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May 19, 2006

By e-mail and delivery

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

Attention Ms. K. Fisher
Applications Branch, Resources Applications Group

Dear Ms. Fisher:

Subject: Proceeding No. 1457147 - Review Hearing

Please find enclosed 12 complete paper copies of the Submission of Devon Canada Corporation for filing in this proceeding. An electronic copy in PDF format is being sent to you concurrently by e-mail.

Yours truly,

FRASER MILNER CASGRAIN LLP



A. L. McLarty

ALM/las

Enclosures - 12 copies

cc: Doug Larder (*by e-mail*) John Gruber (*by e-mail*)
Lorne Rollheiser (*by e-mail*) David Pyke (*by e-mail*)
Alan Reid (*by e-mail*) Christian Popowich (*by e-mail*)
Don Edie (*by e-mail*) Robert Donick (*by e-mail*)
W. T. Corbett (*by e-mail*)

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, AND
COMPULSORY POOLING AND SPECIAL SPACING ORDERS
IN THE CLIVE, EWING LAKE, STETTLER AND WIMBORNE
FIELDS

PART 1
SUBMISSION OF DEVON CANADA CORPORATION

May 19, 2006

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SUBMISSION OF DEVON CANADA CORPORATION

I INTRODUCTION

1. Devon Canada Corporation (Devon) is the licensee of the wells and has approval for a holding, all in the Wimborne Field; which licences and approval have been raised in issue in this proceeding by Prairie Mines and Royalty Ltd. (formally Luscar Energy Ltd. or "Luscar") and by EnCana Corporation (EnCana), as follows:

02/06-08-034-26 W4 (6-8)
02/08-08-034-26 W4 (8-8)
02/14-08-034-26 W4 (14-8)
02/16-08-034-26 W4 (16-8)
02/06-17-034-26 W4 (6-17)
00/08-17-034-26 W4 (8-17)
00/14-17-034-26 W4 (14-17)
00/16-17-034-26 W4 (16-17)
03/06-09-034-26 W4 (6-9)
02/08-09-034-26 W4 (8-9)
00/14-09-034-26 W4 (14-9)
00/16-09-034-26 W4 (16-9)
03/06-15-034-26 W4 (6-15)
02/06-35-033-26 W4 (6-35)
00/08-15-034-26 W4 (8-15)
00/08-35-033-26 W4 (8-35)
00/14-15-034-26 W4 (14-15)
00/14-35-033-26 W4 (14-35)
00/15-35-033-26 W4 (15-35)
00/16-35-034-26 W4 (16-15)
Section 36-33-26 W4 and
Sections 1, 2, 3, 8, 9, 10, 11, 14, 16, 17 of 34-26 W4 (holding area)

2. This proceeding arises out of a Board decision, dated March 9, 2006, in which it was determined that the Board would hold a review hearing with respect to the above wells and holding approval, Part 1 of which hearing the Board indicated "... will consider whether interim conditions should be imposed for the measurement and accounting of coalbed methane production ...".
3. In filings made with the Board in respect of its request for review hearings, Luscar has:

- Raised issues as to the difficulty, if not impossibility, of demonstrating after the fact what percentage of production from the wells constituted coal bed methane (CBM); and
 - Contended that such evidence is relevant should Luscar ultimately be successful in an action to quiet title and to its ability to prove damages.
4. Luscar has, in furtherance of the remedies sought by it, requested that the Board condition any approval by prohibiting commingled production of CBM with conventional natural gas from any zones and require:
- (a) That all wells drilled by Devon on the Luscar coal lands be duly equipped for the separate production of CBM from conventional natural gas;
 - (b) That all such wells be equipped with separate metering facilities for the measurement of CBM from conventional natural gas and that such metering facilities be used on an on-going basis; and
 - (c) That Devon be required to report to the Board CBM production from each well separately from conventional gas production.

