



Rating: Buy
 S&P 500: 1379
 Intraday

Encana Corporation

Largest North American Natural Gas Producer

<i>Symbol</i>	ECA	<i>Ebitda Next Twelve Months ending 3/31/09 (US\$m)</i>	14,000
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	72
<i>Price (US\$/sh)</i>	84.73	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/22/08	<i>Adjusted Reserves/Production NTM</i>	8.7
<i>Shares (mm)</i>	753	<i>EV/Ebitda</i>	5.8
<i>Market Capitalization (US\$m)</i>	63,800	<i>PV/Ebitda</i>	5.3
<i>Debt (US\$m)</i>	16,900	<i>Undeveloped Reserves (%)</i>	46
<i>Enterprise Value (EV) (US\$m)</i>	80,700	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	8.40
<i>Present Value (PV) (US\$m)</i>	73,400	<i>Present Value Proven Reserves(US\$/boe)</i>	23.35
<i>Net Present Value (US\$/share)</i>	75	<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.89
<i>Debt/Present Value</i>	0.23	<i>Earnings Next Twelve Months (US\$/sh)</i>	7.37
<i>McDep Ratio - EV/PV</i>	1.10	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	1.9	<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

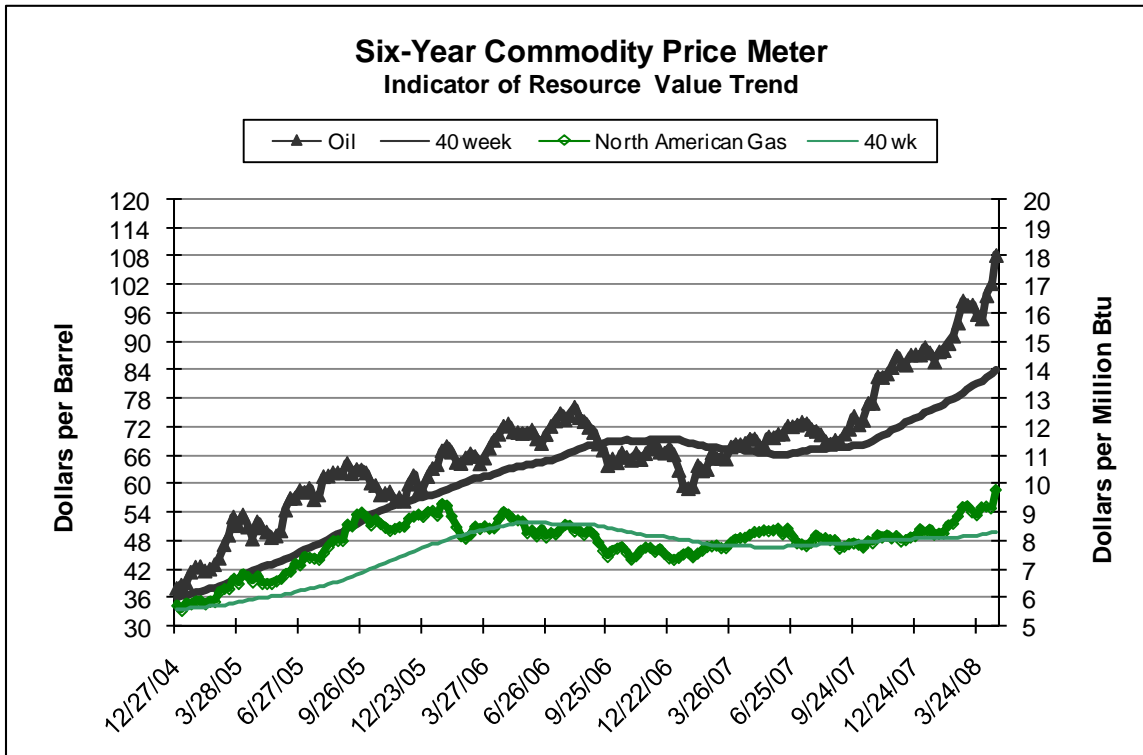
In what seems to be a pattern, stock price of buy-recommended Encana (ECA) has met and exceeded estimated net present value (NPV) of \$75 a share. That must mean it is near time to raise oil price and natural gas price from \$80 a barrel and \$11 a million btu for NPV purposes. First quarter results released today continue the trend that has taken the company past joint venture partner, buy-recommended **ConocoPhillips (COP)**, to become number one in natural gas production in North America. 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). Setting a new record of \$118 a barrel today, oil price is unusually strong in a short-term context, but reasonable in the long-term context we see. The stage is set for a potential double in natural gas price to the oil equivalent apparently being paid by China in the international market for liquefied natural gas. Investors can control the risk of unexpected negative surprise by limiting position size that we put at an unlevered weight of 3.8% in a diversified energy portfolio of 27 buy recommendations, for example.

