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September 26, 2005

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - National Instrument 51-102 *Continuous Disclosure Obligations*, s. 13.1 - 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, acquisition or amalgamation - 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 National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*

Applicable British Columbia Provisions

National Instrument 51-102, ss. 9.1, 13.1, Form 51-102F5, s. 14.2

In the Matter of
the Securities Legislation
of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Nova
Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island,
Northwest Territories, Nunavut and Yukon Territory (the “Jurisdictions”)

and

In the Matter of
the Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of Purcell Energy Ltd. and Prairie Schooner Petroleum Ltd.

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the “Decision Maker”) in each of the Jurisdictions has received an application from Purcell Energy Ltd. (“Purcell”) on behalf of itself, Prairie Schooner Petroleum Ltd. (“Prairie”) and a new corporation yet to be incorporated (“TenakaCo”)

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(collectively, the “Filers”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that each of the Filers be exempt from the requirements contained in the Legislation which requires each of the Filers to include three years of audited financial statements in an information circular in respect of significant acquisitions (the “Requested Relief”);

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”) the Alberta Securities Commission is the principal regulator for this application;

Interpretation

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

Representations

4. The Filers have represented to the Decision Makers that:
 - 4.1 Purcell was incorporated under the laws of the Province of Alberta and Purcell's head office is located in Calgary, Alberta;
 - 4.2 Purcell is a reporting issuer in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia, and Newfoundland and Labrador.
 - 4.3 Purcell's common shares are listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “PEL”.
 - 4.4 To its knowledge, Purcell 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 Prairie was incorporated under the laws of the Province of Alberta and Prairie's head office is located in Calgary, Alberta;
 - 4.6 Prairie is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia.
 - 4.7 Prairie's common shares are listed for trading on the TSX under the symbol “PSL”.
 - 4.8 To its knowledge Prairie 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.

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- 4.9 Purcell has entered into asset sale agreements with Prairie and a third party regarding the disposition of certain of its oil and gas properties (the “Assets”) and the Filers are entering into a plan of arrangement (the “Arrangement”) whereby the business of Purcell will be reorganized, the Assets will be transferred and Purcell will be reorganized into a new public company (TenakaCo) and new Purcell (“New Purcell”).
- 4.10 Following completion of the sale of the Assets and the Arrangement, Prairie will own all of Purcell's Alberta oil and gas assets, TenakaCo will own the Tenaka, B.C. production, reserves and undeveloped acreage near Adsett, B.C. previously owned by Purcell, along with all of Purcell's other undeveloped exploration lands in northeast B.C and New Purcell's significant remaining asset will be a Fort Liard natural gas property located in the southwest Northwest Territories. In addition to the Fort Liard property, New Purcell will retain an extensive seismic database in the N.W.T. and Alberta. Also, New Purcell will retain several minor producing and undeveloped properties in Alberta and B.C.
- 4.11 As part of the Arrangement, the shareholders of Purcell will receive, for each common share held, approximately \$0.40 in cash, 0.0556 of a Prairie common share and 0.20 of a TenakaCo common share, and shareholders will retain their Purcell common shares, which will be consolidated on a one-for-five basis.
- 4.12 The acquisition of the Assets by each of Prairie and TenakaCo will constitute “significant acquisitions” under the Legislation for each of these entities.
- 4.13 The Filers are preparing an information circular (the “Information Circular”) in connection with a meeting of its shareholders which is expected to be held on October 25, 2005. At the shareholders' meeting, Purcell's shareholders will be given the opportunity to vote on the Arrangement, which includes the Asset dispositions.
- 4.14 The Information Circular will contain, among other things, prospectus level disclosure of the business and affairs of each of Purcell, Prairie and TenakaCo, the particulars of the Arrangement, as well as a fairness opinion of an independent financial advisor.
- 4.15 Pursuant to Section 14.2 of Form 51-102F5 under National Instrument 51-102, because the Asset acquisitions are “significant acquisitions” the Filers are required to include certain annual and interim financial statement

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disclosure in the Information Circular in respect of the Arrangement, including financial statements for each of the three most recently completed financial years of the Assets which are being acquired (the “Annual Disclosure Requirements”).

- 4.16 The Assets are interests in oil and gas properties, financial statements do not exist for the Assets, the acquisition of the Assets by Tenakaco and Prairie (the “Acquisitions”) do not constitute a reverse take-over, the Assets did not constitute a “reportable segment” of the vendor immediately prior to the completion of the Acquisitions and the information required in a business acquisition report under paragraphs (e) and (f) of section 8.10 of NI 51-102 for the Assets will be included in the Information Circular.
- 4.17 The Filers propose to include in the Information Circular certain annual financial information, including audited schedules of revenues, royalties and operating statements for the two years ended December 31, 2004 and 2003, along with unaudited schedules of revenues, royalties and operating statements for the six months ended June 30, 2005 in respect of the properties to be transferred to Prairie, and exclusively unaudited schedules of revenues, royalties and operating statements for the six months ended June 30, 2005 in respect of the properties to be transferred to TenakaCo, as those assets began production in late March 2005, all in accordance with Sections 8.5 and 8.10 of National Instrument 51-102 in respect of the Acquisitions (the “Alternative Disclosure”).
5. The Alternative Disclosure will comply with National Instrument 52-107 – Acceptable Accounting Principles, Auditing Standards and Reporting Currency.
6. CSA Staff Notice 42-303 references that CSA staff is generally prepared to recommend that relief be granted if an issuer requests relief from the financial statements required to be included in a prospectus, on the condition that the issuer applies the significance tests set out in Item 8.3 of NI 51-102 and provides the financial statements specified in item 8.5 of NI 51-102.

Decision

7. Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met.
8. The Decision of the Decision Makers under the Legislation for the purposes of the Information Circular is that, provided that the representation contained in section 4.16 remains true at the time the Information Circular is

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filed, the Annual Disclosure Requirements shall not apply to the Filers, provided that the Filers include the Alternative Disclosure in the Information Circular.

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