



July 21, 2005

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VIA EMAIL

Applications Branch, Resources Applications Group
Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, Alberta
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Attention: Karine Fisher

**RE: Application by Bears paw Petroleum Ltd. dated June 22, 2005 for Compulsory Pooling
Application No. 1406764
T 37 R 21 W4M Sec. 13
Ewing Lake Area, Alberta**

EnCana Corporation is the owner of an estate in fee simple underlying the subject lands. Among other things, EnCana owns the coal rights for the entire section and the natural gas rights for a portion of the W/2. EnCana agreed to pool natural gas (excluding coal bed methane) in a portion of the W/2 to participate with Bears paw in the drilling of a Belly River well at 9-13-37-21 W4M. (Exhibit 1 – EnCana Pooling Agreement dated May 9, 2005 circulating for execution). EnCana remains agreeable to pooling on the terms contained in the Exhibit 1 pooling.

Despite the numerous issues that Bears paw has indicated in it's application, EnCana has only been aware of one issue – that being how to define the exclusion of coal bed methane.

As you are likely aware, with respect to freehold lands the courts in the Province of Alberta have not yet determined whether the rights to coal bed methane reside with the coal owner or the natural gas owner. As such, to avoid legal difficulties companies exploring for coal bed methane on freehold lands acquire the right to produce it from both the coal owner(s) and the natural gas owner(s) (where title is split). Given the current state of affairs, EnCana will typically negotiate a higher working interest for itself under pooling agreements that include coal bed methane where we own both the coal and natural gas rights.

Since the pooling agreement for section 13-37-21 W4M was to exclude coal bed methane, EnCana's pooled interest is calculated on our acreage contribution to the spacing unit only. The exclusion of coal bed methane contained in the agreement should be as "complete" as possible to support the calculation of our pooled working interest indicated in the agreement.

Mr. Jensen of Bears paw Petroleum Ltd. has been aware of EnCana's position to exclude the coal bed methane since our consent to pool, and has misrepresented EnCana and our precedent pooling document in his application for compulsory pooling.

We address the following points:

1. Bears paw Application – Page 2 Point #6 – Unlike the other parties involved in this proposed pooling, EnCana owns an estate in fee simple. As such, on lands where EnCana has unleased fee title our agreements require the creation of a “leasehold” interest for contribution to the pooling in order to preserve our ownership interest in title. (Exhibit 1 – EnCana drafted Pooling Agreement dated May 9, 2005 for Sec. 13-37-21 W4M circulating for execution) You will note that by removing the clauses and language that are specific to the EnCana Leasehold Interest, our pooling precedent looks much like the pooling agreement that Bears paw had previously circulated for this section (Exhibit 2 – Bears paw draft pooling). We would also like to point out that the EnCana Leasehold Interest is specific to EnCana’s interest and has NO EFFECT on any other party unless they acquire that interest. Any acquisition of the EnCana Leasehold Interest would be VOLUNTARY not mandatory. In this regard, we fail to understand how Mr. Jensen can consider this agreement to be “excessively Pro-EnCana”. It does not have any additional effect on Bears paw than would its own pooling agreement.

2. Bears paw Application - Point #5 on the ATTACHMENT 2 CHRONOLOGY OF EVENTS – The lease referred to in this paragraph that employed the “Stratigraphic Exclusion” was issued by EnCana out of an existing piece of business. That piece of business was not a newly created one section pooling agreement. EnCana’s legal department had advised that the “Stratigraphic Exclusion” was not “specific” enough to use for single section poolings and that it left some opening for disagreement as to what molecules come from the coals and what molecules come from the sands. Use of this “Stratigraphic Exclusion” would give the appearance that EnCana allowed for coal bed methane molecules that are “derived from” (as opposed to “in”) the coal seam to be produced. Depending on the method of completion in the well it is possible for Bears paw to produce coal bed methane that derived from the coal seams without compensating EnCana with an increased pooled working interest. This was never our intention and we feel that the language in the agreement should accurately reflect that intention. (Exhibit 3 – Bears paw email dated October 7th, 2004 defining “Stratigraphic Exclusion” and request for its use). As indicated on Bears paw Application - Point #27 on the ATTACHMENT 2 CHRONOLOGY OF EVENTS, Mike Ponto of EnCana in an effort to eliminate the problem of defining coal bed methane and its exclusion attempted to negotiate its inclusion in the pooling. Bears paw declined this offer.

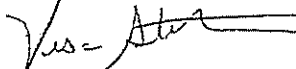
3. We enclose a pooling agreement that has recently been executed by Bears paw Petroleum Ltd. (Exhibit 4). This agreement, like the EnCana drafted pooling for section 13, pertains to unleased EnCana fee lands. It was prepared by ConocoPhillips, excludes coal bed methane and at EnCana’s request incorporates clauses and language specific to the EnCana Leasehold Interest. You will note that the definition of Coal Bed Methane on page 4 of the Conoco agreement is exactly the same as that used on the agreement EnCana prepared for the pooling of Section 13. (Exhibit 1 – See definition of Pooled Substances, Clause 1(u)). It is odd that Mr. Jensen didn’t feel that this agreement with the same terms, clauses and coal bed methane exclusion was “excessively Pro-EnCana” when he had it executed by his company earlier this year. We would also like to point out that the Conoco pooling agreement was issued under the SAME circumstance as the pooling EnCana prepared for section 13. Both are newly created one section poolings.



Mr. Jensen of Bearspaw Petroleum Ltd. has indicated that the pooling that EnCana had prepared for section 13-37-21 W4M was "excessively Pro-EnCana" yet the terms that are atypical to a standard pooling agreement do not have any effect on his company. Mr. Jensen, knowing that EnCana intended to exclude coal bed methane from the pooling, provided a "Stratigraphic Exclusion" that wasn't absolute and refused to accept an alternative that "better suited" the intent of the deal. Yet all of the terms, clauses and definitions that he has refused to accept from EnCana can be found in a Bearspaw executed pooling agreement with ConocoPhillips created under the same circumstance as that of the section 13 pooling. In this regard, we request that the board not grant the compulsory pooling order requested by Bearspaw on June 22, 2005. Apparently, the only issue here is that the terms and conditions of this pooling are on EnCana letterhead instead of that of another company.

Yours truly,

ENCANA CORPORATION



Lisa Stebbins
Contract Analyst

/s
/attach.

c.c. EnCana - Mike Ponto, Tammy Leskun
Bearspaw Petroleum Ltd. - Russ Jensen