Kurt H. Wulff, CFA



Encana Corporation										
Next Twelve Months Operating and Financial Estimates										
										Next Twelve Months
	Q1 3/31/07	Q4 12/31/07	Year 2007	Q1 3/31/08	Q2E 6/30/08	Q3E 9/30/08	Q4E 12/31/08	Year 2008E		3/31/09
Volume										
Natural Gas (mmcf)	3,400	3,722	3,566	3,733	3,733	3,733	3,733	3,733		3,733
Days	90	92	365	91	91	92	92	366		365
Oil (mbd)	131	136	134	137	137	137	137	137		137
Total (bcf)	377	417	1,595	415	415	419	419	1,667		1,663
Total (mmcfed)	4,186	4,538	4,370	4,555	4,555	4,555	4,555	4,555		4,555
Price										
Henry Hub (US\$/mmbtu)	6.81	6.97	6.87	8.02	10.40	11.07	11.47	10.24		11.21
Differential	0.49	1.14	0.87	0.18	0.23	0.24	0.25	0.22		0.25
Encana (\$/mcf)	6.32	5.83	6.01	7.84	10.17	10.83	11.22	10.02		10.96
WTI Cushing (US\$/bbl)	58.08	90.67	72.28	97.94	115.46	115.06	113.29	110.44		113.91
Differential	17.83	31.07	22.44	23.78	28.04	27.94	27.51	26.80		27.65
Encana (\$/bbl)	40.25	59.60	49.85	74.16	87.42	87.12	85.78	83.64		86.25
Total (\$/bbl)	38.36	39.41	38.59	51.93	65.77	68.95	70.64	64.35		69.46
Revenue (\$mm)										
Natural Gas	1,934	1,996	7,819	2,663	3,454	3,718	3,852	13,687		14,933
Oil	475	746	2,438	925	1,090	1,098	1,081	4,194		4,313
Other	2,028	3,059	11,189	1,754	1,754	1,754	1,754	7,017		7,017
Total	4,436	5,801	21,446	5,342	6,298	6,570	6,688	24,897		26,263
Expense										
	2,657	3,708	13,012	2,841	2,818	3,024	3,209	11,893		12,294
Ebitda (\$mm)										
Natural Gas and Oil	1,686	1,919	7,413	2,354	3,044	3,227	3,305	11,931		12,895
Other	126	173	1,054	146	435	319	173	1,074		1,074
Total	1,779	2,093	8,434	2,501	3,480	3,546	3,479	13,005		13,969
Deprec., Deplet., & Amort	843	1,086	3,816	1,035	1,035	1,035	1,035	4,140		4,140
Hedging and other	(208)	58	(788)		250	250	250	750		750
Interest	101	131	428	134	134	134	134	536		536
Ebt	1,043	818	4,978	1,332	2,061	2,127	2,060	7,579		8,543
Income tax	185	(28)	937	285	721	744	721	2,471		2,990
Net Income (\$mm)	858	846	4,041	1,047	1,339	1,382	1,339	5,107		5,553
Per share (\$)	1.10	1.12	5.29	1.39	1.78	1.84	1.78	6.78		7.37
Shares (millions)										
	780	755	764	753	753	753	753	753		753
Ebitda margin	70%	70%	72%	66%	67%	67%	67%	67%		67%
Tax rate	18%	-3%	19%	21%	35%	35%	35%	33%		35%

Functional Cash Flow and Present Value					
	NTM	Adjusted	PV/	Present	
	<u>Ebitda</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
North American Natural Gas	10,030	7.9	5.2	52,000	71%
Oil	2,866	12.5	5.6	16,000	22%
Downstream	1,074		5.0	5,400	7%
	13,970	8.7	5.3	73,400	100%
Debt					16,900
Net Present Value (\$mm)					56,500
Shares					753
Net Present Value - Standard Estimate (US\$/sh)					75
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					81



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