

devon.

Feb 8

Devon Canada Corporation  
2000, 400 - 3<sup>rd</sup> Avenue S.W.  
Calgary, Alberta T2P 4H2  
Phone: (403) 232-7100

4 February 2005

VIA COURIER

**Alberta Energy and Utilities Board**  
640 - 5 Avenue SW  
Calgary, AB T2P 3G4

**Attention: Vince Topacio, Resource Application Group**

**Re: Application NO. 1377141**  
**Application to establish holding for the production of gas from the**  
**Edmonton (Coals and Sands)**  
**Wimborne Area**

Devon Canada Corporation (Devon), is in receipt of an objection from Luscar Ltd. dated 3 January 2005 to the above application. In particular, Luscar states that within Holding #5, comprised of Sections 8, 9 and 17-34-26W4M, "Luscar Ltd. is claiming the coalbed methane at this location".

Devon holds a valid lease for the petroleum and natural gas rights from surface to the base of the Edmonton within these three sections. As such, Devon holds the rights to the natural gas within the coals for the purpose of development and production.

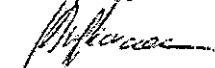
Informational Letter IL91-11 explains how coalbed methane gas will be regulated by the Alberta Energy and Utilities Board and the Alberta Department of Energy under the existing legislation. "The ERCB and the Alberta Department of Energy consider coalbed methane to be a form of natural gas. As a result, all acts and regulations administered by the ERCB and Department of Energy that pertain to natural gas also pertain to coalbed methane. Applicable legislation under the jurisdiction of the ERCB and Department of Energy includes the Energy Resources Conservation Act, the Resources Preservation Act, the Oil and Gas Conservation Act, the Mines and Minerals Act, and regulations relating to these acts".

With respect to the leasing of natural gas, it is the Crown's position that "The right to Crown natural gas is governed by the Mines and Minerals Act. In the Act, natural gas and coal are treated as distinct substances and are leased separately. This principle recognizes that natural gas may exist in a variety of reservoir rocks, including coal seams". It is under that interpretation that Devon entered into an agreement with the freehold mineral owner (Apache) for the natural gas rights under Sections 8, 9 and 17-34-26W4M.

Therefore, Devon requests that the EUB continue processing of its application.

If you have further questions regarding the application, please contact the undersigned at 515-5768.

Yours truly



Chris Korczewski  
Devon Canada Corporation

Cc: ~~Brenda Mason - Luscar Ltd~~