

IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN  
MANITOBA, ONTARIO, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NOVA  
SCOTIA, NEWFOUNDLAND, THE NORTHWEST TERRITORIES, NUNAVUT AND THE  
YUKON TERRITORY

AND

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

AND

IN THE MATTER OF BURLINGTON RESOURCES INC.  
POCO PETROLEUMS LTD. AND BURLINGTON RESOURCES CANADA INC.

**MRRS DECISION DOCUMENT**

1. WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Nova Scotia, the Yukon Territory, the Nunavut Territory and the Northwest Territories (the "Jurisdictions") has received an application from Burlington Resources Inc. ("BR"), Burlington Resources Canada, Inc. ("BR Canada") and Poco Petroleum Ltd. ("Poco") (collectively, BR and BR Canada are hereinafter referred to as the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

1.1 to be registered to trade in a security, to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Registration and Prospectus Requirements") shall not apply to certain trades in securities to be made in connection with a plan of arrangement (the "Arrangement") involving BR and Poco pursuant to an agreement to combine the businesses of BR and Poco (the "Combination");

1.2 with respect to BR Canada, to issue a press release and file a report with the Decision Makers upon the occurrence of a material change, file interim financial statements and audited financial statements with the Decision Makers and deliver such statements to the securityholders of BR Canada, file an information circular or make an annual filing with the Decision Makers in lieu of filing an information circular, file an annual information form and provide management's discussion and analysis of financial condition and results of operations (the "Continuous Disclosure Requirements") shall not apply to BR Canada; and

1.3 to comply with insider reporting requirements (the "Insider Reporting Requirements") shall not apply to any insider of BR Canada who is not also an insider at BR;

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 the Filer has represented to the Decision Makers that:

3.1 Poco is a corporation organized and subsisting under the ABCA;

3.2 Poco's principal business is the acquisition of interests in crude oil and natural gas rights and the exploration for, development, production and marketing of crude oil and natural gas;

3.3 Poco's principal executive offices are located at Suite 3700, 250 - 6th Avenue SW, Calgary, Alberta, T2P 3117;

3.4 the authorized capital of Poco consists of an unlimited number of common shares ("Poco Common Shares"), an unlimited number of First Preferred Shares issuable in series and an unlimited number of Second Preferred Shares issuable in series. As of August 15, 1999, 153,493,274 Poco Common Shares were issued and outstanding and no Preferred Shares were issued and outstanding. As of August 15, 1999, an aggregate of 10,172,150 Poco Common Shares were reserved for issuance pursuant to the Poco option plan;

3.5 the Poco Common Shares are fully participating voting shares and are listed on The Toronto Stock Exchange (the "TSE") and the Montreal Exchange (the "ME");

3.6 Poco is a reporting issuer under the *Securities Act* (Alberta) (the "ASA") and is not in default of any of the requirements under the ASA or the regulations thereunder and is a reporting issuer or the equivalent of a reporting issuer under the securities laws of each of British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland;

3.7 Poco's management is not aware of any Poco Shareholder who owns in excess of 10% of the outstanding Poco Common Shares;

3.8 BR is a corporation organized and subsisting under the laws of the State of Delaware;

3.9 BR is engaged in exploring for, development and producing and marketing crude oil and natural gas. BR is the largest U.S. independent owned gas company

based in total proved U.S. reserves and the second largest U.S. independent owned gas company based on total proved world-wide reserves;

3.10 BR's principal executive offices are located at 5051 Westheimer, Suite 1400 Houston, Texas 77056;

3.11 the authorized capital stock of BR consists of 325,000,000 shares of BR common stock ("BR Common Stock") and 75,000,000 shares of preferred stock of which 3,250,000 shares of designated series A junior participating preferred stock. As of September 30, 1999, there were 177,564,685 shares of BR Common Stock outstanding held by approximately 20,704 holders of record, excluding holders whose shares of record are held by brokers. As of September 30, 1999, there were no shares of preferred stock issued or outstanding;

3.12 the BR Common Stock is fully participating and voting and are currently traded on the NYSE;

