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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102, s. 13.1 - *Continuous Disclosure Obligations* - An issuer wants relief from the requirement to include prospectus-level disclosure in an information circular to be circulated in connection with an arrangement, reorganization or acquisition - Alternate disclosure will be provided about the issuer that is consistent with the information required in the continuous disclosure context for significant acquisitions; information will be provided about the parties to the transaction sufficient for shareholders to assess the transaction as a whole; the alternate disclosure complies with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* and will be in compliance with OSC Policy 41-501 except that the time frame for reporting is shortened from 3 years to 2 years

National Instrument 51-101, s. 8.1 – *Standards of Disclosure for Oil and Gas Activities* - An issuer wants relief from the requirement to include reserves data and other oil and gas information in an information circular as at the date of the most recent audited balance sheet included in the information circular - Alternate disclosure will be provided about the reserves data and other oil and gas information as at a more current date than the date of the most recent audited balance sheet; the alternate disclosure complies with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Properties*

Applicable British Columbia Provisions

National Instrument 51-102, s. 13.1 - *Continuous Disclosure Obligations*

National Instrument 51-101, s. 8.1 – *Standards of Disclosure for Oil and Gas Activities*

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

AND

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

AND

IN THE MATTER OF STARPOINT ENERGY LTD.

MRRS DECISION DOCUMENT

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Background

1. The local securities regulatory authority or regulator (the “Decision Maker”) in each of Alberta, British Columbia, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application from StarPoint Energy Ltd. (the “Filer”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the Filer be exempt from the requirements contained in the Legislation which (i) requires the Filer to include three years of audited financial statements in an information circular in respect of a significant acquisition; (ii) requires the Filer to include three years of audited financial statements in an information circular in respect of a business for which securities are being distributed in connection with a restructuring transaction; and (iii) requires the Filer to include reserves data and other oil and gas information in an information circular as at the date of the most recent audited balance sheet included in the information circular.
- 2.1 Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”):
 - 2.1 the Alberta Securities Commission is the principal regulator for this application; and
 - 2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

3. Unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Quebec Commission Notice 14-101;

Representations

4. The Filer has represented to the Decision Makers that:
 - 4.1 The Filer was incorporated under the laws of the Province of Alberta and the Filer’s head office is located in Calgary, Alberta;
 - 4.2 The common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange under the trading symbol “SPN”;
 - 4.3 the Filer is a reporting issuer in the provinces of Alberta, British Columbia, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador;

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- 4.4 To its knowledge, the Filer is not in default of any of the requirements of the applicable securities legislation in any of the provinces in which it is a reporting issuer;
- 4.5 E3 Energy Inc. (“E3”) was formed by amalgamation under the laws of Canada on July 6, 1987 and its head office is located in Calgary, Alberta;
- 4.6 E3 is a reporting issuer in Alberta, British Columbia, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador and its shares are listed for trading on the Toronto Stock Exchange under the trading symbol “ETE”;
- 4.7 The Filer and E3 are entering into a plan of arrangement (the “Arrangement”) whereby they will be reorganizing the business of the Filer and E3 as an income trust (the “Trust”) and transferring certain assets (the “Assets”) into a separate public company (“ExploreCo”);
- 4.8 The acquisition of the Assets by ExploreCo (the “Acquisition”) constitutes a “significant acquisition” under the Legislation;
- 4.9 The Filer is preparing an information circular (the “Information Circular”) in connection with a meeting of its securityholders which is expected to be held on December 22, 2004. At the shareholders’ meeting, the Filer’s securityholders will be given the opportunity to vote on the Arrangement which includes the Acquisition;
- 4.10 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Acquisition is a “significant acquisition”, the Filer is required to include certain annual and interim financial statement disclosure in the Information Circular in respect of the Arrangement, including annual financial statements for each of the three most recently completed financial years of the Assets (the “Annual Disclosure Requirements”);
- 4.11 Pursuant to Canadian Securities Administrators (“CSA”) Staff Notice 42-303 (the “Staff Notice”), the Filer may submit an application to the provincial and territorial securities regulatory authorities requesting relief from certain requirements of the prospectus rules that are not consistent with National Instrument 51-102 (“NI 51-102”).

