



January 27, 2002

Dear Mr. Prime Minister:

We write this as a joint message to inform you and your government of what we believe is a positive and significant development for our two companies and for Canada.

Today, our companies announced an agreement to merge and in so doing create a *flagship Canadian-headquartered, world-class independent oil and gas company*. The new company will have an enterprise value of more than C\$27 billion and will be known as **EnCana Corporation**, a name that reflects both the nature of the business (energy) and the Canadian base from which Canadian expertise and goods will develop energy supplies in more than a dozen countries of the world. The news release is enclosed and other information about this transaction is posted on our respective websites www.aec.ca and www.pancanadianenergy.com

EnCana Corporation gains a critical mass that enables it to compete effectively worldwide and to act as a 'corporate ambassador' for Canada in foreign jurisdictions. It is a 'merger of equals,' creating a new flagship entity for the Canadian economy:

- Our C\$3.8 billion 2002 capital expenditure program ranks among the largest of any Canadian-headquartered company;
- Approximately 0.3% of Canada's forecast GDP for 2002;
- Reversing the recent trend of U.S. takeovers of Canadian companies, this merger of our two companies will create a "Canadian champion" company able to compete with the world's best;
- By market capitalization, we will be one of Canada's largest;
- Unparalleled North American exploration potential from Alaska and Canada's Mackenzie Delta to the Gulf of Mexico, and from British Columbia to the Canadian East Coast;
- North America's largest independent natural gas explorer, producer and storage operator. The largest Canadian-based conventional oil and natural gas company and also a leader in growing Canadian developments like Syncrude, new high-tech heavy oil recovery projects and the potential of coalbed methane – all of which are integral resources for a secure and safe North American energy supply.

With the approval of our respective shareholders in about 60 days, we will come together as equals and from positions of strength so that we can shape our own future rather than have it shaped for us by a fast-changing, consolidating and competitive marketplace.

We hope you share our enthusiasm about today's announcement and the opportunities it will create, as well as the enormous potential for EnCana Corporation, as a *new Canadian champion company*. We would be pleased to provide any additional information or briefing that you and your Ministers and officials may require regarding this exciting development.

Gwyn Morgan
President and CEO
Alberta Energy Company Ltd.

David O'Brien
Chairman and CEO
PanCanadian Energy Corporation

EnCana Corporation

A flagship Canadian-headquartered, world-class independent oil and gas company



NEWS RELEASE

AEC AND PANCANADIAN TO MERGE:

EnCana Corporation

**A FLAGSHIP CANADIAN-HEADQUARTERED,
WORLD-CLASS INDEPENDENT OIL AND GAS COMPANY**

**EnCana will be a leading global super-independent with the
largest production and reserve base of all publicly traded independents.**

**EnCana will have an industry leading management and technical team, a strong legacy asset base, an
excellent growth profile and the financial strength to create a world-class platform that will provide
superior shareholder returns.**

CALGARY, January 27, 2002 – Alberta Energy Company Ltd. (AEC) (TSE/AEC; NYSE/AOG) and PanCanadian Energy Corporation (PanCanadian) (TSE/PCE; NYSE/PCX) today announced that their respective Boards of Directors have unanimously agreed to merge the two companies. The combined organization will be a Canadian-headquartered, world-class independent oil and gas company with an enterprise value of more than C\$27 billion. Upon completion of the transaction, the combined organization will operate under the name EnCana Corporation (EnCana).

Under the terms of the agreement, this merger of equals is to be accomplished through an arrangement under the Business Corporations Act of Alberta. It will feature a Common Share exchange through which AEC common shareholders will receive 1.472 common shares of PanCanadian for each common share of AEC they own. The exchange ratio is a market-to-market ratio based on the average of the closing price for the 10 trading days ended Wednesday, January 23, 2002. On completion of the proposed transaction, PanCanadian shareholders will own approximately 54 percent and AEC shareholders will own approximately 46 percent of EnCana. Both Boards of Directors have endorsed the transaction and have received fairness opinions from their financial advisors. The proposed merger is subject to approvals by the shareholders of both companies, the Court of Queen's Bench of Alberta, and appropriate regulatory and other authorities. The transaction is anticipated to close in early April 2002.

Mr. David O'Brien, PanCanadian Chairman and Chief Executive Officer, will serve as non-executive Chairman, and Mr. Gwyn Morgan, AEC President and Chief Executive Officer, will be President and Chief Executive Officer of the combined Company. EnCana's Board of Directors will consist of an equal number of Directors from each company.

...2/

EnCana Corporation

A flagship Canadian-headquartered, world-class independent oil and gas company

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The name EnCana identifies the company's business of providing energy supplies for people, and its Canadian heritage and headquarters. The combination of these two great companies creates:

- The world's number one independent oil and gas company in terms of enterprise value, reserves and production
- An industry-leading management and technical team with best-in-class core competencies
- An unparalleled North American legacy asset base with leading international exploration and production assets and opportunities
- A superior operating and financial growth profile for shareholders
- One of the strongest balance sheets among senior North American-based independents, providing the financial strength to pursue both internal and external growth opportunities
- The third largest publicly traded industrial company in Canada
- One of the largest capital investment programs of any Canadian-headquartered company.

"This transaction creates a leading global super-independent energy company, headquartered in Canada. We have decided to come together as equals from positions of strength so that we can achieve a stronger future in this highly competitive marketplace," said Mr. O'Brien.

"Together we will enjoy the size, profitability, financial strength and organizational reach that will enable us to compete effectively on a global basis. EnCana will have one of the most attractive internal growth profiles in the industry given the excellent strategic asset fit, and the magnitude and complementary nature of our growth prospects. AEC brings unparalleled near-term and medium-term internal growth from North America and Ecuador while PanCanadian brings near-term growth in Western Canada and prospects for very strong long-term growth from Eastern Canada and the North Sea," added Mr. O'Brien.

"We are uniting two of the best Canadian oil and gas companies with world-class people and assets. We will have a tremendous growth profile and an abundance of opportunity to create future shareholder value," said Mr. Morgan.

"Our strong balance sheet will enable us to both optimize our capital investment program through the drillbit and to pursue selective acquisitions. We will have the size and technical capabilities to manage the challenges associated with developing high-impact North American and offshore projects. I am extremely confident that we can manage our combined assets and resources to create more profitable growth and higher shareholder returns than either company could achieve on a stand-alone basis," said Mr. Morgan.

The merging companies estimate achieving annual pretax cost savings of one-quarter billion dollars that will come from gaining efficiencies in overlapping operations, streamlining business practices, improving procurement practices, building a common information technology base, and incorporating best practices. The companies expect to achieve this annual rate of synergies within 12 months after completion of the integration. The companies also expect to achieve annual capital program synergies of an additional quarter billion dollars. It is anticipated that EnCana will have one of the strongest balance sheets among its peer group, providing significant financial flexibility as evidenced by pro forma debt to capitalization of 34 percent. Shareholders are expected to enjoy enhanced trading liquidity and strong returns on capital employed. Based on recent IBES forecasts for 2002, the pro forma financial impact on cash flow per share, including the annual synergies, is expected to be accretive to PanCanadian and neutral to AEC. The impact on earnings per share is anticipated to be neutral to PanCanadian and accretive to AEC.

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EnCana will have superior assets and the capability to choose the best projects to maximize shareholder returns. The combined company will have six core growth platforms:

- ❑ The Western Canadian Sedimentary Basin (natural gas and oil)
- ❑ Offshore East Coast Canada (natural gas)
- ❑ The U.S. Rocky Mountains (natural gas)
- ❑ The Gulf of Mexico (oil)
- ❑ The U.K. Central North Sea (oil)
- ❑ The Oriente Basin of Ecuador (oil).

EnCana will have additional potential from high-impact exploration in the Canadian North, Alaska, Australia, Azerbaijan, the Middle East and Brazil.

Specific highlights and estimates for EnCana include:

The combined company:

- Among worldwide independents, the largest proved reserve base, consisting of 7.8 trillion cubic feet of natural gas and 1.3 billion barrels of oil and liquids, equaling a combined 2.6 billion barrels of oil equivalent
- 2002 daily production targets of 2.7 billion cubic feet of natural gas and 255,000 barrels of oil and liquids, which equals 700,000 barrels of oil equivalent
- Targeted daily production by 2005 of 1.1 million barrels of oil equivalent, which would be a 55-percent increase from the 2002 production forecast
- A 2002 capital investment program of \$3.8 billion.

North America:

- The largest independent natural gas producer in North America, with 2.7 billion cubic feet of total daily production forecast for 2002
- The largest independent natural gas storage network in North America
- A North American exploration land base of 23 million acres, including unparalleled positions in Canada's Western Basin and East Coast Scotian Shelf
- One of North America's largest drilling programs with more than 2,800 exploration and development wells planned for 2002
- A major developer of oilsands production in Canada, with a significant interest in Syncrude and two world-class SAGD thermal recovery projects at Foster Creek and Christina Lake
- Significant deepwater Gulf of Mexico exploration potential, with interests in more than 200 offshore blocks
- A leading resource holder and researcher into developing Canada's extensive high-potential coalbed methane resources
- Over \$2 billion in combined North American midstream and marketing assets, consisting of energy services, gas storage, natural gas liquids extraction, pipelines and power generation.

U.K. North Sea:

- Buzzard, the largest oil discovery in the U.K. Central North Sea in the last decade with more than 180 million barrels recoverable (net), with further upside potential.

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Ecuador:

- Largest private sector oil producer in Ecuador with production forecast to double in mid-2003 to more than 100,000 barrels per day.

New Ventures:

- More than 13 million net acres of prospective undeveloped land in Northern Canada, Alaska, Australia, Azerbaijan, the Middle East and Brazil.

In discussing the upcoming integration Mr. Morgan said, “Both AEC and PanCanadian have successfully and decisively integrated companies with great people and assets and realized the potential of those acquisitions. This is a different deal – a merger of equals – but we both bring a passion and discipline to outperform and to create value. I look forward to leading and working with a highly talented and committed team.”

Mr. O’Brien added, “EnCana will remain committed to a number of the values long demonstrated by each of the merging companies. These values include protection of the environment, active support for the communities in which we operate, and development of a workforce that takes pride in their company, their community and their country.”

Recognizing that AEC’s annual dividend would normally be payable after the expected closing date of the transaction, AEC’s Board of Directors has also declared a dividend of \$0.45 per share payable on March 28, 2002 to AEC shareholders of record on March 7, 2002.

Each company plans to hold a meeting of its shareholders in early April. It is expected that a joint information circular will be sent to the shareholders of each company in late February. AEC shareholders will be eligible for a tax-free rollover. The merger agreement provides for the payment of a fee of C\$350 million to either party in the event that the transaction is not completed for certain reasons.

Upon completion of the transaction, EnCana Corporation will be headquartered in Calgary. Subject to the approval of the stock exchanges, the Company’s shares will trade on both the Toronto and New York stock exchanges under the symbol ECA.

RBC Capital Markets and Credit Suisse First Boston Corporation are acting as financial advisors and Peters & Co. Limited as strategic advisor to PanCanadian for the purposes of this transaction. AEC has retained CIBC World Markets Inc. and Merrill Lynch & Co. as its financial advisors and KERN Partners Ltd. and FirstEnergy Capital Corp. as its strategic advisors.

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Notices

A **MEDIA CONFERENCE** will be conducted Sunday afternoon, January 27, 2002 at 1:30 p.m. Mountain Standard Time in the Leduc Room of the Palliser Hotel in Calgary. Media representatives who cannot attend in person may call in to the event as follows:

- From North America: 1-800-310-6649
- From elsewhere: 1-719-457-2693
- Password is 559289

Callers having difficulty joining the call may dial 1-800-628-5949 from North America and 1-719-457-2840 from elsewhere, using password 559289.

You must register with the operator prior to 1:25 p.m. Mountain Standard Time. A live audio webcast of the media conference will be available via the companies' web sites – www.aec.ca and www.pancanadianenergy.com.

