

Rating: Buy
 S&P 500: 1263
 Intraday

Encana Corporation

Raise Net Present Value to \$60 a Share

<i>Symbol</i>	ECA	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	9,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	74
<i>Price (US\$/sh)</i>	50.71	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/25/06	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	845	<i>EV/Ebitda</i>	5.3
<i>Market Capitalization (US\$mm)</i>	42,800	<i>PV/Ebitda</i>	6.1
<i>Debt (US\$mm)</i>	7,700	<i>Undeveloped Reserves (%)</i>	47
<i>Enterprise Value (EV) (US\$mm)</i>	50,600	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.09
<i>Present Value (PV) (US\$mm)</i>	58,400	<i>Present Value Proven Reserves(US\$/boe)</i>	19.80
<i>Net Present Value (US\$/share)</i>	60	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.30
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.46
<i>McDep Ratio - EV/PV</i>	0.87	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	0.8	<i>Indicated Annual Dividend (US\$/sh)</i>	0.40

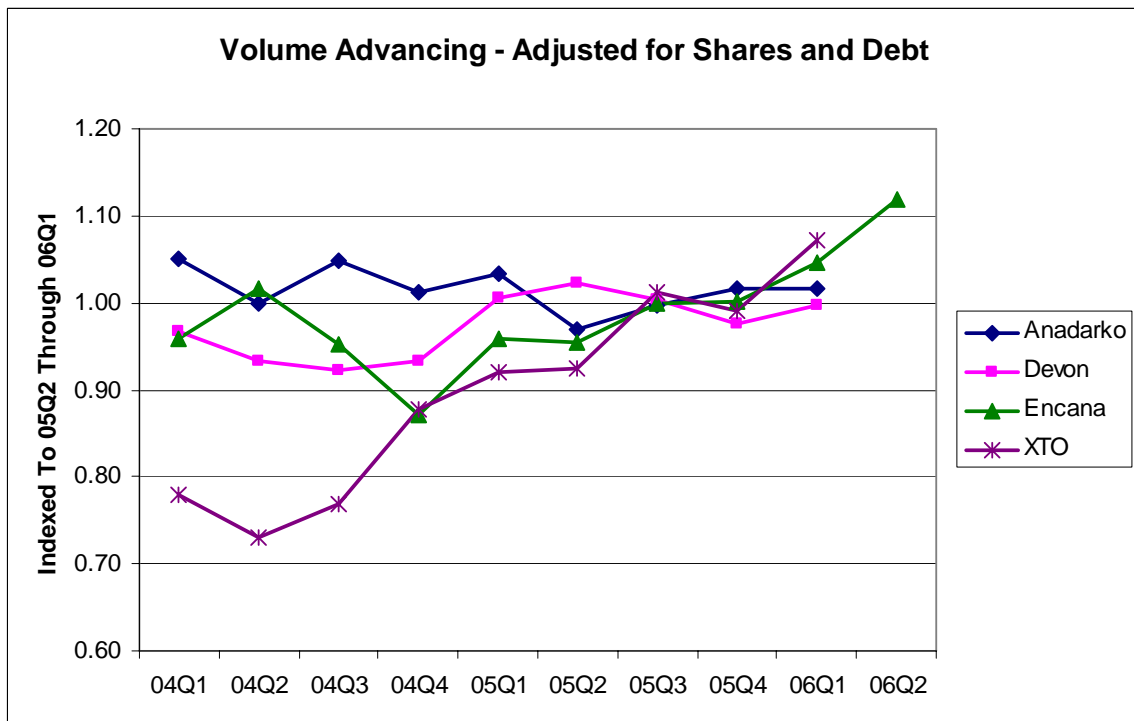
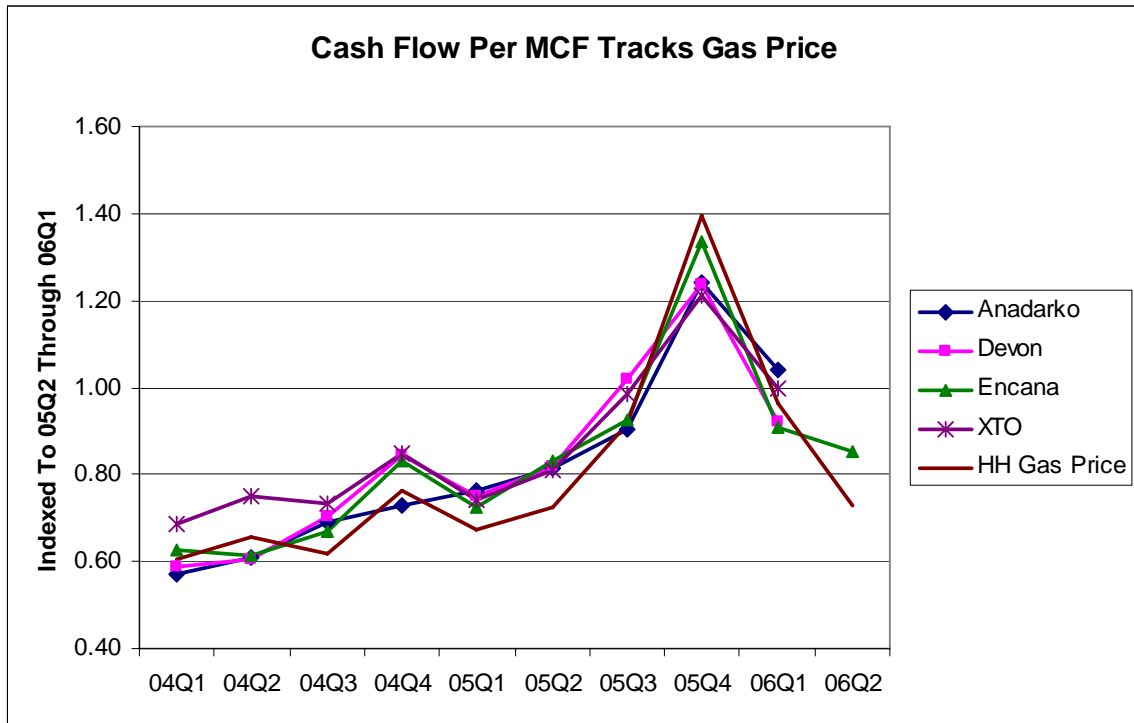
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

