

THE SECURITIES ACT

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Order No. 4641

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Section 20

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January 7, 2005

## **STARPOINT ENERGY LTD. AND E3 ENERGY INC.**

### **WHEREAS:**

(A) Application has been made to The Manitoba Securities Commission (the "Commission") on behalf of StarPoint Energy Ltd. ("StarPoint") and E3 Energy Inc. ("E3") for an order pursuant to Section 20(1) of The Securities Act (Manitoba) (the "Act") 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 Starpoint, the securityholders of Starpoint, E3, the securityholders of E3, Starpoint Energy Trust (the "Trust"), Mission Oil & Gas Inc. ("ExploreCo"), Starpoint Acquisition Ltd. ("AcquisitionCo") and StarPoint ExchangeCo Ltd. ("ExchangeCo") that the registration requirement and the prospectus requirement contained in sections 6 and 37 of the Act (the "Registration and Prospectus Requirements") shall not apply to all trades in securities to be made in connection with the Arrangement, 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 by way of amalgamation of StarPoint, E3 and Acquisition Co, also to be called StarPoint Energy Ltd. ("AmalCo").

(B) It has been represented to the Commission as follows:

1. StarPoint was incorporated under the Business Corporations Act (Alberta) (the "ABCA") on July 22, 2003 and its head office is located in Calgary, Alberta. StarPoint is a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador and its common shares ("StarPoint Shares") are listed for trading on the TSX under the symbol "SPN".

2. E3 was formed by way of amalgamation under the Canada Business Corporations Act on July 6, 1987 and its head office is located in Calgary, Alberta. E3 is a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Ontario and Quebec and its common shares ("E3 Shares") are listed for trading on the TSX under the symbol "ETE".

3. The Trust is an open-ended, unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a trust indenture dated December 6, 2004 between Olympia Trust Company and StarPoint. The head and principal office of the Trust is located in Calgary, Alberta. An application has been made with the TSX to have the units of the Trust ("Trust Units") listed for trading on the TSX upon approval of the Arrangement.

4. AmalCo will be a corporation amalgamated pursuant to the provisions of the ABCA for purposes of participating in the Arrangement. The head office and registered office of AmalCo is located in Calgary, Alberta.
5. AcquisitionCo is a corporation incorporated as of December 1, 2004 pursuant to the provisions of the ABCA for purposes of participating in the Arrangement, including creating and issuing the exchangeable shares ("Exchangeable Shares"). The head office and registered office of AcquisitionCo is located in Calgary, Alberta.
6. 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.
7. ExchangeCo is a corporation incorporated under the ABCA and a wholly-owned subsidiary of the Trust. Under the provisions of the Exchangeable Share rights, ExchangeCo will be granted certain rights to acquire, in certain circumstances, Exchangeable Shares in consideration for Trust Units, which will be delivered to holders of the Exchangeable Shares.
8. Uptown Resources Partnership (the "Partnership") is a general partnership formed under the laws of the Province of Alberta. Prior to the completion of the Arrangement, Amalco will transfer certain assets to the Partnership in exchange for an additional partnership interest in the Partnership. After completion of the Arrangement, Amalco will directly and indirectly hold all of the partnership interests in the Partnership.
9. Pursuant to, and subject to the technical steps set forth in, the Arrangement:
  - (a) StarPoint Shareholders will exchange each common share of StarPoint Share they own for (i) 0.25 of a Trust Unit or, at the election of the holder, 0.25 of an Exchangeable Share; and (ii) 0.1111 of a ExploreCo Common Share; and
  - (b) E3 Shareholders will exchange each E3 Share they own for: (i) 0.11 of a Trust Unit or, at the election of the holder, 0.11 of an Exchangeable Share; and (ii) 0.488 of a ExploreCo Common Share;
  - (c) each unexercised, in the money options to acquire StarPoint Shares (a "StarPoint Option") and each unexercised, in the money options to E3 Shares ("E3 Option") will be exchanged for the right, in the case of the holders of StarPoint Options to purchase 0.25 Trust Units and 0.1111 ExploreCo Common Shares and, in the case of the E3 Optionholders, to purchase 0.11 Trust Units and

0.0488 ExploreCo Common Shares (such rights are referred to as the "Mission Converted Options" and the "Trust Converted Options"), in either case exercisable at any time during the period from the effective time of the Arrangement until 5:00 p.m. on the business day following the Effective Date;

(d) essentially all of StarPoint's and E3's existing producing oil and gas assets will be transferred to the benefit of the Trust; and

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

10. Pursuant to the Arrangement, trades in securities will occur among StarPoint, E3, the securityholders of StarPoint and E3, ExploreCo, the Partnership, AcquisitionCo, AmalCo. as more particularly described in a management information circular dated December 7, 2004 (the "Information Circular") which was sent to securityholders of StarPoint and E3.

