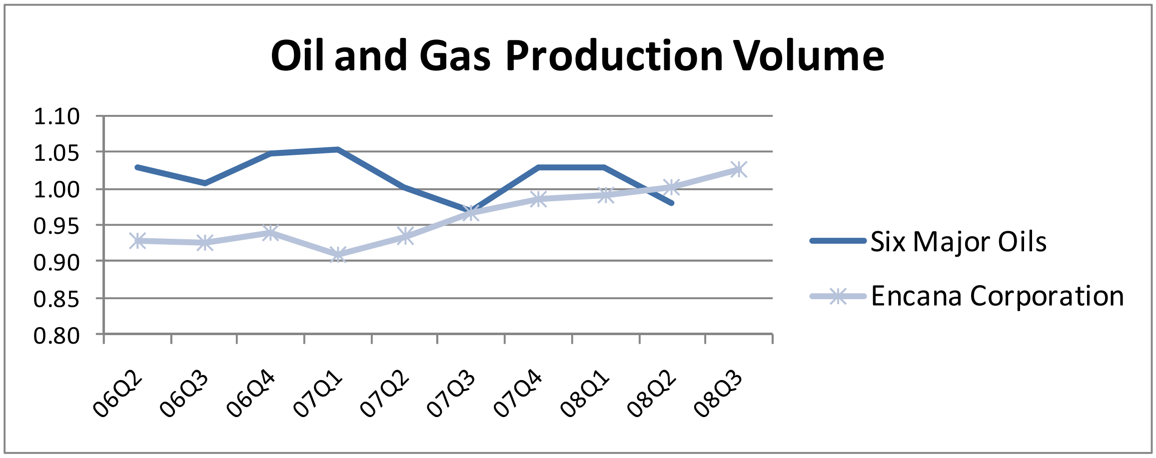
Symbol	ECA	*Ebitda Next Twelve Months ending 9/30/09 (US$mm)*	10,200
Rating	Buy	*North American Natural Gas/Ebitda (%)*	66
Price (US$/sh)	43.52	*Natural Gas and Oil Production/Ebitda (%)*	100
Pricing Date	10/23/08	*Adjusted Reserves/Production NTM*	8.4
Shares (mm)	751	*EV/Ebitda*	4.5
Market Capitalization (US$mm)	32,700	*PV/Ebitda*	8.7
Debt (US$mm)	13,800	*Undeveloped Reserves (%)*	46
Enterprise Value (EV) (US$mm)	46,500	*Natural Gas and Oil Ebitda (US$/mcfe)*	5.94
Present Value (PV) (US$mm)	88,900	*Present Value Proven Reserves(US$/boe)*	28.28
Net Present Value (US$/share)	100	*Present Value Proven Reserves(US$/mcfe)*	4.71
Debt/Present Value	0.16	*Earnings Next Twelve Months (US$/sh)*	4.56
McDep Ratio - EV/PV	0.52	*Price/Earnings Next Twelve Months*	10
Dividend Yield (%/year)	3.7	*Indicated Annual Dividend (US$/sh)*	1.60

