

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF MANITOBA, QUEBEC AND NEW BRUNSWICK

AND

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

AND

IN THE MATTER OF ENTERRA ENERGY CORP., ENTERRA ACQUISITION CORP., BIG
HORN RESOURCES LTD., ENTERRA SASK LTD., ENTERRA ENERGY TRUST,
ENTERRA ENERGY COMMERCIAL TRUST, ENTERRA EXCHANGE CO LTD. AND
ENTERRA ENERGY PARTNER CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of Manitoba, Québec and New Brunswick (the "Jurisdictions") has received an application made on behalf of Enterra Energy Corp. ("Enterra") in connection with a proposed plan of arrangement involving Enterra, Enterra Acquisition Corp. ("AcquisitionCo"), Big Horn Resources Ltd. ("Big Horn"), Enterra Sask Ltd. ("Enterra Sask"), Enterra Energy Trust (the "Trust"), Enterra Energy Commercial Trust (the "Commercial Trust"), Enterra ExchangeCo Ltd. ("ExchangeCo"), Enterra Energy Partner Corp. ("PartnerCo") and the shareholders of Enterra ("Shareholders") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the registration requirement and the prospectus requirement (the "Registration and Prospectus Requirements") in the Jurisdictions shall not apply to certain trades of securities to be made in connection with a proposed plan of arrangement (the "Arrangement") under section 193 of the *Business Corporations Act* (Alberta) (the "ABCA") involving Enterra, AcquisitionCo, Big Horn, Enterra Sask, the Trust, the Commercial Trust, ExchangeCo, PartnerCo and the Shareholders;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") The Manitoba Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Securities Commission Notice 14-101;

AND WHEREAS Enterra has represented to the Decision Makers that:

4.1 Enterra (formerly Westlinks Resources Ltd.) was organized on June 30, 1998 by the statutory amalgamation of Temba Resources Ltd. (which was incorporated in Alberta on July 31, 1996, and which, immediately prior to the amalgamation creating Enterra, amalgamated with its wholly

owned subsidiary, Rainee Resources Ltd.) and PTR Resources Ltd. (which was incorporated in Alberta on September 18, 1992 as 542275 Alberta Ltd., changed its name to Ablevest Holdings Ltd. on June 14, 1993, and to PTR Resources Ltd. on December 1, 1997) under the provisions of the ABCA;

4.2 The head and principal offices of Enterra are located at Suite 2600, 500 – 4th Ave. S.W., Calgary, Alberta, T2P 2V6 and the registered office is located at Suite 3300, 421 – 7th Ave S.W., Calgary, Alberta, T2P 4K9;

4.3 Enterra is engaged in the exploration, acquisition, development and production of oil and natural gas, primarily in the provinces of Alberta, Saskatchewan and British Columbia;

4.4 The authorized capital of Enterra currently consists of an unlimited number of common shares ("Enterra Shares") and an unlimited number of preferred shares, issuable in series;

4.5 Enterra is a reporting issuer or the equivalent thereof in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, and is not in default of the securities legislation in any of the those jurisdictions;

4.6 The Trust is an open-end, unincorporated trust governed by the laws of the Province of Alberta and created under a trust indenture dated October 24, 2003 between Enterra and Olympia Trust Company, as trustee;

4.7 The head and principal office of the Trust is located at Suite 2600, 500 - 4th Ave. S.W., Calgary, Alberta, T2P 2V6;

4.8 The Trust is authorized to issue an unlimited number of trust units of the Trust ("Trust Units") and an unlimited number of special voting rights (the "Special Voting Rights");

4.9 AcquisitionCo, prior to completion of the Arrangement, will be incorporated under the ABCA for the purpose of participating in the Arrangement, including creating and issuing common and preferred shares, series A exchangeable shares ("Exchangeable Shares"), and series A notes ("Series A Notes"), as required to implement the Arrangement;

4.10 AcquisitionCo will be a wholly-owned subsidiary of the Commercial Trust and, following completion of the Arrangement, will be an indirect wholly-owned subsidiary of the Trust;

4.11 The head and principal office of AcquisitionCo will be located at Suite 2600, 500 - 4th Ave. S.W., Calgary, Alberta, T2P 2V6 and the registered office will be located at Suite 3300, 421 - 7th Ave S.W., Calgary, Alberta, T2P 4K9;

4.12 The authorized capital of AcquisitionCo will consist of an unlimited number of common shares, one or more classes of preferred shares, and an unlimited number of exchangeable shares, issuable in series (out of which the Exchangeable Shares will be created by amendment to the articles of AcquisitionCo in connection with completion of the Arrangement);

4.13 The Arrangement is described in detail in the information circular dated October 24, 2003 (the "Information Circular") which was mailed to Shareholders in connection with the special meeting of Shareholders to be held for purposes of approving the Arrangement (the "Meeting"). The Arrangement will be effected by a plan of arrangement under section 193 of the ABCA, which will require: (i) approval by not less than two-thirds of the votes cast by the holders of Enterra Shares (present in person or represented by proxy) at the Meeting, and (ii) approval of the Court of Queen's Bench of Alberta;

