

Carscallen Lockwood LLP
Barristers & Solicitors

June 9, 2006

DELIVERED

ALBERTA ENERGY AND UTILITIES BOARD
640 - Fifth Avenue, S.W.
Calgary, AB
T2P 3G4

Attention: D. Larder, Q.C., General Counsel

1500, 407 - 2nd Street S.W.
Calgary, Alberta T2P 2Y3
Telephone: (403) 262-3775
Facsimile: (403) 262-2952
Donald C. Edie, Q.C.
Direct Line: (403) 298-8455
edie@cclawyers.com
File No. 17909

Dear Sir:

Re: Proceeding No. 1457147, Coalbed Methane Review Hearing for Review
and Variance Applications

Please find enclosed 12 copies of the Submission of Carbon Development Partnership, successor in interest to Prairie Mines and Royalty Ltd. (formerly Luscar Ltd.) for filing in the above noted proceeding.

An electronic copy has been forwarded to your office via e-mail as well as to the parties listed below.

Yours truly,

CARSCALLEN LOCKWOOD LLP

(original signed by)
D.C. Edie

DCE

Enclosures

TO: A. MCLARTY, Q.C., FRASER MILNER CASGRAIN LLP
TO: W.T. CORBETT, Q.C., FIELD LAW
TO: C. POPOWICH, CODE HUNTER LLP
TO: J. GRUBER, THACKRAY BURGESS
TO: P. LINDER, Q.C., PEACOCK LINDER & HALT LLP
TO: R. DONICK, CARBON DEVELOPMENT PARTNERSHIP
TO: A. C. REID, ENCANNA CORPORATION
TO: R.G. JENSEN, BEARSPAW PETROLEUM
TO: D. JOHNSON, QUICKSILVER RESOURCES CANADA INC.
TO: E. PEDERSEON, FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOC.

ALBERTA ENERGY AND UTILITIES BOARD

IN THE MATTER OF THE *ENERGY RESOURCES CONSERVATION ACT*, CH. E-10 OF THE REVISED STATUTES OF ALBERTA 2000;

AND IN THE MATTER OF PROCEEDING NO. 1457147 RESPECTING A REVIEW HEARING IN CONNECTION WITH THE ISSUANCE OF CERTAIN WELL LICENCES IN THE CLIVE, EWING LAKE, STETTLER AND WIMBORNE FIELDS

PART 1

SUBMISSION OF CARBON DEVELOPMENT PARTNERSHIP,
SUCCESSOR IN INTEREST TO PRAIRIE MINES AND ROYALTY LTD., FORMERLY
LUSCAR LTD.
RESPECTING APPLICATIONS MADE BY FAIRBORNE ENERGY LTD.

June 9, 2006

PART 1

SUBMISSIONS OF CARBON DEVELOPMENT PARTNERSHIP (“CDP”), SUCCESSOR IN INTEREST TO PRAIRIE MINES AND ROYALTY LTD. (“PRAIRIE”) (FORMERLY LUSCAR LTD. (“LUSCAR”))

I. INTRODUCTION

1. CDP (which, for the purposes of this submission, shall include Prairie or Luscar as the context requires) is an affected party pursuant to Section 40 (1) of the *Energy Resources Conservation Act* (the ERCA) in relation to five well licence applications (the “Fairborne Applications”) submitted by Fairborne Energy Ltd. (“Fairborne”) in the Clive Field on May 26, 2005 and February 10, 2006, the particulars of which applications are as follows:

Application No.	Unique Well Identifier	Subject of Application	Approval No.
1402289	02/10-35-29-24W4	B140 Category Well Licence targeting coalbed methane in the Edmonton Group	0331663
1402290	02/12-35-29-24W4	B140 Category Well Licence targeting coalbed methane in the Edmonton Group	0331714
1446453	00/02-27-039-24W4	B140 Category Well License targeting gas in the Belly River Group	0353789
1446462	00/03-17-039-24W4	B140 Category Well Licence targeting coalbed methane in the Horseshoe Canyon Formation.	0353792
1446465	00/05-35-039-24W4	B140 Category Well Licence targeting gas in the Belly River Group	0353794

(hereinafter referred to as the “Fairborne Application Properties”).

2. In previous filings made with the Alberta Energy and Utilities Board (the “Board”) in respect of its request for review hearings, CDP has:
 - (a) identified the difficulty, if not impossibility, of demonstrating after the fact what percentage of production from co-mingled wells constituted coalbed methane (“CBM”) production;

- (b) pointed out that such information would be critical should CDP ultimately be successful in an action to quiet title and, in particular, on the issue of damages; and
 - (c) requested that the Board suspend, under Section 40 (4) of the ERCA, the Board's orders or approvals granted with respect to the Fairborne Applications.
3. It is CDP's understanding that its request pursuant to Section 40 (4) of the ERCA will be addressed during Part 1 of Proceeding No. 1457147.

