

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, MANITOBA AND ONTARIO

AND

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

AND

IN THE MATTER OF COMSTATE RESOURCES INCOME TRUST AND
BONTERRA ENERGY INCOME TRUST

MRRS DECISION DOCUMENT

1. WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Manitoba and Ontario (the "Jurisdictions") has received a joint application from Comstate Resources Income Trust ("Comstate") and Bonterra Energy Income Trust ("Bonterra") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation 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 the proposed issuance of trust units of Comstate ("Comstate Units") to Bonterra and the issuance and resale of Comstate Units to the holders of trust units of Bonterra ("Bonterra Unitholders") in connection with a proposed merger (the "Merger") among Comstate and Bonterra (collectively, the "Trusts"), the principal terms of which are set forth below;
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 Trusts has represented to the Decision Makers that:
 - 3.1 Comstate is an open-end unincorporated trust established under the laws of the province of Alberta pursuant to the Comstate trust indenture dated May 15, 2001 between Comstate Resources Ltd. ("CRL") and Olympia Trust Company, as trustee (the "Trustee") (the "Comstate Trust Indenture"). Comstate is a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The head and principal office of Comstate is located at 901, 1015 – 4 th Street S.W., Calgary, Alberta, T2R 1J4;
 - 3.2 Comstate is authorized to issue an unlimited number of Comstate Units. As at December 17, 2001, there were 5,675,757 Comstate Units issued and outstanding. As at the date hereof, there are no options to acquire Comstate Units outstanding;

3.3 the outstanding Comstate Units are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "CSR.UN". An application has been made to the TSE for approval to list and post the additional Comstate Units to be issued pursuant to the Merger;

3.4 Comstate was established to acquire and hold all of the issued and outstanding shares of CRL, the CRL notes and the royalty granted by CRL to Comstate (the "CRL Royalty"). Comstate's business, through CRL, is the acquisition of interests in petroleum and natural gas rights and the exploration, development and production of petroleum and natural gas. The properties owned by CRL are located in Canada in the provinces of Alberta and Saskatchewan;

3.5 CRL was incorporated under the laws of British Columbia on January 22, 1981, under the name of Comstate Resources Ltd. Effective July 1, 2001, CRL filed articles of arrangement in connection with the reorganization into an income trust. In connection with the arrangement, CRL amalgamated with Comstate Acquisition Corp. to form the resulting corporation "Comstate Resources Ltd.". Pursuant to the terms of the arrangement, each shareholder of CRL received one (1) Comstate Unit, \$0.80 cash and four (4) rights to acquire shares in Comaplex Minerals Corp. for every four (4) CRL common shares held. On August 10, 2001, CRL was continued under the laws of the province of Alberta;

3.6 Comstate is the sole shareholder of CRL;

3.7 the board of directors of CRL oversees the business and affairs of Comstate. The duties and responsibilities of the CRL board are outlined in the Comstate Trust Indenture and in the administration agreement dated as of June 27, 2001 between CRL and Comstate;

3.8 CRL has granted a royalty to Comstate pursuant to a royalty agreement dated July 1, 2001 (the "Comstate Royalty Agreement") consisting of a 95% royalty payable by CRL to Comstate on all income generated by properties owned or to be acquired by CRL. The residual 5% of income is used by CRL to defray general and administrative costs;

3.9 Bonterra is an open-end unincorporated trust established under the laws of the province of Alberta pursuant to the Bonterra trust indenture dated as of May 15, 2001 between Bonterra Energy Corp. ("BEC") and Olympia Trust Company (the "Bonterra Trust Indenture"). Bonterra is a reporting issuer in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The head and principal office of Bonterra is located at 901, 1015 – 4th Street S.W., Calgary, Alberta, T2R 1J4;

3.10 Bonterra is authorized to issue an unlimited number of trust units ("Bonterra Units"). As at December 17, 2001, there were 8,692,226 Bonterra Units issued

and outstanding. As at the date hereof, there are no options to acquire Bonterra Units outstanding;

3.11 the outstanding Bonterra Units are listed and posted for trading on the Canadian Venture Exchange Inc. ("CDNX") under the symbol "BTA.UN". Upon completion of the Merger the Bonterra Units will be delisted from the CDNX;

3.12 Bonterra was established to acquire and hold the common shares of BEC, the BEC notes and the royalty granted by BEC to Bonterra (the "BEC Royalty"). Bonterra Royalty. Bonterra's business, through BEC, and is the acquisition of interests in petroleum and natural gas rights and the exploration, development and production of petroleum and natural gas. The properties owned by BEC are located in Canada in the provinces of Alberta and Saskatchewan;

3.13 BEC was incorporated under the *Business Corporations Act* (Alberta) on February 17, 1998. On July 28, 1998, BEC finalized its initial public offering and was subsequently listed on the Alberta Stock Exchange (now CDNX). On July 26, 1999, BEC split its common shares and each shareholder received an additional share for each share held. Effective July 1, 2001, BEC filed articles of arrangement in connection with the reorganization into an income trust. In connection with the arrangement, BEC amalgamated with Bonterra Acquisition Corp. to form the resulting corporation "Bonterra Energy Corp.". Pursuant to the terms of the arrangement, each shareholder of BEC received one (1) Bonterra Unit for every four (4) BEC common shares held;