An archived version of the webcast will be posted to the corporate web sites after the media conference call. The call will also be available on post-view until 4:00 p.m. Mountain Standard Time on Friday, February 1 2002, by dialing:

- From North America: 1-888-203-1112
- From elsewhere: 1-719-457-0820
- Password is 559289

An **INVESTMENT CONFERENCE CALL** will be held for investors, financial analysts, media and other interested persons Monday morning January 28, 2002, at 9:00 a.m. Mountain Standard Time. To call in, interested parties should dial:

- From North America: 1-888- 793-1722
- From elsewhere: 416-641-6682

Should you have difficulty joining the call, please dial 1-800-473-0602 from North America and from elsewhere, 514-843-3220 (code 20293160).

Please register at least 10 minutes before the start of the conference call. A live audio webcast of the investor conference will be available via <http://www.newswire.ca/webcast/pages/SpecialEvent20020128/> An archived version of the webcast will be posted to the corporate web sites after the conference call. The call will also be available on post-view until 4:00 p.m. Mountain Standard Time on Friday, February 1, 2002, by dialing:

- From North America: 1-800-558-5253 (code 20293759)
- From elsewhere: 416-626-4100 (code 20293160)

Additional information about the transaction will be available in the information circulars to be mailed to shareholders of both companies.

AEC AND PANCANADIAN TO MERGE**Page Six****Statistics**

	PanCanadian	AEC	Pro forma <i>(without pro forma adjustments for the proposed merger)</i>
Sales (nine months ended September 30, 2001)			
Natural gas (mmcf/d)	1,045	1,286	2,331
Liquids (bbls/d)	114,635	135,067	249,702
Total (boe/d)	288,802	349,400	638,202
Proved reserves*			
Natural gas (bcf)	3,716	4,071	7,787
Liquids (mmbbls)	429	920	1,349
Total (mmboe)	1,048	1,599	2,647
Probable reserves*			
Natural gas (bcf)	1,306	2,203	3,509
Liquids (mmbbls)	235	470	705
Total (mmboe)	453	837	1,290
Net undeveloped land* (000's acres)			
Canada	11,293	9,339	20,632
International	10,907	5,688	16,595
Total	22,200	15,027	37,227

*December 31, 2000 pro forma corporate acquisitions completed in 2001

*All dollar figures in this news release are Canadian unless otherwise noted.
Natural gas is converted to barrels of oil equivalent on a six-to-one basis.*

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Advisory

In the interest of providing Alberta Energy Company Ltd. (AEC) and PanCanadian Energy Corporation (PanCanadian) shareholders and potential investors with information regarding each company, including management's assessment of each company's future plans and operations, certain statements contained in this document are 'forward-looking statements', within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, and represent each company's internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the companies' future economic performance.

The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties which may cause each company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: volatility of oil and gas prices; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in each company's marketing operations; imprecision of reserves estimates; each company's ability to replace and expand oil and gas reserves; each company's ability to generate sufficient cash flow from operations to meet its current and future obligations; each company's ability to access external sources of debt and equity capital; the risk that the companies' businesses will not be integrated successfully and that the anticipated synergies will not be realized; costs related to the proposed merger; failure of the AEC or PanCanadian shareholders or the court to approve the proposed merger; failure to obtain any required regulatory approvals for the proposed merger; and such other risks or uncertainties described from time to time in each company's reports and filings with the Canadian securities authorities and the U.S. Securities and Exchange Commission. Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those predicted.

-30-

For further information

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3/7 Thurs. 8:30
722 JP



"Parker, Kyle" <KParker@PattonBoggs.com>
03/05/2002 11:31:15 AM

Record Type: Record

To: Virginia Stephens/CEQ/EOP@EOP
cc:
Subject: RE: confirmation of 8:30 Thursday morning.

Virginia --

Following are the people I will have with me on Thursday. Thank you again for your time. I look forward to meeting you. -- Kyle.

Andy Popko -- Vice President Aboriginal Affairs
Steve Harding -- Exploration Manager, New Ventures
Kevin Bolton -- Land Manager, Alaska New Ventures and Corporate Secretary
Anita O'Brien -- Manager, New Ventures
Mark Schindler -- President & CEO, Lynx Enterprises

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To learn more about our firm, please visit our website at <http://www.pattonboggs.com>.



Elizabeth A. Stolpe

03/01/2002 09:43:50 AM

Record Type: Record

To: Virginia Stephens/CEQ/EOP@EOP

cc:

Subject: AEC Oil & Gas (USA) Inc.

VA - here's the meeting I asked you about yesterday. Let me know if you can do it - or you can email Kyle back directly. You're a peach. Thanks. E.

----- Forwarded by Elizabeth A. Stolpe/CEQ/EOP on 03/01/2002 09:43 AM -----



"Parker, Kyle" <KParker@PattonBoggs.com>

02/28/2002 10:18:48 PM

Record Type: Record

To: Elizabeth A. Stolpe/CEQ/EOP@EOP

cc:

Subject: AEC Oil & Gas (USA) Inc.

907-263-6330

Elizabeth --

Thank you for suggesting a meeting with Virginia ("VA") Stevens. The client I have coming to town is AEC Oil & Gas (USA) Inc., the US subsidiary of Alberta Energy Company (AEC). Ms. Stevens may find that AEC's Alaska projects are a good case study for her charge of severing the "Gordian Knot" of federal permitting. [So, if she is successful, will the President designate her "Virginia the Great"?].

AEC is one of North America's largest independent oil and gas companies. AEC ranks first in natural gas production in Canada, and fifth among independent producers in North America. AEC is a major gas storage developer and a pipeliner of conventional, synthetic and heavy oil. AEC's operations are in Ecuador, Argentina, Australia, the United States (primarily the Rocky Mountains and Alaska), and the Caspian Sea.

In Alaska, in addition to its significant state land holdings (primarily gas prospects in the North Slope Foothills), AEC is working to explore and develop the McCovey Prospect, which is located in federal waters 15 miles north of Prudhoe Bay. During the winter drilling season 2002-2003, AEC, together with Phillips Alaska and Chevron, plans to drill an exploratory well at McCovey. AEC currently is working to permit its exploratory operations for McCovey. There are a total of 24 federal permits/authorizations required from six different federal agencies for AEC's exploratory operations at McCovey. State and local government

permits/authorizations also are required (not to mention federal coordination with the state Coastal Zone Management Act). If its exploratory operations are a success, a similar number of federal and state approvals will be required for AEC's production operations. Sounds like fun, doesn't it?

I know that AEC would welcome the chance to meet with Ms. Stevens. While we have not had any significant difficulties with permit reviews thus far, AEC does have a compelling story to tell about its experience permitting this project as compared to permitting projects in Canada or elsewhere in the world.

We are open for a meeting with Ms. Stevens any time late Wednesday morning (9:30-lunch), Thursday morning (8:00-10:30) or Thursday early afternoon (12:00-2:00). Please let me know what will work best for her.

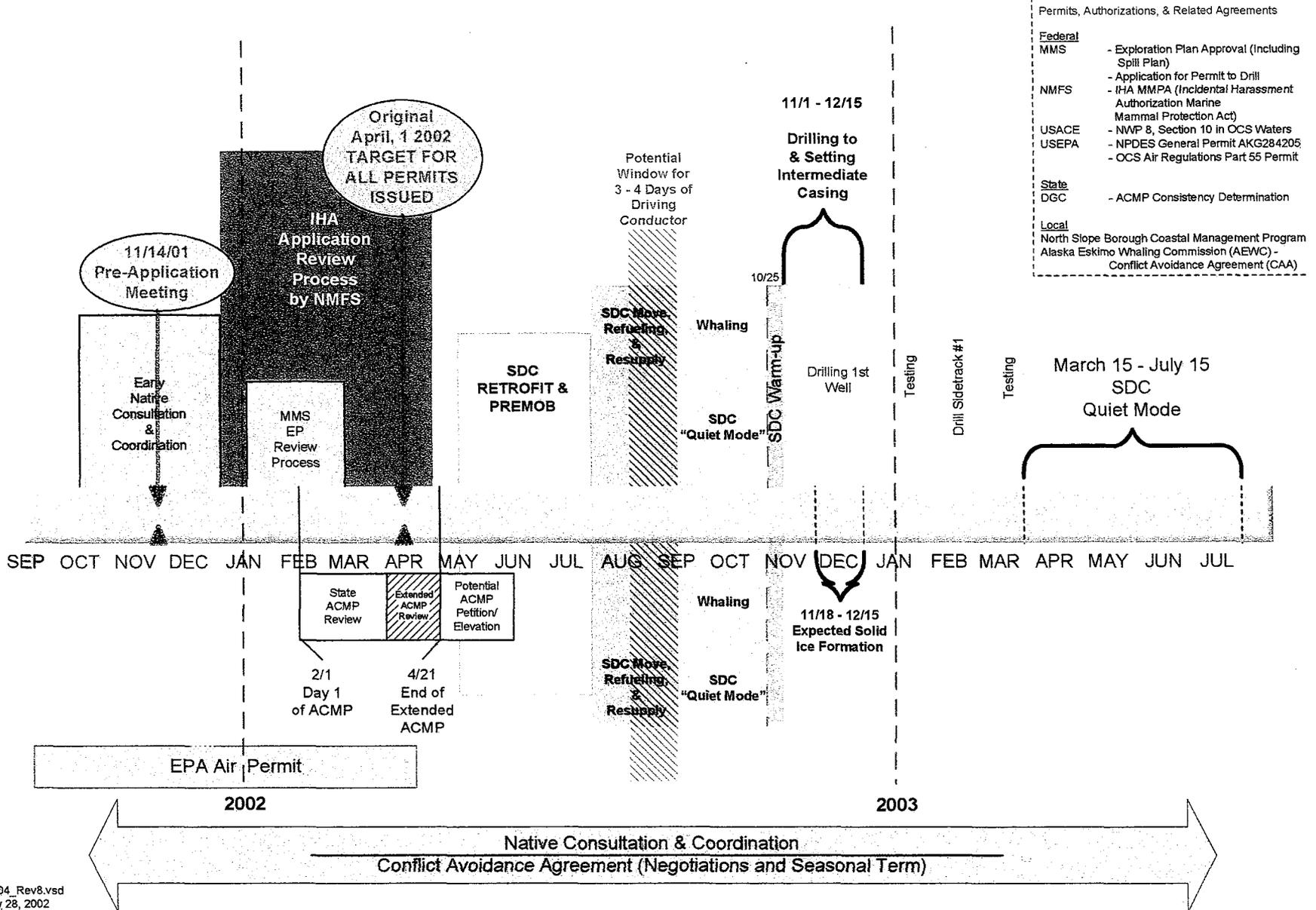
Speak with you soon. -- Kyle.

