

October 28, 2009

In the Matter of
the Securities Legislation of
Alberta and Ontario

and

British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia,
Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut, and Yukon

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
EnCana Corporation (the **Filer** or **EnCana**)

Decision

Background

The securities regulatory authority or regulator in each of Alberta and Ontario (the **Dual Exemption Decision Makers**) has received an application from the Filer (the **Application**) for, among other things, a decision under the securities legislation of those jurisdictions (the **Dual Legislation**) for the following (collectively, the **Dual Exemptions**):

- (a) relief from the following requirements (the **Continuous Disclosure Relief Sought**) arising from reporting issuer status, as they would otherwise apply to IOCo (as described herein) as result of Deemed RI Status (as defined herein):
 - (i) the requirements under Parts XVIII (Continuous Disclosure) and XXXI.1 (Governance) of the *Securities Act* (Ontario) (the **OSA**) and Part 12 (Continuous Disclosure) of the *Securities Act* (Alberta), including:
 - A. the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
 - B. the requirements of National Instrument 51-102 *Continuous Disclosure Obligations (NI 51-102)*;
 - C. the requirements of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;

D. the requirements of National Instrument 52-110 *Audit Committees*;

E. the requirements of National Instrument 58-101 *Disclosure of Corporate Governance Practices*; and

(b) relief, other than in Québec, from the prospectus and registration requirements (the **Prospectus and Registration Relief Sought**) for trades of securities representing IOCo Shares and New EnCana Shares (as respectively defined herein) in the When-Issued Markets (as defined herein).

The securities regulatory authority or regulator (the **Coordinated Exemptive Relief Decision Makers**) in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut, and Yukon (the **Jurisdictions**) has received from the Filer, as part of the Application, an application for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for the following (collectively, the **Coordinated Exemptive Relief**):

(a) a decision deeming, as of the date of commencement of trading on a when-issued basis of the IOCo Shares (as defined herein) in the When-Issued Markets (as defined herein), IOCo to be a reporting issuer in each of the Jurisdictions (the **Deemed RI Status**); and

(b) a decision (the **Confidentiality Relief Sought**) that the Application, this decision document and all other correspondence made on behalf of the Filer with the Coordinated Exemptive Relief Decision Makers (as defined herein) in connection with the subject matter hereof (collectively, the **Confidential Materials**) be held in confidence by the Coordinated Exemptive Decision Makers until the earliest of the following:

(i) the date on which a news release is issued by the Filer announcing the anticipated date on which trading of the IOCo Shares in the When-Issued Markets will commence;

(ii) the date on which the Filer advises the Coordinated Exemptive Decision Makers that there is no longer any need to hold the Confidential Materials in confidence; and

(iii) 90 days after the date of this decision

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a hybrid application):

(a) the Alberta Securities Commission is the principal regulator for this application,

(b) for the purpose of the Continuous Disclosure Relief Sought, the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut, and Yukon;

(c) for the purpose of the Prospectus and Registration Relief Sought, the Filer has provided notice that section 4.7(1) of MI 11-102 is intended to be relied upon in British Columbia,

Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Nunavut, and Yukon,

(d) the decision is the decision of the principal regulator and the decision evidences the decision of the securities regulatory authority or regulator in Ontario, and

(e) the decision evidences the decision of each Coordinated Exemptive Relief Decision Maker and the Dual Exemption Decision Makers.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

EnCana Corporation

1. The Filer is a corporation amalgamated under the *Canada Business Corporations Act* (the **CBCA**).
2. The head office of the Filer is located in Calgary, Alberta.
3. The Filer is a reporting issuer (or the equivalent thereof) in each of the Jurisdictions and is an electronic filer under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (**SEDAR**).
4. The issued and outstanding common shares of the Filer (the **EnCana Shares**) are listed on the Toronto Stock Exchange (the **TSX**) and the New York Stock Exchange (the **NYSE**).

The Arrangement

5. On May 11, 2008, the Filer issued a news release which described its intention to split the Filer into two focused energy companies - one a natural gas company and the other an oil company. The working names of the two entities are GasCo and IOCo. GasCo will be a continuation of EnCana and will carry on business using the EnCana name.
6. Due to an unusually high level of uncertainty and volatility in the global debt and equity markets, EnCana announced on October 15, 2008 a revision to the original corporate reorganization schedule and delayed seeking shareholder and court approval for the transaction until clear signs of stability returned to the financial markets. On September 10, 2009 the board of directors of EnCana unanimously approved plans to proceed with the transaction.
7. The transaction will be implemented through a plan of arrangement (the **Arrangement**) under Section 192 of the CBCA.

8. As a result of the Arrangement, the holders of EnCana Shares (the **Shareholders**) will receive, in exchange for each EnCana Share currently held, one new common share in EnCana (a **New EnCana Share**) and one common share of IOCo (an **IOCo Share**). IOCo will undergo an amalgamation pursuant to a later step in the Arrangement, as described herein.