II FACTS

The Wimborne Project

5. Devon has established a project for the recovery of Natural Gas from Coal (NGC) in the Wimborne area (the Wimborne Project), that includes wells, a low pressure gathering system, a central compressor, large diameter pipelines and centralized production measurement facilities. A map showing the wells and facilities currently connected as part of the Wimborne Project and wells intended to be connected in 2006, is attached as Appendix A.
6. Continuous measurement occurs at the group compressor station (02-16-34-26 W4M) of both sales gas (TCPL meter and Devon check meter) and fuel gas consumed (upstream of

sales meter). Summation of the sales and fuel volumes provides total production for wells upstream of the compressor.

7. To date, 49 shallow wells have been tied in to the Wimborne compressor station. All have been on production since mid August of 2005. Thirty-seven new wells, including wells on EnCana freehold lands will be tied in and are expected to be on production by July 1, 2006.
8. All of the shallow wells that are currently producing as part of the Wimborne Project are producing exclusively from NGC zones. Four of the 37 new wells will produce exclusively from the sand formations. None of the existing or new wells have sand gas and NGC production commingled in the well bore.
9. None of the connected and currently producing NGC wells that are part of the Wimborne Project are producing from lands on which either Luscar or EnCana hold the rights to the coal.
10. The wells identified in paragraph 1 and raised in issue in this proceeding:
 - Are expected to be completed and tied into the Wimborne Project by mid-2006;
 - Are expected to produce exclusively sand gas or NGC and will not have sand gas and NGC production commingled in any well bore;
 - Will be subject to the measurement and pro-rationing scheme established for the Wimborne Project.

NGC MEASUREMENT

11. Measurement of sand gas and NGC production in the Wimborne Project is achieved by a scheme in which individual wells are periodically tested to determine the estimated production per hour for each well. Monthly estimated well production is then compared to the total measured group production and a pro-ration factor is determined and applied to all of the wells. Individual well measurements are periodically re-verified and to the extent necessary the pro-ration factor is modified.

12. Total Wimborne Project gas production is measured at the TransCanada Sales Meter and that measured production is allocated, for accounting purposes, to individual wells producing to the Wimborne Project utilizing the pro-ration factor established for each well.
13. All wells in the Wimborne Project satisfy the conditions for *Gas Proration Outside South Eastern Alberta Shallow Gas Zones/Area*, as established by EUB Directive 017.
14. Devon's experience is that the pro-ration factor established for the wells in the Wimborne Project area are stable and consistent with a very good battery production factor at 0.95 to 1.05.
15. The pro-ration measurement scheme employed by Devon in the Wimborne Project has been accepted by Devon's working interest partners and by the Crown and freehold owners, for royalty purposes.

EUB Measurement Requirements

16. EUB measurement requirements are established on a project basis and measurement by difference in a NGC pro-ration battery must, as indicated in section 5.5 of EUB Directive 017, have EUB site-specific approval.
17. Devon's measurement scheme for the Wimborne Project has been approved as "Gas Pro-Ration outside South East Alberta", in correspondence from the Board, dated May 4, 2005, a copy of which is attached as Appendix B.
18. EUB Directive 017 sets the maximum uncertainty of monthly volume for each well in a pro-ration system at +/- 15% and the pro-ration factor target limits are established at 0.90 to 1.10 for a dry well pro-ration battery, where no well head measurement is employed.
19. Requirements for measurement in a South East Alberta pro-ration battery are detailed in EUB IL 93-10, "Revised Measurement and Accounting Procedures for South Eastern Alberta Shallow Gas Wells".

20. The EUB's requirement for the Wimborne Project is that estimated well head volumes are to be based on periodic (once monthly for six months or until volumes have stabilized and then annually thereafter) testing and pro-ration of estimated volumes to a group measurement point.
21. Well deliverability testing is performed for Devon by a third party consultant using portable test units, with the duration of each test being based on obtaining a stabilized rate under normal operating conditions.
22. Monitoring of the variation in well-head test results, group point measurement volumes, and pro-ration factors enables operations to determine if there are issues at the field level.