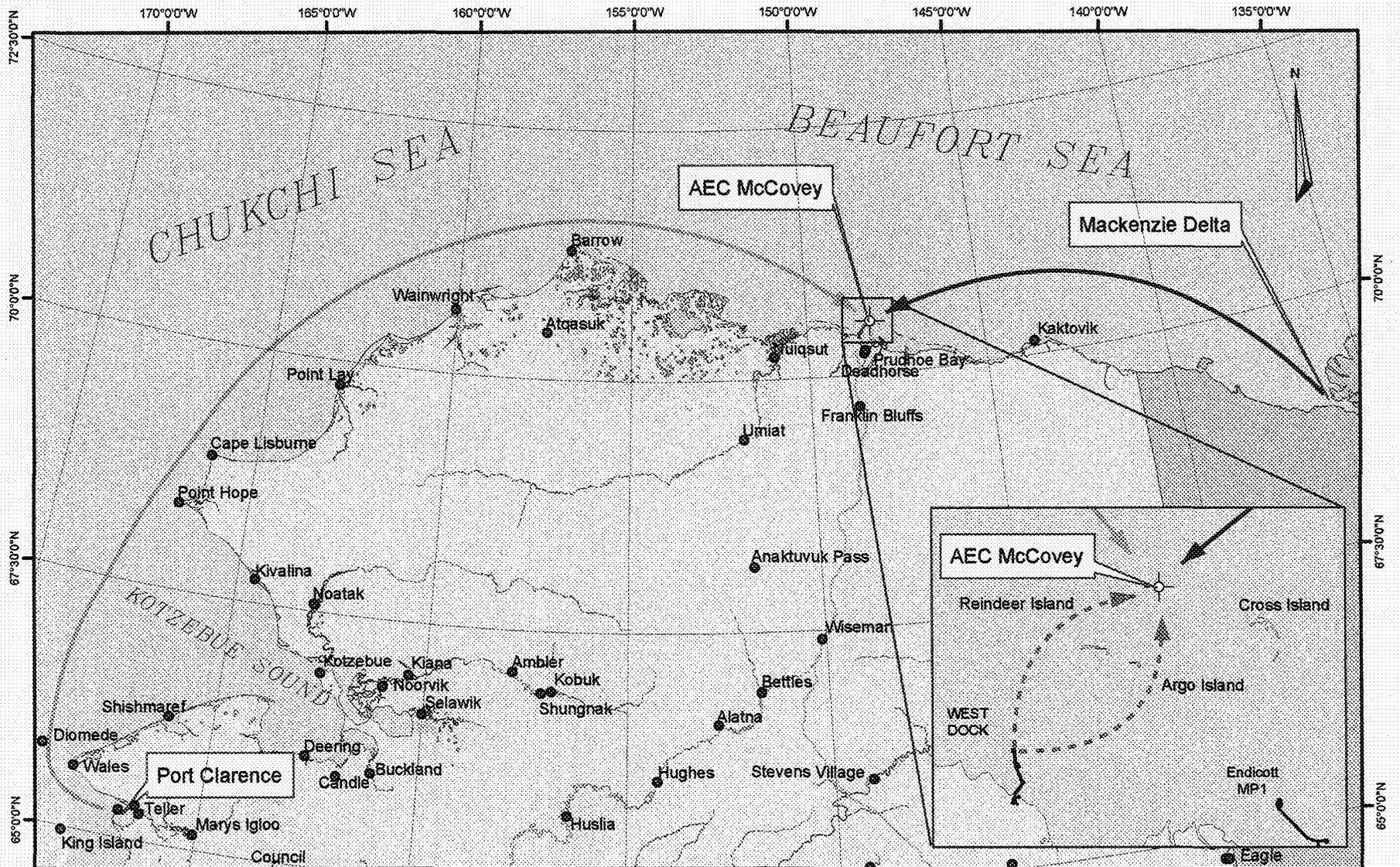
PS -- How is Ed Ingle doing? Have you seen him lately?

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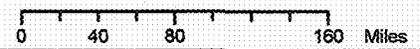
To learn more about our firm, please visit our website at <http://www.pattonboggs.com>.

McCovey 2002/2003 Winter Exploration Drilling Timeline: SDC Mobile Offshore Drilling Unit





Horizontal Datum NAD 27, coordinate system Alaska Equal Area Conic



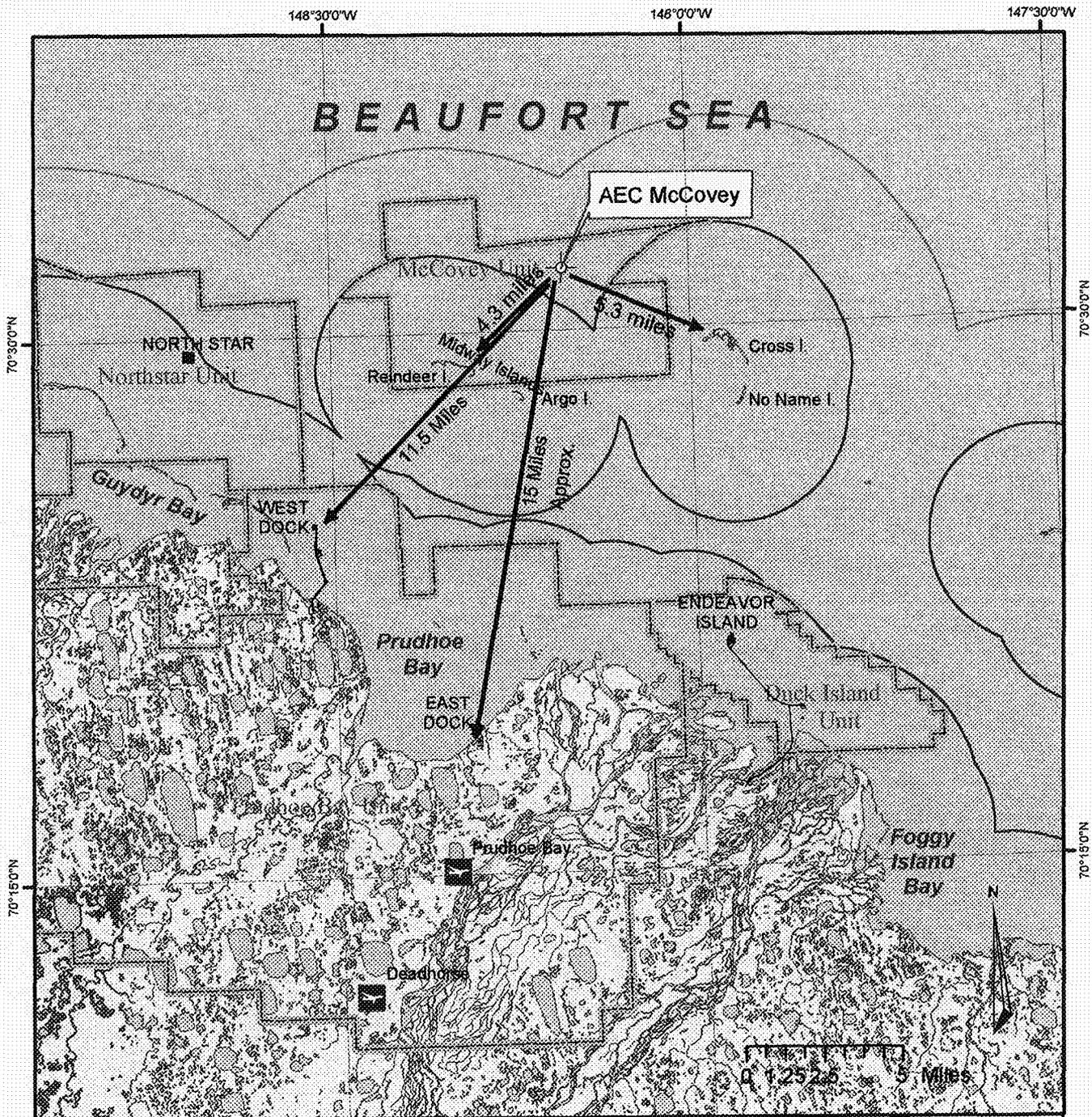
- AEC McCovey Well site
- Path of SDC
- Path of Fuel
- Path of Supply Barges from West Dock (Subject to review by AEWC)
- Trans Alaska Pipeline