9. The Filer will be required to obtain approval of the Arrangement from the Shareholders. In order to obtain such approval, the Filer must prepare and send an information circular in accordance with Form 51-102F5 (the **Information Circular**) to all Shareholders and hold a meeting of Shareholders (the **Meeting**). The Arrangement is expected to be completed as soon as practicable following the Meeting (the **Effective Date**). The Meeting is expected to be held on November 25, 2009. It is expected that the Information Circular will be mailed to Shareholders in late October, 2009. The Arrangement is anticipated to be completed on or about November 30, 2009.

IOCo (Pre-Amalgamation)

10. IOCo was incorporated under the CBCA on September 24, 2008 as 7050372 Canada Inc.

11. The head office of IOCo is in Calgary, Alberta.

12. Prior to the Effective Date, IOCo will not have any material assets and will not have conducted any active business activities, other than in respect of the Arrangement.

13. Prior to the Effective Date, there will be no securities of IOCo outstanding and the securities of IOCo will not be listed on any exchange.

14. IOCo will not conduct any trades or engage in a distribution of securities prior to the Effective Date other than as contemplated under the Arrangement.

15. Prior to the Effective Date, and before the settlement of any trades in the When-Issued Markets (as defined herein), the disclosure in the Information Circular in respect of IOCo and the IOCo Assets (as defined herein), and the historical disclosure record of the Filer (which incorporates disclosure in respect of the IOCo Assets), will together provide a sufficient public record of information in respect of IOCo and the IOCo Assets.

IOCo Amalgamation

16. Cenovus Energy Inc. (**Subco**) is a wholly-owned, special-purpose finance subsidiary of the Filer, continued under the CBCA.

17. Prior to the Effective Date, Subco will acquire from the Filer the businesses that will be carried on by IOCo, being principally the Integrated Oil Division and the Canadian Plains Division of EnCana (the **IOCo Assets**).

18. Pursuant to the Arrangement, IOCo will amalgamate with Subco and the resulting amalgamated entity will be named Cenovus Energy Inc. (**Cenovus**).

19. Prior to the Effective Date, in the absence of Deemed RI Status, IOCo (pre-amalgamation) will not be a reporting issuer (or the equivalent thereof) in any of the Jurisdictions.

20. After the Effective Date, it is anticipated that Cenovus will be a reporting issuer (or equivalent thereof) in each of the provinces and territories of Canada.

When-Issued Markets

21. It is expected that, commencing on a date determined by the TSX and the NYSE and subsequent to the mailing of the Information Circular to the Shareholders, the TSX and the NYSE will establish markets (the **When-Issued Markets**) to permit "if, as and when issued trading" of the IOCo Shares and New EnCana Shares to be issued to Shareholders on the Effective Date. Trading of IOCo Shares or New EnCana Shares in the When-Issued Markets will not commence until after the Information Circular has been filed on SEDAR.

22. The When-Issued Markets will essentially permit market participants to purchase and sell IOCo Shares and New EnCana Shares prior to the completion of the Arrangement and the actual issuance of the IOCo Shares and New EnCana Shares thereunder. Because IOCo Shares and New EnCana Shares will not yet have been issued, trading in the When-Issued Markets will involve trades in rights to acquire IOCo Shares and New EnCana Shares, respectively, such rights effectively constituting securities (in Jurisdictions other than Québec) or derivatives (in Québec) traded and distributed by participants who trade in the When-Issued Markets.

23. No trade will settle in the When-Issued Markets until the Arrangement has been completed. The completion and settlement of any trade of IOCo Shares or New EnCana Shares in the When-Issued Markets will be conditional upon the completion of the Arrangement on the basis described in the Information Circular and the issuance of the IOCo Shares or New EnCana Shares, respectively, thereunder.

24. Trades in respect of IOCo Shares and New EnCana Shares on the When-Issued Markets would be subject to the prospectus and registration requirements in each of the Jurisdictions except Québec.

25. In the event that the Arrangement does not become effective, trading in respect of the IOCo Shares and the New EnCana Shares in the When-Issued Markets will cease at the direction of the TSX and the NYSE.

26. Any insider of the Filer who makes any trade of IOCo Shares or New EnCana Shares in the When-Issued Markets will file a report of such trade in the applicable Jurisdictions in the same manner as they would be required to do under the Legislation with respect to a trade of EnCana Shares.

27. Any insider of IOCo, or anyone who will be an insider of IOCo upon completion of the Arrangement, who makes any trade in respect of an IOCo Share or a New EnCana Share in the When-Issued Markets will file a report of such trade in the applicable Jurisdictions in the same

manner as they would be required to do under the Legislation as if the subject of such trade were a security of IOCo unless such person files a report of the trade as an insider of the Filer.

Early Warning

28. The requirements under Part 5 of Multilateral Instrument 62-104 *Take-Over Bids and Issuer Bids (MI 62-104)* and Part XX of the OSA that an acquiror issue a news release, file a report and refrain from purchasing additional securities for a specified period of time when it acquires beneficial ownership of, or the power to exercise control or direction over, an aggregate of 10% or more of the outstanding securities of a class of voting or equity securities of a reporting issuer, or securities convertible into such securities, and at certain times thereafter (the **Early Warning Requirements**), apply to the acquisition of shares of a reporting issuer.

