

THE SECURITIES ACT ) Order No. 4183  
)  
Sections 20(1), 103(1)(c), )  
116(1)(c) and 131(1)(c) ) June 18, 2003

## PEYTO EXPLORATION & DEVELOPMENT

### WHEREAS:

(A) Peyto Exploration & Development Corp. ("Peyto") has applied to The Manitoba Securities Commission (the "Commission") for an order under *The Securities Act*, R.S.M. 1988, c. S50 (the "Act") that:

1. under subsection 20(1) of the Act, certain trades of securities to be made in connection with a plan of arrangement (the "Arrangement"), under section 193 of the Business Corporations Act (Alberta) R.S.A. 2000 c. B-9, as amended (the "ABCA"), involving Peyto, Peyto Energy Trust (the "Trust") and Peyto Acquisition Corp. ("AcquisitionCo") be exempted from the requirements of Sections 6 and 37 of the Act (the "Registration and Prospectus Requirements"); and

2. under subsections 103(1)(c), 116(1)(c) and 131(1)(c) of the Act, the continuous disclosure requirements of Parts X, XI and XII of the Act (the "Continuous Disclosure Requirements") shall not apply to AcquisitionCo or its successor corporation on amalgamation with Peyto, ("AmalgamationCo");

(B) Peyto has represented to the Commission that:

1. Peyto is a reporting issuer or equivalent in each of the Provinces of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan. Its common shares (the "Common Shares") are listed for trading on the Toronto Stock Exchange ("TSX").

2. The Trust is established by a trust indenture under the laws of Alberta. The units of the Trust ("Trust Units") are not listed or quoted for trading on any stock exchange or other trading market. The Arrangement is conditional upon the Trust Units issued in connection with the Arrangement being approved for listing on the TSX.

3. AcquisitionCo is a corporation established under the ABCA and is a wholly owned subsidiary of the Trust created for the purpose of carrying out the Arrangement.

4. Peyto, AcquisitionCo and the Trust have entered into an agreement dated May 23, 2003 (the "Arrangement Agreement") with respect to the Arrangement, in

order to provide for the reorganization of the affairs of Peyto from a corporate structure to a trust structure. The Arrangement is described in an information circular and proxy statement dated May 23, 2003 (the "Information Circular") which was mailed to the securityholders of Peyto.

5. Securityholders will be asked to approve the Arrangement at their meeting on June 24, 2003. Approval requires at least 2/3 of the votes cast by holders of Common Shares and Options (defined below).

6. An interim order was obtained from the Alberta Court of Queen's Bench conditionally approving the Arrangement. The Arrangement will require final approval of that court before becoming effective.

7. The Arrangement will result in holders (the "Securityholders") of the Common Shares in the capital of Peyto (excluding Dissenting Securityholders) indirectly receiving Trust Units in exchange for their Common Shares held by them on the Effective Date. In addition, Peyto will amalgamate with AcquisitionCo to form AmalgamationCo, all the common shares and Notes of which will be owned by the Trust.

8. The Arrangement involves the following actions which will be deemed to occur sequentially:

(a) the Common Shares and Options held by Dissenting Securityholders who have exercised Dissent Rights shall be deemed to have been transferred to Peyto and be cancelled. Dissenting Securityholders shall cease to have any rights as securityholders of Peyto other than the right to be paid the fair value of their Common Shares or Options;

(b) each issued and outstanding Common Share (other than a Common Share held by a Dissenting Securityholder) shall be transferred to AcquisitionCo in exchange for one note of AcquisitionCo ("Note") for each Common Share held;

(c) all unexercised options to acquire Common Shares (the "Options") (other than Options held by Dissenting Securityholders, if any), will be cancelled and the holders shall be entitled to receive from Peyto in respect of each Option an amount in cash;

(d) each Note shall be transferred by the holder thereof to the Trust in exchange for Trust Units on the basis of one (1) Trust Unit for each Note held; and

(e) Peyto and AcquisitionCo shall be amalgamated to form AmalgamationCo.

9. Subsequent to the completion of the Arrangement, the Peyto Operating Trust transaction ("POT Transaction") will occur, which will result in the Trust's final organizational structure as described in the Information Circular.

10. The POT Transaction involves the following steps:

(a) The Trust will sell the AmalgamationCo Shares and the AmalgamationCo Notes to POT, in consideration for POT Notes and POT Units in a 95:5 ratio;

(b) AmalgamationCo will enter into a net profits interest agreement with POT for fair market value consideration, with the purchase price being satisfied through the reduction of the principal amount of the AmalgamationCo Notes owing by AmalgamationCo to POT; and

(c) AmalgamationCo will transfer certain raw undeveloped land ("Undeveloped Lands") to POT for fair market value consideration, with the purchase price being satisfied through the reduction of the principal amount of the AmalgamationCo Notes owing by AmalgamationCo to POT.

11. All new exploration and development in respect of the Undeveloped Lands and any new interests will be conducted directly by POT.

12. AmalgamationCo will continue to hold Peyto's producing properties and will develop Peyto's existing Proven and Probable Reserves.

13. Upon completion of the Arrangement and the POT Transaction, the previous Shareholders will own 100% of the Trust, the Trust will own 100% of POT Units and will hold all POT Notes. POT will own 100% of the AmalgamationCo Securities and AmalgamationCo will own, directly or indirectly, all of Peyto's properties other than the Undeveloped Properties transferred to POT pursuant to the POT Transaction.

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

IT IS ORDERED:

**1. THAT**, pursuant to subsection 20(1) of the Act, the Arrangement Trades are exempt from Sections 6 and 37 of the Act; and

**2. THAT** pursuant to subsections 103(1)(c), 116(1)(c) and 131(1)(c) of the Act, the requirements of Parts X, XI and XII of the Act shall not apply to AcquisitionCo or to AmalgamationCo, for so long as:

(i) the Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of AmalgamationCo;

(ii) the Trust complies with Parts X, XI and XII of the Act as if it was a reporting issuer in Manitoba; and

(iii) AmalgamationCo provides the Trust on a timely and continuous basis with proper disclosure as to its business and financial operations, disclosure of all material changes and sufficient information and materials to allow the Trust to meet its Continuous Disclosure Requirements.

**3. THAT** the fee for this order shall be \$1075.00.

BY ORDER OF THE COMMISSION.

Deputy Director - Legal