Mobilization Path of SDC to
AEC McCovey Well site
ROUTE MAP

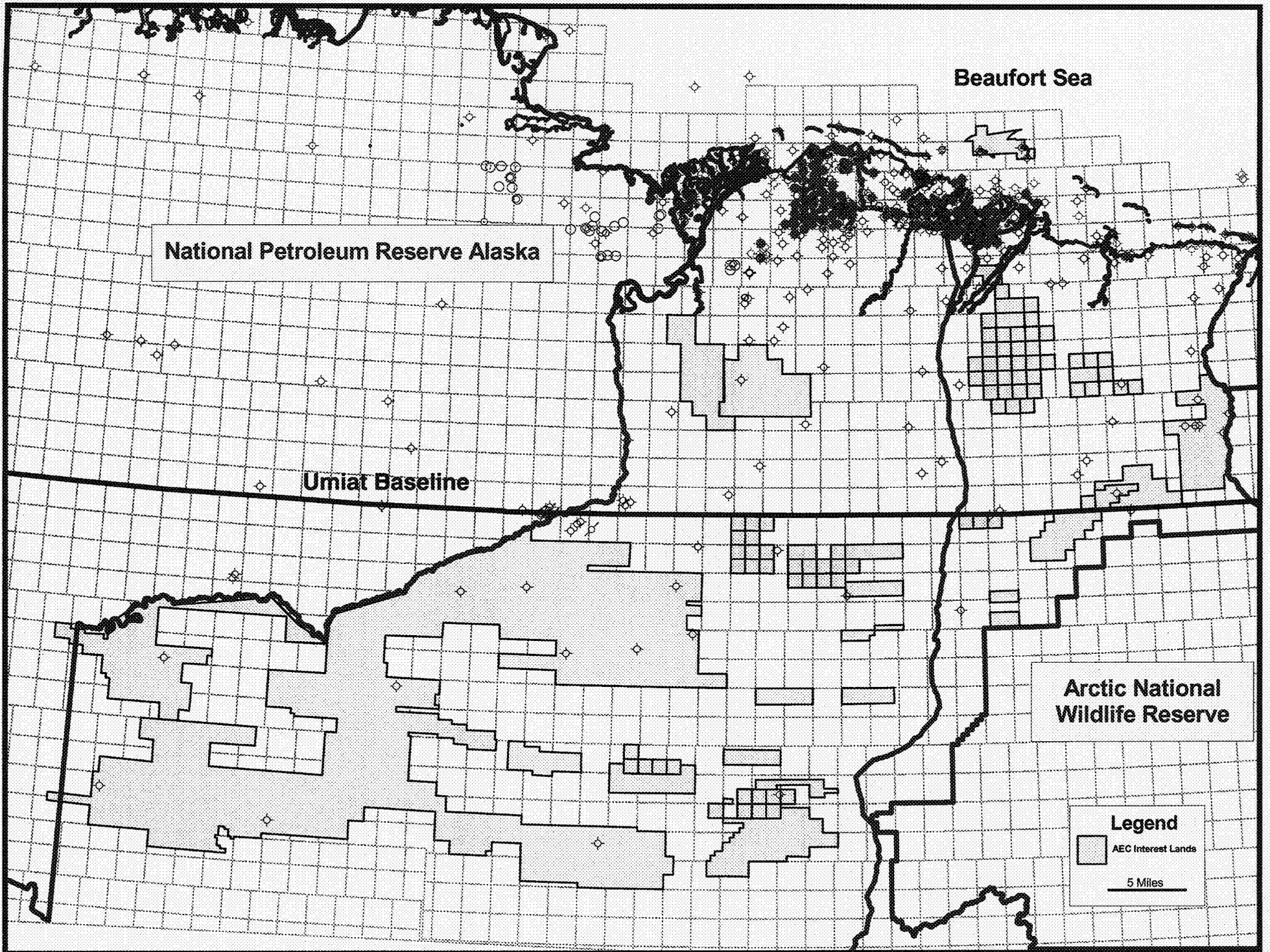
SCALE:
1 inch equals 100 miles

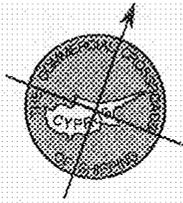
FIGURE:
N/A



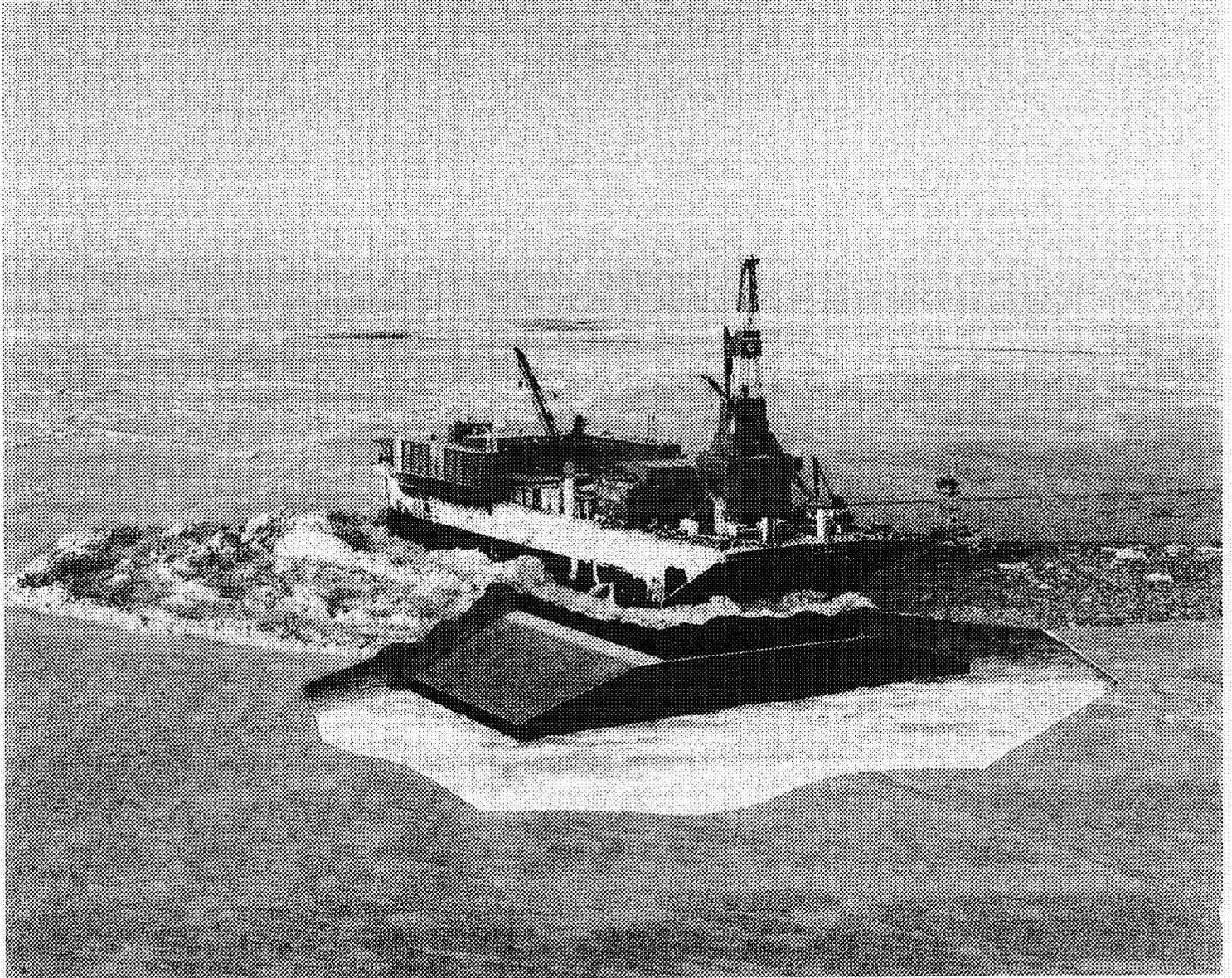
Horizontal Datum NAD 27, coordinate system Alaska State Plane Zone 4. Hydrology derived from 1:63360 USGS DLG Data.

<ul style="list-style-type: none">  Proposed Exploration Well Location  8(g) Boundary  Alaska Seaward Boundary  Oil & Gas Units 	
AEC McCovey Exploration Prospect SITE MAP	
1 inch equals 5 miles	FIGURE:





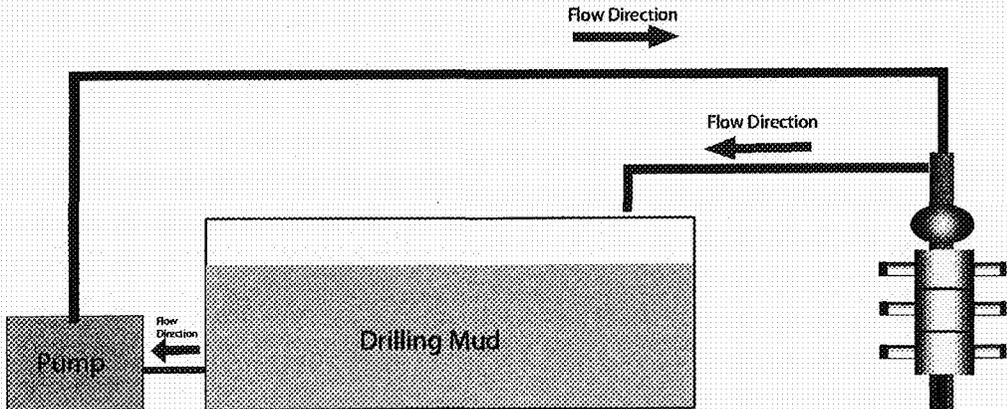
SEATANKERS MANAGEMENT CO. LTD.



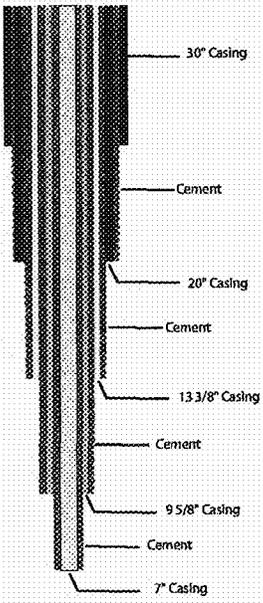
SDC

Bottom Founded Arctic Drilling Platform

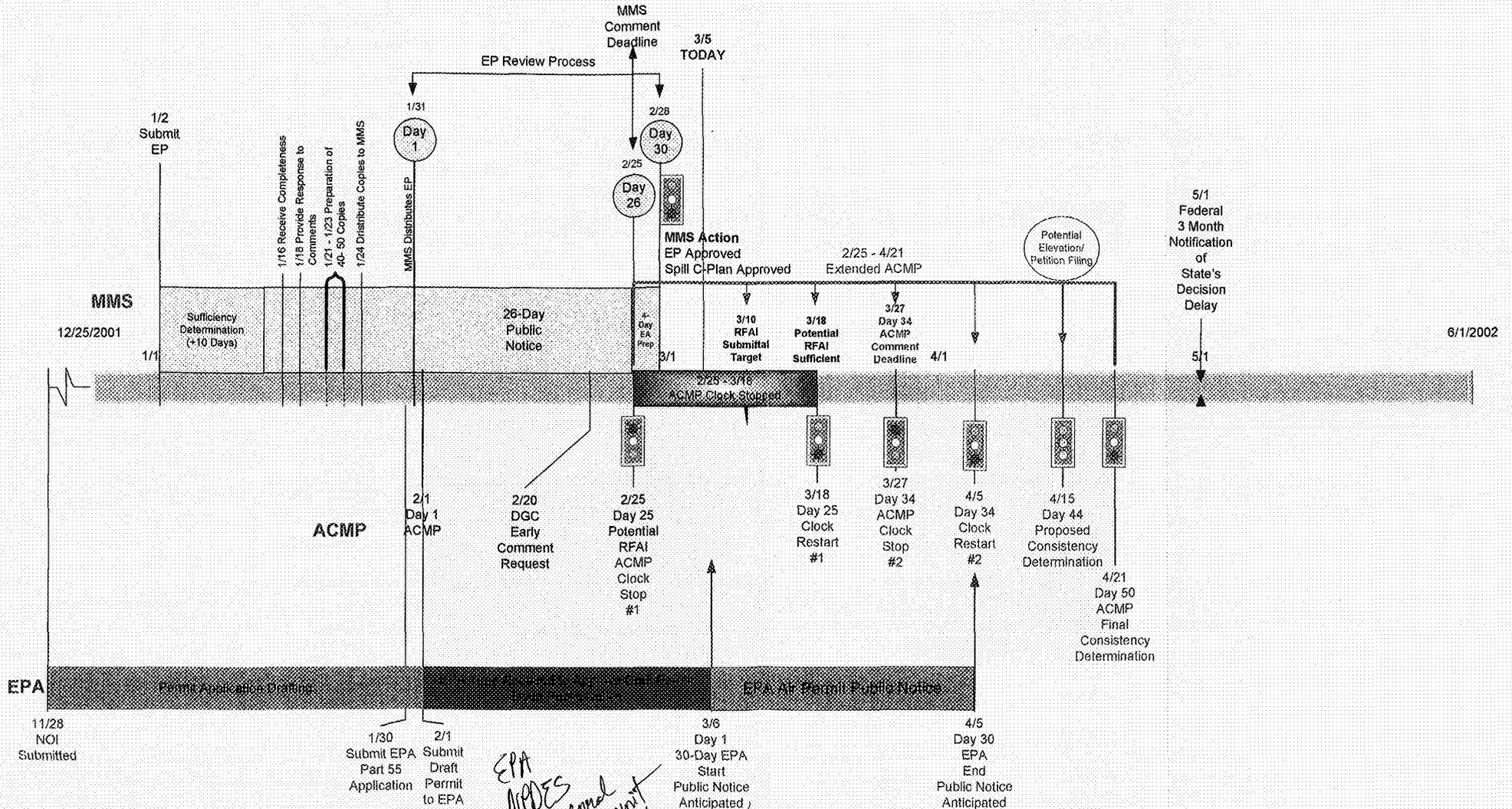
AEC McCovey: Casing Schematic & Mud System



WELL BORE



U.S. Mineral Management Service (MMS), Alaska Coastal Management Program (ACMP), and
 U.S. Environmental Protection Agency (EPA) Air Permit Review Processes





AEC Oil & Gas (USA) Inc. In Alaska

AEC acquired its interest in McCovey by virtue of its Agreement with Phillips Alaska, Inc. and Chevron USA, Inc.

AEC expanded its acreage holdings in Alaska in 2001 to approximately 1,300,000 net acres:

- 33.33% interest in approximately 3,340,000 acres (1,113,333 net acres, ASRC lands) and a 50% interest in 177,920 acres (88,960 net acres, State) in the Alaskan foothills;
- a 32.5% interest in approximately 271,100 acres (100,000 net acres) along the Alaskan North Slope;
- through future drilling a 33.33% interest in the McCovey prospect offshore from the Prudhoe Bay oilfield;
- 30% in the Grizzly Gomo prospect south of Kuparuk; and
- and 18% interest in a new prospect (Heavenly) adjacent to, and immediately east of Grizzly Gomo.

The McCovey, Grizzly Gomo and Heavenly prospects are scheduled to be drilled in 2002.



AEC AND PANCANADIAN TO MERGE:
EnCana Corporation
A FLAGSHIP CANADIAN-HEADQUARTERED,
WORLD-CLASS INDEPENDENT OIL AND GAS COMPANY

Gwyn Morgan

President and Chief Executive Officer

Alberta Energy Company Ltd.

Michael Grandin

President

PanCanadian Energy Corporation

Credit Suisse First Boston
2002 Energy Summit
Vail, Colorado
February 5th - 10th, 2002

ADVISORY

In the interest of providing Alberta Energy Company Ltd. ("AEC") and PanCanadian Energy Corporation ("PanCanadian") shareholders and potential investors with information regarding each Company, including management's assessment of each Company's future plans and operations, certain statements and graphs throughout this presentation are 'forward-looking statements', within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, and represent each Company's internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the Companies' future economic performance.

The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties which may cause each Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: volatility of oil and gas prices; fluctuations in currency and interest rates; product supply and demand; market competition; risks inherent in each Company's marketing operations; imprecision of reserves estimates; each Company's ability to replace and expand oil and gas reserves; each Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; each Company's ability to access external sources of debt and equity capital; the risk that the companies' businesses will not be integrated successfully and that the anticipated synergies will not be realized; costs related to the proposed merger; failure of the AEC or PanCanadian shareholders or the court to approve the proposed merger; failure to obtain any required regulatory approvals for the proposed merger; and such other risks or uncertainties described from time to time in each Company's reports and filings with the Canadian securities authorities and the U.S. Securities and Exchange Commission.

Accordingly, shareholders and potential investors are cautioned that events or circumstances could cause actual results to differ materially from those predicted.

Gas to oil conversion ratio 6:1 throughout.



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Outline

- ❖ Transaction Summary
- ❖ Strategic Rationale
- ❖ Value Creation
- ❖ High Quality, World-Class Assets
- ❖ Financial Highlights
- ❖ Summary

Transaction Summary

- ❖ Merger of equals
- ❖ Exchange ratio:
 - ✓ Each AEC common share exchanged for 1.472 PanCanadian common shares
- ❖ Pro forma equity ownership:
 - ✓ Approximately 54% PanCanadian / 46% AEC
- ❖ Subject to shareholder, court & regulatory approvals
 - ✓ Mail information circular - late February
 - ✓ Shareholder approvals - early April
 - ✓ Court / regulatory approvals - early April
- ❖ Corporate headquarters: Calgary, Alberta
- ❖ EnCana Corporation: Listed on TSE & NYSE

What is a "Merger of Equals"?

