

**EXHIBIT 10 – 009 – 2005 – 12 - 06**

*Please note that 101 pages of this Exhibit have been removed from the Web to protect the privacy of the individuals.*

*If you require a copy of the unedited document, please contact:*

EUB Information Services  
640 – 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 3G4

Telephone: (403) 297-8190

**Christie, Brenda**

**From:** Resources Applications [Resources.Applications@gov.ab.ca]  
**Sent:** Tuesday, December 06, 2005 12:40 PM  
**To:** brenda.christie@na.centrica.com; April.Woodward@na.centrica.com;  
iap.administrator@gov.ab.ca  
**Subject:** Application #1433647 has been successfully registered.

Application Number 1433647 has been registered by the EUB:

Location	- 26 - 36 - 18 - 4 - 33 - 36 - 18 - 4 - 1 - 37 - 18 - 4 - 8 - 37 - 18 - 4 - 33 - 37 - 19 - 4 - 35 - 37 - 19 - 4 - 33 - 38 - 19 - 4
Application	Category and Type Resources Routine Spacing: Gas
Application Description	NON ROUTINE APPLICATION TO ESTABLISH DSU'S AND HOLDINGS FOR PRODUCTION OF GAS FROM THE HORSESHOE CANYON COALS IN GADSBY, HALKIRK AND LEO FIELDS
Submission ID	72355
Registration Date	06-Dec-2005

Your application is now available for public viewing through IAR QUERY  
([https://www3.eub.gov.ab.ca/eub/dds/iar\\_query/ViewApplication.aspx?appnumber=1433647](https://www3.eub.gov.ab.ca/eub/dds/iar_query/ViewApplication.aspx?appnumber=1433647)).

This communication is intended for the use of the recipient to which it is addressed, and may contain confidential, personal and or privileged information. Please contact us immediately if you are not the intended recipient of this communication, and do not copy, distribute, or take action relying on it. Any communication received in error, or subsequent reply, should be deleted or destroyed.

Do not reply to this email. It is sent from an automated account and correspondence directed to it are neither checked nor responded to. This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail.

DAY MONTH YEAR  
06-Dec-2005

Application #  
1433647

APPLICANT'S FILE NUMBER  
SPAC-CBM-PHASE I-AP III

The applicant certifies that the information provided here and in all supporting documentation is correct and in accordance with all regulatory requirements or as directed by the Alberta Energy and Utilities Board.

SUBMISSION STATUS Registered SUBMISSION ID 72355 CREATION DATE 06-Dec-2005

**1. APPLICANT INFORMATION**

**Primary Applicant**

COMPANY NAME Centrica Canada Limited BA CODE 0WY9  
 CONTACT NAME Brenda Christie  
 TELEPHONE (403) 860-3759 FAX (403) 265-4475  
 E-MAIL brenda.christie@na.centrica.com

**2. APPLICATION TYPE**

(For Electronic Submission purposes, Resources Applications only accepts one application type per submission)

Spacing: Gas

**APPLICATION DESCRIPTION**

NON ROUTINE APPLICATION TO ESTABLISH DSU'S AND HOLDINGS FOR PRODUCTION OF GAS FROM THE HORSESHOE CANYON COALS IN GADSBY, HALKIRK AND LEO FIELDS

**3. LOCATION (Minimum input Twp/Rg/Mer)**

LE	Lsd	Sec	Twp	Rge	Mer	ES	LE	Lsd	Sec	Twp	Rge	Mer	ES
		26	36	18	W 4				35	37	19	W 4	
		33	36	18	W 4				33	38	19	W 4	
		1	37	18	W 4							W	
		8	37	18	W 4							W	
		33	37	19	W 4							W	

**4. FIELD AND POOL LIST**

Field Name	Pool Name
555-LEO	120098-HRSSH CAN UND
437-HALKIRK	106098-EDM UND
998-UNDEFINED	120098-HRSSH CAN UND
403-GADSBY	120098-HRSSH CAN UND

**5. OWNERSHIP AND NOTIFICATION INFORMATION**

- What is the ownership basis on which you make this application?  
CENTRICA CANADA IS THE MAJOR WORKING INTEREST OWNER AND OPERATOR OF THESE LANDS
- Have notification requirements in accordance with Directive 065 been met? Yes  No
- If no, do you need EUB assistance to complete the notification requirements? Please explain. Yes  No

3. Are there outstanding concerns? Yes (please explain) Yes  No

IT IS EXPECTED THAT ENCANA AND LUSCAR, AS OWNERS OF THE MINERAL RIGHTS TO THE COALS, WILL FILE OBJECTIONS.

