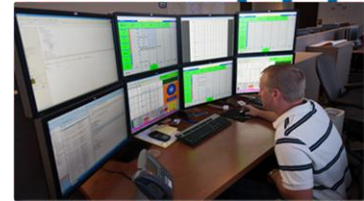


The Art of Integration... In Supply Chain

Vineeta Maguire

Vice President Supply Management Services,
Encana

September 2016



Supply Chain Innovation

Leveraging what we already know...

To be truly Integrated, Supply Management must not only innovate, but execute at the speed that their business partners require



ENCANA

Transformation Complete

- “Core of the core” positions
- Returns and margins focused
 - Strong core four – over 35% ATROR
 - Over 90% of capital directed to core four
 - 100% premium return horizontals
- Leading operator in capital efficiency, relentless focus on reducing cost structures
 - G&A down 55% (\$200 million/year)
 - Interest expense down 40% (\$200 million/year)
 - Incremental 2016 capital at \$15,000/boe/d production efficiency
- Financial flexibility and balance sheet strength
 - Reduced net debt by over \$2 billion
- Multi-basin portfolio advantage
 - Culture of rapidly deploying innovation across assets
 - Enhancing supply chain management



2016 Operations Commercial Efficiencies: Measuring success as One Team

243MM Savings in 2015 with line of sight to over 300MM by Q3 2016

2015 to Q3 2016 Savings – Capex and Opex



- Alignment:
 - “One Scorecard”, One Number”
- Paradigm shift:
 - Operations’ budget validation to cost savings

Strategic Supply Chain for the Business

Encana's strategy in building a sustainable commercial strategy beyond 2016

- Our Path - Integrating Commercial Strategy and Operational Performance

The Art of Integration

- Leveraging Urgency ...Driving Value
 - Decrease cycle time from innovation to adoption
 - Create sustainability

- Our Future - Negotiating from a Position of Strength

The Path to Execution : The Benefits of Knowledge and Transparency

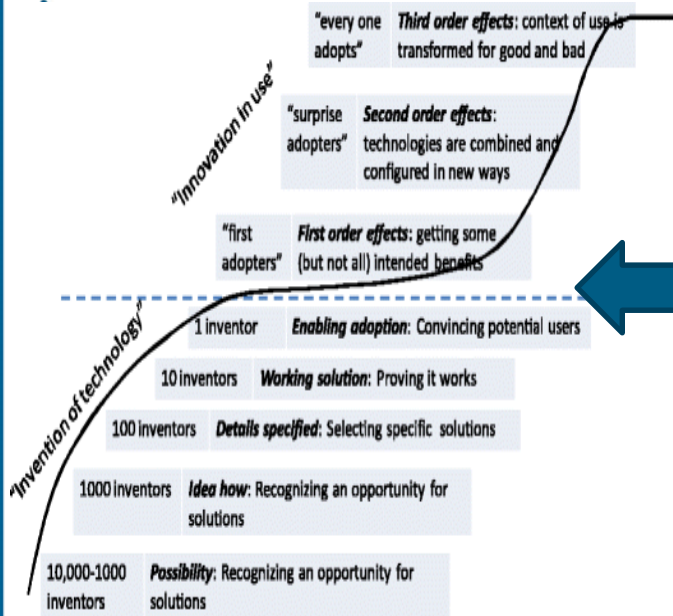
- Case study on Encana Desks
 - Unbundling
 - Cost Modeling
 - Leveraging Partnerships

The Art of Integration

“ we do well at what we focus on”

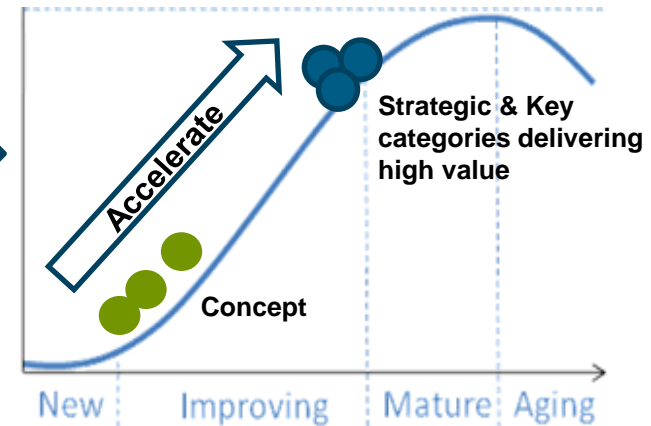
Cycle time of adoption is usually controlled by two factors:
Urgency and Alignment