3.13 BR is currently subject to the reporting requirements of the *United States Securities Exchange Act of 1934* (the "Exchange Act"), and is not a reporting issuer or the equivalent thereof in any provinces or territories in Canada;

3.14 BR's management is not aware of any BR Stockholder who owns in excess of 10% of the outstanding BR Common Stock;

3.15 BR Canada is a newly established limited liability company incorporated under the laws of Alberta and is wholly owned by BR. Upon the completion of the Combination, it is intended that the Exchangeable Shares of BR Canada will be listed and posted for trading on the TSE;

3.16 BR Canada's registered office is located at 4500 Bankers Hall East, 855 - 2nd Street S.W., Calgary, Alberta, T2P 4K7;

3.17 BR Canada's authorized capital will consist of an unlimited number of common shares and an unlimited number of Exchangeable Shares. The principal rights, privileges, restrictions and conditions attached to the Exchangeable Shares are summarized at page 3 of the Proxy Statement;

3.18 all common shares of BR Canada will be held (as registered and beneficial owner) by BR, for at least three years following the effective date of the Combination;

3.19 effective August 16, 1999, BR and POCO entered into an amended and restated combination agreement (the "Combination Agreement") pursuant to which the businesses of BR and POCO will be combined pursuant to a plan of arrangement (the "Arrangement") under section 186 of the *Business Corporations Act* ("ABCA");

3.20 under the terms of the Combination Agreement, the holders ("Poco Shareholders") of Poco Common Shares (other than dissenting shareholders) will transfer each of the Poco Common Shares held by them to BR Canada in consideration for 0.25 of an exchangeable share ("Exchangeable Share") of BR Canada. Each Exchangeable Share entitles the holder to: (i) receive one share of BR Common Stock; (ii) receive dividends equivalent to any dividends paid on BR Common Stock; and (iii) vote at meetings of holders of BR Common Stock ("BR Stockholders"). Upon completion of the Arrangement, Poco will be wholly owned by BR Canada, and all former Poco Shareholders will hold Exchangeable Shares issued by BR Canada;

3.21 the Arrangement is subject to the approval of: (i) Poco Shareholders and holders of Poco Options (the "Poco Option holders"); and (ii) the Court of Queen's Bench of Alberta (the "Court");

3.22 BR Stockholders will be required to approve the issuance of BR Common Stock in exchange for the Exchangeable Shares that are issued pursuant to the Arrangement;

3.23 the required meetings of the Poco Shareholders and Poco Optionholders and the BR Stockholders (collectively, the "Meetings") will be held on November 18, 1999 and that the Arrangement will be submitted for final court approval immediately thereafter;

3.24 Poco Shareholders, Poco Optionholders and BR Stockholders have been furnished with a joint management information circular and proxy statement (the "Proxy Statement") in connection with the Meetings which will contain or incorporate by reference prospectus-level disclosure concerning the respective businesses of BR and Poco and a detailed description of the Combination;

3.25 the Proxy Statement was prepared in conformity with the provisions of the Legislation, the applicable policy statements of the Decision Makers and applicable United States securities law, and has been reviewed by United States Securities and Exchange Commission (the "SEC");

3.26 the Arrangement will include, among others, the following steps:

3.26.1 existing holders of Poco Common Shares (other than dissenting shareholders) will transfer their Poco Common Shares to BR Canada in consideration for Exchangeable Shares as determined in accordance with The exchange ratio;

3.26.2 Poco Shareholders will be entitled to make an income tax election pursuant to the *Income Tax Act* (Canada) with respect to the transfer of their Poco Common Shares for Exchangeable Shares; and

3.26.3 each outstanding Poco Option will be exchanged for an option (collectively, the "BR Options") to purchase the number of whole shares of BR Common Stock determined in accordance with the exchange ratio;

3.27 the trades and potential trades which will occur pursuant to the Combination or pursuant to a right to make a trade which was derived from the Combination (collectively, the "Trades") are summarized as follows:

