Certain Tax Implications of the Spin-Off

The following summary is intended to provide information that may be of assistance to EnCana Shareholders who participated (and did not exercise dissent rights) in the November 30, 2009 Arrangement. Please refer to the section on “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations” in the Information Circular on the Arrangement dated October 20, 2009, for further information. All of the limitations and assumptions in those sections of the Information Circular apply for purposes of this summary. Please refer to the Information Circular for the meaning of capitalized terms that are not otherwise defined below. **This summary provides general information only. EnCana Shareholders are urged to consult their tax advisors concerning the tax consequences of the Arrangement to them.**

As described in the Information Circular, under the Plan of Arrangement each Shareholder has received one New EnCana Common Share and one EnCana Special Share in exchange for each EnCana Common Share held immediately prior to the exchange at 6:00 a.m. (Calgary time) on November 30, 2009. Each EnCana Special Share was then exchanged for one Cenovus Common Share.

Certain Canadian Tax Reporting

On the exchange of EnCana Common Shares for New EnCana Common Shares and EnCana Special Shares, each EnCana Shareholder was deemed for Canadian tax purposes to have disposed of EnCana Common Shares for proceeds of disposition equal to the adjusted cost base of such shares at the time of the exchange. The aggregate adjusted cost base of the EnCana Common Shares held by a Shareholder at the time of the exchange is allocated between the New EnCana Common Shares and the EnCana Special Shares received on this exchange. This allocation is in proportion to the relative fair market value of such shares immediately after the share exchange. For this purpose, it is assumed to be reasonable to expect that the fair market value of the EnCana Special Shares were the same as the market value of the Cenovus Common Shares trading on a “when issued” basis immediately prior to the exchange.

EnCana’s estimate of the allocation of an EnCana Shareholder’s adjusted cost base in EnCana Common Shares between the New EnCana Common Shares and EnCana Special Shares immediately after the exchange is:

New EnCana Common Shares	51.5%
EnCana Special Shares	48.5%

This estimate of the allocation was determined based on the weighted average trading price of EnCana Common Shares, and the when issued, weighted average trading price of the Cenovus Common Shares, on the Toronto Stock Exchange on the last trading date prior to the exchange of EnCana Common Shares for New EnCana Common Shares and EnCana Special Shares and assumes that the fair market value of an EnCana Special Share, and a Cenovus Common Share, (calculated using the when issued, weighted average trading prices) under the Arrangement, was $27.50 (Cdn).

This allocation and estimate of fair market value is not binding on the CRA or any particular EnCana Shareholder. However, it is recommended that the allocations made by EnCana Shareholders for Canadian tax purposes be consistent with that estimated by EnCana.

Neither EnCana nor Cenovus has the information to determine your adjusted cost base in the EnCana Common Shares; you must determine your adjusted cost using your records. If you require assistance please contact your tax advisor.

EnCana Shareholders should report the exchange of EnCana Common Shares as a disposition of property on their tax returns with proceeds of disposition equal to the adjusted cost base of such shares with no resulting gain or loss.

For the exchange of EnCana Special Shares for Cenovus Common Shares, there are, for most Canadian resident shareholders, four possible approaches:

- **A tax-deferred rollover** – the tax cost of the EnCana Special Shares becomes the tax cost of the Cenovus Common Shares received. This is the default result and does not require any special filings or elections to be made. EnCana Shareholders who adopt this approach should report the share exchange as a disposition of property on their tax returns using proceeds of disposition for the EnCana Special Shares equal to the tax cost of those shares with no resulting gain or loss. The rollover will be the normal approach for those shareholders who had unrealized gains in their EnCana Common Shares at the time of the Arrangement.

- **Report a loss** – some EnCana Shareholders will have had an unrealized loss in their EnCana Common Shares at the time of the Arrangement. A portion of this loss that is equal to the percentile allocation of fair market value the EnCana Special Shares (as determined above) may be recognized by reporting the exchange of EnCana Special Shares for Cenovus Common Shares as a disposition of property in such person's tax return using:

  - proceeds of disposition equal to the value of the Cenovus Common Shares received at the time of the exchange (as determined above), and
  - the tax cost of the EnCana Special Shares (as determined above).