Technology Invention & Adoption Curve



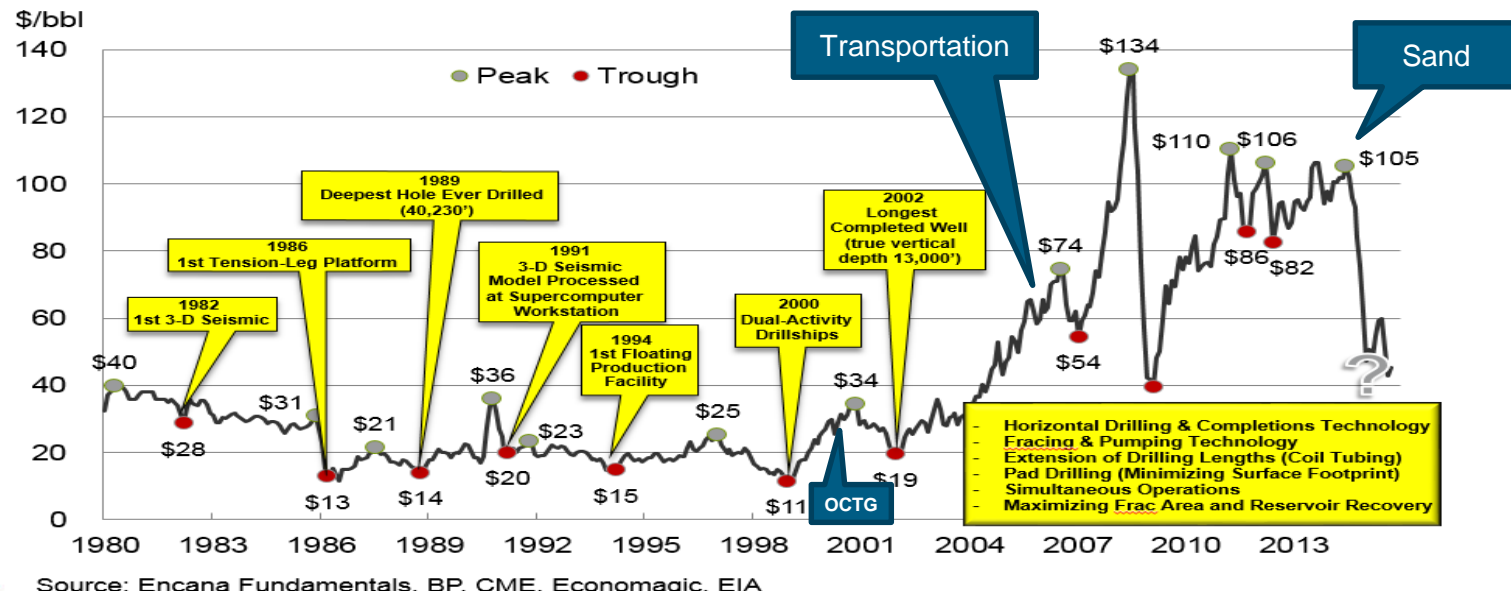
Integrated Team

Supply Management Innovation & Adoption



1980 -Present

Historical peaks and troughs of oil prices, provide opportunities to drive efficiencies and lower costs



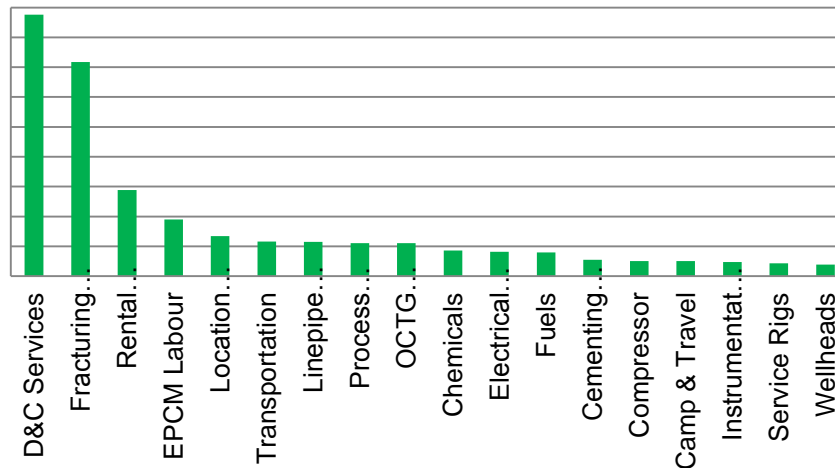
Crude prices have experienced several periods of declines with the peak to trough taking roughly 6 to 15 months followed by a price recovery...