3.27.1 the issuance of Exchangeable Shares on the transfer to BR Canada, pursuant to the Arrangement, of all outstanding Poco Common Shares (other than Poco, Common Shares held by Poco Shareholders who dissent) in consideration for Exchangeable Shares;

3.27.2 the grant by BR to the Trustee for the benefit of the holders of Exchangeable Shares, under the Voting and Exchange Trust Agreement, of the Exchange Right, the Automatic Exchange Right and the voting rights pursuant to the Special Voting Share;

3.27.3 the issuance of the Special Voting Share to the Trustee pursuant to the Voting and Exchange Trust Agreement;

3.27.4 the creation in favour of BR of the various call rights to purchase Exchangeable Shares from their holders;

3.27.5 the issuance by BR and delivery by BR Canada of BR Common Stock to holders of Exchangeable Shares in exchange for Exchangeable Shares upon the exercise by such holders of the refraction rights and the corresponding transfer of such Exchangeable Shares;

3.27.6 the issuance of BR Common Stock to holders of Exchangeable Shares in connection with the exercise by BR of its call right upon the refraction of the Exchangeable Shares and the corresponding transfer of such Exchangeable Shares;

3.27.7 the issuance by BR and delivery by BR Canada of BR Common Stock to holders of Exchangeable Shares in exchange for Exchangeable Shares in connection with the automatic redemption of the Exchangeable Shares and the corresponding transfer of such Exchangeable Shares;

3.27.8 the issuance of BR Common Stock to holders of Exchangeable Shares in connection with the exercise by BR of its call right in connection with the automatic redemption of the

Exchangeable Shares and the corresponding transfer of such Exchangeable Shares;

3.27.9 the issuance by BR and delivery by BR Canada of BR Common Stock to holders of Exchangeable Shares in exchange for Exchangeable Shares in the event of the liquidation, dissolution or winding-up of BR Canada and the corresponding transfer of such Exchangeable Shares;

3.27.10 the issuance of BR Common Stock to holders of Exchangeable Shares upon the exercise by BR of its call right upon the liquidation, dissolution or winding-up of BR Canada and the corresponding transfer of such Exchangeable Shares;

3.27.11 the issuance of BR Common Stock to holders of Exchangeable Shares in connection with the Exchange Right and the corresponding transfer of such Exchangeable Shares;

3.27.12 the issuance of BR Common Stock to holders of Exchangeable Shares in connection with the automatic exchange right upon the liquidation, dissolution or winding-up of BR and the corresponding transfer of such Exchangeable Shares;

3.27.13 the issuance of BR Common Stock to holders of Exchangeable Shares upon the exercise by such holders of the exchange put right and the corresponding transfer of such Exchangeable Shares;

3.27.14 the "conversion" of all outstanding Poco Options for BR Options; and

3.27.15 the issuance of BR Common Stock on exercise of the BR Options granted on conversion of the Poco Options;

3.28 the BR Exchangeable Shares will be the economic equivalent of shares of BR Common Stock and will have the attributes more particularly described in the Proxy Statement;

3.29 Poco Shareholders will make one investment decision when voting to approve the Arrangement and the subsequent trades arise directly out of the collection of rights acquired by Poco Shareholders who receive Exchangeable Shares in connection with the Arrangement;

3.30 if not for income tax considerations, Poco Shareholders could have received BR Common Stock directly without receiving Exchangeable Shares. The Exchangeable Shares will be issued to provide Poco Shareholders with securities

on a tax-deferred basis and to otherwise preserve the tax attributes applicable to Poco Shareholders;

3.31 holders of Exchangeable Shares in essence have a participatory interest in BR rather than in BR Canada and therefore, certain disclosure required to be provided in respect of BR Canada as a reporting issuer or the equivalent under the Legislation would not be meaningful to the holders of Exchangeable Shares;

3.32 the Proxy Statement will disclose that, in connection with the Combination BR and BR Canada have applied for relief from applicable Registration and Prospectus Requirements, the Continuous Disclosure Requirements and Insider Reporting Requirements and disclose the limitations imposed on an) resale of securities acquired pursuant to this decision. The Proxy Statement will specify the disclosure requirements from which BR Canada has applied to be exempted and will identify the disclosure that will be made in substitution therefor if such exemptions are granted;

