

Rating: Buy
 S&P 500: 1235

Encana Corporation

Raise Net Present Value to \$51 a Share

<i>Symbol</i>	ECA	<i>Ebitda Next Twelve Months ending 6/30/06 (US\$m)</i>	8,900
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	82
<i>Price (US\$/sh)</i>	41.86	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/1/05	<i>Adjusted Reserves/Production NTM</i>	7.2
<i>Shares (mm)</i>	892	<i>EV/Ebitda</i>	5.2
<i>Market Capitalization (US\$m)</i>	37,300	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$m)</i>	9,000	<i>Undeveloped Reserves (%)</i>	34
<i>Enterprise Value (EV) (US\$m)</i>	46,300	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	5.65
<i>Present Value (PV) (US\$m)</i>	54,500	<i>Present Value Proven Reserves(US\$/boe)</i>	24.01
<i>Net Present Value (US\$/share)</i>	51	<i>Present Value Proven Reserves(US\$/mcfe)</i>	4.00
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.04
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	10
<i>Dividend Yield (%/year)</i>	1.4	<i>Indicated Annual Dividend (US\$/sh)</i>	0.60

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.

Summary and Recommendation

We raise our estimated net present value of buy-recommended **Encana (ECA)** to \$51 a share from \$38.50 on the basis of an expected long-term real price for oil of \$50 a barrel up from \$40 for Light Sweet Crude. We also raise our long-term real price for natural gas to \$10 a million BTU, up from \$8 for the Henry Hub location. The stock has 22% appreciation potential to net present value. The main risk in independent producer stocks is commodity price, the flip side of the opportunity.

Kurt H. Wulff, CFA

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	7,250	7.1	6.3	46,000	84%
Oil	1,600	7.6	5.3	8,500	16%
	8,850	7.2	6.2	54,500	100%
Debt				9,000	
Net Present Value (\$mm)				45,500	
Shares				892	
Net Present Value (\$/sh)				51	

Please see disclosures on the final page.

Encana Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>2004</i>	<i>3/31/05</i>	<i>6/30/05</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>6/30/06</i>
Volume										
Natural Gas (mmcf)	3,087	2,992	3,146	3,212	3,400	3,400	3,290	3,400	3,200	3,350
Oil (mbd)	159	238	157	157	157	157	157	157	157	157
Total (bcf)	372	1,618	368	378	399	399	1,545	391	377	1,567
Total (mmcfed)	4,041	4,420	4,088	4,154	4,342	4,342	4,232	4,342	4,142	4,292
Price										
Henry Hub (US\$/mmbtu)	7.10	6.15	6.27	6.76	7.60	8.69	7.33	9.44	8.04	8.44
Differential	1.02	0.57	0.46	0.51	0.57	0.65	0.51	0.71	0.60	0.63
Encana (\$/mcf)	6.08	5.58	5.81	6.25	7.03	8.04	6.81	8.73	7.44	7.81
WTI Cushing (US\$/bbl)	48.31	41.44	49.65	53.05	60.62	63.32	56.66	64.52	63.88	63.09
Differential	17.57	6.51	19.88	21.25	24.29	25.36	22.67	25.85	25.59	25.28
Encana (\$/bbl)	30.74	34.93	29.77	31.80	36.34	37.95	33.99	38.68	38.29	37.81
Total (\$/bbl)	35.12	33.96	33.69	36.21	40.89	45.99	39.35	49.40	43.18	44.87
Revenue (\$mm)										
Natural Gas	1,727	6,112	1,645	1,827	2,198	2,514	8,183	2,671	2,166	9,548
Oil	450	3,044	421	454	525	548	1,948	546	547	2,167
Total	2,176	10,276	2,066	2,281	2,722	3,062	10,131	3,218	2,713	11,715
Expense (\$mm)										
Deprec., Deplet., & Amort.	641	2,692	686	675	675	675	2,711	675	675	2,700
Hedging	226	873	22	112	57	57	248	40	56	210
Interest	113	391	100	101	101	101	403	101	101	404
Ebt	880	2,675	797	1,002	1,278	1,447	4,524	1,542	1,273	5,541
Income tax	308	699	279	351	447	507	1,583	540	446	1,939
Net Income (\$mm)	572	1,975	518	651	830	941	2,941	1,002	828	3,601
Per share (\$)	0.62	2.12	0.57	0.73	0.93	1.05	3.29	1.12	0.93	4.04
Shares (millions)										
Ebitda margin	930	932	909	892	892	892	895	892	892	892
Tax rate	85%	65%	78%	83%	78%	74%	78%	73%	78%	76%
	35%	26%	35%	35%	35%	35%	35%	35%	35%	35%

Oil and Gas Producers
Rank by McDep Ratio: Market Cap and Debt to Present Value

	<i>Symbol/</i>	<i>Rating</i>	<i>Price (\$/sh)</i>	<i>Shares</i>	<i>Market Cap</i>	<i>Net Present Value</i>	<i>Debt/ Present Value</i>	<i>McDep Ratio</i>
			<i>1-Aug 2005</i>	<i>(mm)</i>	<i>(\$mm)</i>	<i>(\$/sh)</i>		
Independent Natural Gas and Oil - Large Cap and Mid Cap								
Encana Corporation	ECA	B	41.86	892	37,300	51.00	0.16	0.85
CNOOC Limited (29%)	CEO	B	69.33	119	8,270	84.00	0.01	0.83
Unocal Corporation	UCL	B	64.39	275	17,700	85.00	0.15	0.79
XTO Energy Inc.	XTO	B	35.58	370	13,150	48.00	0.17	0.79
Burlington Resources	BR	B	65.03	385	25,000	86.00	0.09	0.78
Devon Energy Corporation	DVN	B	56.63	496	28,100	82.00	0.13	0.73
Occidental Petroleum Corp.	OXY	B	82.78	406	33,600	120.00	0.11	0.72
Anadarko Petroleum Corp.	APC	B	88.72	238	21,100	140.00	0.11	0.67
	<i>Total or Median</i>					<i>184,000</i>	<i>0.12</i>	<i>0.78</i>

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