This one is testing all limits

Art of Integration...speeding up the cycle time....The Supply Management Process

Idea assessment: Data Analyses + Ranking + Evaluation

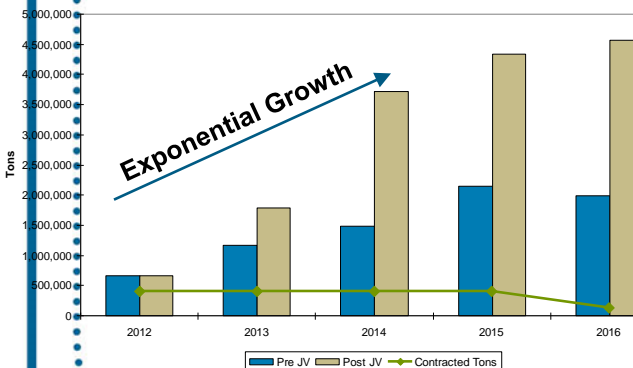
2016 Estimated Spend - Top 80%



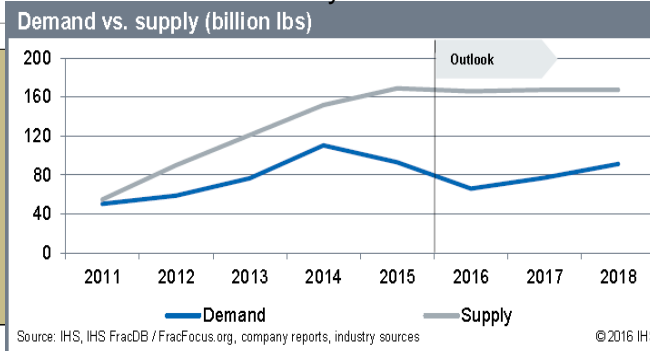
Idea Generator



Internal Demand

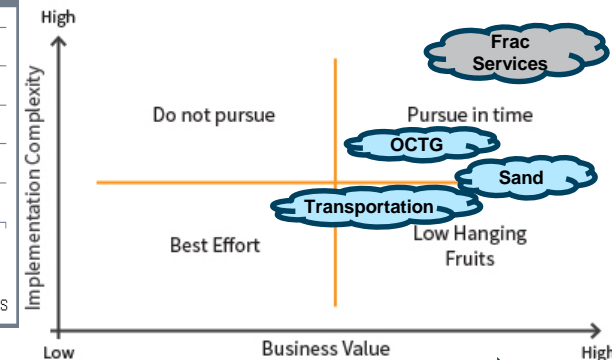


Market Analytics



Project Ranking

Process Mapping Matrix



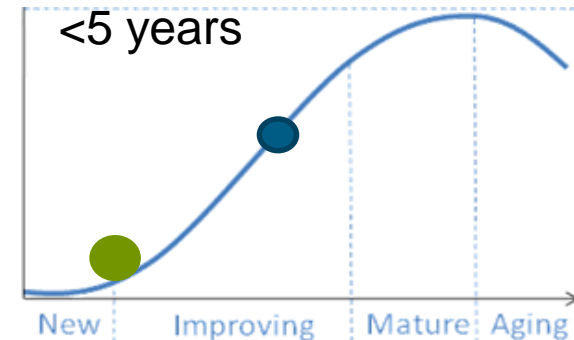
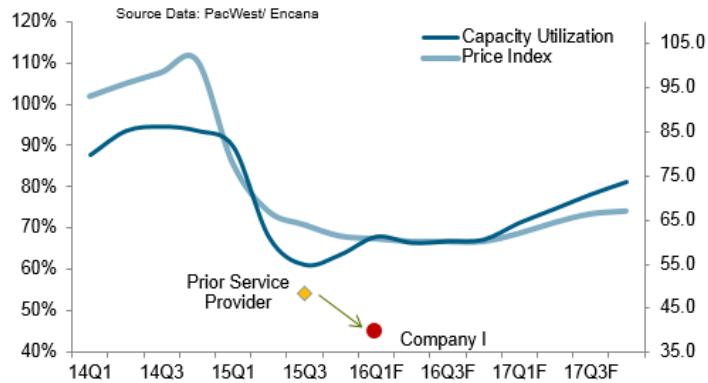
Need

Urgency

Opportunity

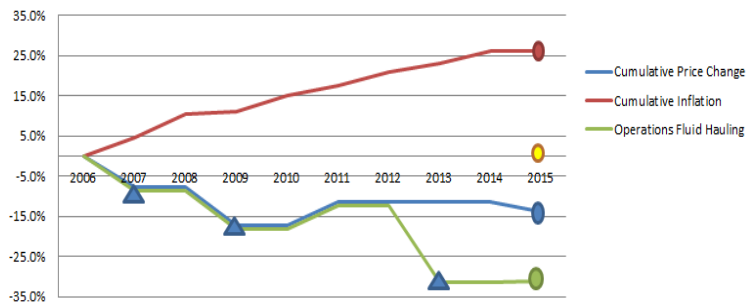
Case Studies of Innovation to Adoption Cycle times