- ❖ The bringing together of two companies on the basis of the established market value of their shares
- ❖ The creating of incremental shareholder value, distributed equally through synergies, strategic fit, lower cost-of-capital and enhanced opportunities
- ❖ Shareholders of both companies win through superior long-term performance - there is no loser
- ❖ "Merger of Equals" builds long-term value
- ❖ AEC / PanCanadian is a "Merger of Winners"

Strategic Rationale

EnCana Corporation

Vision:

Create a World-Class "Super-Independent" with:

- ✓ Superior asset base
- ✓ Core competencies
- ✓ Financial strength
- ✓ Proven leadership

TO BE BEST OF CLASS

Superior Asset Base

- ❖ Combines the two leading Canadian E&P companies
- ❖ High quality, long life, low cost and diverse legacy assets
- ❖ Strong position in key hydrocarbon basins in North America
- ❖ Focused international exploration and development
- ❖ Visible superior short, medium and long term internal growth
- ❖ Midstream assets generate cash profits and enhance the returns to the upstream business

EnCana's Core Competencies

- ❖ Tight, multi-zone gas exploitation
- ❖ Exploration success
- ❖ Thermal recovery expertise
- ❖ Low cost operator
- ❖ Low cost driller
- ❖ Energy services, gas storage and pipelines
- ❖ Proven value creation via acquisition

Financial Strength

- ❖ Accretive on earnings to AEC
- ❖ Accretive on cash flow to PanCanadian
- ❖ Anticipated synergies of more than US\$300 million annually
- ❖ More consistent operating and financial results going forward due to quality, diversity and reliability of asset base
- ❖ Strong equity market position will lead to a lower cost of capital
- ❖ Greater financial flexibility to pursue future opportunities

Proven Leadership

- ❖ Board composition to include equal number of AEC and PanCanadian directors
 - ✓ 8 each
- ❖ Chairman: David O'Brien (non-executive)
- ❖ President and CEO: Gwyn Morgan

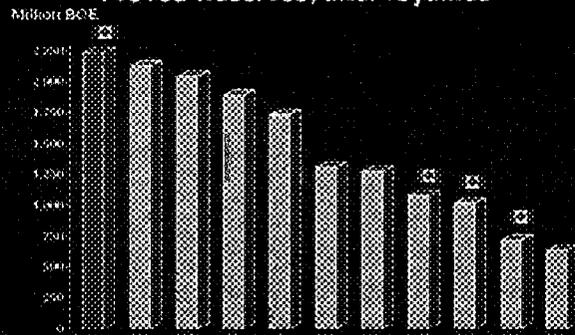
EnCana - A Best of Class Independent

	Rank Among Independents
Proved Reserves	#1
Total Production (2002F)	#1
Undeveloped Land (Net)	#1
Natural Gas Production (2002F)	#1
Cost Structure	#1
Enterprise Value (Jan. 25)	#1
Balance Sheet	Positioned for Growth

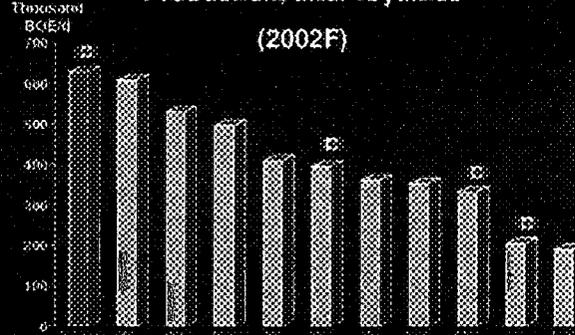
* All references to EnCana pro forma and peer data are year-end 2000 adjusted for acquisitions, unless otherwise noted.

EnCana - A Best of Class Independent

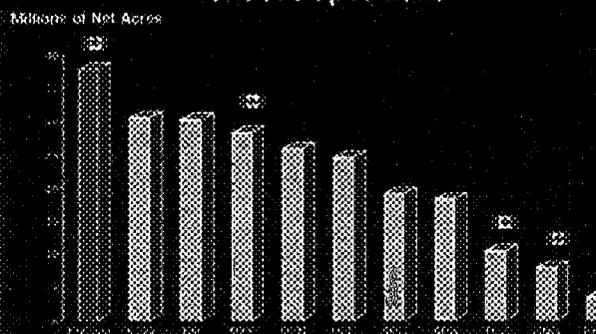
Proved Reserves, after royalties



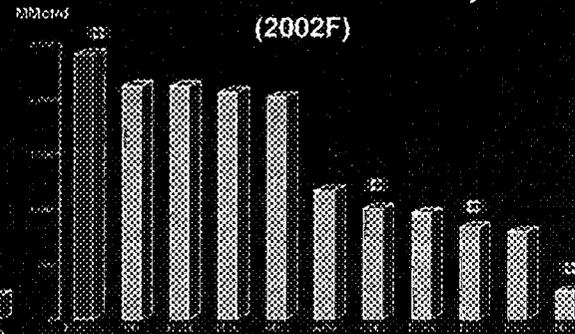
Production, after royalties (2002F)



Undeveloped Land

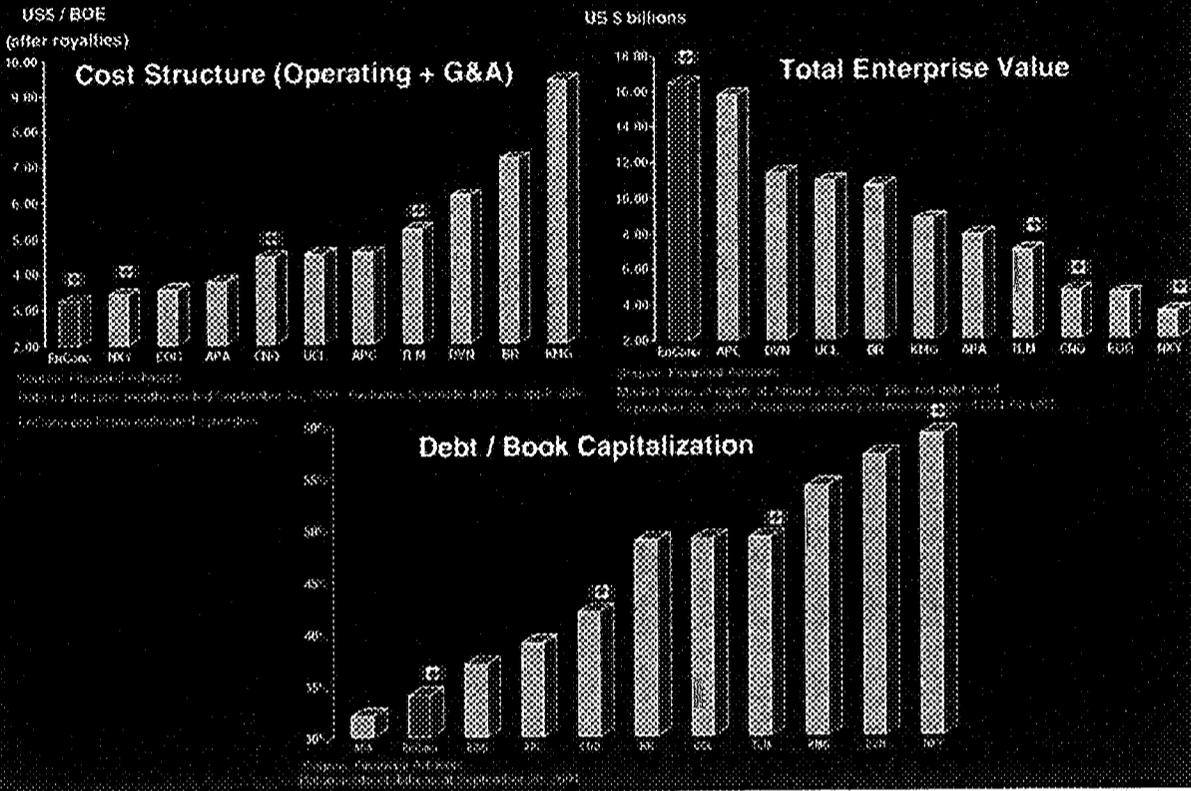


Natural Gas Production, after royalties (2002F)



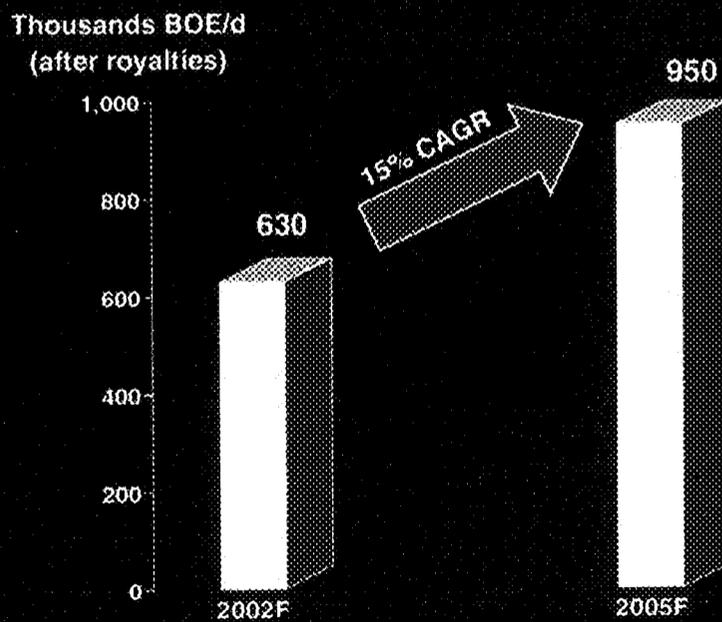
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EnCana - A Best of Class Independent

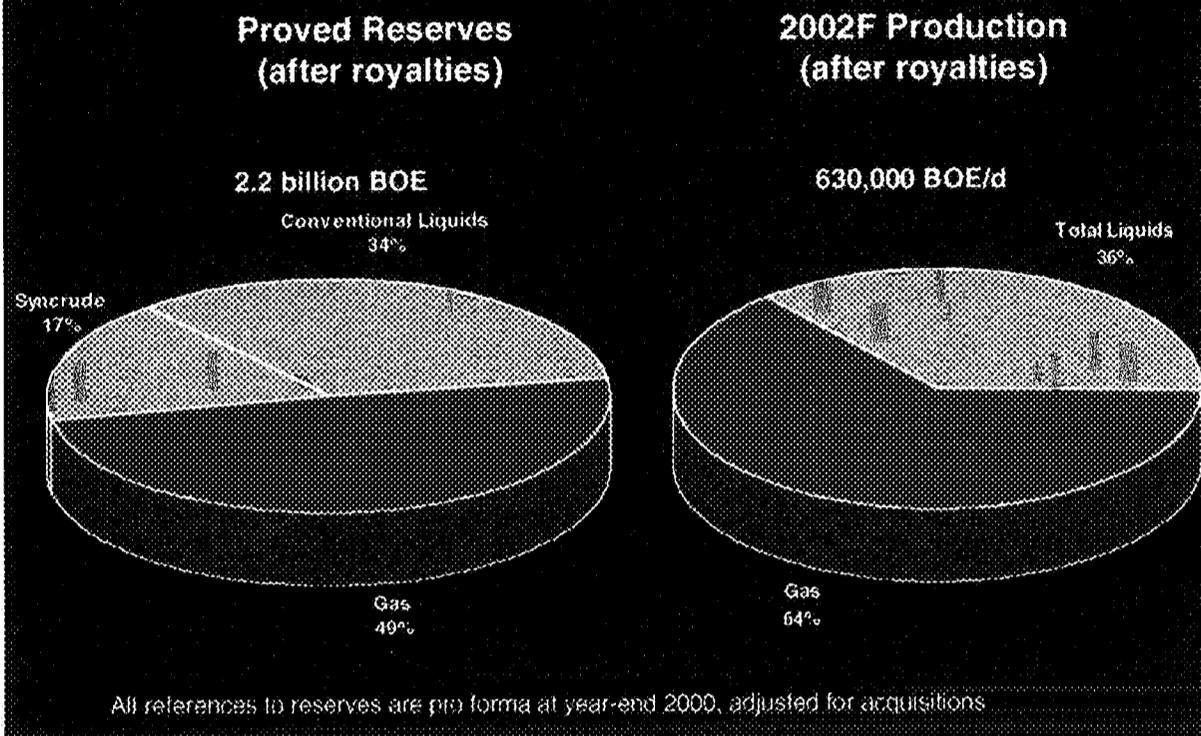


A Leading North American Internal Growth Profile

Total Pro Forma Production - Existing Assets



Balanced Commodity Mix



The Leadership

- ❖ A leadership team with the proven track record and skills to build a Super-Independent
- ❖ A common operating philosophy and vision of growth, value and performance
- ❖ Complementary skills and best-in-class operating approach
- ❖ A demonstrated ability to successfully integrate a large strategic transaction