29. The When-Issued Markets involve trades in rights to receive IOCo Shares and New EnCana Shares and therefore, under section 1.8 of MI 62-104 and section 89(5) of the OSA, purchasers in the When-Issued Markets are deemed to acquire the underlying securities, being IOCo Shares or New EnCana Shares, as the case may be.

30. In order for the Early Warning Requirements to apply meaningfully to trading in the When-Issued Markets, it is necessary that an acquiror of IOCo Shares in the When-Issued Markets comply with the Early Warning Requirements as if the number of outstanding IOCo Shares for the purposes of calculating the applicable ownership thresholds under the Early Warning Requirements is determined by reference to the number of IOCo Shares that will be outstanding upon completion of the Arrangement, in accordance with the terms of the Arrangement.

Reporting Issuer Status

31. Although it is expected that Cenovus will become a reporting issuer on the Effective Date by virtue of the definition of "reporting issuer" in the Legislation, IOCo will not, pursuant to such definition, be a reporting issuer in any capacity prior thereto in the absence of Deemed RI Status.

32. To ensure that MI 62-104 and Part XX of the OSA apply to IOCo and trades of the IOCo Shares in the When-Issued Markets, in a manner that provides the public with meaningful advance notice of such trades, it is necessary that IOCo be declared to be a reporting issuer in each of the Jurisdictions.

33. In the event that the Arrangement does not become effective for any reason, the Filer will promptly file an application with the Coordinated Exemptive Relief Decision Makers for an order or decision deeming IOCo to have ceased to be a reporting issuer or the equivalent under the Legislation.

34. In the event that the Filer determines not to proceed with the Arrangement, it will promptly issue a news release to that effect.

Decision

Each of the principal regulator, the securities regulatory authority or regulator in Ontario and the

Coordinated Exemptive Relief Decision Makers is satisfied that the decision meets the test set out in the Legislation for the relevant regulator or securities regulatory authority to make the decision.

The decision of the Dual Exemption Decision Makers under the Dual Legislation is that:

1. the Continuous Disclosure Relief Sought is granted provided that:

(a) IOCo does not issue any securities and does not have any securities outstanding, other than securities necessary and incidental to the Arrangement;

(b) the Filer issues a news release and files a material change report for each material change in the affairs of IOCo that is not also a material change in the affairs of the Filer; and

(c) the Continuous Disclosure Relief will expire upon the earlier of:

(i) the Effective Date; and

(ii) the issuance by the Filer of a news release indicating that it is no longer proceeding with the Arrangement; and

2. the Prospectus and Registration Relief Sought in respect of trading in the When-Issued Markets is granted, other than in respect of any trade that is a control distribution (as defined in National Instrument 45-102 *Resale of Securities*), provided that:

(a) in the event that the seller in a trade in respect of an IOCo Share or New EnCana Share is an insider or officer of EnCana, he or she has no reasonable grounds to believe that EnCana is in default of any requirement of the Legislation;

(b) no unusual effort is made to prepare the market or create a demand for IOCo Shares or New EnCana Shares;

(c) no extraordinary commission or consideration is paid to a person or company in respect of such trading;

(d) the Information Circular has been available to the public on SEDAR for a period of not less than three hours prior to the commencement of trading in the When-Issued Markets;

(e) prior to the commencement of trading in the When-Issued Markets on the TSX or NYSE and in accordance with the time periods determined by the TSX or NYSE, respectively:

(i) the TSX or NYSE, as the case may be, shall have announced the creation of the When-Issued Markets, advising as to the symbols under which the IOCo Shares and New EnCana Shares will trade in the When-Issued Markets and the terms and conditions to settlement (an **Announcement**); and

(ii) as soon as practicable after the first Announcement, EnCana has disseminated by news release full information concerning the number of IOCo Shares that will be outstanding upon the completion of the Arrangement, the circumstances in which the Early Warning Requirements, as contemplated in this decision, will apply to the acquisition of IOCo Shares in the When-Issued Markets, advising as to the symbols under which the IOCo Shares will trade in the When-Issued Markets and the terms and conditions to settlement; and

(f) any other trade of IOCo Shares or New EnCana Shares made before the Effective Date (other than trades that may be made for the purposes of the Arrangement that are not trades to the public) shall be deemed to be a distribution or primary distribution to the public under the legislation of the jurisdiction or jurisdictions where the trade takes place.

The decision of the Coordinated Exemptive Relief Decision Makers under the Legislation is as follows:

1. the Deemed RI Status is granted provided that any trade in the When-Issued Markets that would cause the acquiror to acquire IOCo Shares in excess of 10% of the outstanding IOCo Shares will be a distribution unless the acquiror complies with MI 62-104 and Part XX of the OSA as if, for the purposes of section 5.2 of MI 62-104 and section 102.1 of Part XX of the OSA, the number of outstanding securities of IOCo is determined by reference to the number of IOCo Shares that will be outstanding upon completion of the Arrangement, in accordance with the terms of the Arrangement; and
2. the Confidentiality Relief Sought is granted.

"original signed by"
Glenda A. Campbell, QC
Alberta Securities Commission

"original signed by"
Stephen R. Murison
Alberta Securities Commission