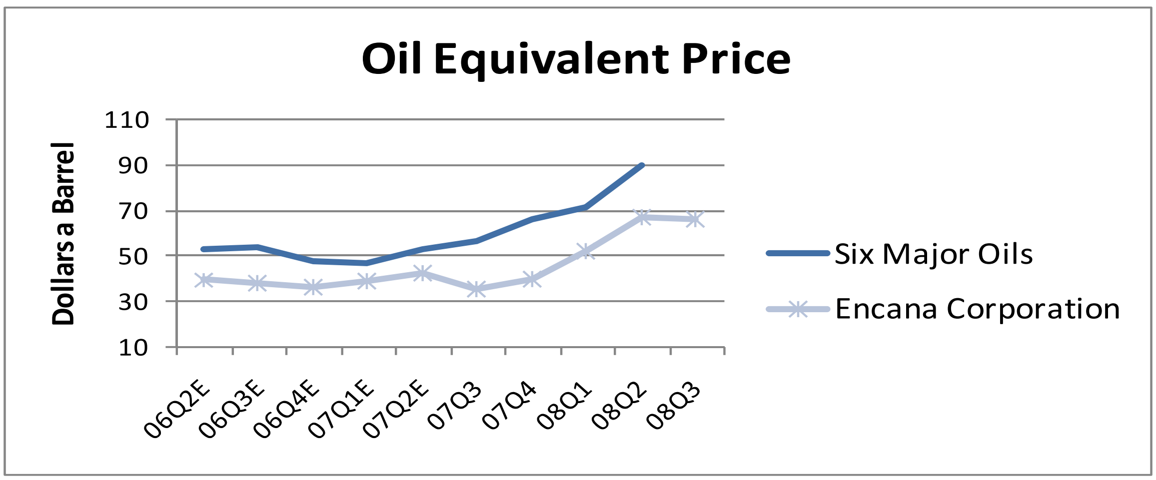
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.
Estimated present value presumes a long-term price for oil of US$100 a barrel and natural gas, $14 a million btu.
For historical analysis of ECA since 2001 see www.mcdep.com/3eca.htm

Summary and Recommendation

At a time of acute global financial uncertainty, we have confidence in the long-term prospects for a high-performance clean energy producer like buy-recommended **Encana Corporation (ECA)**. Third quarter results released on October 23 continue a rising trend of natural gas volume. Compared to six major oil companies, Encana's results display a price discount for clean fuel, a comparable cash flow trend, and a high cash flow margin. Repurchase of shares increased ownership for remaining shares (see charts, page 2 and 3). Looking ahead to the next quarters the drastically changed price environment offers lower unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). Still, high margins on a desirable product along with low debt should help the company in an adverse financial climate. Nonetheless, management has postponed seeking shareholder approval of the formation of a separate company to hold oil sands resources and conventional natural gas in Canada along with refineries in the U.S. Meanwhile, the downtrend in Encana stock price relative to the 200-day average that began in July has not reversed. As a result, investors may need more patience in expecting early gains.

Kurt H. Wulff, CFA


Oil and Gas Production Volume
1.10
1.05
1.00
0.95
0.90
0.85
0.80
06Q2
06Q3
06Q4
07Q1
07Q2
07Q3
07Q4
08Q1
08Q2
08Q3
Six Major Oils
Encana Corporation