Value Creation - Key Drivers

- ❖ Integration of AEC and PanCanadian will be facilitated by excellent strategic fit of assets and core competencies
- ❖ Complementary growth strategies - short, medium, long term
- ❖ Expanded scope, scale and reach will generate broader opportunities
- ❖ Stronger opportunity set will drive superior capital returns
- ❖ Superior financial flexibility at an opportune time in the industry cycle
- ❖ Anticipated synergies of more than US\$300 million

Organizational Philosophy People and Performance

- ❖ Decentralized divisional / business unit structure
- ❖ Small, low cost head office which focuses on divisional success
- ❖ Knowledge sharing across divisions / units
- ❖ Accountability at all levels
- ❖ Performance based compensation
 - ✓ Clearly defined financial / operating targets
- ❖ Share participation by all employees

Swift Integration of Two Great Companies

- ❖ Momentum will be maintained
- ❖ Integration period will be swift
- ❖ Merger structure and transition leaders announced early February

High Quality Complementary Assets

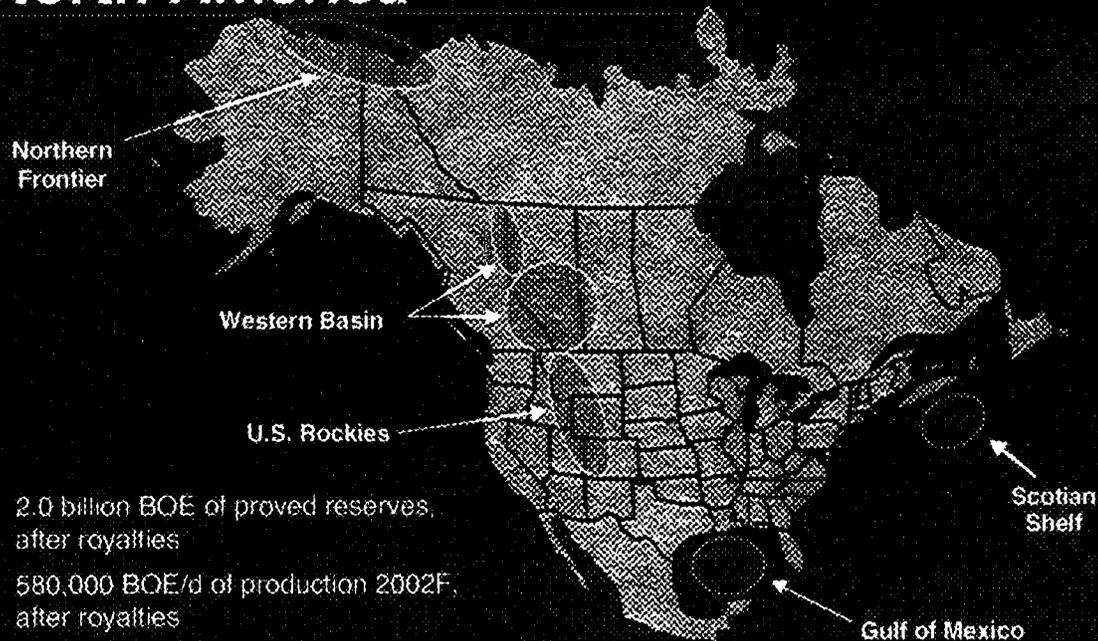
- ❖ 6.6 Tcf of proved natural gas reserves
 - ✓ 2.4 Bcf/d of production (2002F)
- ❖ 1.1 billion barrels of proved oil / NGLs reserves
 - ✓ 230,000 bbls/d of production (2002F)
- ❖ Long reserve life (proved RLI is 10 years)
- ❖ Significant upside - unbooked reserves
 - ✓ Buzzard, SAGD, Panuke, coal bed methane

Note: Reserves and production numbers are after royalties,
reserves are pro forma at year-end 2000, adjusted for acquisitions

High Quality Complementary Assets

- ❖ High working interest >85%
- ❖ Low cost structure
- ❖ Superior visible near, mid and long-term internal growth prospects
- ❖ Midstream and Energy Services advantage

Pre-eminent Asset Base in North America



- ✓ 2.0 billion BOE of proved reserves, after royalties
- ✓ 580,000 BOE/d of production 2002F, after royalties
- ✓ 23 million net acres undeveloped land
- ✓ 90 % of production and reserves from North America

Pre-eminent Asset Base in North America



Canada

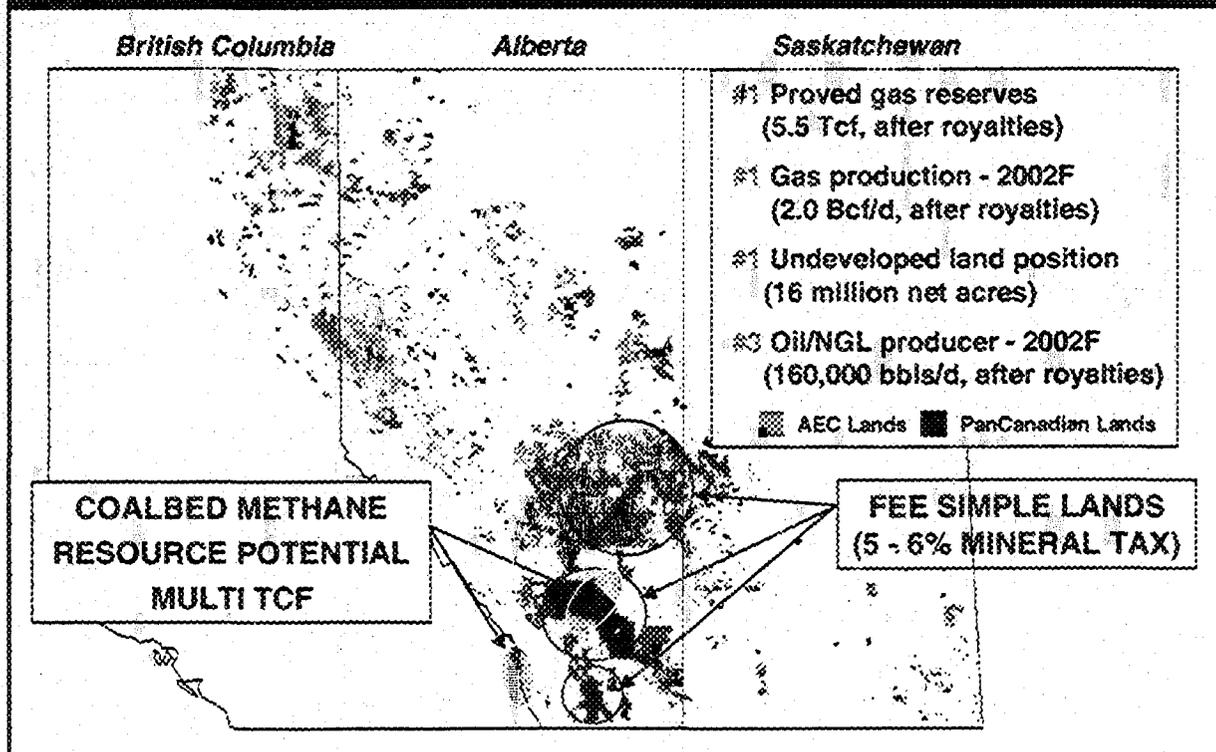
- ✧ Combines Western Canada's highest quality legacy assets
- ✧ Canada's largest gas producer and independent storage company
- ✧ Largest exploration land base in Western Canada and second largest in the Scotian Shelf
- ✧ Leading in-situ oil sands development and pipeline transportation
- ✧ Combines strong East Coast natural gas position with Northern gas potential
- ✧ Combines two highest potential Coalbed Methane positions



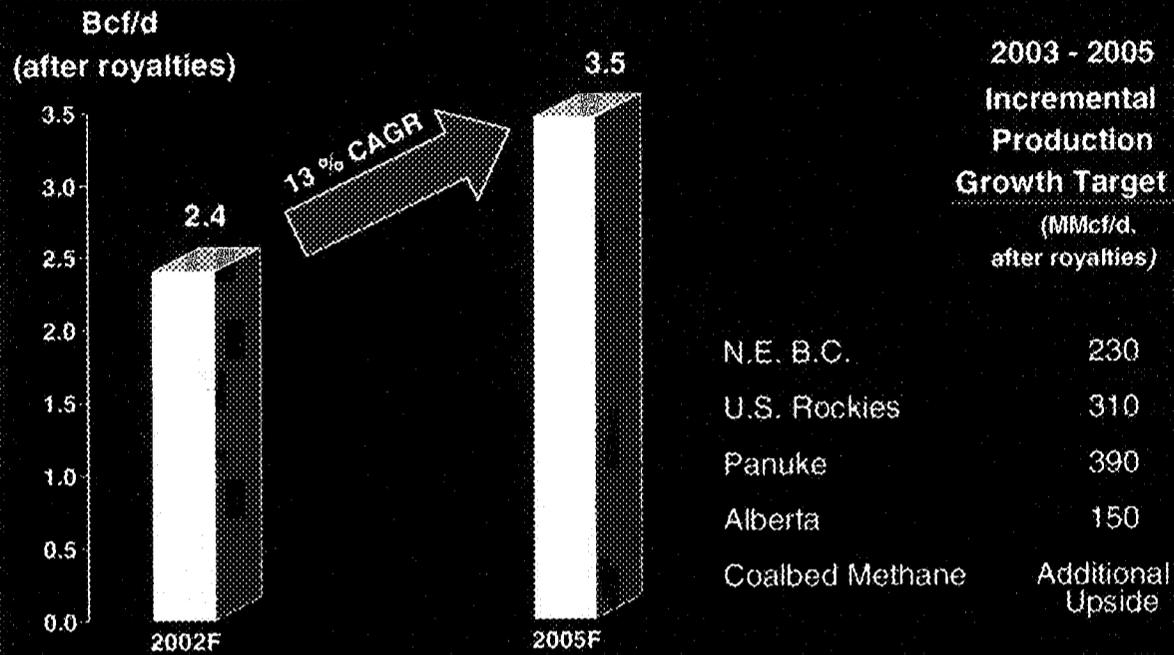
United States

- ✧ Combines two strong high growth U.S. Rockies gas positions
- ✧ Significant deepwater Gulf of Mexico exploration
- ✧ Growing gas storage and pipeline transportation