**6. FUTURE APPLICATIONS**

1. Have you, or do you plan to submit additional Directive 065 applications associated with the present application to the EUB? Yes  No

1a. If Yes, state the type of applications or the application numbers (if known):

Application Type	Application Number (If applicable)
_____	_____
_____	_____
_____	_____



If you have any questions or comments, please contact the EAS Administrator.  
© Alberta Energy and Utilities Board

DAY MONTH YEAR

06-Dec-2005

Centrica Canada Limited

APPLICANT'S FILE NUMBER

SPAC-CBM-PHASE I-AP III

The applicant certifies that the information provided here and in all supporting documentation is correct and in accordance with all regulatory requirements or as directed by the Alberta Energy and Utilities Board.

SUBMISSION Registered SUBMISSION 72355 CREATION DATE 06-Dec-2005

**SPACING GAS APPLICATION**

1. Are you applying under the reduced application information requirements? Yes  No
2. Are you conducting the notification required by Guide 65 for this application? Yes  No
- If Yes, you must include the following EAS attachments with your application:  
Notification List, Notification Letter, LndwnrOccpt Notification List and LndwnrOccpt Notice Letter.
- If No, you must include the following EAS attachments with your application:  
Notification List and LndwnrOccpt Notification List.

**REDUCED APPLICATION INFORMATION**

3. Are you applying for a target area change? Yes  No
- If Yes, you must include the following EAS attachments with your application:  
LndwnrOccpt Notification List and LndwnrOccpt Letter of Consent.
- 3a. If Yes, are you encroaching upon a mineral right owner other than yourself? Yes  No
- If Yes, you must include the following EAS attachments with your application:  
Notification List (Mineral Right Owner) and Letters of Consent (Mineral Right Owner).
4. Are you applying for reduced DSUs and/or suspension of DSUs and target area requirements (holding/unit)? Yes  No
- If Yes, you must include the following EAS attachments with your application:  
LndwnrOccpt Notification List and LndwnrOccpt Letter of Consent.
- 4a. If Yes, are you applying for identical well spacing to that previously approved in the pool or the immediate adjacent area? Yes  No

If you have any questions or comments, please contact the EAS Administrator.





Suite 1000, 111- 5<sup>th</sup> Avenue SW Calgary, Alberta T2P 3Y6 Canada  
Telephone • 403-261-9810 Fax • 403-266-6684

December 6<sup>TH</sup>, 2005

**Alberta Energy and Utilities Board**

640 – 5<sup>th</sup> Avenue SW  
Calgary, Alberta  
T2P 3G4

Attention: Les Schmidt  
Reservoir Development Department

**NON ROUTINE APPLICATION TO ESTABLISH SPECIAL DRILLING  
SPACING UNITS AND HOLDINGS FOR THE PRODUCTION  
OF GAS FROM THE HORSESHOE CANYON COALS IN  
THE GADSBY, HALKIRK AND LEO FIELDS**

As operator and major working interest owner Centrica Canada Limited hereby makes application to amend Board Spacing Orders for the subject fields, in accordance with the Oil and Gas Conservation Regulations and EUB Guide 65, for the lands indicated below and on Attachment I:

- In accordance with Section 4.030 of the Oil and Gas Conservation Regulations and EUB Guide 65, to establish special drilling spacing units as follows:
  - In the S ½ Section 26-36-18W4M – ½ section spacing with target in LSD 6
  - In the N ½ Section 26-36-18W4M – ¼ section spacing with targets in LSD's 11 & 16
  - In the S ½ Section 33-37-19W4M – ½ section spacing with target in LSD 6
  - In the N ½ Section 33-37-19W4M – ¼ section spacing with target in LSD's 11 & 16
- to establish the following holdings in accordance with Section 5.190 of the Oil and Gas Conservation Regulations and EUB Guide 65, for the production of gas from the Horseshoe Canyon coals as indicated on Attachment II:

