



Rating: Buy
 S&P 500: 1362
 Intraday

Encana Corporation Overcoming Alberta Tax Hunger

<i>Symbol</i>	ECA	<i>Ebitda Next Twelve Months ending 12/31/08 (US\$m)</i>	10,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	68
<i>Price (US\$/sh)</i>	71.38	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	2/14/08	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	755	<i>EV/Ebitda</i>	6.9
<i>Market Capitalization (US\$m)</i>	53,900	<i>PV/Ebitda</i>	7.2
<i>Debt (US\$m)</i>	15,700	<i>Undeveloped Reserves (%)</i>	46
<i>Enterprise Value (EV) (US\$m)</i>	69,600	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	6.06
<i>Present Value (PV) (US\$m)</i>	72,400	<i>Present Value Proven Reserves(US\$/boe)</i>	23.03
<i>Net Present Value (US\$/share)</i>	75	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.84
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	4.81
<i>McDep Ratio - EV/PV</i>	0.96	<i>Price/Earnings Next Twelve Months</i>	15
<i>Dividend Yield (%/year)</i>	2.2	<i>Indicated Annual Dividend (US\$/sh)</i>	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\$80 a barrel and natural gas, \$11 a million btu.			
For historical analysis of ECA since 2001 see www.mcdep.com/3eca.htm			

Summary and Recommendation

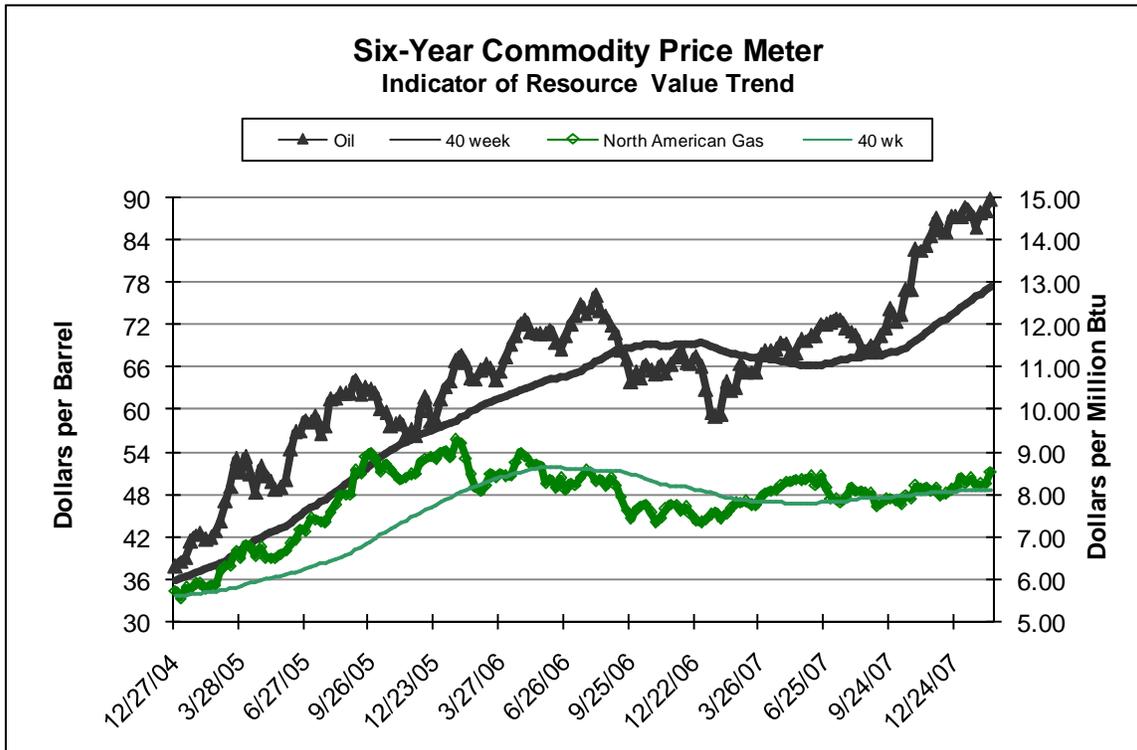
Approaching estimated net present value (NPV) of \$75 a share, buy-recommended **Encana (ECA)** offers unconventional resource potential in North American natural gas (69%) and Canadian oil sands (23%). Fourth quarter results released today scored growth in natural gas volume and reserves. Earlier on December 18, we increased NPV from \$72 a share because we increased long-term oil price for calculating present value to \$80 from \$66 a barrel. Projected volumes along with current futures prices promise a continuing high level of unlevered cash flow (Ebitda) (see table Next Twelve Months Operating and Financial Estimates). NPV is supported by projected cash flow capitalized at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) (see table Functional Cash Flow and Present Value). The company is adjusting to higher taxes on natural gas in Alberta by shifting growth to neighboring British Columbia and the U.S. An increase in taxes for Canadian oil sands contributed to an acceleration in global oil price increases last year to offset the adverse provincial government action. Despite tax disappointment, the outlook for Encana stock is boosted by a continued uptrend for oil price and catch up potential for natural gas (see chart Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA



