

THE SECURITIES ACT) Order No. 4771
)
Section 20(1)) May 25, 2005

FAIRBORNE ENERGY LTD.

WHEREAS:

(A) Application has been made on behalf of Fairborne Energy Ltd. ("Fairborne") to the Commission for an order pursuant to Section 20(1) of The Securities Act (Manitoba) (the "Act") that the dealer registration requirement and the prospectus requirement contained in sections 6 and 37 of the Act shall not apply to all trades in securities to be made in connection with a proposed plan of arrangement (the "Arrangement") under the provisions of section 193 of the Business Corporations Act (Alberta) (the "ABCA") involving Fairborne, Fairborne Energy Trust (the "Trust"), Fairborne Acquisition Corp ("AcquisitionCo"), Fairborne ExchangeCo Ltd. ("ExchangeCo") and Fairquest Energy Limited ("ExploreCo" or "Fairquest") , including all trades made subsequent to the completion of the Arrangement pursuant to the provisions of the exchangeable shares (the "Exchangeable Shares") of AcquisitionCo and its successor, Fairborne Energy Ltd. ("AmalgamationCo")

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

1. Fairborne is a corporation amalgamated under the ABCA and its head office is located in Calgary, Alberta. Fairborne is a reporting issuer in each of British Columbia, Alberta, Ontario, Quebec and New Brunswick. Fairborne's common shares ("Common Shares") are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "FEL".
2. The Trust is an unincorporated, open-end investment trust governed by the laws of the Province of Alberta and created pursuant to a trust indenture dated April 20, 2005 between Computershare Trust Company of Canada and Fairborne. The head and principal office of the Trust is located in Calgary, Alberta. The Trust has applied and received conditional approval to list the units of the Trust ("Trust Units") on the TSX.
3. AcquisitionCo is a corporation incorporated as of April 6, 2005 pursuant to the provisions of the ABCA for purposes of participation in the Arrangement, including creating and issuing the Exchangeable Shares. The head office and registered office of AcquisitionCo is located in Calgary, Alberta.
4. AmalgamationCo will be a corporation formed on the amalgamation of Fairborne and AcquisitionCo pursuant to the Arrangement. The head office and registered office of AmalgamationCo is located in Calgary, Alberta.

5. ExploreCo is a new corporation incorporated under the ABCA. An application has been made with the TSX to have the common shares of ExploreCo (the "ExploreCo Common Shares") listed on the TSX upon approval of the Arrangement.

6. ExchangeCo is a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust. Under the Exchangeable Shares provisions, ExchangeCo will be granted certain rights to acquire, in certain circumstances, the Exchangeable Shares in consideration for Trust Units, which will be delivered to holders of the Exchangeable Shares.

7. Pursuant to, and subject to the technical steps set forth in the Arrangement:

(a) Fairborne shareholders will exchange each Common Share they own for: (i) one (1) Trust Unit or, at the election of the holder and subject to certain eligibility criteria, one (1) Exchangeable Share; and (ii) 0.333 of a Fairquest Common Share;

(b) each option to acquire a Common Share (the "Fairborne Option") (whether vested or unvested) shall cease to represent the right to acquire Fairborne Common Shares (or other securities pursuant to the terms thereof) and each Fairborne Option shall only entitle the holder to acquire one (1.0) Trust Unit for each Fairborne Common Share which the holder was previously entitled to acquire under the Fairborne Option at a price per Trust Unit equal to the existing exercise price less an amount equal to the state capital of the Class B Shares of Fairborne;

(c) essentially all of Fairborne's existing producing oil and gas assets will be transferred to the benefit of the Trust; and

(d) certain exploration assets and undeveloped lands currently held by Fairborne will be transferred to ExploreCo.

8. Pursuant to the Arrangement, trades in securities will occur among Fairborne, the securityholders of Fairborne, ExploreCo, AcquisitionCo, AmalgamationCo, as more particularly described in a management information circular dated April 27, 2005 (the "Information Circular") which was sent to securityholders of Fairborne.

9. Following the completion of the Arrangement:

(a) Placees (the "ExploreCo Placees") in a private placement by ExploreCo which will occur outside the Arrangement and Fairborne shareholders will own all of the issued and outstanding Common Shares of Fairquest and ExploreCo Placees will own all

of the common share purchase warrants of ExploreCo and performance shares of ExploreCo;

(b) Fairborne shareholders will own all of the issued and outstanding Trust Units of the Trust;

(c) certain Fairborne shareholders will own all of the Exchangeable Shares;

(d) the Trust will own all of the issued and outstanding common shares of AmalgamationCo; and

(e) the Trust will be the holder of all of the issued and outstanding Notes of AmalgamationCo.