4.14 The Arrangement provides that:

4.14.1 at the time the Arrangement takes effect (the "Effective Time"), each of the events set out below shall occur in the following order:

a) the Enterra Shares which are held by dissenting Shareholders who have exercised dissent rights which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Enterra as it exists immediately prior to the Amalgamation and shall be cancelled and cease to be outstanding, and as of the Effective Time, such dissenting Shareholders shall cease to have any rights as shareholders of Enterra other than the right to be paid the fair value of their Enterra Shares by Enterra in accordance with the plan of arrangement ("Plan of Arrangement") appended as Appendix C to the Information Circular;

b) PartnerCo shall subscribe for a 0.01% interest in the Enterra Production Partnership ("Partnership") for a subscription amount equal to the fair market value thereof, such subscription amount to be satisfied by the issuance by PartnerCo to the Partnership of a demand non-interest bearing promissory note having a fair market value equal to the subscription amount;

c) all unexercised options and warrants, in each case to purchase Enterra Shares, shall be cancelled for no consideration;

d) Commercial Trust shall subscribe for such number of Trust Units as is equal to the Trust Elected Amount (as defined in the Plan of Arrangement) for an aggregate subscription amount equal to the aggregate fair market value of the Enterra Shares in respect of which Shareholders have made a valid election or have been deemed to have elected to receive Trust Units, such subscription amount to be satisfied by: (i) the assignment and delivery by Commercial Trust, to the Trust, of the Series A Notes; and (ii) the issuance to the Trust, by Commercial Trust, of an unsecured, demand, participating promissory note ("CT Note"), in each case immediately following the acquisition by Commercial Trust of the

Series A Notes and shares of AcquisitionCo under subsection 4.14.1(f) below;

e) subject to paragraph 4.14.2 below, each Shareholder (other than a dissenting Shareholder) shall sell to the Commercial Trust each of the Enterra Shares held by such Shareholder in respect of which such Shareholder has made a valid election or has been deemed to have elected to receive Trust Units from the Commercial Trust, in exchange for the assignment and transfer by Commercial Trust to the Shareholder of two (2.0) Trust Units for each Enterra Share being exchanged by such Shareholders;

f) Commercial Trust shall subscribe for the Series A Notes and shares of AcquisitionCo for an aggregate subscription amount equal to the aggregate fair market value of the Enterra Shares in respect of which Shareholders have made a valid election or have been deemed to have elected to receive Trust Units from the Commercial Trust, such subscription amount to be satisfied by assignment and delivery to AcquisitionCo of all of the Enterra Shares acquired by Commercial Trust under subsection 4.14.1(e) above;

g) Commercial Trust shall assign and deliver the Series A Notes, and shall issue the CT Note, to the Trust in satisfaction of its obligations under subsection 4.14.1(d) above;

h) subject to paragraph 4.14.2 below, each Shareholder (other than a dissenting Shareholder) shall sell to AcquisitionCo each of the Enterra Shares held by such Shareholder in respect of which the Shareholder has made a valid election to receive Exchangeable Shares from AcquisitionCo, in exchange for the assignment and transfer by AcquisitionCo to the Shareholder of two (2.0) Exchangeable Shares for each Enterra Share being sold by such shareholders; and

i) Enterra, Big Horn, Enterra Sask. and AcquisitionCo shall be amalgamated and continue as one corporation (New Enterra) with, among other things, the following results:

i) the Enterra Shares acquired by AcquisitionCo under subsections 4.14.1(f) and 4.14.1(h) and representing all issued and outstanding Enterra Shares shall be cancelled without any repayment of capital;

ii) the common shares of Big Horn and the common shares of Enterra Sask, in each case representing all issued and outstanding capital in each of Big Horn and Enterra Sask shall be cancelled without any repayment of capital;

iii) the articles of amalgamation pertaining to New Enterra shall be the same as the articles of AcquisitionCo, and the name of the amalgamated corporation shall be "Enterra Energy Corp.";

iv) the by laws of New Enterra shall be the by laws of AcquisitionCo;

v) no securities shall be issued by AcquisitionCo in connection with the Amalgamation and for greater certainty, the outstanding securities of AcquisitionCo shall survive and continue to be outstanding securities of New Enterra without amendment; and

vi) the property of each of the amalgamating corporations shall continue to be the property of New Enterra.