Sand Management Innovation & Adoption at Encana

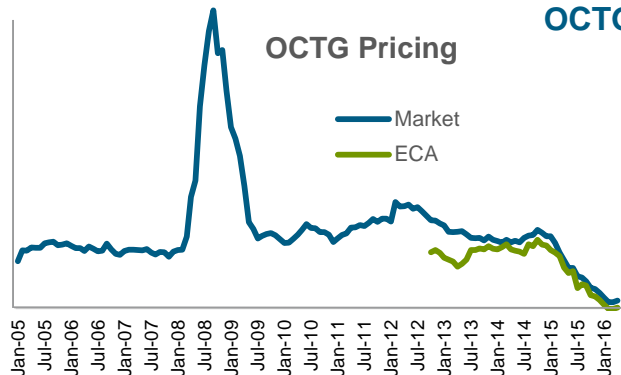


Logistics Management Innovation & Adoption at Encana

SMS Logistics
Average Hourly Transport Cost vs Cost Driver Inflation
2007-2015

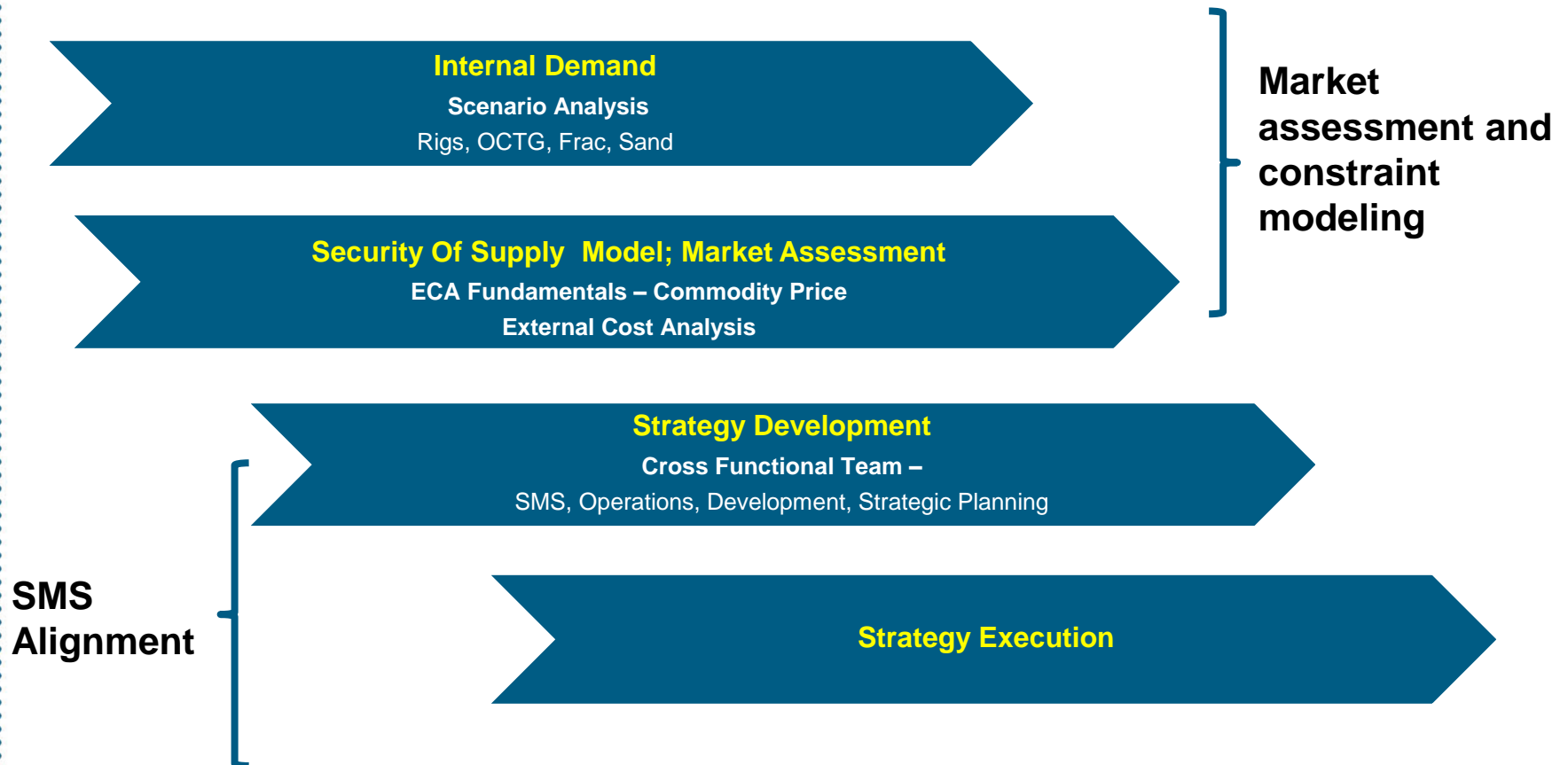


OCTG Pricing Management Innovation & Adoption at Encana

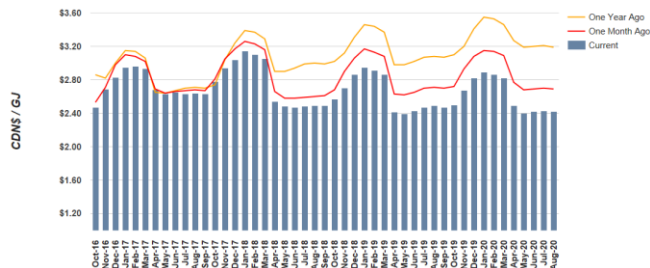
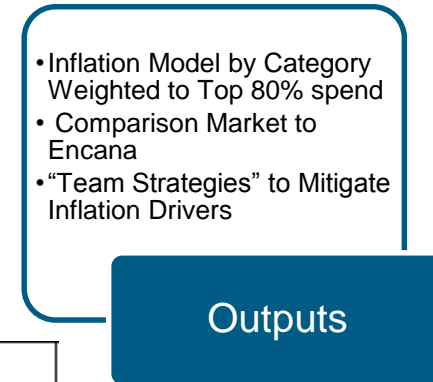
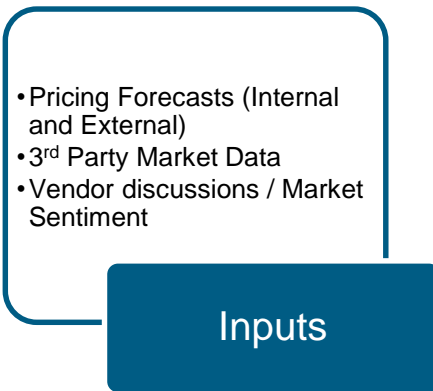


Prepared Beyond 2016 = Testing Constraints

Alignment with the Business Drives successful contracting strategies.
GOAL – To mitigate financial risk and cost exposures



Market Assessment & Constraint Model



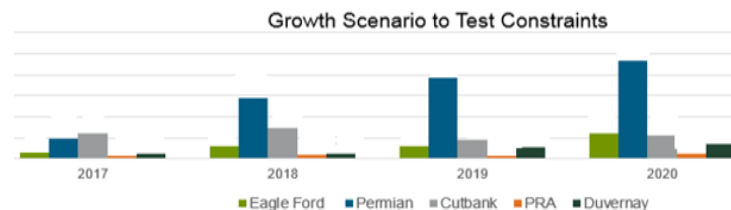
Forward Pricing Forecasts

SM Category	Weight
Rig during Services	23.1%
OCTG	23.1%
Labour - Drilling	12.1%
Rig Daywork	9.0%
Drilling & Completion Fluids	7.7%
Water Hauling	5.5%
Rental Equipment	4.1%
Compressor	3.8%
Fuels - Drilling	3.8%
Chemicals	2.8%
Downhole Equipment	2.6%
Process Vessels & Skids	2.4%

