

IN THE MATTER OF THE SECURITIES LEGISLATION OF ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NOVA SCOTIA AND NEWFOUNDLAND

AND

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

AND

IN THE MATTER OF PRIMEWEST ENERGY TRUST, PRIMEWEST ENERGY INC. AND CYPRESS ENERGY INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland and Labrador (the "Jurisdictions") has received an application from PrimeWest Energy Trust ("PWT"), PrimeWest Energy Inc. ("PWE") and a wholly owned subsidiary of PWE (the "Offeror", and collectively, the "Filer"), for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

1. except in Quebec, to be registered to trade in a security (the "Registration Requirement"), to file a preliminary prospectus and a prospectus and to obtain receipts therefor (the "Prospectus Requirement") shall not apply to certain trades in securities to be made in connection with the offer (the "Offer") to purchase all of the issued and outstanding Class A shares (the "Cypress A Shares") and Class B shares (the "Cypress B Shares") (collectively, the "Cypress Shares") of Cypress Energy Inc. ("Cypress"), including any trades in connection with the use of applicable statutory compulsory acquisition provisions following the Offer under which the Offeror acquires Cypress Shares (a "Subsequent Acquisition Transaction");
2. with respect to the Offeror in those Jurisdictions in which it becomes a reporting issuer or the equivalent under the Legislation, to issue a press release and file a report upon the occurrence of a material change, file interim financial statements and audited financial statements and deliver such statements to the security holders of the Offeror, file an information circular or make an annual filing in lieu of filing an information circular, where applicable, file an annual information form and provide management's discussion and analysis of financial condition and results of operations (the "Continuous Disclosure Requirements"), shall not apply to the Offeror;
3. in those Jurisdictions in which the Offeror becomes a reporting issuer or the equivalent under the Legislation, that the insider reporting requirement shall not apply to an insider of the Offeror who is not also an insider of PWT; and

4. except in Quebec, to comply with the take-over bid circular form requirements of the Legislation, insofar as such form requirements require prospectus-level disclosure with respect to the Offeror (the "Take Over Bid Circular Form Requirements") in the take-over bid circular to be mailed to the holders of Cypress Shares (the "Take-Over Bid Circular"), shall not apply to the Offeror;

AN WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Executive Director of the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Cypress is incorporated under the laws of Alberta, is a reporting issuer under the Legislation and is not in default of the Legislation;
2. the authorized capital of Cypress consists of an unlimited number of the Cypress A Shares and Cypress B Shares of which there were 40,801,453 Cypress A Shares and 558,000 Cypress B Shares issued and outstanding as of February 16, 2001;
3. the Cypress A Shares are listed on The Toronto Stock Exchange Inc. (the "TSE") and the Cypress B Shares are listed on the Canadian Venture Exchange Inc. ("CDNX");
4. PWT is an open-end investment trust established under the laws of Alberta under a Declaration of Trust dated August 2, 1996, is a reporting issuer or the equivalent under the Legislation and is not in default of the requirements of the Legislation; The Trust Company of Bank of Montreal is the trustee of PWT;
5. PWT's most substantial asset is a royalty in certain petroleum and natural gas properties owned by PWE and certain subsidiaries of PWE that entitles PWT to receive 99% of the net cash flow generated by those properties, after certain costs and deductions;
6. PWT is authorized to issue an unlimited number of transferable, redeemable trust units (the "PrimeWest Units"), of which there were 51,626,297 PrimeWest Units outstanding as at February 12, 2001;
7. the PrimeWest Units are listed on the TSE;
8. the Offeror is incorporated under the laws of Alberta and is a wholly owned subsidiary of PWE; PWE is a wholly owned subsidiary of PrimeWest Management Inc.;
9. the authorized capital of the Offeror consists of an unlimited number of common shares and prior to the closing of the Offer, will consist of an unlimited number of Exchangeable Shares; the principal rights, privileges, restrictions and conditions attached to the Exchangeable Shares are described in the Take-Over Bid Circular mailed to the holders of the Cypress Shares;

10. PWT and Cypress have entered into an agreement (the "Pre-Offer Agreement") under which PWT agreed to make the Offer and Cypress agreed to support the Offer;

11. under the Offer, each holder of Cypress Shares may elect to receive any one of (a) \$1.29 in cash and 1.3164 PrimeWest Units, (b) a cash maximized combination of cash and PrimeWest Units, (c) 1.45 PrimeWest Units, or (d) 1.45 Exchangeable Shares for each Cypress Share;

12. a maximum of 5,440,000 Exchangeable Shares may be issued under the Offer;

13. each Exchangeable Share entitles the holder to receive one PrimeWest Unit and an additional number of PrimeWest Units calculated based on the amount of any intervening distribution in respect of the PrimeWest Units;

14. upon completion of the Offer, PWT will issue and deposit with the trustee, appointed under the Voting and Exchange Trust Agreement, a special voting unit which will effectively provide the holders of Exchangeable Shares with voting rights equivalent to those attached to the PrimeWest Units;

15. upon completion of the Offer and any Subsequent Acquisition Transaction, Cypress will be wholly owned by the Offeror, and all former shareholders of Cypress will hold either PrimeWest Units or Exchangeable Shares;

16. the Offer is conditional upon, among other things:

(a) there being validly deposited under the Offer and not withdrawn prior to the expiry of the Offer that number of Cypress Shares which represents not less than 66 2/3% of the number of Cypress Shares outstanding (on a fully diluted basis) as of the time the Offer expires; and

(b) all requisite regulatory approvals having been obtained;

