

THE SECURITIES ACT

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Order No. 3390

)

Section 20(1)

)

June 20, 2001

BONTERRA ENERGY CORP.

WHEREAS:

(A) Bonterra Energy Corp. (Bonterra") has applied to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsection 20(1) of *The Securities Act*, R.S.M. 1988, c. S50, (as amended the "Act") that certain trades in securities made pursuant to or in connection with a plan of arrangement (the "Arrangement", as defined below) involving Bonterra, Bonterra Energy Income Trust (the "Trust") and Bonterra Acquisition Corp. ("BAC"), are exempt from Sections 6 and 37 of the Act;

(B) Bonterra has represented to the Commission that:

1. Bonterra Energy is a corporation incorporated under the *Business Corporations Act* (Alberta);

2. the authorized share capital of Bonterra Energy consists of an unlimited number of common shares (the "Energy Common Shares") and an unlimited number of Class B shares, issuable in one or more series, of which 34,095,906 Energy Common Shares were issued and outstanding as at May 17, 2001;

3. the Energy Common Shares are listed on the Canadian Venture Exchange Inc. ("CDNX");

4. Bonterra Energy is currently, and has been for over 12 months, a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and is not in default of any requirement of the Act or the *Securities Rules*, B.C. Reg. 194/97;

5. Bonterra Energy is in the business of acquiring interests in petroleum and natural gas rights and in exploring, developing and producing petroleum and natural gas from properties located in Alberta and Saskatchewan;

6. BAC is incorporated under the *Business Corporations Act* (Alberta), and is a wholly-owned subsidiary of the Trust;

7. the Trust is an open-ended, unincorporated limited purpose trust governed by the laws of Alberta and created by a trust indenture dated May 15, 2001 between Olympia Trust Company and Bonterra Energy;

8. BAC was incorporated, and the Trust was formed, for the purpose of participating in the proposed Arrangement; neither BAC nor the Trust carries on any other business or owns or holds any other property or assets;

9. Bonterra Energy, BAC, and the Trust entered into an agreement on May 16, 2001 to carry out the transactions required to effect the Arrangement; the agreement provides that the holders of Energy Common Shares will receive, in exchange for their Energy Common Shares, units ("Trust Units") of undivided beneficial interest in the Trust from BAC on the basis of one Trust Unit for every four Energy Common Shares;

10. immediately prior to the arrangement becoming effective, BAC will acquire Trust Units from the Trust in exchange for units of BAC (a "BAC Unit") consisting of \$4.86 principal amount of unsecured subordinated notes and one common share of BAC;

11. as part of the Arrangement and immediately after the exchange of the Energy Common Shares for Trust Units, BAC and Bonterra Energy will amalgamate to form an amalgamated corporation ("Amalco") under the name "Bonterra Energy Corp.";

12. on the completion of the amalgamation, the authorized capital of Amalco will consist of (i) an unlimited number of preferred shares, issuable in series, and (ii) an unlimited number of common shares; all of the issued and outstanding common shares and approximately \$42.3 million of subordinated notes of Amalco will be held by the Trust;

13. the Arrangement is subject to the approval of Bonterra Energy shareholders at an annual and extraordinary meeting scheduled to be held on June 25, 2001 (the "Meeting") by at least two thirds of the votes cast by the holders of Energy Common Shares, and is also subject to the approval of the Court of Queen's Bench of Alberta;

14. in connection with the Meeting, an information circular in the prescribed form providing prospectus level disclosure regarding Bonterra Energy, BAC and the Trust has been delivered to each of the Bonterra Energy shareholders entitled to attend the Meeting;

15. under the Arrangement, the following actions will occur, in the following order:

- (a) each issued and outstanding Energy Common Share (other than Energy Common Shares held by dissenting shareholders) will be exchanged with BAC for Trust Units on the basis of one Trust Unit for every four Bonterra Common Shares, subject to a cash payment in lieu of fractional units, resulting in the acquisition by BAC of all

of the issued and outstanding Energy Common Shares (other than Energy Common Shares held by dissenting shareholders) and the acquisition of Trust Units by holders of Energy Common Shares;

(b) Bonterra Energy and BAC will amalgamate to form Amalco; and

(c) all of the issued and outstanding Energy Common Shares will be cancelled, and all of the issued and outstanding common shares of BAC will be converted in common shares of Amalco on a one-for-one basis;

16. on the completion of the Arrangement, the Trust Units will be widely held and an application for the listing of the Trust Units on The Toronto Stock Exchange will be made;

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the order requested.

IT IS ORDERED:

1. THAT, pursuant to subsection 20(1) of the Act and under the Arrangement, the transfer by the shareholders of their Bonterra Common Shares to BAC in exchange for BAC Units is exempt from Sections 6 and 37 of the Act.

2. THAT the fee for this order shall be \$1,000.00.

BY ORDER OF THE COMMISSION.

Director - Legal