Spend & Demand Planning

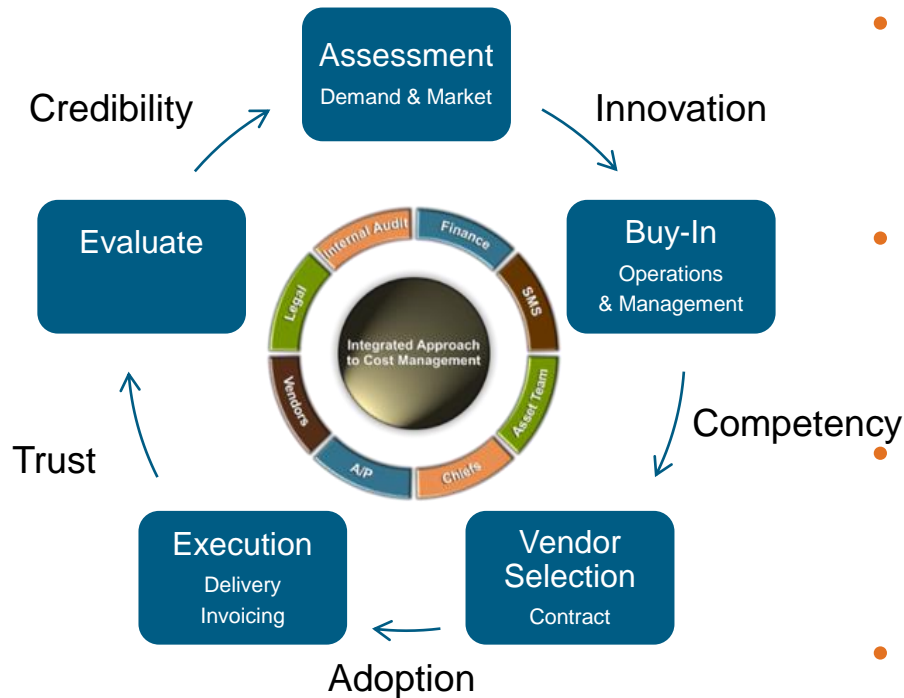


**Inflation Increase
Neutral, Deflation**

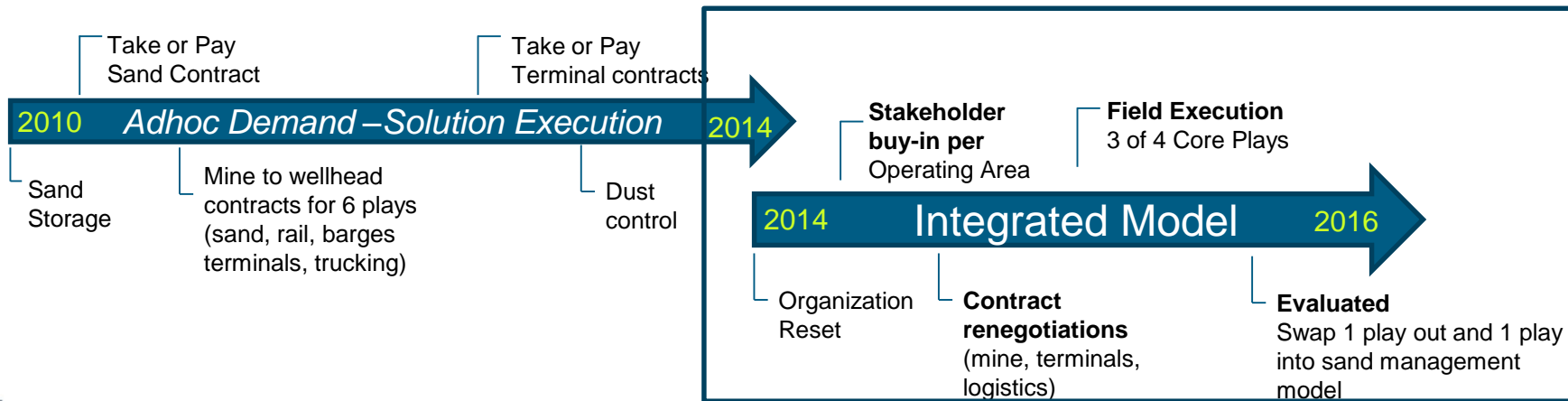


Art of Integration

Case Study: Implementing Encana Sand Team



- Fully integrated Supply team
 - Business, technical, operations
- Internal Support at all levels
 - Defined goals
- Flexible to changing market
 - Model adaptable to our plays
- Willing to hit the Reset Button



Strategic Supply Chain for the Business

Encana's strategy in building a sustainable commercial strategy beyond 2016

- Our Path - Integrating Commercial Strategy and Operational Performance

The Art of Integration

- Leveraging Urgency ...Driving Value
 - Decrease cycle time from innovation to adoption
 - Create sustainability

- Our Future - Negotiating from a Position of Strength

The Path to Execution : The Benefits of Knowledge and Transparency

- Case study on Encana Desks
 - Unbundling
 - Cost Modeling
 - Leveraging Partnerships

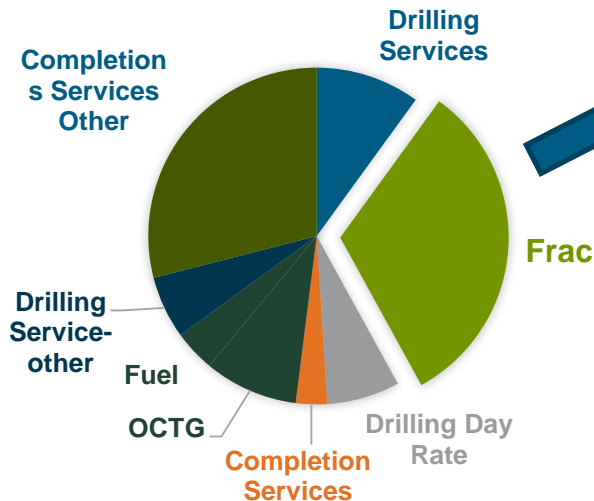
Art of Integration

Case Study – De-Bundling the Frac ticket

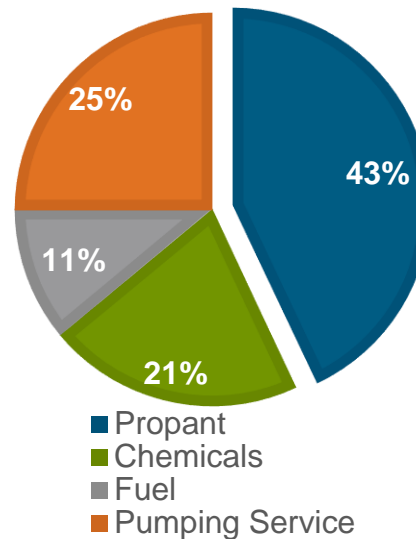


Take a deeper dive to simplify the opportunity

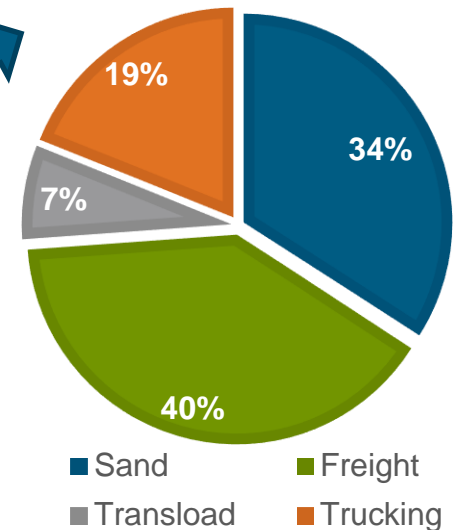
MAJOR D&C CATEGORIES



FRAC



PROPPANT



2006

2015 +

Tactical "Purchasing"

