

Rating: Buy
 S&P 500: 1305

Encana Corporation Natural Gas at Present Value

<i>Symbol</i>	ECA	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	9,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	81
<i>Price (US\$/sh)</i>	51.25	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/26/06	<i>Adjusted Reserves/Production NTM</i>	8.6
<i>Shares (mm)</i>	865	<i>EV/Ebitda</i>	5.4
<i>Market Capitalization (US\$m)</i>	44,300	<i>PV/Ebitda</i>	5.3
<i>Debt (US\$m)</i>	7,200	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (US\$m)</i>	51,600	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	6.09
<i>Present Value (PV) (US\$m)</i>	51,300	<i>Present Value Proven Reserves(US\$/boe)</i>	17.39
<i>Net Present Value (US\$/share)</i>	51	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.90
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.47
<i>McDep Ratio - EV/PV</i>	1.00	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.40

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.

Summary and Recommendation

Buy-recommended **Encana (ECA)** is priced near our estimate of net present value of \$51 a share. The estimate presumes a long-term natural gas price of \$10 a million btu while the futures price for oil to be delivered over the next six years implies a natural gas price of \$14 a million btu. Our correlation of present value with adjusted reserve life and twelve months cash flow, after taking account of first quarter 2006 results reported on April 26, modestly exceeds estimated present value. In addition the company reports unbooked resource potential equivalent to 16 years of natural gas production and more than 50 years of oil production. As the largest independent natural gas producer, ECA is concentrated 86% by value on the clean fuel. With the favored commodity trading at the low end of its price range compared to oil, a commitment to the shares of Encana ought to be rewarding for patient investors.

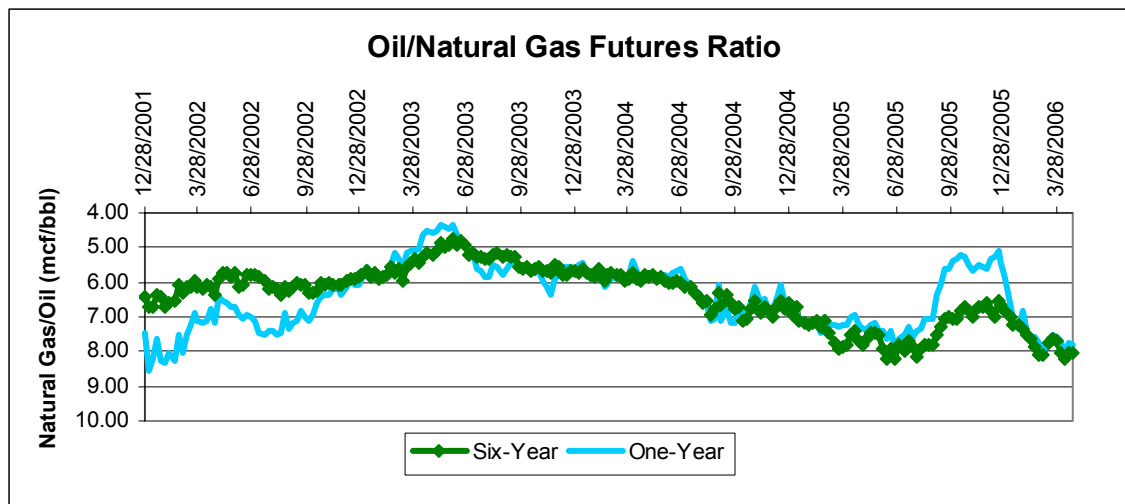
Encana Corporation Functional Cash Flow and Present Value

	<i>NTM</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>Ebitda</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
North American Natural Gas	7,730	7.8	5.7	44,000	86%
Oil	1,870	11.2	3.9	7,300	14%
	9,600	8.6	5.3	51,300	100%
Debt				7,200	
Net Present Value (\$mm)				44,100	
Shares				865	
Net Present Value - Standard Estimate (US\$/sh)				51	
Net Present Value - Approximation by Correlation (US\$/sh)				54	