Oil Equivalent Price
Dollars a Barrel
110
90
70
50
30
10
06Q2E
06Q3E
06Q4E
07Q1E
07Q2E
07Q3
07Q4
08Q1
08Q2
08Q3
Six Major Oils
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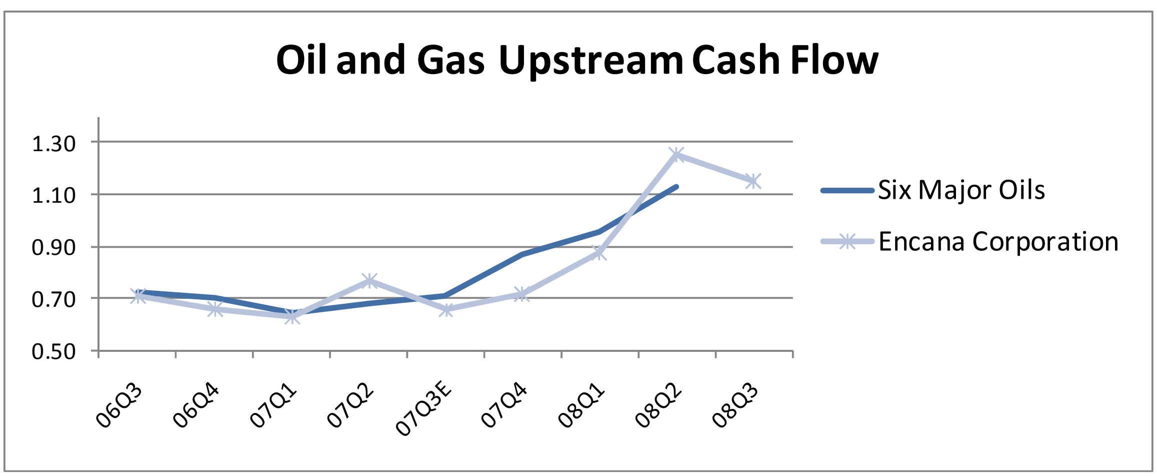
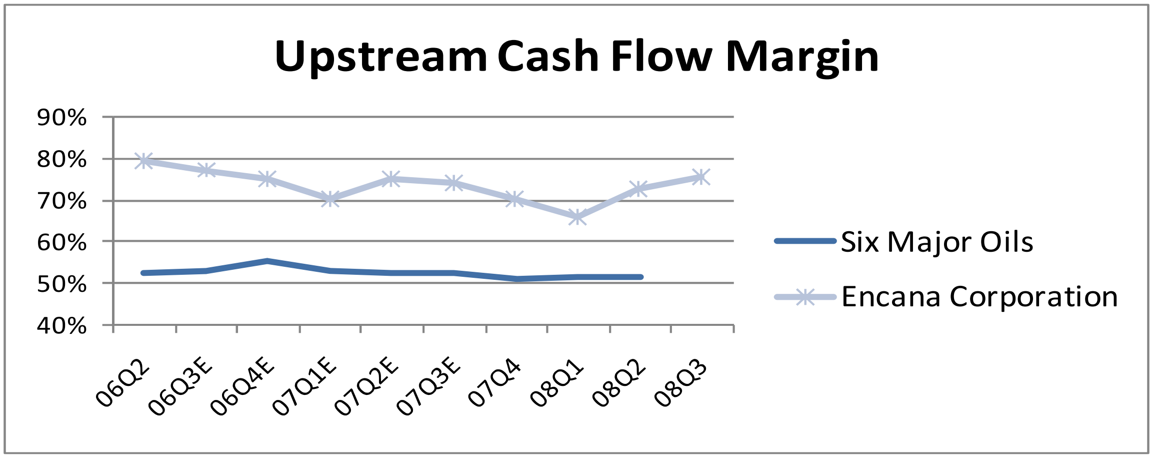
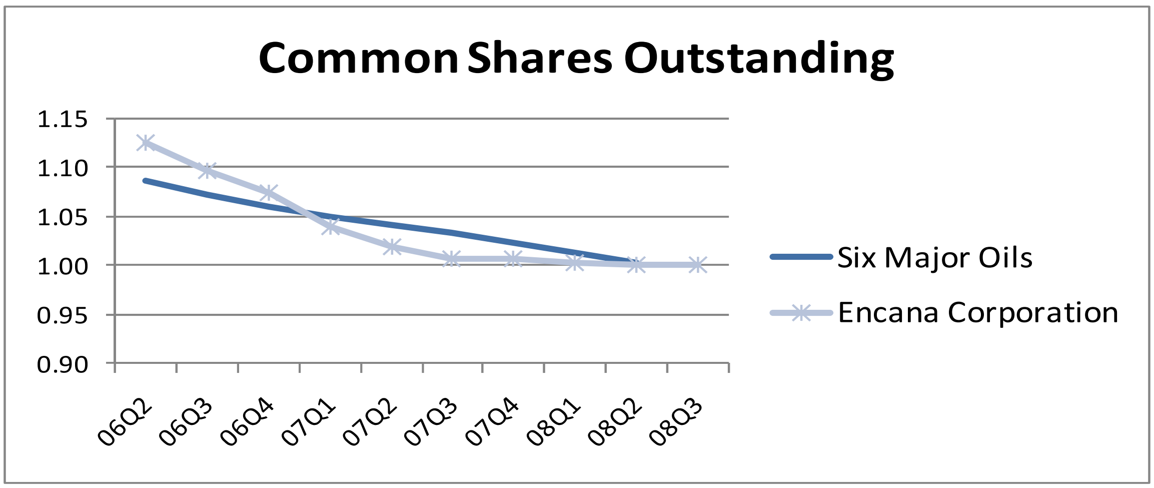