**HOLDINGS:**

**Holding #1** In Township 36, Range 18, West of the 4<sup>th</sup> Meridian:  
S ½ Section 26

**Holding #2** In Township 36, Range 18, West of the 4<sup>th</sup> Meridian:  
NW ¼ Section 26

**Holding #3** In Township 36, Range 18, West of the 4<sup>th</sup> Meridian:  
NE ¼ Section 26

- Holding #4** In Township 36, Range 18, West of the 4<sup>th</sup> Meridian:  
Section 33
- Holding #5** In Township 37, Range 18, West of the 4<sup>th</sup> Meridian:  
Section 1
- Holding #6** In Township 37, Range 18, West of the 4<sup>th</sup> Meridian:  
Section 8
- Holding #7** In Township 37, Range 19, West of the 4<sup>th</sup> Meridian:  
S ½ 7 NW Section 33
- Holding #8** In Township 37, Range 19, West of the 4<sup>th</sup> Meridian:  
NE Section 33
- Holding #9** In Township 37, Range 19, West of the 4<sup>th</sup> Meridian:  
Section 35
- Holding #10** In Township 38, Range 19, West of the 4<sup>th</sup> Meridian:  
Section 33

Centrica Canada proposes that within these holdings, the existing spacing regulations will be suspended subject to the following:

- Wells shall be at least 200 metres from each other well producing from the same pool.
- Wells shall be at least 200 metres from the section boundary
- There shall be up to 4 wells per pool per section.

**GENERAL DISCUSSION**

Centrica Canada hereby applies to amend the current spacing order, to produce incremental reserves otherwise not economically and efficiently recoverable by existing well spacing, to increase the overall gas deliverability of the pool. This conclusion is supported by previous spacing reductions in this area.

**BASIS FOR APPLICATION**

This application is based upon conservation, and maximizing production from these coals:

- The reservoirs are low pressured and individual seams have low productivity
- Some of the coal seams appear to be continuous throughout the area, however the quality and thickness varies from well to well. Other coal seams are not continuous between wells and may not have large areal extents.
- Combining all of the thin coal seams and sands will result in the production of gas from the Edmonton group which would otherwise be by-passed.

- Therefore, combining these coal seams and sands will improve the overall well economics by extending the economic limit of the wells, resulting in maximizing the ultimate production.

## **GEOLOGY & RESERVES**

The targeted coals within the area of application are within the Upper Cretaceous Edmonton Group. The coals were deposited during the Cretaceous Period, recording a history of extensive, repeated transgressions and regressions. The regressive, predominantly continental units of the Edmonton Group contain widespread coastal plain coals that interfinger complexly with the transgressive marine shales of the Bearpaw coals.

Coal seams in the area vary in quality and are generally thin and discontinuous and range in thickness from 0.4m to 4.0 m with an average thickness of 0.8 m. These coals are low rank, with an average density of 1.4 grams/cc. Gas content ranges from 0.28 to 2.29 m<sup>3</sup>/ton (10 to 80 scf/ton). Measured formation pressures range from approximately 350 – 800 kPaa. Individual CBM well productivities generally range from 1.3 e3m<sup>3</sup>/day to 7.0 e3m<sup>3</sup>/day, with a typical rate around 3.0 e3m<sup>3</sup>/day. Experience to date indicates that the seams are dry – no water production is anticipated.

Total CBM in place ranges from 28.3 to 56.5 e3m<sup>3</sup>/section (1 to 2 Bcf/section) over the area and is calculated using seams that are considered viable for completion.

## **COMPLETION AND TREATMENTS**

Centrica Canada will ensure completion and treatment techniques are in keeping with the EUB's concerns with shallow disturbances and possible groundwater issues. To avoid any damage, stage fracturing will be conducted, using nitrogen to frac and packers to isolate and frac each zone separately.