Encana Corporation										
Next Twelve Months Operating and Financial Estimates										
										<i>Next Twelve Months</i>
	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>		
	<i>12/31/06</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>	<i>6/30/08</i>	<i>9/30/08</i>	<i>12/31/08</i>		<i>12/31/08</i>
Volume										
Natural Gas (mmcf)	3,406	3,630	3,722	3,566	3,722	3,722	3,722	3,722		3,722
Oil (mbd)	152	136	136	134	136	136	136	136		136
Total (bcf)	397	409	417	1,595	413	413	417	417		1,661
Total (mmcf)	4,318	4,446	4,538	4,370	4,538	4,538	4,538	4,538		4,538
Price										
Henry Hub (US\$/mmbtu)	6.57	6.16	6.97	6.87	7.88	8.62	8.81	9.20		8.63
Differential	0.78	1.06	1.14	0.87	1.29	1.41	1.44	1.51		1.41
Encana (\$/mcf)	5.79	5.10	5.83	6.01	6.59	7.21	7.36	7.69		7.22
WTI Cushing (US\$/bbl)	59.99	75.48	90.67	72.28	93.39	93.39	92.61	91.93		92.83
Differential	21.30	22.11	31.07	22.44	32.00	32.00	31.74	31.50		31.81
Encana (\$/bbl)	38.69	53.37	59.60	49.85	61.38	61.39	60.88	60.43		61.02
Total (\$/bbl)	35.57	34.78	39.41	38.59	43.47	46.52	47.17	48.71		46.48
Revenue (\$mm)										
Natural Gas	1,814	1,703	1,996	7,819	2,232	2,442	2,521	2,633		9,829
Oil	541	668	746	2,438	760	760	762	756		3,037
Other		3,225	3,059	11,189	3,059	3,059	3,059	3,059		12,236
Total	2,355	5,596	5,801	21,446	6,051	6,261	6,341	6,449		25,102
Expense										
	589	3,522	3,708	13,012	3,830	3,584	3,725	3,903		15,042
Ebitda (\$mm)										
Natural Gas and Oil		1,755	1,919	7,413	2,094	2,241	2,298	2,373		9,006
Other		319	173	1,054	126	435	319	173		1,054
Total	1,767	2,074	2,093	8,434	2,221	2,677	2,617	2,546		10,060
Deprec., Deplet., & Amort	766	988	1,086	3,816	1,086	1,086	1,086	1,086		4,344
Hedging and other	(139)	(392)	58	(788)	(100)	(100)	(100)	(100)		(400)
Interest	97	102	131	428	131	131	131	131		524
Ebt	1,042	1,376	818	4,978	1,104	1,560	1,500	1,429		5,592
Income tax	365	416	(28)	937	386	546	525	500		1,957
Net Income (\$mm)	677	960	846	4,041	717	1,014	975	929		3,635
Per share (\$)	0.84	1.27	1.12	5.29	0.95	1.34	1.29	1.23		4.81
Shares (millions)	806	756	755	764	755	755	755	755		755
Ebitda margin	75%	74%	70%	72%	70%	70%	70%	70%		70%
Tax rate	35%	30%	-3%	19%	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	6,910	7.9	7.2	50,000	69%
Oil	2,096	12.6	8.1	16,900	23%
Downstream	1,054		5.1	5,400	7%
	10,060	8.7	7.2	72,300	100%
Debt					15,700
Net Present Value (\$mm)					56,600
Shares					755
Net Present Value - Standard Estimate (US\$/sh)					75
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					71



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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