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- 4.12 Pursuant to the Staff Notice, the CSA have indicated that they are prepared to recommend that the relief be granted on the condition that the issuer provides the financial statements specified in Item 8.5 of NI 51-102.
- 4.13 Pursuant to Item 8.10 in NI 51-102 an issuer is exempt from certain of the financial statement disclosure requirements in Item 8.4 of NI 51-102. Item 8.4 is incorporated by reference within Item 8.5 of NI 51-102. Item 8.4 of NI 51-102 is therefore applicable to an issuer who is complying with the condition contained within the Staff Notice by disclosing financial statements in accordance with Item 8.5 of NI 51-102. The issuer who is relying on the Staff Notice can therefore rely on the exemptions contained within Item 8.10 of NI 51-102.
- 4.14 Pursuant to Item 8.10 of NI 51-102, a reporting issuer is exempt from the Annual Disclosure Requirements if the criteria specified in Item 8.10 of NI 51-102 are met.
- 4.15 The Assets are interests in oil and gas properties, financial statements do not exist or cannot be accessed for the Assets, the Acquisition does not constitute a reverse take-over, the Assets did not constitute a “reportable segment” of the vendor immediately prior to the completion of the Acquisition.
- 4.16 The Filer proposes to include in the Information Circular certain annual financial information, including: (1) for the properties to be acquired by ExploreCo which are referred to as Cantel, Whitebear and Radville, audited operating statements for the two years ended December 31, 2003 and 2002, and the nine months ended September 30, 2004 in accordance with Sections 8.5 and 8.10 of National Instrument 51-102 in respect of the Acquisition; and (2) for the property to be acquired by ExploreCo which is referred to as Hastings, audited operating statements for the three months ended December 31, 2002, the year ended December 31, 2003, and the nine months ended September 30, 2004, in accordance with Section 3.20(6)(a) of Companion Policy 41-501CP to Ontario Securities Commission Rule 41-501 (the “Alternative Annual Financial Disclosure”);
- 4.17 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Arrangement is a restructuring transaction under which

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securities of ExploreCo are being distributed, the Filer is required to include audited statements of income, retained earnings and cash flows for a three year period in respect of ExploreCo (the “ExploreCo Disclosure Requirements”);

- 4.18 The Filer proposes to include in the Information Circular on behalf of ExploreCo the Alternative Annual Financial Disclosure in accordance with Section 8.10 of National Instrument 51-102 (the “Alternative ExploreCo Financial Disclosure”);
- 4.19 Pursuant to Section 14.2 of National Instrument 51-102F5, because the Arrangement is a restructuring transaction under which securities of the Trust are being distributed and the Acquisition is a significant acquisition for ExploreCo, pursuant to Section 6.5.1(a)(ii) of Form 41-501F1 and Section 6.4.5 of Policy Statement Q-28 Schedule 1 in Quebec, the Filer is required to provide reserves data and other oil and gas information prescribed by Form 51-101F1 and by National Policy Statement 2-B in Quebec for each of the ExploreCo and the Trust as at the most recent date for which an audited balance sheet is included in the Information Circular (the “Oil and Gas Disclosure Requirements”);
- 4.20 As ExploreCo has not yet been incorporated, the date of the audited balance sheet is not a practical date for the preparation of the reserves data and other oil and gas information to be included in the Information Circular;
- 4.21 As the Trust has not yet been formed, the date of the audited balance sheet is not a practical date for the preparation of the reserves data and other oil and gas information to be included in the Information Circular;
- 4.22 The Filer proposes to include in the Information Circular the Oil and Gas Disclosure Requirements as at October 1, 2004, being the date when the report required under National Instrument 51-101 in Form 51-101F1 and National Policy Statement 2-B in Quebec was prepared (collectively, the “Alternative Oil and Gas Disclosure”);
- 4.23 The Alternative Annual Financial Disclosure will comply with National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

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- 4.24 The Alternative ExploreCo Financial Disclosure will comply with National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;
- 4.25 The Alternative Oil and Gas Disclosure will comply with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*; and
- 4.26 Under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “Decision”).

Decision

- 5. 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 under the Legislation for the purposes of the Information Circular is that (i) the Annual Disclosure Requirements shall not apply to the Filer, provided that the Filer includes the Alternative Annual Financial Disclosure, (ii) the ExploreCo Disclosure Requirements shall not apply to the Filer, provided that the Filer includes the Alternative ExploreCo Financial Disclosure, and (iii) with respect to ExploreCo and the Trust, the Oil and Gas Disclosure Requirements shall not apply to the Filer, provided that the Filer includes the Alternative Oil and Gas Disclosure in the Information Circular.

DATED at Calgary, Alberta on this 23rd day of November, 2004

Mavis Legg, C.A.
Manager, Securities Analysis