Strongest Position in the Western Canadian Basin



North American Natural Gas Growth



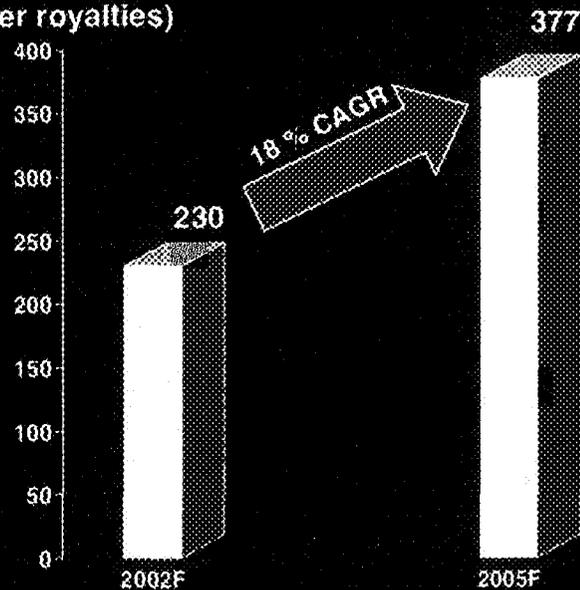
A Pre-eminent Natural Gas Position

- ❖ North America's largest independent gas producer
 - ✓ 2.4 Bcf/d of production, after royalties (2002F)
 - ✓ 6.6 Tcf of proved reserves, after royalties
- ❖ Strong growth, low cost and lowest royalty rates
- ❖ Largest independent gas storage operator in North America
- ❖ Unparalleled exploration potential
 - ✓ Largest land base in Western Canadian Basin (16 million net undeveloped acres)
 - ✓ Major U.S. Rockies explorer
- ❖ World-class potential from offshore East Coast Canada
 - ✓ Second largest land position in Scotian shelf
 - ✓ Forecast production of 390 MMcf/d, after royalties, in 2005
- ❖ High potential coalbed methane holdings
 - ✓ Canada's leading pilot projects
 - ✓ Multi Tcf estimated potential

Superior Oil Growth

Oil and NGLs Production

Thousand bbls/d
(after royalties)



2003 - 2007
Incremental
Production
Growth Target
(bbls/d. after
royalties)

Ecuador	36,000
Syncrude	22,500
SAGD (Foster Creek, Christina Lake)	100,000
Buzzard	75,000+

High-Impact Oil Growth - North America



Canada

- ❖ Syncrude - sustainable long-term growth
 - ✓ Growing from 2002 forecast of 32,000 to 52,000 bbls/d. after royalties, over 5 years
 - ✓ 384 million barrels proved reserves
- ❖ Low cost, high growth SAGD projects
 - ✓ Growing from 2002 forecast of 20,000 to 120,000 bbls/d. after royalties, over 5 years
- ❖ Cold Lake / Express pipelines strategically positioned for growth



U.S. - Gulf of Mexico

- ❖ Llano oil discovery onstream early 2004
- ❖ Hold interests in 200+ offshore blocks

High-Impact Oil Growth - International



United Kingdom

- ✦ Largest discovery in U.K. Central North Sea in the past decade
 - ✓ Buzzard has 180 million barrels estimated recoverable (net, after royalties)
 - ✓ Significant upside in portion of acreage yet to be delineated



- ✦ Largest private sector oil producer in Ecuador
 - ✓ OCP pipeline - unlocking value in Ecuador
 - ✓ Ecuador production forecast to double in 2003
 - > 72,000 bbls/d after royalties estimated post OCP startup



New ventures exploration

- ✦ 13 million net acres undeveloped land

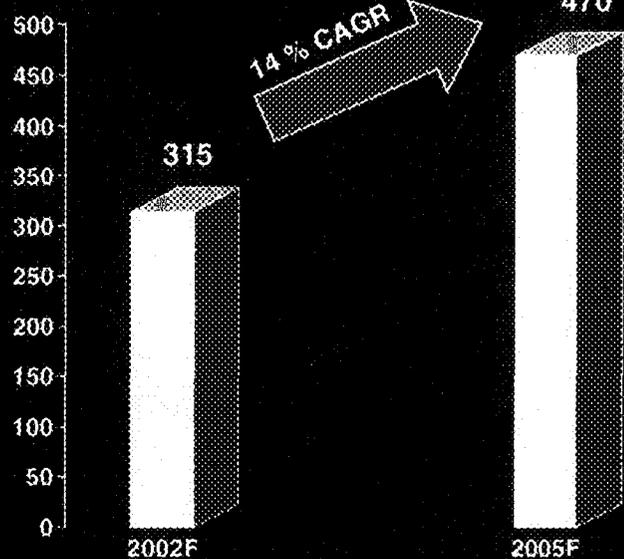
Midstream and Energy Services Advantage

- ✦ High quality asset base
- ✦ Entrepreneurial non-utility growth business
- ✦ Growing low-risk cash flow
- ✦ Strong risk management systems in place
- ✦ Adds value to upstream assets

Midstream and Energy Services A Growth Business

Operating Cash Flow

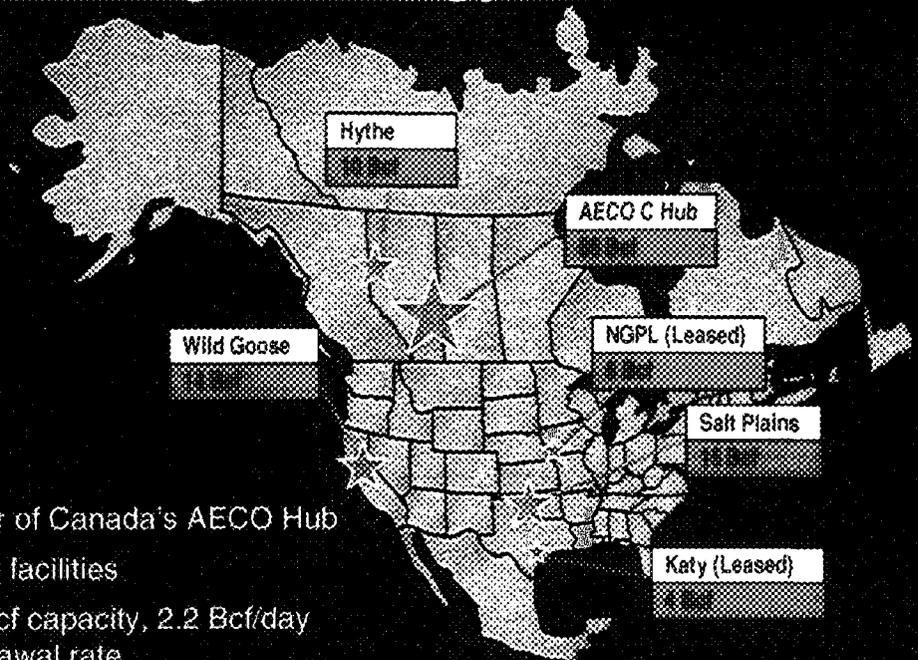
US\$ Million



Growth Targets

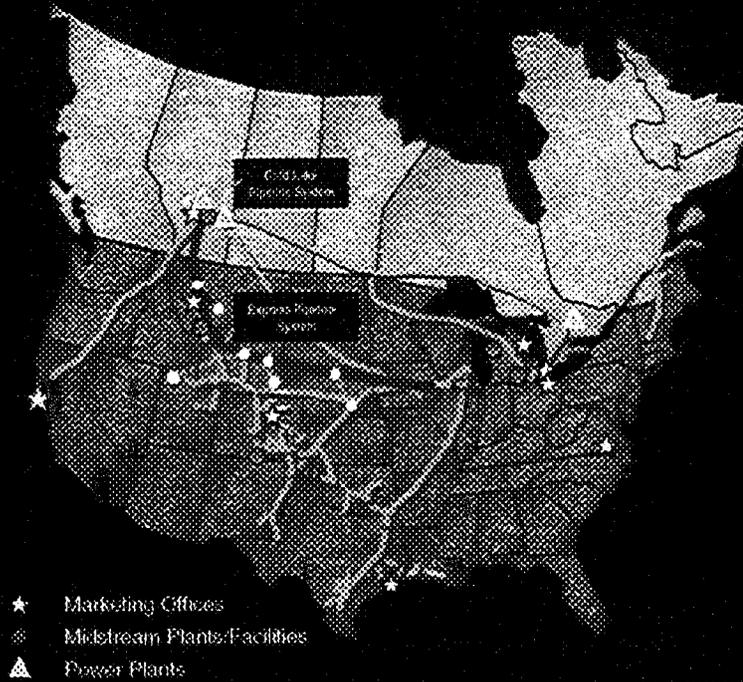
- ✓ OCP on-stream Q2 2003
- ✓ Wild Goose expansion to 29 Bcf
- ✓ Alberta gas storage expansion to 128 Bcf
- ✓ Express expansion to 280,000 bbls/d

The Only Independent Producer with a Gas Storage Strategy



- ✓ Owner of Canada's AECO Hub
- ✓ 4 U.S. facilities
- ✓ 133 Bcf capacity, 2.2 Bcf/day withdrawal rate

The Independent Producer with a Midstream & Energy Services Advantage



SIZE, SCALE & SCOPE

Marketing

2002 target for marketed natural gas of 5.5 Bcfd
 This volume would place EnCana among the top 10 to 15 natural gas marketers in North America

2nd largest natural gas liquids marketer in Canada

Oil Pipelines

The major oil transporter from Alberta's oilsands region

Total throughput capacity 400,000 bbls/d

Financial Impact

2002 forecast per share impact:

	EPS	CFPS
AEC	Accretive	Neutral
PanCanadian	Neutral	Accretive

Source: Pro forma recent IBES estimates, including synergies

Drivers to enhanced shareholder value

- ✓ Choosing the projects with the best returns from a bigger portfolio
- ✓ Strong balance sheet to pursue internal and external growth
- ✓ Rigorous cost control

Target to achieve top valuation in North American peer group

Synergies

- ❖ Choosing the best from a bigger portfolio
 - ✓ Pro forma 2002F investment US\$2.4 billion
- ❖ One-time estimated asset optimization of US\$300 - \$625 million
- ❖ Synergies forecast to be more than US\$300 million per annum:
 - ✓ US\$155 million operating and G&A efficiencies
 - ✓ US\$155 million exploration & development efficiencies (capital allocation in a larger, more diverse opportunity portfolio)
 - ✓ Achieved by 2003

Pro Forma Capitalization

	Pro Forma US\$MM
Net Debt	3,277
Preferred Securities	602
Shareholders' Equity	7,634
Book Capitalization	11,513
Market Value Equity ⁽¹⁾	13,351
Enterprise Value ⁽¹⁾	17,230
Debt / Book Cap.	34%
Debt / Enterprise Value ⁽¹⁾	23%

(1) Share prices at January 25, 2002. Assumes currency conversion rate of C\$1.60/US\$

Note: Balance Sheet Items at September 30, 2001; debt ratio calculations have preferred securities treated as debt

Tax and Accounting Treatment

- ❖ Accounted for as a purchase by PanCanadian
- ❖ Purchase price allocated to reserves, land and midstream assets
- ❖ Goodwill included (approximately US\$1.6 billion)
- ❖ One time estimated transaction costs about US\$110 million capitalized
- ❖ Tax free rollover available to AEC shareholders

A Best of Class Independent Oil and Gas Company

- ❖ High quality assets, strong strategic fit
- ❖ The best North American natural gas story
- ❖ Superior oil growth, domestic and international
- ❖ Sustained, superior internal growth per share
- ❖ Low cost producer
- ❖ Midstream and Energy Services advantage
- ❖ Balance sheet positioned for growth



EnCana Corporation
*A Flagship Canadian-Headquartered,
World-Class, Independent Oil and Gas Company*

Gwyn Morgan

President and Chief Executive Officer

Alberta Energy Company Ltd.