4. AND WHEREAS pursuant to the System this Decision Document confirms the determination of the Decision Makers (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 has been met;

6. THE DECISION of the Decision Makers pursuant to the Legislation is that:

6.1 The Registration and Prospectus Requirements shall not apply to the Trades provided that the first trade in such BR Exchangeable Shares or BR Common Stock in a Jurisdiction shall be a distribution under the Legislation of such Jurisdiction (the "Applicable Legislation") except that where:

6.1.1 the issuer of the securities is a reporting issuer or the equivalent under the Applicable Legislation in the Jurisdiction in which such first trade is made or, if the issuer of the securities is not a reporting issuer or the equivalent, BR has complied with the requirements of paragraph 62 below;

6.1.2 if the seller is in a special relationship with the issuer of the securities, as defined in the Applicable Legislation, the seller has reasonable grounds to believe that the issuer of the securities is not in default of any requirement of the Applicable Legislation; and

6.1.3 no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of such first trade;

then such first trade is a distribution only if it is a trade from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of BR to affect materially the control of BR but any holding of any person, company or combination of persons or companies holding more than 20 percent of the outstanding voting securities of BR shall, in the absence of evidence to the contrary, be deemed to affect materially the control of BR (and for this purpose BR Common Stock and Exchangeable Shares are considered to be of the same class);

6.2 the Continuous Disclosure Requirements shall not apply to BR Canada, provided that at the time that any such requirement would otherwise apply:

6.2.1 BR shall concurrently send to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of BR Common Stock resident in the United States, including, but not limited to, copies of its annual report and all proxy solicitation materials;

6.2.2 BR shall file with each of the Decision Makers copies of all documents filed by it with the United States Securities and Exchange Commission under the Exchange Act, including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K, quarterly statement and proxy statement prepared in connection with BR's annual meetings;

6.2.3 BR shall comply with the requirements of the NYSE (or such other principal stock exchange on which the BR Common Stock is then listed) in respect of making public disclosure of material information on a timely basis and forthwith issues in the Jurisdictions and files with the Decision Makers any press release that discloses a material change in BR's affairs;

6.2.4 BR Canada shall provide each recipient or proposed recipient of Exchangeable Shares resident in the Jurisdictions with a statement that, as a consequence of this order, BR Canada and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers and insiders, and specifying those requirements BR Canada and its insiders have been exempted from, and identifying the disclosure that will be made in substitution therefor;

6.2.5 BR Canada shall comply with the requirements of the Legislation to issue a press release and file a report with the Decision Makers upon the occurrence of a material change in



respect of material changes in the affairs of BR Canada that are not material changes in the affairs of BR;

6.2.6 BR shall include in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to BR and not to BR Canada, Such insert to include a reference to the economic equivalency between the Exchangeable Shares and BR Canada Common Stock and the right to direct voting at BR's stockholders' meetings; and

6.2.7 BR shall remain the direct or indirect beneficial owner of all the issued and outstanding voting securities of BR Canada other than the Exchangeable Shares

6.3 the Insider Reporting Requirements shall not apply to any insider of BR Canada who is not also an insider of BR.

DATED at Calgary, Alberta this "17<sup>th</sup>" day of "November", 1999.

William Hess, Q.C., Chair Glenda A. Campbell, Vice Chair

#### Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the registration and prospectus requirements in respect of certain trades made in connection with a business combination involving a reporting Canadian issuer and US company where exemptions not available for technical reasons,

Continuous Disclosure- Canadian reporting issuer exempted from continuous disclosure requirements, subject to certain conditions. Disclosure required to be provided by these provisions would not be meaningful to shareholders.

#### Applicable Alberta Statutory Provisions

Securities Act S.A., 1981, c.S-6.1, as amended, ss. 54, 81, 116(1), 123(c), 184(2) and 70(3)(b)