III ISSUE

23. Whether interim conditions should be imposed for the measurement and accounting of NGC production from the wells identified in paragraph 1.

IV DEVON'S SUBMISSION


24. The wells in the Wimborne Project are currently being reasonably and adequately measured.
25. The measurement scheme in place for the Wimborne Project treats all interest holders equitably.
26. The pro-ration scheme employed by Devon in the Wimborne Project has been accepted by the Crown for royalty purposes and by industry partners who own working interests. The scheme is also similar to the methodology utilized by EnCana for measurement and tracking of shallow gas production in South East Alberta.
27. It is important that a single measurement scheme be in place to satisfy working interest, freehold owner interests as well as the objectives of coal owners, such as Luscar and EnCana.

28. The pro-rationing scheme in place in the Wimborne Project allows for economical development of a capital intensive NGC resource.
29. No need exists for an Order requiring that production be segregated or for the establishment of separate metering facilities to measure NGC distinct from natural gas produced from sand zones. This is because all production from wells in the Wimborne Project is segregated as between NGC production and sand gas production and that segregation will be maintained for the Wimborne Project, including from the wells in issue in this proceeding, until a decision in the proceeding is rendered by the Board on the ownership issue.
30. Devon's pro-ration measurement scheme is capable of accurately quantifying the production from each well so as to enable Devon to report to the Board NGC production from each well in the Wimborne Project and to keep a separate measure of sand gas production.
31. The pro-ration scheme employed by Devon is a minimally intrusive method in regards to landowner impacts, in that such scheme leaves a smaller footprint and has a requirement for less frequent site visits.
32. The pro-ration scheme is also efficient economically and in respect of production in that it minimally impacts pressure and resulting production and it is a relatively inexpensive methodology.
33. Devon is concerned that the establishment of individual well-head measurement equipment might create a pressure constraint which could adversely impact the economics of and recovery of NGC from the Wimborne Project.
34. If, notwithstanding the measurement scheme in place to track NGC production within the Wimborne Project, parties yet wish to have a greater level of mechanical measurement, then in Devon's submission:
 - The purposes of that measurement tracking must be shown to be reasonably necessary and material to the result;

- The measurement tracking proposed must be shown to be minimally intrusive to landowners;
 - The measurement tracking proposed must be shown to not have an adverse impact on the economics of NGC production or on the ultimate recovery of NGC; and
 - Should be facilitated only at the cost of the parties seeking the higher level of measurement precision.
35. For all of the foregoing reasons, Devon submits that no incremental or interim measurement requirements beyond those currently employed in the Wimborne Project are needed.