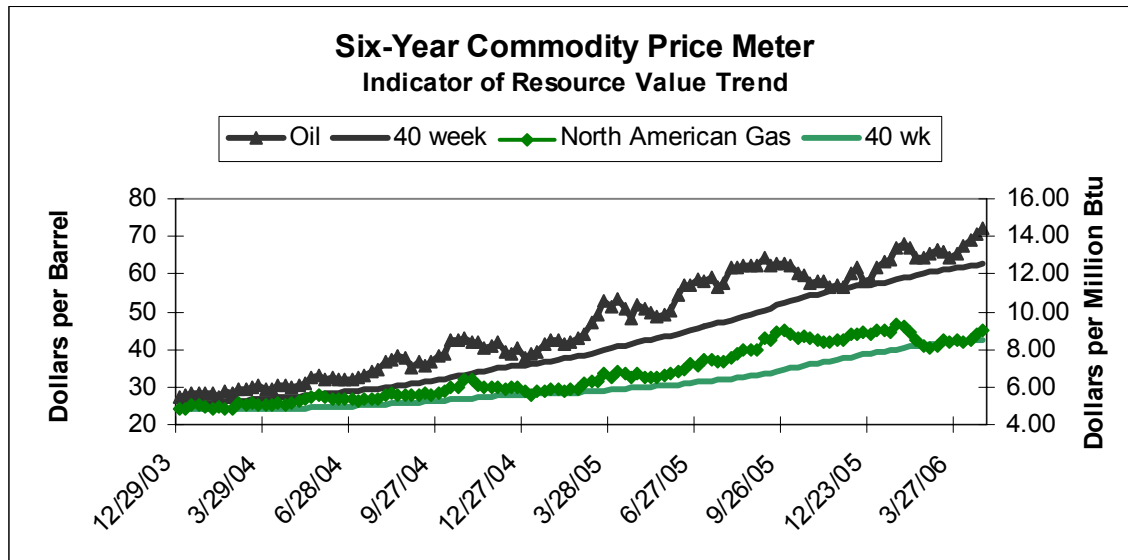
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Encana Corporation
Next Twelve Months Operating and Financial Estimates

	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next Twelve Months
	3/31/05	12/31/05	2005	3/31/06	6/30/06	9/30/06	12/31/06	2006E	3/31/07
Volume									
Natural Gas (mmcf)	3,146	3,326	3,227	3,343	3,343	3,343	3,343	3,343	3,343
Oil (mbd)	157	159	156	163	163	163	163	163	163
Total (bcf)	368	394	1,519	389	393	398	398	1,577	1,577
Total (mmcf)	4,088	4,280	4,161	4,321	4,321	4,321	4,321	4,321	4,321
Price									
Henry Hub (US\$/mmbtu)	6.27	13.00	8.65	8.97	7.53	8.24	9.99	8.68	9.44
Differential	0.46	2.71	1.19	1.29	1.09	1.19	1.44	1.25	1.37
Encana (\$/mcf)	5.81	10.29	7.46	7.68	6.45	7.05	8.55	7.43	8.07
WTI Cushing (US\$/bbl)	49.65	60.02	56.31	63.33	72.20	75.16	75.97	71.66	74.82
Differential	19.88	22.86	20.15	29.46	33.59	34.96	35.34	33.31	34.81
Encana (\$/bbl)	29.77	37.16	36.16	33.87	38.61	40.20	40.63	38.35	40.02
Total (\$/bbl)	33.69	56.26	42.81	43.32	38.66	41.84	48.89	43.19	46.53
Revenue (\$mm)									
Natural Gas	1,645	3,149	8,781	2,311	1,961	2,169	2,630	9,071	9,849
Oil	421	544	2,056	497	573	603	609	2,282	2,381
Total	2,066	3,692	10,837	2,808	2,534	2,772	3,239	11,353	12,230
Expense (\$mm)									
Expense	460	535	2,077	684	615	675	792	2,766	2,632
Ebitda (\$mm)									
Ebitda	1,605	3,157	8,760	2,124	1,918	2,097	2,448	8,587	9,598
Deprec., Deplet., & Amort.	686	751	2,789	765	765	765	765	3,060	3,060
Hedging	22	342	612	206	59	59	59	383	232
Interest	100	104	523	88	88	88	88	352	352
Ebt									
Ebt	797	1,960	4,837	1,065	1,007	1,185	1,535	4,792	5,954
Income tax	279	686	1,693	373	352	415	537	1,677	2,084
Net Income (\$mm)									
Net Income	518	1,274	3,144	692	654	770	998	3,115	3,870
Per share (\$)	0.57	1.46	3.56	0.80	0.76	0.89	1.15	3.60	4.47
Shares (millions)									
Shares	909	873	883	865	865	865	865	865	865
Ebitda margin	78%	86%	81%	76%	76%	76%	76%	76%	78%
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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