Category Management

Strategic Sourcing

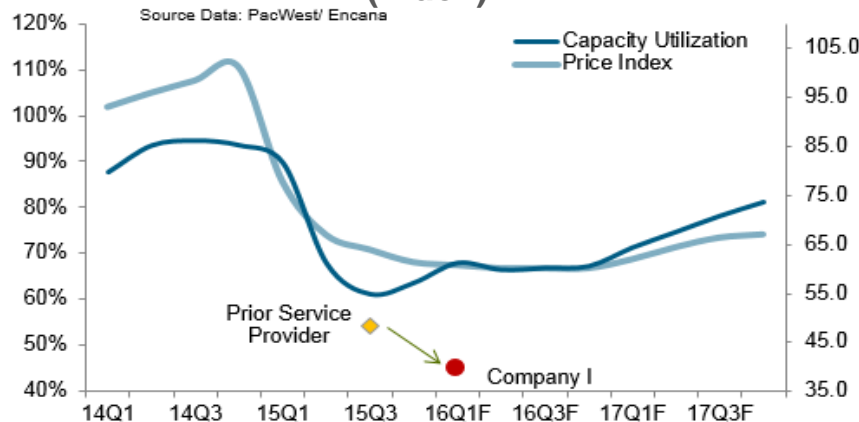
We know what to manage - now how?

Art of Integration

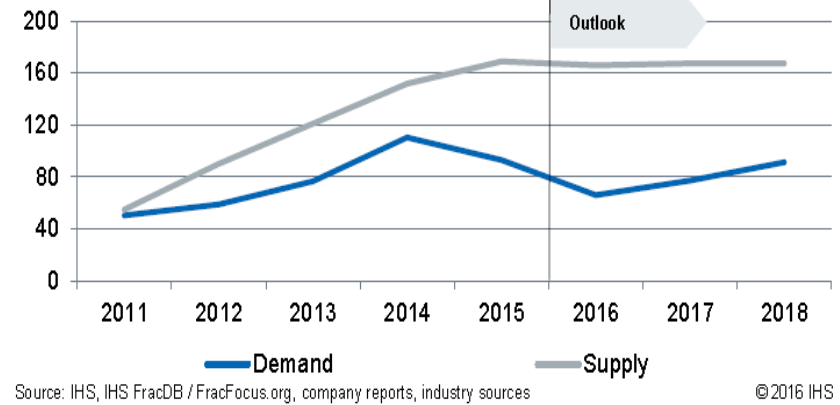
ECA Sand Management

Understanding and managing the key Frac ticket drivers has resulted in 44% sand savings

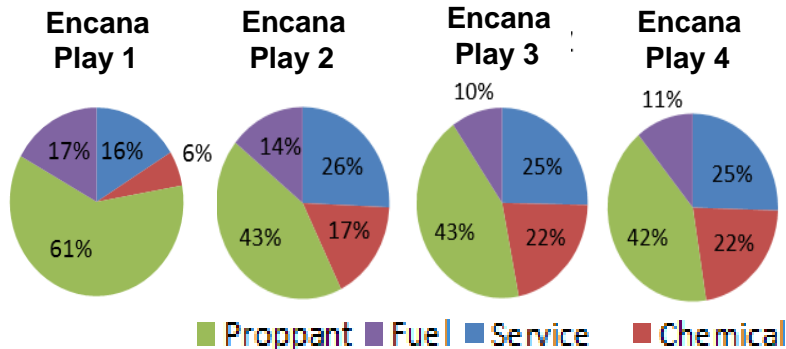
Frac Market (Index)



Sand Demand vs Supply (Billion lb's)