11. Following the completion of the Arrangement:

(a) the StarPoint Shareholders and E3 Shareholders will hold all of the outstanding Trust Units and Exchangeable Shares;

(b) the holders of StarPoint Options and E3 Options will hold the Mission Converted Options and the Trust Converted Options;

(c) the Trust will hold a net profit interest in the Partnership pursuant to a net profit interest agreement between the Partnership and the Trust, all of the issued and outstanding common shares of Amalco and all of the issued and outstanding unsecured, subordinated promissory notes of AcquisitionCo issuable under the Arrangement;

(d) Amalco will directly and indirectly hold all of the partnership interests in the Partnership;

(e) the StarPoint Shareholders, the E3 Shareholders and the placees (the "ExploreCo Placees") in a private placement by ExploreCo which will occur outside of the Arrangement will own all of the issued and outstanding ExploreCo Common Shares; and

12. An aggregate maximum of 5,000,000 Exchangeable Shares will be issued pursuant to the Arrangement. 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 AmalCo 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 AmalCo. The holders of Exchangeable Shares shall be entitled to receive, in priority to the common shares and any other shares of AmalCo, dividends if, as and when declared by the board of directors of AmalCo. The Exchangeable Shares will also be redeemable and retractable in certain circumstances. If holders of securities elect to receive more than 5,000,000 Exchangeable Shares, the number of Exchangeable Shares to be issued to any securityholder, subject to rounding, shall be determined on a pro rata basis. To the extent that such determination results in a reduction in the number of Exchangeable Shares elected to be received by a securityholder, an equivalent number of Trust Units will be issued to such securityholder.

13. 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 (the "Ancillary Rights") which include:

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

(i) an Insolvency Event (being the institution by AmalCo of any proceeding to be adjudicated to be a bankrupt or insolvent or to be wound up, or the consent of AmalCo to the institution of bankruptcy, dissolution, insolvency 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, and the failure of AmalCo to contest in good faith any such proceedings commenced in respect of AmalCo within 15 days of becoming aware thereof, or the consent by AmalCo to the filing of any such petition or to the appointment of a receiver, or the making of AmalCo of a general assignment for the benefit of creditors, or the admission in writing by AmalCo of its inability to pay its debts generally as they become due, or AmalCo not being permitted, pursuant to solvency requirements of applicable law, to redeem any Exchangeable Shares that are subject to a right of retraction); or

(ii) the Trust or ExchangeCo electing not to exercise a right to 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 for Trust Units upon the occurrence of certain events relating to the liquidation of the Trust or AmalgamationCo.

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

15. 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 StarPoint Shares, E3 Shares, StarPoint Options, E3 Options, securities of the Trust (including Trust Units), securities of AmalCo, securities of AcquisitionCo, securities of ExploreCo (including ExploreCo Common Shares), Mission Converted Options and Trust Converted Options under the Arrangement, and rights to otherwise make a trade of a security that was derived from the Arrangement (collectively, the "Arrangement Trades").

16. The precise mechanics of the various Arrangement Trades do not or may not satisfy the technical requirements of statutory exemptions from the Registration and Prospectus Requirements.

17. StarPoint and E3 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 of securityholders of StarPoint and E3 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 that of the securityholders of StarPoint and E3 at the meeting.

18. In connection with the meeting and pursuant to the Interim Order, each of StarPoint and E3 has mailed to its respective securityholders the Information Circular which provides sufficient information about the Arrangement to enable a securityholder of StarPoint or E3 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

StarPoint and E3 have the dissent rights under the ABCA which, if exercised, will entitle them to be paid the fair value of their securities.

19. Opinions of Orion Securities Inc. and GMP Securities Ltd. relating to the fairness of the Arrangement to StarPoint securityholders were obtained and attached to the Information Circular. In addition, An opinion of First Associates Investments Inc. relating to the fairness of the Arrangement to E3 securityholders was obtained and is attached to the Information Circular. In addition, the board of directors of StarPoint and E3 have unanimously recommended that securityholders of StarPoint and E3, as the case may be, 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.

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

**BY ORDER OF THE COMMISSION**

**Director – Legal**