## **PRESSURE DATA**

Segregated pressure testing will be conducted on different pools in wellbores which will be selected to provide representative data on each area under development. This information will provide a basis for future development plans.

## **PRODUCTION DATA**

Table I includes currently available data for Edmonton Coals. Flow tests will be conducted on each well and reported to the EUB.

## **CONSERVATION**

Well and production data for the wells within and offset to the area of application are attached as Table I.

## **LAND ISSUES/CORRELATIVE RIGHTS**

Centrica is 100% working interest owner and operator of the lands included in this application. The lessors in the area surrounding the area of application are a mixture of Freehold and Crown, as indicated in Attachment III and IIIA and Table II. All Lessors and Lessees have been notified of this application as per Attachment IV.

Given the low deliverability of coalbed methane gas and the existing precedent, drainage issues will not pose a concern. However, this application should benefit all parties involved in the area by encouraging development/production of this gas.

## **SURFACE IMPACTS**

The surface usage of the land within the area of application is mainly agricultural-grazing. Centrica will ensure surface disturbances are as minimal as possible, during drilling, completion and subsequent production operations. All surface owners/occupants within the area of application, as indicated on Table III, have been notified. Copies of notification letters are included as Attachment V.

## **NOTIFICATION**

Notification of all mineral rights lessors and lessees in the offset tracts was conducted, by letter, as indicated in Attachment IV. Notification of all surface owners was conducted as indicated in Attachment V.

## **ADVERTISEMENT**

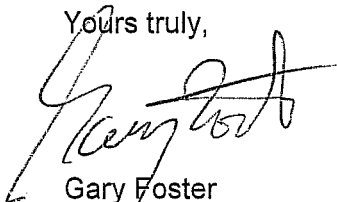
Since all mineral rights lessees and lessors, and surface owners/occupants have been notified as indicated above, public advertisement is not deemed necessary.

## **CONCLUSION**

In view of the information contained above, and in the interests of developing the production of coalbed methane gas to its ultimate potential within this area, Centrica Canada requests this application be granted at the earliest possible date.

Please contact the undersigned at 290-6868 or via e-mail to [gary.foster@directenergy.com](mailto:gary.foster@directenergy.com) if you have any questions or comments.