10. The Exchangeable Shares are intended to be, to the extent possible, the economic equivalent of Trust Units and will be exchangeable for Trust Units. The Exchangeable Shares shall be entitled to preference over the common shares and any other shares of AmalgamationCo ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of AmalgamationCo. The holders of Exchangeable Shares shall be entitled to receive, in priority to the common shares and any other shares of AmalgamationCo, dividends, if as and when declared by the board of directors of AmalgamationCo. The Exchangeable Shares will also be redeemable and retractable in certain circumstances.

11. The exchange rights of the Exchangeable Shares will be governed by a voting and exchange trust agreement to be entered into on the effective date of the Arrangement among the Trust, AcquisitionCo, ExchangeCo and a trustee (the "Trustee") chosen by the Trust to act as Trustee, pursuant to which the Trust and ExchangeCo will grant to the Trustee as Trustee for and on behalf of, and for the use and benefit of, the holders of Exchangeable Shares certain ancillary rights ("Ancillary Rights") which include;

(a) the right, upon the occurrence and during the continuance of:

(i) an Insolvency Event (being the institution by AcquisitionCo of any proceeding to be adjudicated a bankrupt or insolvent or to be wound-up, or the consent of AcquisitionCo to the institution of bankruptcy, insolvency, dissolution or winding-up proceedings against it, or the filing of a petition, answer or consent seeking dissolution or winding-up under any bankruptcy, insolvency or analogous laws, including without limitation, the Companies Creditors' Arrangement Act (Canada) and the

Bankruptcy and Insolvency Act (Canada), and the failure by AcquisitionCo to contest in good faith any such proceedings commenced in respect of AcquisitionCo within fifteen (15) days of becoming aware thereof, or the consent of AcquisitionCo to the filing of any such petition or to the appointment of a receiver, or the making by AcquisitionCo of a general assignment for the benefit of creditors, or the admission in writing by AcquisitionCo of its inability to pay its debts generally as it become due, or AcquisitionCo not being permitted, pursuant to solvency requirements of applicable law, to redeem any Exchangeable Shares that are subject to a right of retraction under the voting and exchange trust agreement; or

(ii) the Trust or ExchangeCo electing not to exercise a right of purchase, redeem or retract the Exchangeable Shares, such right being provided pursuant to the provisions of the Exchangeable Shares; and

(b) to require the Trust or ExchangeCo to purchase from the holder of Exchangeable Shares all or any part of the Exchangeable Shares held by such holder; and

(c) an automatic exchange of Trust Units upon the occurrence of certain events relating to the liquidation of the Trust or AmalgamationCo.

12. The Exchangeable Shares will be subject to a support agreement pursuant to which the Trust and ExchangeCo will take certain actions to make certain payments and will deliver or cause to be delivered Trust Units in satisfaction of the obligations of AcquisitionCo.

13. The steps under the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement and the Exchangeable Shares involve a number of trades or potential trades of securities, including Common Shares, Fairborne Options, securities of the Trust (including Trust Units), securities of AmalgamationCo, securities of AcquisitionCo, securities of ExploreCo (including ExploreCo Common Shares), Fairborne Options converted to options to acquire Trust Units, and rights to otherwise make a trade of a security that was derived from the Arrangement (collectively, the "Arrangement Trades").

14. The precise mechanics of the various Arrangement Trades do not and may not satisfy the technical requirements of such trade exemptions from the Registration and Prospectus Requirements.

15. Fairborne made application for, and obtained, an interim order (the "Interim Order") of the Alberta Court of Queen's Bench (the "Alberta Court") under the ABCA which specifies, among other things, certain procedures and requirements to be followed in connection with the calling and holding of a meeting (the "Meeting") of security holders of Fairborne to approve the Arrangement. The completion of the Arrangement is subject to receipt of the final order of the Alberta Court following the receipt of all required approvals, including the security holders of Fairborne at the Meeting.

16. In connection with the Meeting and pursuant to the Interim Order, Fairborne has mailed to its securityholders the Information Circular which provides sufficient information about the Arrangement to enable a security holder of Fairborne to make an informed decision with respect to the Arrangement which provided prospectus-level disclosure regarding the Trust, ExploreCo and the particulars of the Arrangement. In addition, securityholders of Fairborne have the dissent rights under the ABCA which, if exercised, will entitle them to be paid the fair value of their securities.

17. Opinion of CIBC World Markets Inc. relating to the fairness of the Arrangement to Fairborne shareholders was obtained and attached to the Information Circular. In addition, the Board of Directors of Fairborne has unanimously recommended that securityholders of Fairborne approve the Arrangement.

(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 \$1,000.00.

BY ORDER OF THE COMMISSION

DEPUTY DIRECTOR – LEGAL