Oil and Gas Upstream Cash Flow
1.30
1.10
0.90
0.70
0.50
06Q3
06Q4
07Q1
07Q2
07Q3E
07Q4
08Q1
08Q2
08Q3
Six Major Oils
Encana Corporation





Encana Corporation

Functional Cash Flow and Present Value

	NTM	*Adjusted*	*PV/*	*Present*	
	Ebitda	*R/P*	*Ebitda*	*Value*	
North American Natural Gas	6,750	7.5	8.6	57,900	65%
Oil	2,964	12.8	9.4	28,000	31%
Downstream	516		5.8	3,000	3%
	10,230	8.4	8.7	88,900	100%
Debt					13,800
Net Present Value ($mm)					75,100
Shares					751
Net Present Value - Standard Estimate (US$/sh)					100
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US$/sh)					116

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Encana Corporation									
Next Twelve Months Operating and Financial Estimates									
									Next Twelve Months
	Q3	*Q2*	*Q3*	*Q4E*	***Year***	*Q1E*	*Q2E*	*Q3E*	
	9/30/07	*6/30/08*	*9/30/08*	*12/31/08*	***2008E***	*3/31/09*	*6/30/09*	*9/30/09*	***9/30/09***
Volume									
Natural Gas (bcf)	334	350	360	360	**1,410**	353	356	360	**1,430**
Natural Gas (mmcfd)	3,630	3,841	3,917	3,917	**3,852**	3,917	3,917	3,917	**3,917**
Days	92	91	92	92	**366**	90	91	92	**365**
Oil (mmb)	12.5	11.6	12.3	12.3	**49**	12.1	12.2	12.3	**49**
Oil (mbd)	136	128	134	134	**133**	134	134	134	**134**
Total (bcf)	409	419	434	434	**1,703**	425	430	434	**1,723**
Total (mmcfed)	4,446	4,609	4,721	4,721	**4,652**	4,721	4,721	4,721	**4,721**
Price									
Henry Hub (US$/mmbtu)	6.16	10.93	10.25	7.09	**9.07**	7.24	7.55	7.19	**7.27**
Differential	1.06	1.04	0.71	0.49	**0.60**	0.50	0.52	0.50	**0.50**
Encana ($/mcf)	5.10	9.90	9.54	6.60	**8.47**	6.75	7.03	6.69	**6.77**
WTI Cushing (US$/bbl)	75.48	123.97	117.99	76.61	**104.13**	75.43	86.27	75.25	**78.39**
Differential	22.11	21.35	11.17	7.25	**16.13**	7.14	8.16	7.12	**7.42**
Encana ($/bbl)	53.37	102.62	106.82	69.36	**88.00**	68.29	78.10	68.13	**70.97**
Total ($/bbl)	34.78	66.58	65.68	44.69	**57.20**	45.21	48.30	44.91	**45.77**
Revenue ($mm)									
Natural Gas	1,703	3,459	3,438	2,380	**11,940**	2,378	2,506	2,411	**9,675**
Oil	668	1,195	1,317	855	**4,292**	824	952	840	**3,471**
Other	3,225	2,667	6,011	6,011	**16,444**	6,011	6,011	6,011	**24,045**
Total	5,596	7,321	10,766	9,246	**32,675**	9,213	9,470	9,262	**37,191**
Expense	3,522	3,398	7,035	6,808	**20,082**	6,825	6,496	6,826	**26,956**
Ebitda ($mm)									
Natural Gas and Oil	1,755	3,371	3,571	2,264	**11,561**	2,241	2,421	2,276	**9,202**
Other	319	553	160	173	**1,032**	146	553	160	**1,032**
Total	2,074	3,923	3,731	2,438	**12,593**	2,387	2,973	2,436	**10,234**
Deprec., Deplet., & Amort.	988	1,097	1,095	1,095	**4,322**	1,095	1,095	1,095	**4,380**
Hedging and other	(392)	615	271		**886**	-	-	-	**-**
Interest	102	147	147	147	**575**	147	147	147	**588**
Ebt	1,376	2,064	2,218	1,196	**6,810**	1,145	1,731	1,194	**5,266**
Income tax	416	592	776	418	**2,072**	401	606	418	**1,843**
Net Income ($mm)	960	1,472	1,442	777	**4,738**	744	1,125	776	**3,423**
Per share ($)	1.27	1.96	1.92	1.03	**6.30**	0.99	1.50	1.03	**4.56**
Shares (millions)	756	751	751	751	**751**	751	751	751	**751**
Ebitda margin	74%	72%	75%	70%	**71%**	70%	70%	70%	**70%**
Tax rate	30%	29%	35%	35%	**30%**	35%	35%	35%	**35%**

