

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA
ONTARIO, QUEBEC, NEWFOUNDLAND AND NOVA SCOTIA

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF BAYTEX ENERGY LTD.

AND

IN THE MATTER OF BELLATOR EXPLORATION INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland and Nova Scotia (the "Jurisdictions") has received an application from Baytex Energy Ltd. ("Baytex") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that in connection with Baytex's offer (the "Offer") to purchase all of the issued and outstanding common shares (the "Bellator Common Shares") of Bellator Exploration Inc. ("Bellator") on the basis of \$0.75 in cash and 0.165 of a common share of Baytex (a "Baytex Common Share") for each Bellator Common Share accepted for purchase under the Offer:

1.1 Baytex shall be exempt from the requirement in the Legislation to offer all holders of the same class of securities identical consideration (the "Identical Consideration Requirement") insofar as certain holders of Bellator Common Shares who accept the Offer will receive the cash proceeds from the sale of Baytex Common Shares in accordance with the procedure described in paragraph 3.12 below, instead of receiving Baytex Common Shares; and

1.2 despite the provision in the Legislation that prohibits an offeror who makes or intends to make a take-over bid or issuer bid and any person acting jointly or in concert with the offeror from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of

greater value than that offered to other holders of the same class of securities (the "Prohibition on Collateral Agreements"), certain agreements (the "Severance Agreements") that have been or may be entered into among Bellator, certain senior executive officers and employees of Bellator (collectively, the "Employees") and/or Baytex pursuant to which such Employees will be entitled to subscribe for Baytex Canadian exploration expense flow-through shares (the "Baytex Flow-Through Shares") at a purchase price of \$13.20 per Baytex Flow-Through on a private placement basis in satisfaction of any obligation by Baytex to make any severance payment to such Employees are made for reasons other than to increase the value of the consideration paid to such Employees for the Bellator Shares they hold and as such the Severance Agreements may be entered into;

2. AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS Baytex has represented to the Decision Makers that:

3.1 Baytex is a corporation amalgamated under the laws of Alberta. Baytex is a reporting issuer in each of the provinces of Canada and is not in default of any requirement of the Legislation.

3.2 Baytex's authorized capital consists of an unlimited number of Baytex Common Shares, 25,793,465 of which were issued and outstanding as of April 7, 2000.

3.3 The Baytex Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE").

3.4 Bellator is a corporation incorporated under the laws of Alberta. It is a reporting issuer in British Columbia, Alberta, Manitoba, and Ontario and is not in default of any requirement of the Legislation.

3.5 Bellator's authorized capital consists of an unlimited number of Bellator Common Shares and an unlimited number of preferred shares (the "Bellator Preferred Shares"). As at April 11, 2000, there were 48,577,011 Bellator Common Shares and no Bellator Preferred Shares issued and outstanding.

3.6 The Bellator Common Shares are listed and posted for trading on the TSE.

3.7 On March 31, 2000, Baytex announced its intention to make the Offer and on April 5, 2000, Bellator and Baytex entered into a definitive acquisition agreement (the "Acquisition Agreement") setting out the terms and conditions upon which Baytex was prepared to make the Offer.

3.8 On April 14, 2000, Baytex mailed the Offer to all holders of Bellator Common Shares (the "Bellator Shareholders").

3.9 The Offer is being made in compliance with the Legislation of the Jurisdictions, except to the extent that exemptive relief is granted in respect of the Identical Consideration Requirement and the Prohibition on Collateral Agreements.

3.10 To the knowledge of Baytex after reasonable inquiry, Bellator Shareholders resident in the United States (collectively, the "U.S. Shareholders") hold, in the aggregate, 18.9% of the outstanding Bellator Common Shares.

3.11 The Baytex Common Shares that may be issued under the Offer have not been and will not be registered or otherwise qualified for distribution pursuant to the securities legislation in the United States or any other jurisdiction outside Canada. Accordingly, the delivery of Baytex Common Shares to U.S. Holders or the citizens or residents of any other jurisdiction outside of Canada where the Baytex Common Shares may not be delivered without further action by Baytex (collectively with "U.S. Holders", the "Non-Canadian Holders") may constitute a violation of the laws of such jurisdictions.

3.12 Baytex proposes to deliver Baytex Common Shares to CIBC Mellon Trust Company (the "Depositary"), for sale of such Baytex Common Shares by the Depositary on behalf of such Non-Canadian Shareholders. All Baytex Common Shares that the Depositary is required to sell will be pooled and sold by the Depositary on the TSE in a manner that is intended to minimize any adverse effect such a sale could have on the market price of Baytex Common Shares as soon as reasonably possible after the date Baytex first takes up any of the Bellator Common Shares tendered by Non-Canadian Shareholders. As soon as reasonably possible after completion of such sale, and in any event no later than three business days after completion of such sale, the Depositary will deliver to each Non-Canadian Holder whose Baytex Common Shares have been sold by the Depositary a cheque in Canadian funds in an amount equal to such Non-Canadian Holder's *pro rata* share of the proceeds of sale (net of all applicable commissions and withholding taxes) of all Baytex Common Shares sold by the Depositary.

3.13 The Employees, by virtue of their employment with Bellator and Bellator's common law obligations to compensate employees upon termination, or by virtue of the terms of any employment agreement entered into between the Employee and Bellator, have certain rights whereby, if an Employee is terminated upon a change of control of Bellator, such employee shall receive notice from Bellator, or payment in lieu of notice (the "Severance Payment").

3.14 Pursuant to the Acquisition Agreement, Baytex has agreed, among other things, that unless the Acquisition Agreement is terminated or Bellator otherwise agrees in writing, subject to regulatory approvals and upon the condition that the

Offer is completed, Baytex shall provide each Employee with the opportunity to reinvest any Severance Payment to which such Employee may become entitled in Baytex Flow-Through Shares at a subscription price of \$13.20 per Baytex Flow-Through Share.

3.15 The Severance Agreements were negotiated at arm's length. The Severance Agreements are being made for valid business reasons on commercially paid to the Employees pursuant to the Offer.

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision been met;

6. THE DECISION of the Decision Makers under the Legislation is that in connection with the Offer:

6.1 Baytex is exempt from the Identical Consideration Requirement, insofar as Non-Canadian Holders who accept the Offer will receive the cash proceeds from the Depositary's sale of the Baytex Common Shares in accordance with the procedure set out in paragraph 3.12 above, instead of receiving such Baytex Common Shares.

6.2 the Severance Agreements are being entered into for reasons other than to increase the value of the consideration to be paid to the Employees for their Bellator Shares and such Severance Agreements may be entered into despite the Prohibition on Collateral Agreements.

DATED at Edmonton, Alberta this "17th" day of May, 2000.

Eric T. Spink, Vice-Chair

Thomas G. Cooke, Q.C., Member

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - take-over bid for all issued and outstanding securities of a corporation with non-Canadian resident shareholders - offeror offering consideration consisting of combination of cash and its own securities - offeror's securities not qualified for distribution outside Canada - offeror relieved from identical consideration requirement so as to allow offeror to offer non-Canadians the proceeds of sale of securities of offeree issuer deposited under the take-over bid - severance agreements between offeree and certain of its employees provide for offeree to pay severance payment to the employees in event of change of control - agreement between offeror and offeree that offeror to provide such employees with opportunity to reinvest pre-tax severance payment in flow-through

shares of offeror made for business purposes and may be entered into despite the prohibition on collateral agreements in the Legislation.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 136(1), 136(2), 144(2)(a), 144(2)(c).