Frac ticket: Applying learnings across our plays

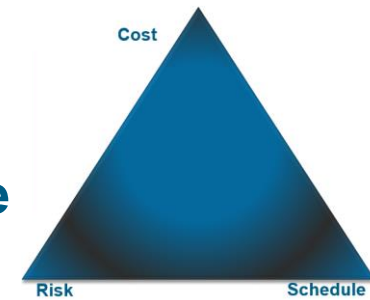


Outcome of Managing Sand

	2015 vs 2016 Q1 Reductions (%)
Play 1	24%
Play 2	44%
Play 3	31%
Play 4	33%

Art of Integration

Building a Sand Foundation – keep it simple



- Understand Supply Chain
 - Determine what will be internally managed

MINE SUPPLY → **RAIL** → **TERMINAL** → **TRUCKING** → **STORAGE**



Mine Contract

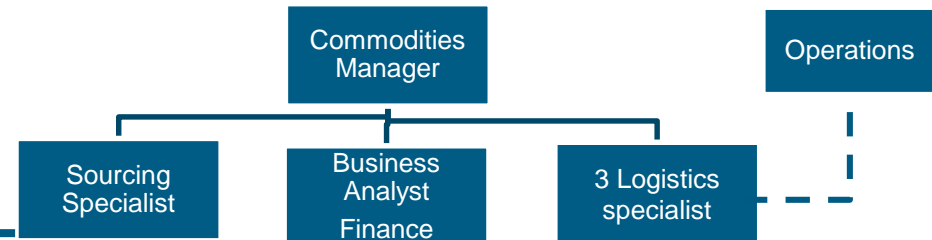
Terminal Contract

Logistics contract & ECA management

Wellsite contract & ECA management

- Build the team – Alignment
 - Targeting specific competencies

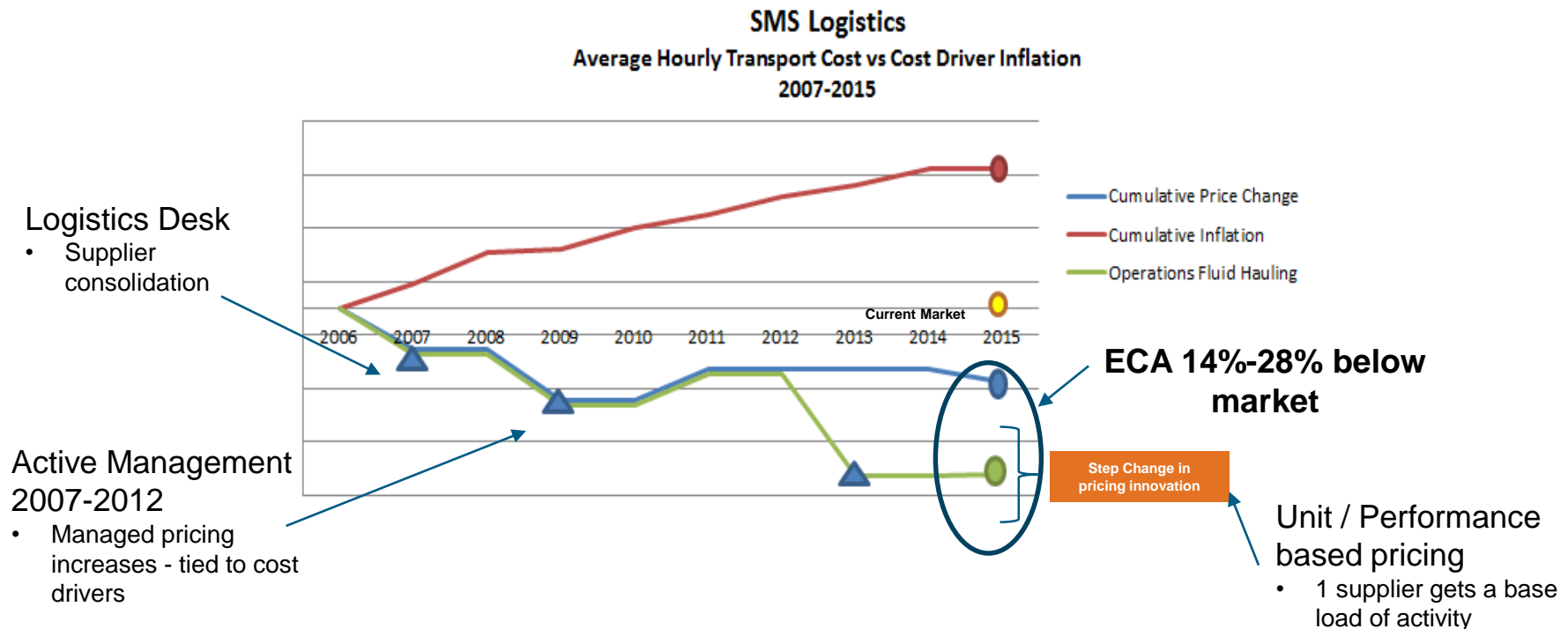
Most teams stop here



- Integrated Execution
 - Onboarding stakeholders

SMS Logistics – Canadian Cost Savings Drivers

Encana maintains competitive pricing, however the cycle time from innovation to full adoption was still slow, ~8 years



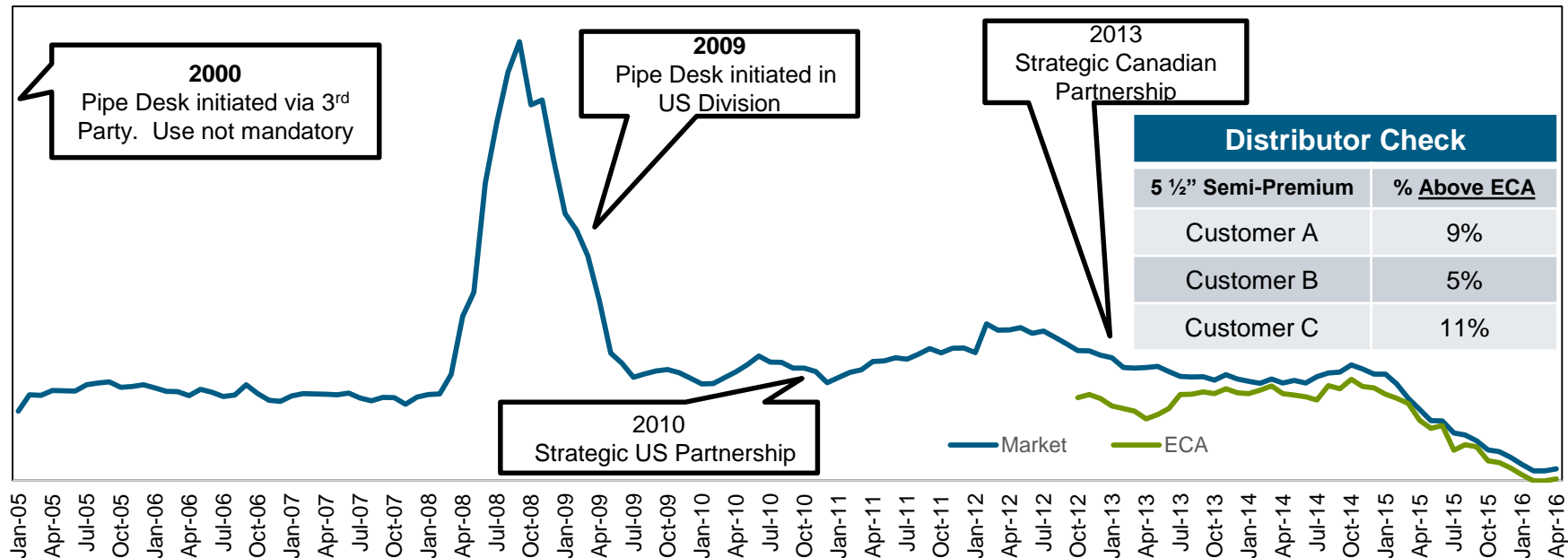
Pricing performance is better than market due to: Leveraging centralized negotiations, category management and how vendors are awarded contracts

