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By Delivery

Alberta Energy and Utilities Board
640 - 5th Avenue, S.W.
Calgary, Alberta T2P 3G4

Attention: Mr. Douglas A. Larder, Q.C., General Counsel

Dear Sir:

Subject: Bulletin 2006-19
Applications by Devon Canada Corporation involving objections relating to the
legal entitlement of Coal Bed Methane
Our file no: 507548-4

We are writing on behalf of Devon Canada Corporation ("Devon") with respect to certain applications which are being held in abeyance by the Board for the reasons outlined in Bulletin 2006-19. That Bulletin indicates those applications will not be processed by the Board until the Board's decision in Proceeding No. 1457141, which is to address questions of legal entitlement to the natural gas from coal, has been rendered.

The Application

An accord was reached as between Devon, as the P&NG rights owner and Carbon Development Partnership ("CDP") (successor in interest to Prairie Mines and Royalty Ltd., formerly known as Luscar Ltd.) as the coal owner, in the context of Proceeding 1457141. The accord allows production of natural gas from coal to occur from zones in which ownership is disputed but in a manner that minimizes the potential for prejudice to either Devon or CDP as to their claimed entitlement to the natural gas produced from the coal.

In the context of Proceeding No. 1457141 similar advice was provided by Devon to EnCana Corporation (EnCana). Although an accord was not reached with EnCana, EnCana raised no issue in Part 1 of Proceeding No. 1457141 with respect to either the conditions required for measurement or the need for production to be inhibited other than for reason of EnCana's claimed ownership entitlement. Given that the ownership issue is reserved to be addressed in

the Part 2 proceeding, the Board cancelled the Part 1 proceeding. In result well licences and holding approvals issued continue to be operable notwithstanding the outstanding issue as to legal entitlement.

Our purpose in writing, at this time, is to ask the Board to process and render a disposition as to the applications that Devon has pending before the Board and to do so on the same terms and conditions that have, in the context of Proceeding No. 1457141, been considered acceptable to CDP and in respect of which EnCana raised no issue. Wells for which licences have been granted are subject to the conditions undertaken, able to produce natural gas from coal while the rights associated with a future resolution of the legal entitlement issue have effectively been protected. The applications that Devon has pending before the Board give rise to identical issues and as such should be accorded similar treatment in the context of similar circumstances and conditions.

Discussion

The Devon applications that are being held in abeyance by the Board are:

- Application 1421966, dated October 4, 2005 for a Crown Holding; and
- Application 14211967, dated October 5, 2005 for a Freehold Holding.

These holding applications are being held in abeyance by the Board as the result of the issue raised by CDP and EnCana with respect to the claimed legal entitlement of CDP and EnCana to the natural gas from coal on lands to which CDP and EnCana hold the coal rights.

The purpose of the Board holding these applications in abeyance where there exists an issue with respect to the legal entitlement to the natural gas produced from coal, is to ensure that the rights of the parties claiming ownership will be reasonably protected and preserved pending the decision by the Board in respect of the proceeding that will be held to consider the issue of legal entitlement. Part 1 of Proceeding 1457141 was scheduled by the Board to provide parties with the opportunity to propose and discuss interim conditions that those parties might consider to be necessary with respect to well licences and holding approvals that were contested.

In the context of Proceeding 1457141, Devon provided to Luscar an undertaking that the production from each of its licenced wells was and would continue to be segregated between production from sand zones and production from coal zones and that effective measurement was being made of production from individual wells. CDP in its submission filed with the Board, dated June 9, 2006 advised the Board that:

- As long as there is no co-mingling of production from the Devon application properties and the production regime described in the Devon submission continues, that CDP is satisfied that such production has and will be adequately measured;
- The production regime described in the Devon submission should continue until resolution of the CBM ownership issue; and

- That CDP was on the conditions outlined, which included an additional undertaking given by Devon, prepared to suspend its request under s. 40(4) of the ERC Act.

The effect of this accord is to allow Devon's approved production operations to proceed while the ownership issue is otherwise being addressed by the Board.

EnCana's submission to the Board in connection with Part 1 of Proceeding 1457141 raised no issue with the measurement and accounting measures described by Devon for its Wimborne project. EnCana's submission also provided no grounds for the Board to consider why authorizations issued by the Board should be interfered with in the interim period pending future consideration of the ownership issue.

In Devon's submission, the arrangement between it and CPD reflects a sensible approach to dealing with the ownership dispute while reasonably protecting the rights of the parties. CPD is protected because Devon is a substantive entity, there is and will be substantive evidence as to the volume of the substances produced and that are in dispute and the property right in dispute is one that is, if necessary, reasonably capable of being resolved through compensation. The same levels of protection extend, by virtue of the production conditions acceded to by Devon, protect the rights of EnCana. The conditioned ability to proceed with its project also protects Devon's rights because it allows Devon to proceed with its business and investment and allows Devon to protect and preserve its P&NG property rights, albeit at its peril, if natural gas from coal is ultimately determined to not be part of those rights.

Devon believes, in the circumstances, that if other of the applications pending before the Board are able to be brought within the principles of this protective scheme that no reason should exist to treat those applications or the disposition thereof differently. Devon therefore requests that the Board continue to process the above applications and to render a disposition other than as to ownership entitlement, with respect to the applications for Holdings as described in Applications 1421966 and 1421967. With respect to those applications, Devon undertakes to accept any approvals issued by the Board on the same terms and conditions described in the Devon submission to the Board, dated May 19, 2006 and as reflected in Schedule A to the submission of CDP, dated June 9, 2006.

We look forward to the Board's early consideration and response to this request.

Yours very truly,

FRASER MILNER CASGRAIN LLP


A. L. McLarty

cc: Mr. D. Edie, Q.C. - Carscallen Lockwood LLP
Mr. W. Corbett - Field LLP
Mr. A. Reid - EnCana
Mr. C. Popowich - Code Hunter
Mr. D. Pyke - Fairborne Energy Ltd.
Mr. L. Rollheiser - Devon Canada Corporation