All of which is respectfully submitted this 19th day of May, 2006

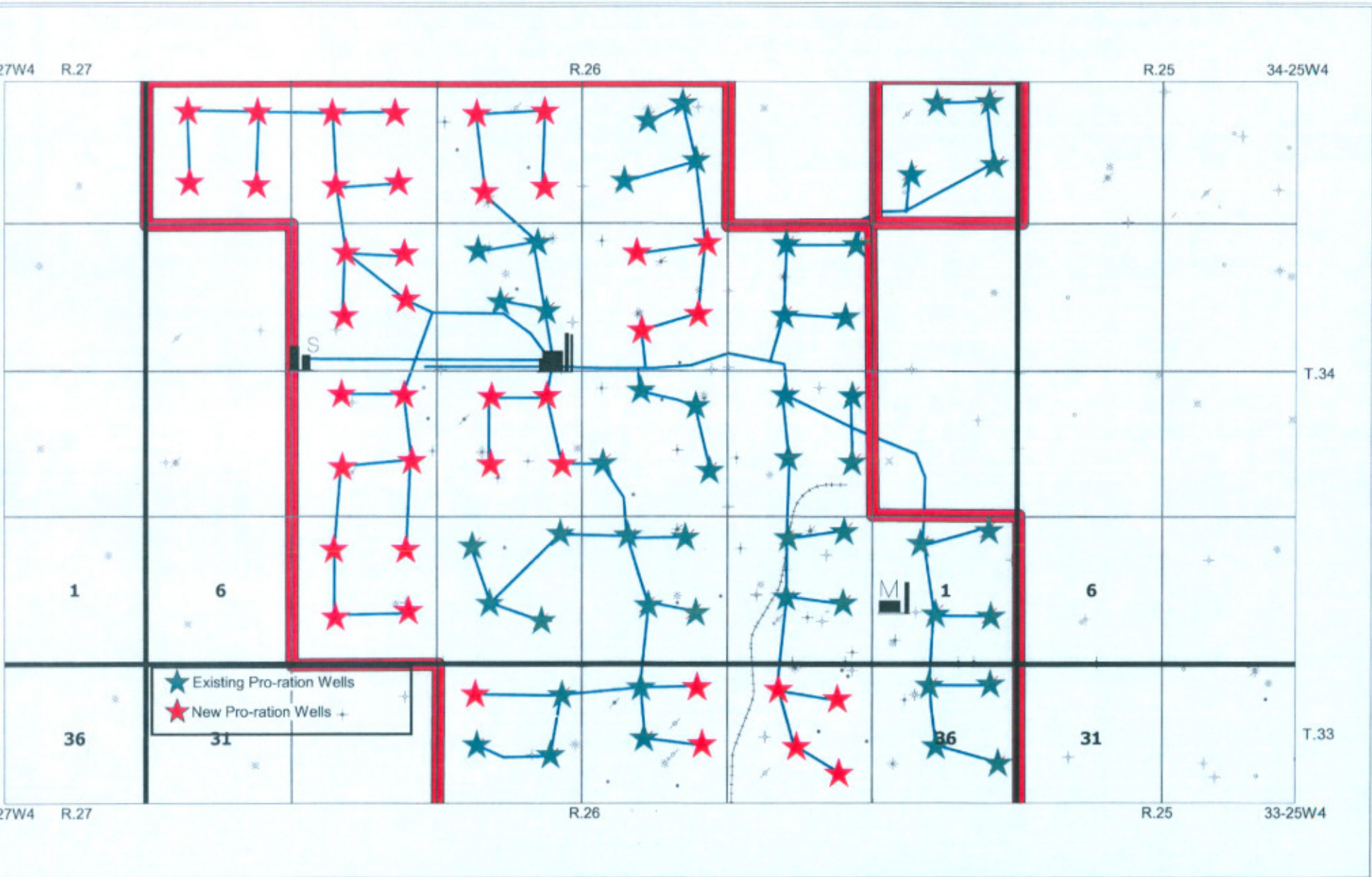
FRASER MILNER CASGRAIN

Per: 

Allan L. McLarty, Counsel
for Devon Canada Corporation

DEVON SUBMISSION

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★ Existing Pro-ration Wells
★ New Pro-ration Wells +



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May 4, 2005

Gord Peters, C.E.T.
Devon Canada Corporation
2000, 400 – 3 Avenue SW
Calgary AB T2P 4H2

**APPLICATION FOR PETROLEUM REGISTRY TYPE 364 – GAS PRORATION
OUTSIDE SE ALBERTA
FACILITY NAME: UNKNOWN
LSD: 02-16-034-26W4
FACILITY CODE:**

Your application dated April 25, 2005, requesting Petroleum Registry Type 364 (gas proration outside SE Alberta) status for low volume coal bed wells is hereby approved subject to the following conditions:

- New wells must be tested a minimum of once per month for the first six months, or until production has stabilized, and annually thereafter.
- Testing of gas wells may be performed in a manner similar to SE shallow gas wells.
- Please notify the EUB Operations Group of the facility name and code once they have been issued to enable filing of this approval.

If you have any questions, please contact the undersigned at (403) 297-2984.

A handwritten signature in black ink, appearing to be 'IM', is written over the text of the undersigned.

Ian Macdonald, C.E.T.
Operations Group
Compliance and Operations Branch

IM/cf

pc: EUB Red Deer Field Centre (w/attach.)