- **Report the maximum gain** – some EnCana Shareholders may wish to report a gain on the exchange of EnCana Special Shares for Cenovus Common Shares. If an EnCana Shareholder wants to report the maximum possible gain, this may be done by reporting a disposition of property on their tax return using:
  - proceeds of disposition equal to the fair market value of the Cenovus Common Shares received at the time of the exchange (as determined above), and
  - the tax cost of the EnCana Special Shares (as determined above).

- **Report a gain, other than the maximum gain –** there may be some EnCana Shareholders who want to report a gain but want the gain to be less than the maximum amount. This may be done by filing a joint tax election with Cenovus in which the proceeds of disposition are set at the amount designated by the shareholder (within the limits in the Tax Act). The exchange of EnCana Special Shares for Cenovus Common Shares would be reported on their tax returns as a disposition of property using:
  - proceeds of disposition set at the designated amount in the election, and
  - the tax cost of the EnCana Special Shares (as determined above).

  The joint election must be made on form T2057 and a copy of this form is available on the EnCana and Cenovus websites. The election must be signed by the taxpayer and a representative of Cenovus. An EnCana Shareholder wishing to have an election form signed by a representative of Cenovus should send the completed form to the Corporate Secretary, Cenovus Energy Inc. at 421 – 7th Avenue S.W., Calgary, Alberta, T2P 0M5 **no later than three weeks prior to the filing deadline**. Once a Cenovus representative has signed the election form, it will be returned by mail to the shareholder. **It is the shareholder's responsibility to file this election with the CRA by the end of April 2010 if the shareholder is an individual and by the end of May 2010 if the shareholder is a corporation. A shareholder that is a trust might have an earlier filing deadline.**

Certain U.S. Federal Income Tax Basis Allocation Information

This discussion does not purport to be complete or to describe the consequences that may apply to particular categories of EnCana Shareholders (e.g., EnCana Shareholders who acquired blocks of EnCana Common Shares at different times and prices). The tax consequences to an EnCana Shareholder may vary depending on his or her particular circumstances. All EnCana Shareholders are urged to consult with their own tax advisors regarding their specific questions pertaining to their own tax positions including the application of the U.S. federal income tax basis allocation rules.

For U.S. federal income tax purposes, at the time of the exchange of EnCana Special Shares for Cenovus Common Shares, each holder of New EnCana Common Shares was treated as receiving a distribution of one Cenovus Common Share with respect to each New EnCana Common Share held by such holder. Under U.S. federal income tax law, a U.S. holder is required to allocate its pre-distribution tax basis in each New EnCana Common Share between such share and the Cenovus Common Share received with respect to such share, based on their relative fair market values immediately after the distribution.

U.S. federal income tax law does not specify how to determine these fair market values. For U.S. federal income tax purposes, fair market value is generally the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. There are several potential methods for determining fair market values of the New EnCana Common Shares and the Cenovus Common Shares for U.S. federal income tax purposes, including but not limited to: (i) the average of the high and low trading prices for such shares on November 30, 2009 (the day on which the distribution is treated as occurring for U.S. federal income tax purposes), (ii) the opening trading price on such date, and (iii) the closing trading price on such date. There may also be other methods for determining the fair market values of the New EnCana Common Shares and Cenovus Common Shares for purposes of allocating basis for U.S. federal income tax purposes.

As described above under the heading “Certain Canadian Tax Reporting,” for Canadian tax purposes, EnCana’s estimate of the allocation between New EnCana Common Shares and EnCana Special Shares was determined using the weighted average trading prices for EnCana Common Shares and Cenovus Common Shares (when issued prices in the latter case) on the last trading date prior to the distribution. Using this methodology, a U.S. holder’s tax basis in New EnCana Common Shares immediately before the distribution (which would have been equal to the U.S. holder's tax basis in the EnCana Common Shares immediately before such shares were exchanged for New EnCana Common Shares and EnCana Special Shares) would be allocated 48.5% to Cenovus Common Shares received in the distribution and 51.5% to the New EnCana Common Shares held immediately after the distribution.

Neither EnCana nor Cenovus provides its shareholders with tax advice. Shareholders are urged to consult their own tax advisors regarding what method of determining the fair market values of the New EnCana Common Shares and the Cenovus Common Shares is appropriate for purposes of allocating basis under U.S. federal income tax law.