3.14 Bonterra is the sole shareholder of BEC common shares.

3.15 the board of directors of BEC oversees the business and affairs of Bonterra as set out in the administration agreement dated June 27, 2001 between BEC and Bonterra and in the Bonterra Trust Indenture. As well, pursuant to a unanimous shareholder agreement dated July 1, 2001 among BEC, Bonterra and CRL, CRL is entitled to appoint one (1) nominee to the BEC board of directors, with the balance (being the majority of the directors of BEC) to be elected pursuant to a vote by Bonterra Unitholders;

3.16 CRL provides BEC and Bonterra with management, administrative and support services pursuant to the management agreement dated July 1, 2001 between BEC, Bonterra and CRL;

3.17 BEC has granted a royalty to Bonterra pursuant to a royalty agreement dated July 1, 2001 between BEC and Bonterra (the "Bonterra Royalty Agreement") consisting of 95% of the income generated by properties owned or to be acquired by BEC. The residual 5% of income is used by BEC to defray general and administrative costs;

3.18 Comstate and Bonterra, together with their respective operating entities, CRL and BEC, have entered into an agreement dated December 17, 2001 (the "Merger Agreement") whereby Comstate has agreed to acquire and Bonterra has agreed to sell (subject to unitholder approval), all of the assets of Bonterra, which assets consists of shares of BEC, certain notes issued by BEC to Bonterra and the BEC Royalty (collectively, the "Bonterra Assets") in exchange for Comstate Units. The Comstate Units are to be distributed to the former Bonterra Unitholders in exchange for their Bonterra Units, and the merged entity will continue "Bonterra Energy Income Trust" (the "Merged Trust");

3.19 on December 17, 2001, a press release was jointly issued, filed and disseminated by Comstate and Bonterra disclosing that they had entered into the Merger Agreement;

3.20 based on, among other things, the advice of financial advisors and special committees, the board of directors of CRL (which is the publicly elected board responsible for Comstate) and the board of directors of BEC (which is the publicly elected board responsible for Bonterra) have unanimously agreed to recommend that holders of Comstate Units and Bonterra Units, as the case may be, approve the Merger and certain other matter incidental thereto at unitholder meetings to be held on January 24, 2002;

3.21 the Comstate Units will initially be distributed to Bonterra in exchange for the Bonterra Assets. The Comstate Units will then be issued to the Bonterra Unitholders by Bonterra upon the redemption of the formally issued Bonterra Units in connection with the winding-up of Bonterra. The Comstate Units will be issued to the Bonterra Unitholders on a proportionate basis in accordance with the Exchange Ratio (defined below);

3.22 completion of the Merger is conditional upon, among other things, the approval of the Merger, in addition to certain majority of the minority approvals, by 66-% of the votes cast by each of the Comstate Unitholders and Bonterra Unitholders. Following completion of the Merger, each holder of Bonterra Units will have received 0.885 of a Comstate Unit for each Bonterra Unit (the "Exchange Ratio"). No fractional Comstate Units will be issued and fractional Comstate Units will be rounded up to the next highest number;

3.23 under the Merger:

3.23.1 at the Comstate Meeting and the Bonterra Meeting, unitholders will consider, and if thought fit, pass special resolutions (defined in each of the individual trust indentures as a resolution past by 66-% of the applicable trust units voted on the matter) of each trust, in addition to certain majority of the minority approvals required pursuant to the OSC Rule 61-501, approving

the Merger and certain other matters in connection with the Merger; and

3.23.2 subject to, among other things, the approval of each of the Comstate Unitholders and Bonterra Unitholders by way of special resolutions, the trust indentures and other constating documents of the Trusts would be amended to the extent necessary to effect the Merger, and

3.23.2.1 Comstate will purchase from Bonterra all of the Bonterra Assets and all of the liabilities of Bonterra in exchange for the issuance by Comstate of the Comstate Units in accordance with the applicable Exchange Ratio;

3.23.2.2 the Bonterra Units will be redeemed and exchanged for Comstate Units previously issued to Bonterra by Comstate, and those Comstate Units will be distributed to former Bonterra Unitholders on a proportionate basis in accordance with the Exchange Ratio;

3.23.2.3 Bonterra will be wound-up and dissolved;

3.23.2.4 the name of Comstate will be changed to "Bonterra Energy Income Trust"; and

3.23.2.5 certain other ancillary matters in connection with the Merger will be implemented;

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 has been met;

6. THE DECISION of the Decision Makers pursuant to the Legislation is that the Registration and Prospectus Requirements shall not apply to the distribution of the Comstate Units pursuant to the Merger provided that the first trade in Comstate Units acquired pursuant to this Decision in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public under the Legislation of such Jurisdiction unless the conditions in subsections (3), (4) or (5) of Section 2.6 or subsections (2) or (3) of Section 2.8, if applicable, of Multilateral Instrument 45-102 are satisfied.

DATED this 24th day of January, 2002.

Stephen P. Sibold, Q.C., Chair

Glenda A. Campbell, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements in connection with the distribution of trust units involving a merger of income trusts;

Applicable Alberta Statutory Provisions

RSA 2000, Securities Act, c.S-4, s. 144