

THE SECURITIES ACT

)

Order No. 4729

)

Section 20(1)

)

April 13, 2005

**ARGO ENERGY LTD. AND LIGHTNING ENERGY LTD.**

**WHEREAS:**

(A) Application has been made on behalf of Argo Energy Ltd. ("Argo") and Lightning Energy Ltd. ("Lightning") to the Manitoba Securities Commission (the "Commission") for an order under section 20(1) of The Securities Act, R.S.M. 1988, c. S50 (the "Act") exempting from the dealer registration requirement and the prospectus requirement all trades in securities to be made in connection with a proposed plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta)(the "ABCA") involving Argo, the securityholders of Argo, Lightning, the securityholders of Lightning, Sequoia Oil & Gas Trust (the "Trust"), White Fire Energy Ltd. ("White Fire"), AcquisitionCo #1, AcquisitionCo #2 and AmalgamationCo, that is proposed to be completed according to the terms and conditions of an arrangement agreement entered into between Argo and Lightning on February 2, 2005, as amended and restated on March 18, 2005;

(B) it has been represented to the Commission that:

**Argo Energy Ltd.**

1.1 Argo is a corporation continued under the Business Corporations Act, R.S.A. 2000, C.B 9 as amended (the "ABCA") and carries on the business of exploration for and development, production and marketing of oil and gas. The head and registered office of Argo is located in the City of Calgary, in the Province of Alberta.

1.2 The authorized capital of Argo consists of an unlimited number of common shares ("**Argo Common Shares**") and an unlimited number of preferred shares issuable in series, of which as at February 2, 2005, 55,675,675 Argo Common Shares and nil preferred shares were issued and outstanding.

1.3 Argo is, and has been for a period of time in excess of four months, a reporting issuer or the equivalent in the province of British Columbia, Alberta, Ontario, Quebec and New Brunswick.

1.4 Argo is not in default of any of the requirements under the Act.

1.5 Argo Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "AAE".

**Lightning Energy Ltd.**

1.6 Lightning is a body corporate existing under ABCA and carries on the business of exploration for and development, production and marketing of oil and gas. The head and registered office of Lightning is located in the City of Calgary, in the Province of Alberta.

1.7 The Authorized capital of Lightning consists of an unlimited number of common shares ("**Lightning Common Shares**") and an unlimited number of preferred shares issuable in series, of which as at February 2, 2005, 45,092,344 Lightning Common Shares and nil preferred shares were issued and outstanding.

1.8 Lightning is, and has been for a period of time in excess of four months, a reporting issuer or the equivalent in the province of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick.

1.9 Lightning is not in default of any of the requirements under the Act.

1.10 Lightning Common Shares are listed and posted for trading on the TSX under the trading symbol "LEL".

### **Sequoia Oil & Gas Trust**

1.11 The Trust is a new oil and gas energy trust which intends to make regular monthly distributions of cash to holders of Trust Units of the Trust, settled under the laws of Alberta, pursuant to a trust indenture dated March 16, 2005 (the "**Trust Indenture**").

1.12 The authorized capital of the Trust will consist of an unlimited number of Trust Units.

1.13 As a result of the implementation of the Arrangement, the Trust will become a successor reporting issuer to Argo or the equivalent in one or more of the Jurisdictions.

1.14 The Trust has applied to list the Trust Units on the TSX.

### **White Fire Energy Ltd.**

1.15 White Fire will be incorporated under the ABCA with its registered office in Calgary, Alberta.

1.16 As a result of the implementation of the Arrangement, White Fire will acquire certain exploration assets currently held by Lightning (the "**White Fire Assets**").

1.17 The authorized capital of White Fire will consist of an unlimited number of White Fire Shares and an unlimited amount of preferred shares issuable in series.

1.18 White Fire has applied to list the White Fire Shares on the TSX.

### **Additional Entities**

1.19 AcquisitionCo #1 was incorporated under the ABCA on March 16, 2005 under the name Lightning Acquisition Corp. as a wholly owned subsidiary of the Trust, for the purposes of participating in the Arrangement. The head office and registered office of AcquisitionCo #1 is located in Calgary, Alberta.

1.20 AcquisitionCo #2 was incorporated under the ABCA on March 16, 2005 under the name Argo Acquisition Corp. as a wholly owned subsidiary of the Trust for the purposes of participating in the Arrangement. The head office and registered office of AcquisitionCo #2 is located in Calgary, Alberta.

1.21 AmalgamationCo will be a corporation amalgamated pursuant to the ABCA for the purposes of participating in the Arrangement and will be a wholly owned subsidiary of the Trust. The head office and registered office of AmalgamationCo will be located in Calgary, Alberta.

### **The Arrangement**

1.22 Argo and Lightning entered into an arrangement agreement (the "**Arrangement Agreement**") dated February 2, 2005, as amended and restated March 16, 2005.