Summary and Recommendation

Buy-recommended **Encana (ECA)** offers 18% appreciation potential to our revised estimate of net present value (NPV) of \$60 a share that presumes a long-term natural gas price of \$10 a million btu and oil price of \$60 a barrel. NPV increased to \$53 from \$51 when we raised our price from \$50 a barrel on June 6. NPV increases further now as we take into account more favorable Canadian oil price in the second quarter and give more weight for the new *in situ* oil sands value signaled by the Shell Canada acquisition of Blackrock Ventures announced in May. Taking account of second quarter results reported on July 25, we see that cash flow per unit of production tracks natural gas price closely as it should. Another plot of volume growth adjusted for debt and shares illustrates the success of the company's North American strategy. A high amount of unbooked resource potential and active share buyback is translating to higher growth despite somewhat shorter proven reserve life.

Kurt H. Wulff, CFA



Please see disclosures on the final page.

Encana Corporation
Next Twelve Months Operating and Financial Estimates

	<i>Q2</i>	<i>Year</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Next Twelve Months</i>
	<i>6/30/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>
Volume									
Natural Gas (mmcf)	3,212	3,227	3,343	3,361	3,361	3,361	3,357	3,361	3,361
Oil (mbd)	157	156	163	153	153	153	155	153	153
Total (bcf)	378	1,519	389	389	394	394	1,566	385	1,562
Total (mmcfed)	4,154	4,161	4,321	4,279	4,279	4,279	4,289	4,279	4,279
Price									
Henry Hub (US\$/mmbtu)	6.76	8.65	8.97	6.81	6.41	8.47	7.67	10.62	8.50
Differential	0.51	1.19	1.29	0.97	0.91	1.21	1.10	1.51	1.22
Encana (\$/mcf)	6.25	7.46	7.68	5.84	5.49	7.26	6.56	9.11	7.28
WTI Cushing (US\$/bbl)	53.05	56.31	63.33	70.47	74.90	76.58	71.32	77.63	76.73
Differential	21.25	20.15	29.46	18.03	19.16	19.59	21.73	19.86	19.63
Encana (\$/bbl)	31.80	36.16	33.87	52.44	55.74	56.99	49.59	57.77	57.09
Total (\$/bbl)	36.21	42.81	43.32	38.77	37.85	46.46	41.60	55.32	46.54
Revenue (\$mm)									
Natural Gas	1,827	8,781	2,311	1,786	1,699	2,246	8,042	2,755	8,925
Oil	454	2,056	497	730	785	802	2,814	796	3,188
Total	2,281	10,837	2,808	2,516	2,483	3,049	10,856	3,551	12,114
Expense (\$mm)									
Expense	391	2,077	684	523	515	656	2,379	782	2,606
Ebitda (\$mm)									
Ebitda	1,890	8,760	2,124	1,993	1,968	2,392	8,477	2,769	9,508
Deprec., Deplet., & Amort.	675	2,789	765	790	790	790	3,135	790	3,160
Hedging	112	612	206	(154)	56	56	163	58	224
Interest	101	523	88	83	83	83	337	83	332
Ebt									
Ebt	1,002	4,837	1,065	1,274	1,040	1,464	4,842	1,838	5,792
Income tax	351	1,693	373	446	364	512	1,695	643	2,027
Net Income (\$mm)									
Net Income	651	3,144	692	828	676	951	3,147	1,195	3,765
Per share (\$)	0.73	3.56	0.80	0.98	0.80	1.13	3.71	1.41	4.46
Shares (millions)									
Shares	892	883	865	845	845	845	849	845	845
Ebitda margin									
Ebitda margin	83%	81%	76%	79%	79%	78%	78%	78%	78%
Tax rate									
Tax rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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	7,000	7.8	6.3	44,000	75%
Oil	2,510	12.0	5.7	14,400	25%
	9,510	8.7	6.1	58,400	100%
Debt					7,700
Net Present Value (\$mm)					50,700
Shares					845
Net Present Value - Standard Estimate (US\$/sh)					60
Net Present Value - Approximation by Correlation (US\$/sh)					62

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