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Settlement Agreement

Donald Wayne Busby

Securities Act, RSBC 1996, c. 418

¶ 1 The Executive Director has settled the following issues with Donald Wayne Busby (Busby).

Agreed Statement of Facts

¶ 2 As the basis for the undertakings and orders referred to in this settlement, Busby acknowledges the following facts as correct:

1. Hilton Petroleum Ltd. (Hilton) was incorporated under the laws of British Columbia and continued under the laws of the Yukon. Hilton has been a reporting issuer under the Act since 1996 and at all material times its shares were listed on the Canadian Venture Exchange.
2. Busby is a businessman now residing in Colorado. At the material times, Busby was a director, the chairman and chief executive officer of Hilton.
3. In March 2001, Hilton owned a 12.125% interest in a joint venture (Joint Venture) exploring the "East Lost Hills project" (the Project), located in the San Joaquin basin in California. The Joint Venture was exploring for oil and gas and had an active and ongoing drill program. In March 2001, the Joint Venture was drilling the Berkley #2 well. Although Hilton had exploration programs and production in other regions of the United States, Hilton's focus was on exploration at the Project and in the Sacramento basin. The majority of Hilton's exploration and development costs were being incurred in those areas.
4. At the material times, Busby lived near the Project and had ultimate responsibility for a branch office of Hilton in or near Bakersfield, California that was set up for the purpose of monitoring the Project.
5. Berkley Petroleum Corp. was the operator of the Project. It was responsible for the drill program and for providing reports on the progress of the drilling to the Joint Venture partners.
6. In March 2001 there was one well (Berkley #1) on the Project that was producing gas at a rate of about 10 million cubic feet per day. Berkley was also drilling a second well (Berkley #2). Analysts and persons following

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Hilton's stock regarded the results of Berkley #2 as highly relevant to determining the viability of the Project.

Insider Trading

7. On March 13, 2001, a material fact (the Material Fact) in relation to the securities of Hilton existed or a material change (the Material Change) in the affairs of Hilton occurred, namely that by March 13, Berkley #2 was producing gas flows at levels far below those the media, analysts and investors had targeted, and was producing a significant amount of water.
8. At approximately 8:30 a.m. on March 14, 2001, Busby became aware of the Material Fact or the Material Change.
9. The Material Fact or Material Change was not generally disclosed until March 20, 2001.
10. Busby was in a special relationship with Hilton within the meaning of sections 3 and 86(1)(a) of the Act from March 14 to March 20 (the Relevant Period) because he was a director and senior officer of Hilton.
11. Throughout the Relevant Period, Busby traded 380,200 shares of Hilton through the account of a holding company owned by a family member or family members, with knowledge of the undisclosed Material Fact or Material Change before it was generally disclosed, contrary to section 86(1) of the Act. The trades consisted of the sale of 162,100 shares and the purchase of 218,100 shares of Hilton. Busby's loss avoided by selling shares at a higher price and buying them back at a lower price was approximately \$75,000.

Public Interest

12. Busby acted contrary to the public interest by trading on the basis of material non-public information regarding Hilton.

¶ 3 **Undertaking**

Busby undertakes:

1. To pay the Commission the sum of \$75,000 representing Busby's loss avoided;
2. To pay the Commission the sum of \$10,000 as a voluntary payment, of which \$5,000 represents the costs of the investigation; and
3. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

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¶ 4 Order

Busby consents to an order by the Executive Director (the Order) that:

1. under section 161(1)(c) of the Act, the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act, do not apply to Busby until the later of:
 - (a) four years from the date of the Order; and
 - (b) the date he successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers,

subject to the following conditions:

- (c) he may sell those securities held in his brokerage accounts in British Columbia as of March 18, 2004 (the Exempted Trades);
 - (d) before any Exempted Trades take place and within two weeks of the date of the Order, Busby must deliver a sworn declaration to the Executive Director listing the securities of any issuer over which Busby has direct or indirect beneficial ownership or control or direction;
 - (e) any such Exempted Trades must take place within one year of the date of the Order through a single registered dealer designated in writing by Busby and approved by the Executive Director;
 - (f) before any such Exempted Trades take place, Busby must deliver to the registered dealer a copy of the Order;
2. under section 161(1)(d) of the Act, Busby be prohibited from engaging in investor relations activities for four years from the date of the Order; and
3. under section 161(1)(d) of the Act, Busby resign any position that he may hold as a director or officer of any issuer and be prohibited from becoming or acting as a director or officer of any issuer until the later of:
 - (a) four years from the date of the Order; and
 - (b) the date he successfully completes a course of study satisfactory to the Executive Director concerning the duties and responsibilities of directors and officers.

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Waiver

¶ 5 Busby waives any right he may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this Settlement Agreement.

¶ 6 March 17, 2004

“Donald W. Busby”

¶ 7 Donald Wayne Busby

¶ 8

Witness Signature

Witness

Name

Address

Occupation

¶ 9 March 19, 2004

“Martin Eady”

¶ 10 Martin Eady
Acting Executive Director