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Via Courier

Alberta Energy & Utilities Board
640 - 5th Ave SW
Calgary, AB T2P 3G4

Attention: Paul Ferensowicz
Energy Team Secretariat

Re: Proceeding No. 1457147
Our Reference: ACL005

The following Reply Submission is provided on behalf of ARC Resources Ltd. ("ARC") in respect of the above-referenced Proceeding.

In response to the Submissions provided by EnCana Corporation ("EnCana") and Carbon Development Partnership ("CDP") on September 15, 2006, ARC relies on and incorporates into this Reply Submission its Submission dated August 25, 2006.

Specifically ARC states as follows:

1. Section 16 of the *Oil and Gas Conservation Act* ("OGCA") requires the Alberta Energy and Utilities Board to determine entitlement to the right to produce coal bed methane ("CBM"). The application of section 16 is mandatory and must be undertaken regardless of any *bona fide* dispute over property interests between private parties.
2. Section 16 of the OGCA does not empower the Board to determine the issue of legal ownership of CBM. Such a determination would involve an application of legal principles of contractual interpretation and therefore lies within the exclusive jurisdiction of the courts.
3. In the alternative, if the Board does have the jurisdiction to decide the issue of CBM ownership, which is expressly denied, ARC rejects the expert report prepared on behalf of EnCana and CDP by Jeffrey R. Lavine dated September 15, 2006. ARC instead adopts the expert report of Matthew J. Mavor dated August 23, 2006, and states that the owner of natural gas pursuant to the terms of a mineral lease is entitled to the right to produce CBM as CBM is in fact conventional natural gas.

ARC makes this Reply Submission in support of a determination by the Board that it lacks the jurisdiction to determine entitlement to CBM beyond that which is allowed pursuant to section 16 of the OGCA, or in the alternative, that entitlement to CBM lies with the gas owner.

Yours truly,
THACKRAY BURGESS



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