1.23 Pursuant to the Arrangement, trades in securities will occur among Argo, Lightning, the Trust, White Fire, AcquisitionCo #1, AcquisitionCo #2 and AmalgamationCo, as more particularly described in the Information Circular, defined below.

1.24 Under the Arrangement:

(a) Argo securityholders will receive for each Argo Common Share held, 0.17125 of one unit of the Trust ("**Trust Unit**") and 0.17125 of one common share of White Fire ("**White Fire Share**"); and

(b) Lightning securityholders will receive for each Lightning Common Share held, 0.25 of one Trust Unit and 0.25 of one White Fire Share.

(c) Holders of options to acquire Argo Common Shares ("**Argo Options**") and holders of options to acquire Lightning Common Shares ("**Lightning Options**") may choose to participate in the Arrangement by exercising their Argo Options or Lightning Options, as the case may be, and receiving the same consideration as Argo Shareholders and Lightning Shareholders.

(d) Each remaining Argo Option at the effective time of the Plan of Arrangement, will cease to represent the right to acquire Argo Shares and will, pursuant to the Arrangement, entitle the holder thereof to acquire 0.17125 of a Trust Unit and 0.17125 of a White Fire Share for each Argo Share which the holder was previously entitled to acquire under their options at the exercise prices specified in the Plan of Arrangement.

(e) Each remaining Lightning Option or Lightning Warrant at the effective time of the Plan of Arrangement will cease to represent the right to acquire Lightning Shares and will, pursuant to the Arrangement, entitle the holder thereof to acquire 0.25 of a Trust Unit and 0.25 of a White Fire Share for each Lightning Share which the holder was previously entitled to acquire under their options and/or warrants at the exercise prices specified in the Plan of Arrangement

1.25 Upon completion of the proposed Arrangement, the Trust will own producing properties currently held by each of Argo and Lightning, and White Fire will own the White Fire Assets.

1.26 The Arrangement will be effected by way of a plan of arrangement pursuant to Section 193 of the ABCA. The Arrangement will require (i) approval by not less than two-thirds of the votes cast by the Argo securityholders and Lightning securityholders (present in person or represented by proxy) at the meetings of Argo and Lightning securityholders (the "**Meetings**"), and thereafter, (ii) approval of the Court of Queen's Bench (the "**Court**").

1.27 Argo and Lightning made application for, and obtained, an interim order (the "**Interim Order**") of the Court dated March 18, 2005 under the ABCA which specifies, among other things, certain procedures and requirements to be followed in connection with the calling and holding of the Meetings to approve the Arrangement.

1.28 In connection with the Meetings and pursuant to the Interim Order, Argo and Lightning have mailed a joint information circular and proxy statement dated March 18, 2005, together with all appendices thereto delivered by Argo and Lightning with respect to the Arrangement (the "**Information Circular**"). The Information Circular contains prospectus level disclosure with respect to Argo, Lightning, the Trust, and White Fire. In addition, securityholders will be granted dissent rights under the ABCA.

1.29 Opinions relating to the fairness of the Arrangement to Argo securityholders and Lightning securityholders have been obtained by financial advisors to each of Argo and Lightning and are attached to the Information Circular. In addition, the board of directors of Argo and Lightning have unanimously recommended that their respective securityholders approve the Arrangement.

1.30 It is anticipated that upon receipt of the required approvals at the Meetings, the Arrangement will be submitted for final approval of the Court on April 21, 2005.

1.31 As illustrated by the foregoing general description of the transactions comprising the Arrangement, and as more particularly described in the Information Circular, the steps under the Arrangement involve trades, potential trades and transactions involving Argo Common Shares, Argo Options, Lightning Common Shares, Lightning Options, Lightning Warrants, securities of AcquisitionCo #1, securities of AcquisitionCo #2, White Fire Shares, Trust Units and rights to acquire Trust Units, which will occur pursuant to the Arrangement (collectively, such trades, potential trades and transactions are referred to herein as the "**Arrangement Trades**").

1.32 While a portion of these Arrangement Trades fit within existing statutory registration and prospectus exemptions provided for in the Act, a number of Arrangement Trades do not or may

not because of the technical requirements of the exemptions and the precise mechanics of the various issuances and exchanges. However, the trades made in connection with the Arrangement are of types that are within the spirit and intent of registration and prospectus exemptions provided for under the Act.

(C) The Commission is satisfied in the circumstances of this particular case that it would not be prejudicial to the public to grant the relief requested;

**IT IS ORDERED:**

1. **THAT**, pursuant to Section 20(1) of the Act, the Arrangement Trades are exempt from sections 6 and 37 of the Act; and
2. **THAT** the fee for this order shall be \$1000.00.

BY ORDER OF THE COMMISSION

Deputy Director - Legal