



FRASER MILNER CASGRAIN LLP

A.L. McLarty, Q.C.
(403) 268-7022
al.mclarty@fmc-law.com

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 Fairbourne Energy Ltd. 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 handwritten signature in black ink, appearing to read 'A. L. McLarty', written over a horizontal line.

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 FAIRBORNE ENERGY LTD.

May 19, 2006

PART 1
SUBMISSION OF FAIRBORNE ENERGY LTD.

I INTRODUCTION

1. Fairborne Energy Ltd. (Fairborne) is the licensee of the following wells either drilled or proposed to be drilled in the Clive Field and that have been raised in issue in this proceeding by Prairie Mines and Royalty Ltd (formerly Luscar Energy Ltd. or "Luscar"):

02/10-35-39-24 W4 (10-35)
02/12-35-39-24 W4 (12-35)
00/02-27-39-24 W4 (2-27)
00/03-17-39-24 W4 (3-17)
00/05-35-39-24 W4 (5-35)

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, Part 1 of which 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 by Luscar 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 coalbed methane (CBM); and:
 - That such evidence is relevant should Luscar ultimately be successful in an action to quiet title and in 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 Fairborne 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 Fairborne be required to report to the Board CBM production from each such well separately from conventional gas production.

II FACTS

- 5. Fairborne's 10-35 and 12-35 wells have been drilled and cased exclusively as wells to produce Natural Gas from Coal (NCG) and currently stand suspended.
- 6. Fairborne's 2-27, 3-17 and 5-35 wells have been licensed but have not yet been drilled.
- 7. The 3-17 well is intended to be initially completed exclusively in the coal zone. The 2-27 and 3-35 wells are intended to be initially completed only in the Belly River Gas Sand, as the primary zone, but Fairborne may, in accordance with the notification provided to Luscar, at a future time, complete the wells in the Edmonton coal zone as a secondary target, but only if and after production from the Belly River Gas Sand is no longer being taken.
- 8. Fairborne's current practice with respect to its NCG wells is to complete and equip each well with a continuous well-head production measurement meter. Such metering, in the initial stages of NCG project development, is considered by Fairborne to be important to it for the information provided with respect to the operation of those wells.

III ISSUE

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

IV SUBMISSION

- 10. Fairborne does not intend and has indicated to Luscar it is prepared to commit to not commingle any sand gas production and NCG production, in the well bore of any of the


wells raised in issue by Luscar, until the Board's decision on the ownership issue raised by Luscar, in this proceeding, has been rendered.

11. Fairborne has indicated to Luscar that it intends to and is also prepared to commit to complete and to equip all of the Fairborne wells that have been raised in issue in this proceeding with continuous individual well head production meters and to continue such metering until a decision of the Board is rendered on the ownership issue.
12. Attached as Appendix A, is a copy of a letter, dated May 5, 2006¹ on behalf of Fairborne, to counsel for Luscar, confirming the status of these wells and the commitments made by Fairborne herein.
13. Given that segregation between sand gas production and CBM production will be maintained in the Fairborne wells raised in issue in this proceeding and that CBM production will be measured on an individual well basis, Fairborne submits that adequate measures are and will be in place to track CBM production. Fairborne submits that no further or other interim conditions are required or need be imposed for the measurement and accounting of CBM production from the Fairborne wells raised in issue in this proceeding.

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

Fraser Milner Casgrain LLP.

Per: _____


Allan L. McLarty, Counsel
for Fairbourne Energy Ltd.

1871379_1

¹ The description of the 2-27 well should be corrected to read 00/02-27-39-24 W4



FRASER MILNER CASGRAIN LLP

A.L. McLarty, Q.C.
(403) 268-7022
al.mclarty@fmc-law.com

May 5, 2006

By Fax and Mail

Carscallen Lockwood LLP
1500, 407 – 2nd Street, S.W.
Calgary, Alberta T2P 2Y3

Attention: Mr. Donald Edie

Dear Sir:

Subject: AEUB Proceeding No. 1457147
Our File No. 517594-3

This is to confirm my telephone discussion with you, on May 3, 2006 as to Fairborne's position with respect to the first part of the above proceeding. The first part "... will consider whether interim conditions should be imposed for the measurement and accounting of coal bed methane production".

In this proceeding the following Fairborne wells have been placed in issue by Luscar:

02/10-35-39-24 W4 (10-35)
02/12-35-39-24 W4 (12-35)
00/02-27-29-24 W4 (2-27)
00/03-17-39-24 W4 (3-17)
00/05-35-39-24 W4 (5-35)

The 10-35 and 12-35 wells have been drilled and cased as CBM wells and currently stand suspended. The 2-27, 3-17 and 5-35 wells have been licensed but have not yet been drilled. The 3-17 well is intended to be completed exclusively in the coal zone. The 2-27 and 3-35 wells are intended to be initially completed only in the Belly River gas sand, as the primary zone. As set out in Fairborne's notification letter to Luscar the Edmonton coal zone is a secondary zone of interest for these latter wells and it is intended by Fairborne that these two wells will be completed in and produce from the up hole Edmonton coal zone when production is no longer being taken from the Belly River gas sand.

We have been asked by Fairborne to draw to Luscar's attention an additional well, the 02/7-35-39-24 W4 (7-35) which well was drilled on Luscar coal without objection. The 7-35 well is part of the 10-35 and 12-35 project package. Like those wells the 7-35 well has not been completed.