II **FACTS**

4. Since making its initial submissions with respect to production from the Fairborne Application Properties, wherein CDP requested that the Board prohibit commingled production and that there be separate metering and reporting of CBM production, CDP has met with Fairborne and been apprised of Fairborne's current and planned operating procedures in connection with the Fairborne Application Properties.
5. On April 27, 2006, CDP (by its counsel, Field LLP) indicated to the Board and to Fairborne that, subject to being satisfied that CBM production from the Fairborne Application Properties has been and will continue to be monitored in a fashion satisfactory to CDP, CDP would consider suspending its request under Section 40 (4) of the ERCA, if Fairborne would be prepared to acknowledge that any such suspension would be without prejudice to and would not be relied upon by Fairborne as a basis for resisting a claim by CDP for restitutionary damages, including challenging the quantum of such damages, and any claim brought by CDP against Fairborne.
6. Such acknowledgement has now been provided by Fairborne and a copy of such acknowledgment is attached as Schedule "A" hereto.

III **CDP'S SUBMISSIONS RESPECTING INTERIM MEASURES**

7. As long as there is no co-mingling of production from the Fairborne Application Properties and the production regime described in the Fairborne submission continues, CDP is satisfied that such production has been and will be adequately measured.
8. The production regime described in the Fairborne submission should continue until resolution of the CBM ownership issue by agreement between Fairborne and CDP, or by a final court determination of such issue.
9. The production data collected by Fairborne should be provided to CDP on a regular basis and all records relating thereto should be maintained until the issue of CBM ownership has been resolved by agreement or by final court determination.
10. CDP is prepared to suspend its request under Section 40 (4) of the ERCA based on Fairborne's acknowledgment in Schedule "A".

All of which is respectfully submitted this 9th day of June, 2006

CARSCALLEN LOCKWOOD LLP

(original signed by)

Per: _____
D.C. Edie, Q.C., Counsel for
Carbon Development Partnership and
Prairie Mines and Royalty Ltd.

SCHEDULE "A" TO
SUBMISSION OF CARBON DEVELOPMENT PARTNERSHIP,
SUCCESSOR IN INTEREST TO PRAIRIE MINES AND ROYALTY LTD., FORMERLY
LUSCAR LTD.
RESPECTING APPLICATIONS MADE BY FAIRBORNE ENERGY LTD.

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June 7, 2006

Our File: 43173 1

Your File: 507548-4

FRASER MILNER CASGRAIN LLP

Barristers & Solicitors
30th Floor, Fifth Avenue Place
237 – 4th Avenue S.W.
CALGARY, Alberta
T2P 4X7

ATTENTION: A.L. McLarty, Q.C.

Re: Proceeding 1457147
Review and Variance Applications
9500-1406894 (Prairie Mines and Royalty Ltd. / Devon Canada Corporation)
9500-1404564 (Prairie Mines and Royalty Ltd. / Fairborne Energy Ltd.)
9500-1456814 (Prairie Mines and Royalty Ltd. / Fairborne Energy Ltd.)

Further to our recent telephone conversations, Prairie Mines and Royalty Ltd. ("PMR"), on its own behalf and on behalf of its successor in interest, Carbon Development Partnership ("CDP"), and CDP are prepared to suspend requests made by PMR under Section 40(4) of the *Energy Resources Conservation Act* (ERCA) that well licences and holding orders made by the Energy Resources Conservation Board ("EUB" or the "Board") be suspended pending the hearing of such applications if Devon Canada Corporation ("Devon") and Fairborne Energy Ltd. ("Fairborne") are prepared to acknowledge that any such suspension would be without prejudice to and would not be relied upon by Devon or Fairborne as a basis for resisting a claim by PMR or CDP, or any of their respective assigns, for restitutionary damages, including challenging the quantum of such damages, and any claim brought by PMR or CDP or any of their respective assigns against Devon and Fairborne.

(C0376422.DOC;1)

F I E L D L A W

If your clients are prepared to provide such an acknowledgment, would you please execute the enclosed copy of this letter in the place provided, and return the original to our offices.

Yours truly,

FIELD LLP


W. T. Corbett

WTC/cp

Acknowledged and Agreed To
this 7th day of June, 2006

FRASER MILNER CASGRAIN LLP

Per: 

A.L. McLARTY, counsel for and
on behalf of Devon Canada Corporation
and Fairborne Energy Ltd.