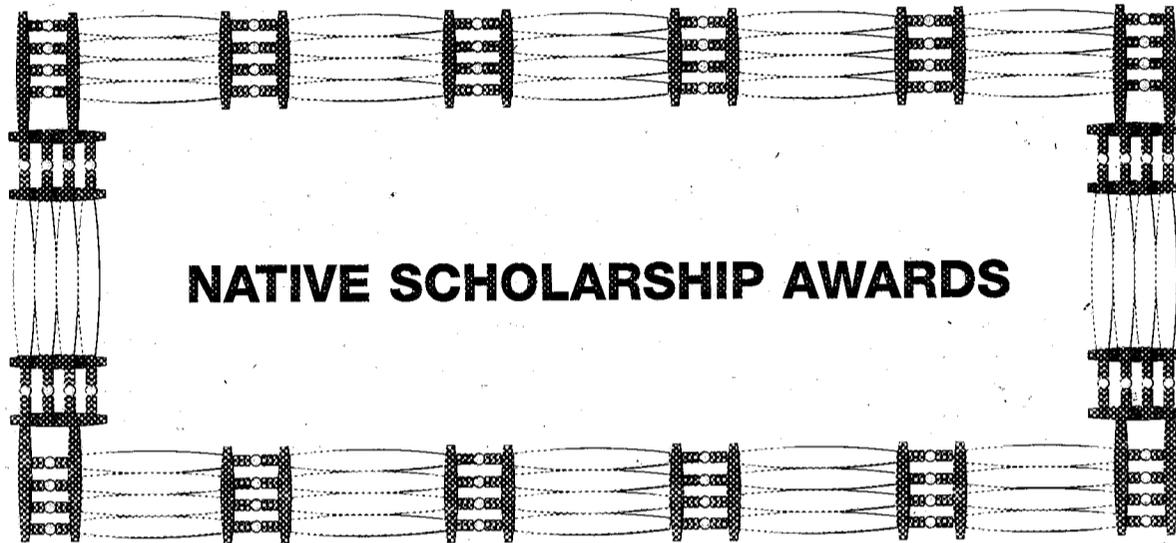
David O'Brien

Chairman and Chief Executive Officer

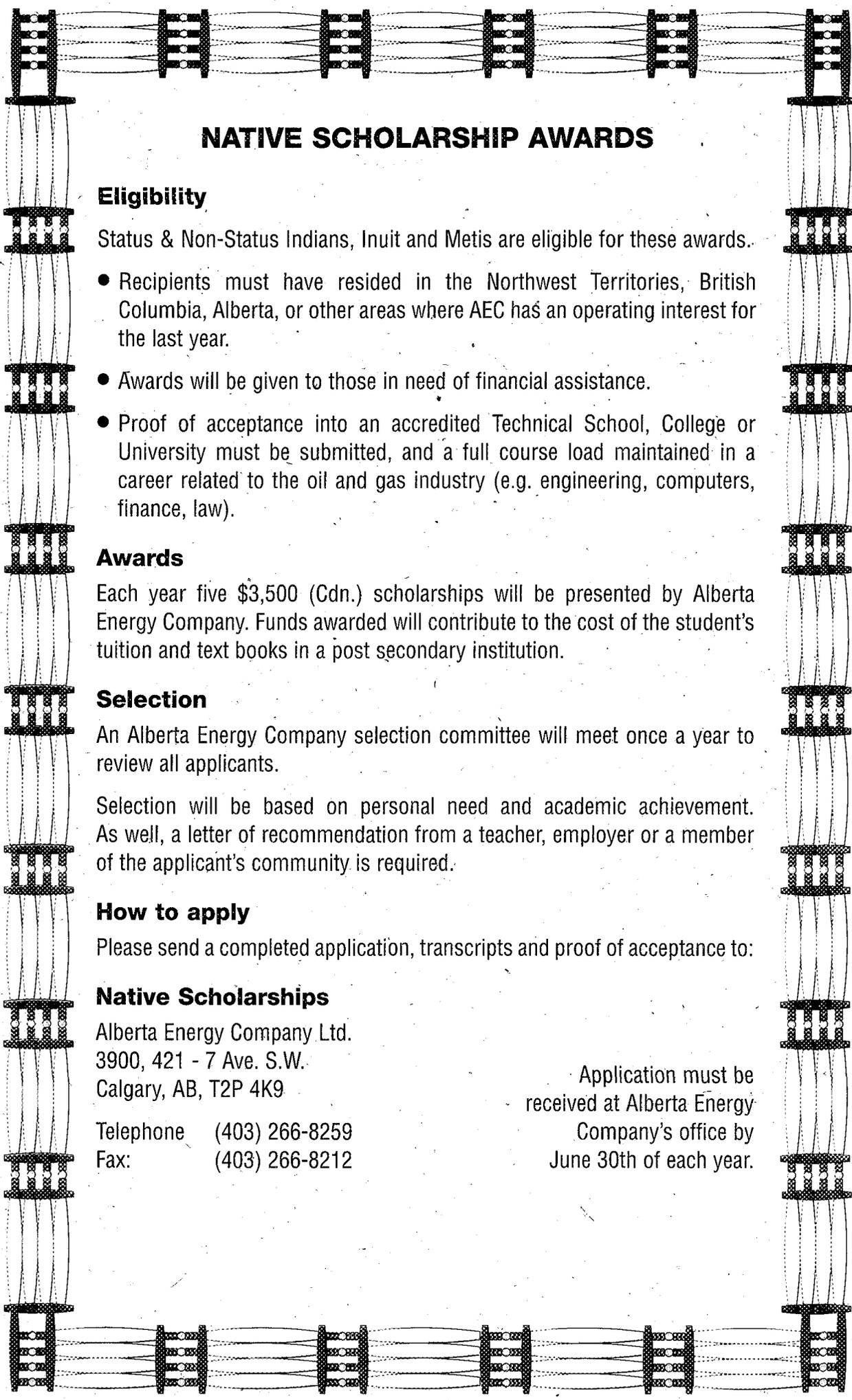
PanCanadian Energy Corporation



ALBERTA ENERGY COMPANY LTD.



NATIVE SCHOLARSHIP AWARDS



NATIVE SCHOLARSHIP AWARDS

Eligibility

Status & Non-Status Indians, Inuit and Metis are eligible for these awards.

- Recipients must have resided in the Northwest Territories, British Columbia, Alberta, or other areas where AEC has an operating interest for the last year.
- Awards will be given to those in need of financial assistance.
- Proof of acceptance into an accredited Technical School, College or University must be submitted, and a full course load maintained in a career related to the oil and gas industry (e.g. engineering, computers, finance, law).

Awards

Each year five \$3,500 (Cdn.) scholarships will be presented by Alberta Energy Company. Funds awarded will contribute to the cost of the student's tuition and text books in a post secondary institution.

Selection

An Alberta Energy Company selection committee will meet once a year to review all applicants.

Selection will be based on personal need and academic achievement. As well, a letter of recommendation from a teacher, employer or a member of the applicant's community is required.

How to apply

Please send a completed application, transcripts and proof of acceptance to:

Native Scholarships

Alberta Energy Company Ltd.
3900, 421 - 7 Ave. S.W.
Calgary, AB, T2P 4K9

Telephone (403) 266-8259
Fax: (403) 266-8212

Application must be
received at Alberta Energy
Company's office by
June 30th of each year.



ALBERTA ENERGY COMPANY LTD.

Name:

First Name

Initial

Last Name

Mailing Address:

Number/Street/P.O. Box

City/Town

Province/State

Postal Code/Zip Code

Phone Number

Status: Status Indian ___ Non-Status ___ American Indian ___ Metis ___ Inuit ___

Band/Tribe or Settlement: (if applicable) _____

Education: (Please attach most recent transcripts)

Post Secondary

Year

Program Completed

High School

Highest Grade

Year

Program of Study

Educational institution to which you have been accepted

Program and Year (1st, 2nd, 3rd, 4th)

Please indicate your reasons for choosing this type of education/career. Please be precise.



ALBERTA ENERGY COMPANY LTD.

Personal Interests/Hobbies

Work Experience:

Begin with your most recent employer.

Employer	Year	Job duties
_____	_____	_____
_____	_____	_____
_____	_____	_____

References: (2 business or academic references, 1 personal reference)

Name	Relationship	Telephone
_____	_____	_____
Address	City/Town	Province/State
_____	_____	_____

Name	Relationship	Telephone
_____	_____	_____
Address	City/Town	Province/State
_____	_____	_____

Name	Relationship	Telephone
_____	_____	_____
Address	City/Town	Province/State
_____	_____	_____

Additional Comments:

Please add any further comments you would like to make regarding your application for consideration for a scholarship award.

The information I have provided in this application is true and complete.

Signature: _____

Date: _____

Please forward to:
Native Scholarships
 3900- 421 - 7 Ave. S.W.
 Calgary, AB
 T2P 4K9

Alberta Energy Company Ltd. (AEC),
 headquartered in Calgary, Alberta, is
 one of Canada's largest oil and gas
 exploration and production companies.

Applications must be received by June 30th of each year.



ALBERTA ENERGY COMPANY LTD.

ABORIGINAL AFFAIRS PRACTICE

Alberta Energy Company is a growing oil and gas company. Headquartered in Calgary, Alberta, AEC is active in exploration, production, marketing and pipeline transportation. AEC's values, developed by our employees, have been integral to the growth and success of the Company and will be reflected in our day-to-day relations with the Aboriginal community. These values include Open Communication, Integrity, Mutual Respect, Trust, and Competitive Shareholder Return.

PRACTICE GUIDELINES

Community Relations

AEC's Community Relations Program will build, enhance and maintain positive relations in the Aboriginal community by:

- Maintaining dialogue between the Company and Aboriginal people to support AEC's values.
- Ensuring timely discussions with local Aboriginal communities on AEC activities which may impact them.
- Considering support to Aboriginal events and programs in areas where AEC is conducting its business.

Employment Opportunities

AEC's Employment and Training Program will attract, retain, and develop qualified Aboriginal employees throughout the Company by:

- Considering summer and co-op employment in both field and office locations
- Promoting industry training and work experience to improve the skills of recruits.

In implementing this practice, AEC policies on purchasing, employment standards, environment, health and safety will be upheld.

Business Opportunities

AEC's activities will encourage the development of community based Aboriginal businesses which benefit both the Aboriginal communities and the Company by:

- Advising local Aboriginal administration of Company activities planned within their communities.
- Maintaining vendor lists of local Aboriginal businesses and personnel who are qualified to provide services for use by AEC.
- Including both qualified Aboriginal and Non-Aboriginal businesses on bid request lists for work on and off reserve or settlement lands. Awarding bid work on a competitive basis having regard for the standard business criteria of acceptable performance record and price.
- Supporting relationships with and between the Aboriginal community and non-Aboriginal businesses and contractors.

Education

AEC will support higher learning by Aboriginal people through educational scholarships, work experience and skill development. AEC's Education Support Program will continue to include financial assistance to accredited institutions and programs related to the Oil and Gas industry that provide training for Aboriginal students.



ANITA M. O'BRIEN
*Manager, New Business Development
 New Ventures - Alaska Project*

AEC Oil & Gas

3900, 421 - 7th Avenue S.W.
 Calgary, Alberta, Canada T2P 4K9
 Email: anitaobrien@aec.ca

Bus: (403) 261-2581
 Fax: (403) 716-2581

AEC Corporate Homepage: www.aec.ca



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 New Ventures - Alaska Project*

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AEC Corporate Homepage: www.aec.ca



Mark Schindler
 President & CEO
*Resolution Plaza
 1029 W. 3rd Ave., Suite 400
 Anchorage, Alaska 99501*

907-277-4611

907-277-4717 (fax) • 907-250-8754 (cell)
 mschindler@lynxalaska.com



ANDREW D. POPKO
*Vice-President, Aboriginal Affairs
 Asset Management*

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STEVE HARDING, P.Geol.
*Exploration Manager
 New Ventures - Alaska Project*

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 Fax: (403) 290-8578
 Cell: (403) 540-6707
 Home: (403) 241-7731

AEC Corporate Homepage: www.aec.ca

ALBERTA ENERGY COMPANY LTD.

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WORLD LEADER IN VALUE PERFORMANCE

A

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G



GROWTH, VALUE, PERFORMANCE

TSE
AEC

NYSE
AOG

Additional information, including copies of the 2000 Alberta Energy Company Ltd. Annual Report, may be obtained from:

ALBERTA ENERGY COMPANY LTD.
Corporate Relations Department
3900, 421 - 7 Avenue S.W.
Calgary, Alberta, Canada T2P 4K9
Phone: 403-266-8271, or
Visit our Website: www.aec.ca

Investor relations' inquiries should be directed to:

BRIAN FERGUSON
Vice-President, Corporate Communications
& Corporate Secretary
Email: BrianFerguson@aec.ca

GREG KIST
Manager, Corporate Relations
Email: GregKist@aec.ca

LISA OTTMANN
Investor Relations Analyst
Email: LisaOttmann@aec.ca

Media inquiries should be directed to:

ALAN BORAS
Manager, Media Relations
Email: AlanBoras@aec.ca