4.14.2 with respect to the election required to be made by a holder of Enterra Shares (other than dissenting Shareholders) as referred to in subsections 4.14.1(e) and 4.14.1(h), respectively, any such holder of Enterra Shares who (i) is a person who is not a resident of Canada for the purposes of the *Income Tax Act* (Canada) ("ITA") or is a partnership that is not a Canadian partnership for the purposes of the ITA, (ii) is a holder of Enterra Shares that is exempt from tax under Part I of the ITA, (iii) is a financial institution within the meaning of the ITA, or (iv) fails to make an election as to whether to receive Trust Units or Exchangeable Shares (or some combination thereof), shall be deemed not to have elected to receive Exchangeable Shares and to have elected to receive only Trust Units for such holder's Enterra Shares;

4.15 The Exchangeable Shares issued in connection with the Arrangement will provide holders thereof with a security having economic rights and voting attributes which are, as nearly as practicable, equivalent to those of the Trust Units into which the Exchangeable Shares are exchangeable from time to time;

4.16 Under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, holders of Exchangeable Shares will be able to exchange them at their option for Trust Units;

4.17 Under the terms of the Exchangeable Shares and certain rights to be granted in connection with the Arrangement, the Trust, ExchangeCo or New Enterra will redeem, retract or otherwise acquire Exchangeable Shares in exchange for Trust Units in certain circumstances;

4.18 In order to ensure that the Exchangeable Shares, prior to their exchange for Trust Units, have voting and economic equivalency with the Trust Units, the Arrangement provides for:

4.18.1 a voting and exchange trust agreement to be entered into among the Trust, AcquisitionCo, ExchangeCo and Olympia Trust Company (the "Voting and Exchange Agreement Trustee") which will, among other things, (i) grant to the

Voting and Exchange Agreement Trustee, for the benefit of holders of Exchangeable Shares, the right to require the Trust or ExchangeCo, upon the occurrence of certain events, to exchange the Exchangeable Shares for Trust Units, and (ii) provide for the automatic exchange of the Exchangeable Shares for Trust Units upon the occurrence of certain specified events;

4.18.2 the deposit by the Trust of a Special Voting Right with the Voting and Exchange Agreement Trustee which will effectively provide a holders of Exchangeable Shares with an ability to exercise voting rights, in respect of each Exchangeable Share held by such holders, which are equivalent to those voting rights attached to a Trust Unit; and

4.18.3 a support agreement to be entered into between the Trust and AcquisitionCo which will, among other things, restrict the Trust (except in certain specified circumstances) from distributing additional Trust Units or rights to subscribe therefore or other property or assets to all or substantially all of the holders of Trust Units, and from changing the rights, privileges or other terms of the Trust Units, unless the same or an economically equivalent change to the Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously or approval of holders of Exchangeable Shares is obtained;

4.19 The steps under the Arrangement, the terms of the Exchangeable Shares and the exercise of certain rights provided for in connection with the Arrangement and the Exchangeable Shares involve a number of trades or potential trades of securities, including Enterra Shares, shares of AcquisitionCo (including Exchangeable Shares), the CT Note, the Series A Notes, the Special Voting Right, Trust Units and certain rights to acquire Trust Units and Exchangeable Shares under the Arrangement, and rights to otherwise make a trade of a security that was derived from the Arrangement (collectively, the "Trades");

4.20 There are no exemptions from the Registration Requirement or the Prospectus Requirement available under the Legislation of the Jurisdictions for certain of the Trades; and

4.21 The Information Circular discloses that the securities that are the subject of the Trades will be issued in reliance on exemptions, including discretionary exemptions, from the Registration Requirement and Prospectus Requirement;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

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;

THE DECISION of the Decision Makers under the Legislation is that:

7.1 the Registration and Prospectus Requirements shall not apply to the Trades provided that the first trade in securities acquired pursuant to a Trade made in reliance upon this Decision shall be deemed to be a distribution or primary distribution to the public; and

7.2 the prospectus requirement shall not apply in the Jurisdictions to the first trade in Trust Units or Exchangeable Shares acquired by Shareholders under the Arrangement, nor to the first trade of the Trust Units acquired on the exercise of any rights, automatic or otherwise, under such Exchangeable Shares, provided that at the date of any such first trade:

7.2.1 except in Qu罇顛c, the conditions in subsections (3) or (4) of section 2.6 of Multilateral Instrument 45-102 Resale of Securities ("MI 45-102") are satisfied and, for the purposes of determining the period of time that the Trust has been a reporting issuer under section 2.6 of MI 45-102, the period of time that Enterra was a reporting issuer in at least one of the jurisdictions listed in Appendix B of MI 45-102 immediately before the Arrangement may be included; and

7.2.2 in Qu罇顛c:

- a) the Trust or New Enterra, as applicable, is a reporting issuer in Qu罇顛c under section 68(4) of the *Securities Act* (Qu罇顛c);
- b) no unusual effort is made to prepare the market or create a demand for the securities that are the subject of the trade;
- c) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
- d) if the selling security holder is an insider or officer of the Trust or New Enterra, as applicable, the selling security holder has no reasonable grounds to believe that the Trust or New Enterra, as applicable, is in default of securities legislation.

DATED this 24th day of November, 2003.

"Chris Besko"

Deputy Director - Legal