

The Future of North America's Energy Foundation Expanding and Creating New Markets for Natural Gas

Wayne Geis, Vice President, Natural Gas Economy, Encana Natural Gas Inc.

In the last five years, technological breakthroughs in horizontal drilling and multi-stage completions have unlocked a supply of North American natural gas that will change the way we use energy for decades to come. We now have over 100 years of supply at current consumption rates of about 75 bcf/d. The options are vast in how society can re-balance the energy portfolio of the United States and Canada with this clean, abundant, affordable and domestic fuel.

Due to the large positive change in supply, the price of natural gas will remain low on an energy equivalent to oil and be highly competitive to coal. It will be the fuel of choice for energy in most end use sectors that value safe, reliable, cost effective energy, and a means for North America to meet its emissions reduction targets.

Some producers will be challenged in this low price environment. However, success will come to those who:

- 1) hold large land bases in the right plays;
- 2) adopt a large scale capital efficient approach to development; and
- 3) continually improve operating cost to enhance netback.

These producers will achieve supply costs that allow them to thrive in the lower price world. As a pure play natural gas company, Encana has adopted this three-step approach to business. Across our 12.7 million acres of land, we currently have 23,000 locations in our drilling inventory in 14 of the major and emerging plays in North America. With this inventory, we plan to profitably double our production on a per-share basis. In 2010, we achieved 12 percent growth in production per share, while lowering our cost profile during the lowest natural gas price environment in nearly 10 years.

Growing production in a disciplined manner is hallmark to our value creation, but we are also exploring ways to increase demand for our product. Over the past two years, through government and stakeholder advocacy and business development initiatives, Encana has laid a framework for increased use of natural gas in the transportation and power generation sectors. Details on our successes in demand creation to date will be discussed in this presentation along with a vision for the future. We now see a 15 to 20 year plan in which North America can consume an additional 20 to 25 bcf/d of natural gas. In doing so, we expect a minimum of 35,000 jobs will be created for each bcf/d of increased production. There will be billions of dollars of value created with widespread economic growth across the continent and a reduction of at least one billion tonnes of CO₂ emissions annually. Natural gas will become North America's energy foundation and will create a cleaner, growing economy for the future.