Fairborne does not intend and is prepared to commit to not commingle any sand production and CBM production, in the well bore, in any of these wells until the Board's decision on the ownership issue raised by Luscar, in this proceeding, has been rendered. Such segregated production will facilitate the separate tracking of CBM production.

Fairborne additionally intends to, and is prepared to commit to complete all of these wells, with continuous individual wellhead production meters, similar to that shown in the attached photograph, and to continue such metering until a decision of the Board is rendered on the ownership issue raised by this proceeding. The measurement system is the same as that which is employed by Fairborne on other low pressure wells that have been completed and that are on production.

Given that measurement will be in place on the Fairborne wells in issue in this proceeding to accurately track CBM production, we see no need for any other conditions to be imposed by the Board with respect to the measurement of CBM production from the wells in issue. Should your client be satisfied with Fairborne's position and commitments with respect to production tracking from these wells, we would like to communicate that concurrence to the Board to mitigate the need for this issue to be addressed by Fairborne in the context of Luscar's submission in this proceeding. As Fairborne will be required to file its submission with the Board on May 19, 2006, timely consideration and response to this correspondence by your client would be appreciated.

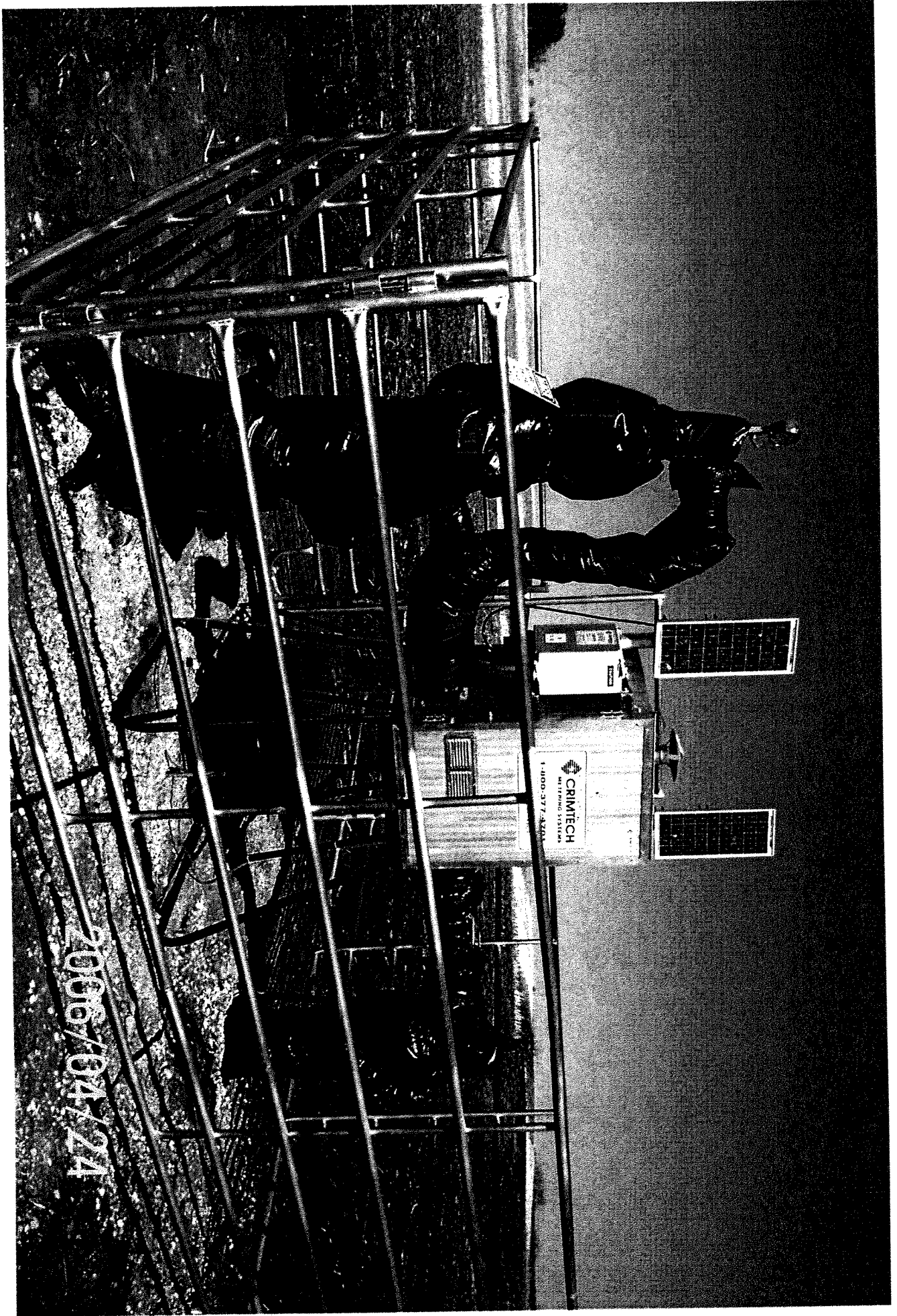
Yours very truly,

FRASER MILNER CASGRAIN LLP

A.L. McLarty
ALM/aw
Enc. - Photograph

cc: Fairborne Energy Trust - Attn: Mr. David Pyke; Mr. David Cymbalisky

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2006/04/24