Yours truly,



Gary Foster  
Senior Exploitation Engineer

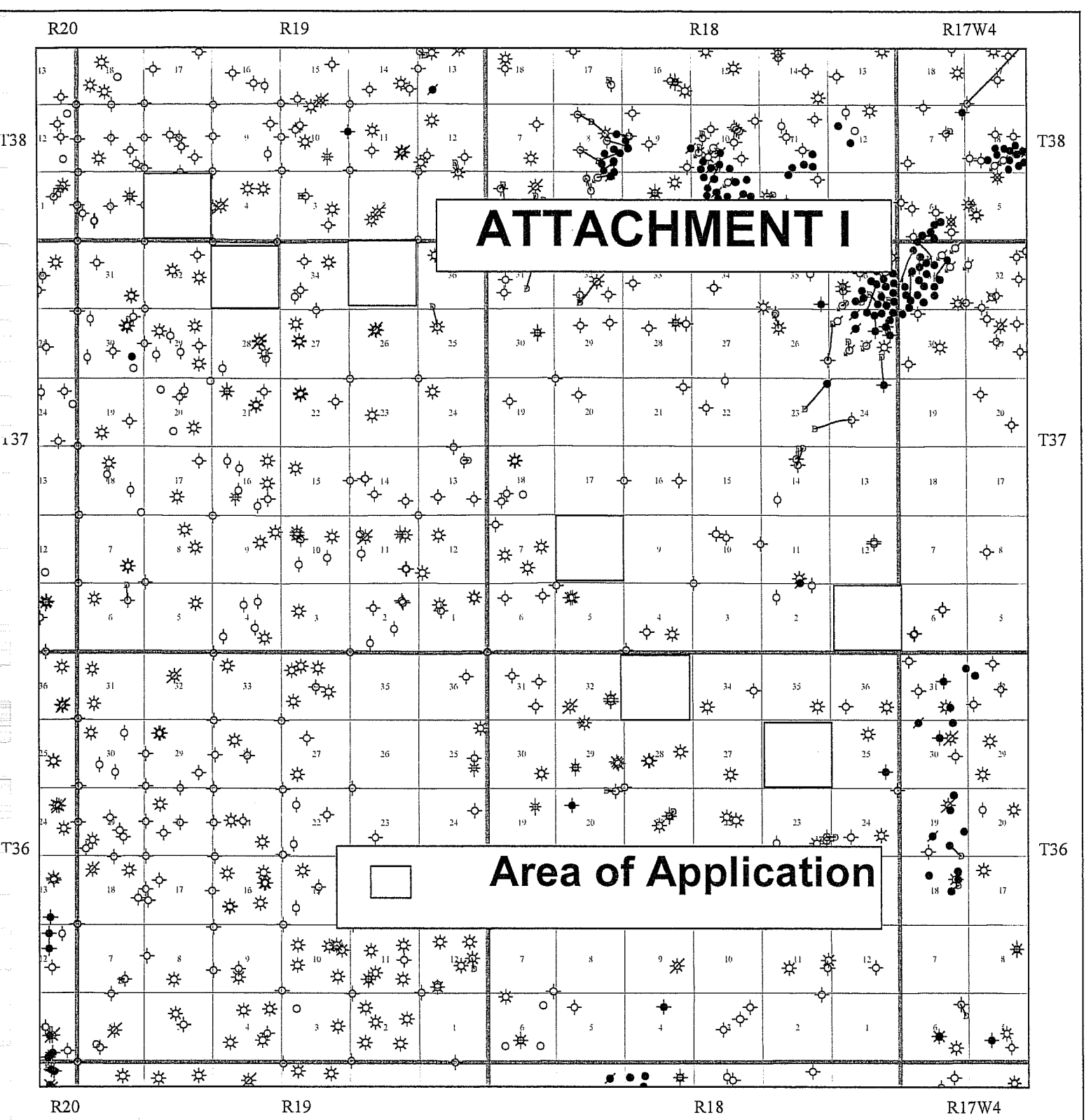
**Attachments:**

- Attachment I - Map of Application Area
- Attachment II - Map of Proposed Holdings
- Attachment III - Map of Mineral Rights Lessors/Lessees – Coals
- Attachment III a- Map of Mineral Rights Lessors/Lessees – Sands
- Attachment IV - Copies of Notification Letters – Mineral Rights
- Attachment V - Copies of Letters of Notification – Surface Owners/Occupants

**Tables:**

- Table I - Well Data Table
- Table II - Table of Mineral Rights Lessees
- Table III - Table of Surface Owners & Occupants

# **ATTACHMENT I**



# ATTACHMENT I

## Area of Application

### WELL LEGEND

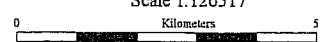
Well Hole Locations:	
Location	◇ Suspended
Service or Drain	● Oil
Gas	☆ Dry & Abandoned
Suspended Oil	◆ Abandoned Oil
Suspended Gas	✱ Abandoned Gas
Abandoned Service	◻ Injection

Centrica Canada Limited

Coalbed Methane  
Spacing Application

	Created in AccuMap™	Author: B. Christie
	Product of IHS Energy	Dates: December 1, 2005
	Datum: NAD 27	File: CBM-PHASE1-AP II-AREA OF
	Vol. 15 No. 11, Nov 21 2005	Scale: 1:126517
	Copyright © 1991-2005 (403) 770-6646	Projection: Stereographic Center: N52.16089 W112.55930