2016 Competitive Pricing –OCTG Market Analyses

Building Strategic Partnerships

Encana maintains competitive pricing, however the cycle time from innovation to full adoption was slow, 10 years to internalize desk into Encana and eliminate spend leakage.

Market Analysis Using External Market Data



Market data confirms ECA's low cost supply, supported by distributor data and unsolicited bids



Translating Action in Results

- **“While we definitely work to reduce costs, it’s the combination well cost and productivity that is the real driver of returns**
 - *Mike McAllister COO Q2 2016 conference call*
- **“Our relentless focus on efficiency, built on a culture of innovation are clearly delivering tangible results”**
- **“This quarter, we continued to be beat our guidance across our business. The combination of our cost savings, execution performance and the quality of our core four assets are driving higher returns. We are reducing cash cost, increasing capital efficiency and increasing production in our updated guidance.”**
 - *Doug Suttles CEO Q2 2016 conference call*

What is Next for Supply Chain?...

Imagine the possibilities

Real Integration: The power
of using all our skills



FUTURE ORIENTED INFORMATION

This presentation contains certain forward-looking statements or information (collectively, "FLS") within the meaning of applicable securities legislation. FLS include:

- anticipated cost savings by Q3 2016
- estimated supply management spend and demand, including OCTG spend
- expectation to mitigate financial risks and cost exposures
- forward pricing forecasts
- sand management and the anticipated outcomes

Readers are cautioned against unduly relying on FLS which, by their nature, involve numerous assumptions, risks and uncertainties that may cause such statements not to occur, or for results to differ materially from those expressed or implied. These assumptions include:

- assumptions contained in Encana's 2016 corporate guidance and in this presentation
- data contained in key modeling statistics
- availability of attractive hedges and enforceability of risk management program
- results from innovations
- expectation that counterparties will fulfill their obligations under gathering, midstream and marketing agreements
- access to transportation and processing facilities where Encana operates
- effectiveness of Encana's resource play hub model to drive productivity and efficiencies
- enforceability of transaction agreements
- expectations and projections made in light of, and generally consistent with, Encana's historical experience and its perception of historical trends, including with respect to the pace of technological development, the benefits achieved and general industry expectations

Risks and uncertainties that may affect these business outcomes include: risks inherent to closing announced divestitures on a timely basis or at all and adjustments that may reduce the expected proceeds and value to Encana; commodity price volatility; timing and costs of well, facilities and pipeline construction; ability to secure adequate product transportation and potential pipeline curtailments; business interruption and casualty losses or unexpected technical difficulties; counterparty and credit risk; fluctuations in currency and interest rates; risk and effect of a downgrade in credit rating, including below an investment-grade credit rating, and its impact on access to capital markets and other sources of liquidity; variability and discretion of Encana's Board to declare and pay dividends, if any; the ability to generate sufficient cash flow to meet Encana's obligations; failure to achieve anticipated results from cost and efficiency initiatives; risks inherent in marketing operations; risks associated with technology; Encana's ability to acquire or find additional reserves; imprecision of reserves estimates and estimates of recoverable quantities of natural gas and liquids from resource plays and other sources not currently classified as proved, probable or possible reserves or economic contingent resources, including future net revenue estimates; changes in or interpretation of royalty, tax, environmental, accounting and other laws; risks associated with past and future divestitures of certain assets or other transactions or receive amounts contemplated under the transaction agreements (such transactions may include third-party capital investments, farm-outs or partnerships, which Encana may refer to from time to time as "partnerships" or "joint ventures" and the funds received in respect thereof which Encana may refer to from time to time as "proceeds", "deferred purchase price" and/or "carry capital", regardless of the legal form) as a result of various conditions not being met; and other risks and uncertainties impacting Encana's business, as described in its most recent MD&A, financial statements, Annual Information Form and Form 40-F, as filed on SEDAR and EDGAR.

Although Encana believes the expectations represented by such FLS are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the assumptions, risks and uncertainties referenced above are not exhaustive. FLS are made as of the date of this presentation and, except as required by law, Encana undertakes no obligation to update publicly or revise any FLS. The FLS contained in this presentation are expressly qualified by these cautionary statements.

Certain future oriented financial information or financial outlook information is included in this presentation to communicate current expectations as to Encana's performance. Readers are cautioned that it may not be appropriate for other purposes. This presentation may contain references to non-GAAP measures, which do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. These measures are presented to provide shareholders and potential investors with additional information regarding Encana's liquidity and its ability to generate funds to finance its operations. Rates of return for a particular play or well are on a before-tax basis and are based on specified commodity prices with local pricing offsets, capital costs associated with drilling, completing and equipping a well, field operating expenses and certain type curve assumptions.

For convenience, references in this presentation to "Encana", the "Company", "we", "us" and "our" may, where applicable, refer only to or include any relevant direct and indirect subsidiary corporations and partnerships ("Subsidiaries") of Encana Corporation, and the assets, activities and initiatives of such Subsidiaries.