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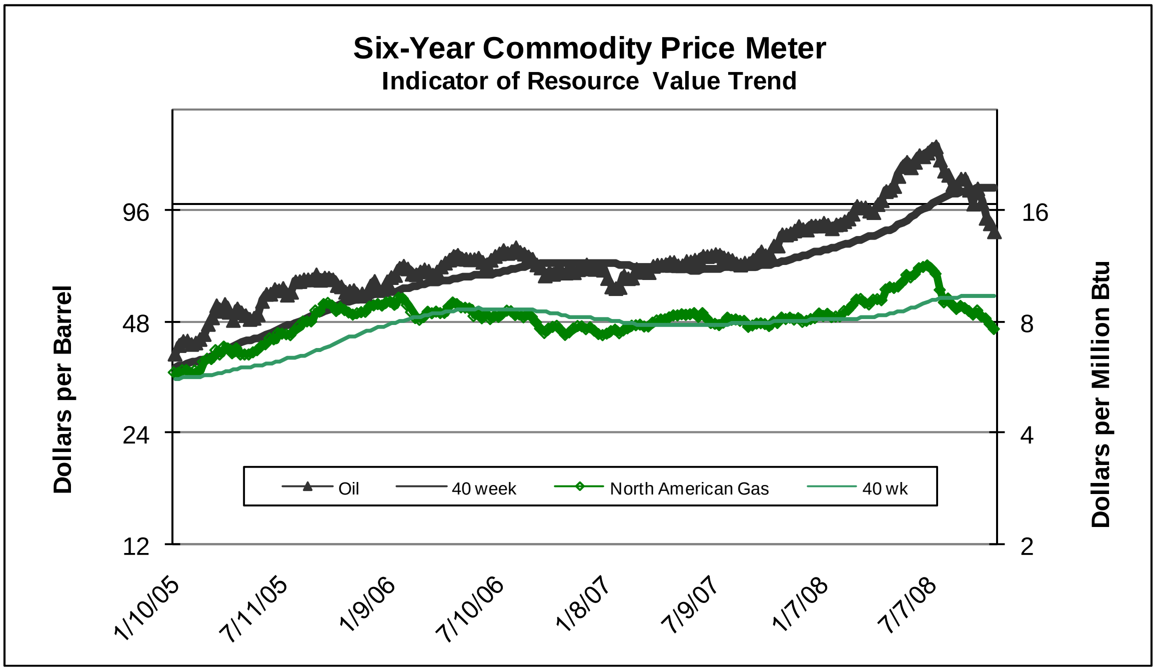

Disclaimer: This analysis was prepared by Kurt Wulff, Manager of McDep LLC as of January 1, 2008. Previously Mr. Wulff was doing business as McDep Associates. The firm used sources and data believed to be reliable, but makes no representation as to their accuracy or completeness. This analysis is intended for informational purposes and is not a solicitation to buy or sell a security. Past performance is no guarantee of future results.

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