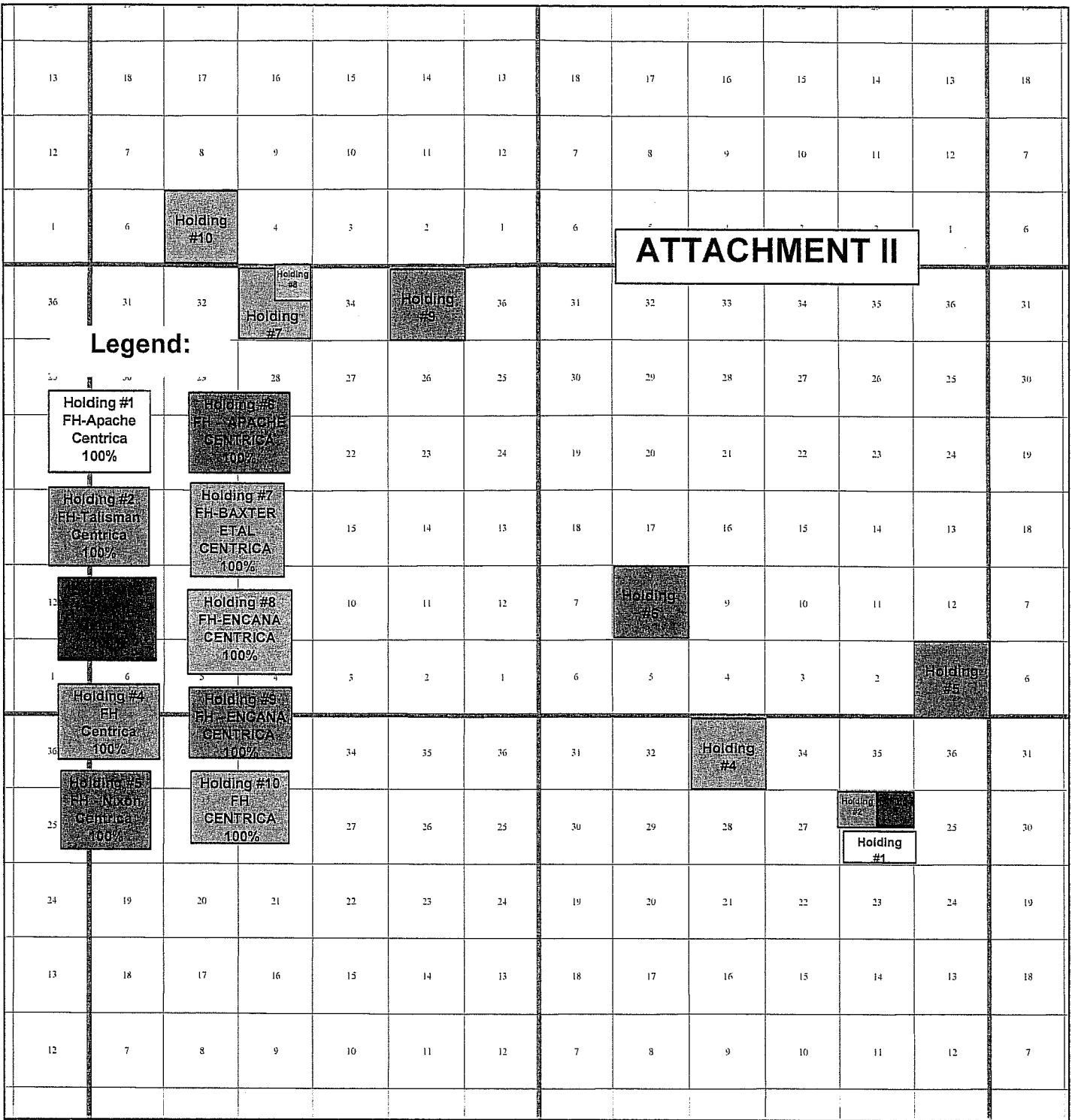
Scale 1:126517



# **ATTACHMENT II**

T38

T38



T37


T37

T36

T36

**Centrica Canada Limited**

Spacing Application  
Proposed Holdings

 <p>Created in AccuMap™ Product of IHS Energy Datum: NAD 27 Vol. 15 No. 11, Nov 21 2005 1403 170-6646 Copyright © 1991-2005</p>	<p>Author: B. Christie Date: December 6, 2005 File: CBM-PHASE I-AP III - PROP HC Scale: 1 : 124099 Projection: Stereographic Center: N52.17254 W112.57625</p>
--	---

Scale 1:124099