17. the business and operations of the Offeror are not material in relation to the business and operations of PWT, on a consolidated basis and the Exchangeable Shares are in substance a proxy for the PrimeWest Units that is designed to provide an opportunity for the holders of Cypress Shares to defer the tax consequences of disposing of their Cypress Shares under the Offer;

18. the Offeror has agreed under the Pre-Offer Agreement to mail the Take Over Bid Circular to each holder of Cypress Shares and each holder of options to purchase Cypress Shares; the Take-Over Bid Circular will contain or incorporate by reference prospectus-level disclosure concerning the business and operations of PWT and a detailed description of the rights, privileges, obligations and restrictions respecting the Exchangeable Shares and the PrimeWest Units;

19. the Offeror will become a reporting issuer under the Legislation in British Columbia, Saskatchewan, Quebec, Nova Scotia and Newfoundland upon the filing of the Take-Over Bid

Circular, and in British Columbia, the take up and payment of the Cypress Shares, and will be subject to the Continuous Disclosure Requirements in such Jurisdictions, and insiders of the Offeror will be subject to the Insider Reporting Requirements in such Jurisdictions;

20. pending completion of the Offer:

(a) the Offeror will have no material assets or liabilities, and all information material to the business of PWT (and relevant to persons considering an investment in PrimeWest Units or Exchangeable Shares) will be contained in the Take-Over Bid Circular and in continuous disclosure filings made by PWT under the Legislation; and

(b) PWT will be subject to Continuous Disclosure Requirements under the Legislation and the requirements of the TSE in respect of making public disclosure of material information on a timely basis;

21. following the completion of the Offer;

(a) the Offeror's principal assets will consist primarily of the Cypress Shares that are purchased by it under the Offer; by virtue of the attributes of the Exchangeable Shares and the rights established for the benefit of holders of Exchangeable Shares under the Support Agreement and the Voting and Exchange Trust Agreement, an investment in Exchangeable Shares will be, in effect (other than the fact that the holders of Exchangeable Shares will have no voting rights except those required by law), an investment in PrimeWest Units; and

(b) the Offeror will have no material liabilities and no material assets other than the assets constituted by the Cypress Shares purchased by it under the Offer;

22. holders of Exchangeable Shares would not derive any material benefit from the Offeror being subject to the Continuous Disclosure Requirements;

23. PWT will agree in the Support Agreement to provide to holders of Exchangeable Shares the same documents and information (including, but not limited to, its annual report and all proxy solicitation materials) that it will provide to holders of PrimeWest Units under the Legislation, and to comply with the requirements of the Legislation and the TSE in respect of making public disclosure of material information on a timely basis;

24. the steps involved in the completion of the Offer, any Subsequent Acquisition Transaction, and the creation and exercise of the exchange rights attaching to the Exchangeable Shares, the redemption and retraction of Exchangeable Shares and certain other purchases of Exchangeable Shares in connection therewith and on the liquidation, dissolution or winding-up of the Offeror or PWT involve or may involve a number of trades and distributions of securities (collectively, the "Trades");

25. the filing of the Take-Over Bid Circular by the Offeror under the Legislation in British Columbia, Saskatchewan, Quebec, Nova Scotia and Newfoundland shall constitute the filing of a securities exchange take-over bid circular under the Legislation for purposes of the definition of reporting issuer under such Legislation;

26. the Exchangeable Shares will be the economic equivalent of PrimeWest Units and will have the attributes more particularly described in the Take-Over Bid Circular;

27. holders of Cypress Shares will make one investment decision when deciding whether to tender their Cypress Shares to the Offer and when voting to approve any Subsequent Acquisition Transaction, and the subsequent trades of Exchangeable Shares will arise directly out of the collection of rights acquired by holders of Cypress Shares who receive Exchangeable Shares in connection with the Offer;

28. if not for income tax considerations, holders of Cypress Shares could have received PrimeWest Units directly without receiving Exchangeable Shares; the Exchangeable Shares will be issued to provide holders of Cypress Shares on a tax-deferred basis to preserve the tax attributes applicable to holders of Cypress Shares;

29. holders of Exchangeable Shares in essence (other than the fact that the holders of Exchangeable Shares will have no voting rights except those required by law) have a participatory interest in PWT rather than in the Offeror and, therefore, certain disclosure required to be provided as a reporting issuer or the equivalent under the Legislation would not be meaningful to the holders of Exchangeable Shares;

30. the Take-Over Bid Circular will disclose that, in connection with the Offer, the Filer has applied for relief from applicable registration and prospectus requirements, the Continuous Disclosure Requirements and the Insider Reporting Requirements and will disclose the limitations imposed on any resale of securities acquired under this Decision; the Take-Over Bid Circular will also specify the disclosure requirements from which the Offeror has applied to be exempted and will identify the disclosure that will be made in substitution therefor if such exemptions are granted;

31. PWT and PWE will be required to purchase Exchangeable Shares from other holders of such shares pursuant to the exercise of certain exchange rights;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of the Decision Makers (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:

1. except in Quebec, the Registration and Prospectus Requirements shall not apply to the Trades;

2. except in Quebec, the first trade in Exchangeable Shares or PrimeWest Units, as the case may be, in a Jurisdiction shall be a distribution, or primary distribution to the public, under the Legislation of such Jurisdiction (the "Applicable Legislation") unless:

(a) at the time of the first trade, the issuer is a reporting issuer or equivalent under the Applicable Legislation, or, in the case of the Offeror, if it is not a reporting issuer or the equivalent in a Jurisdiction, PWT, has complied with the requirements under paragraph 3 below in that Jurisdiction;

(b) if the seller is an insider or officer of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or create a demand for the Exchangeable Shares or the PrimeWest Units;

(d) no extraordinary commission or other consideration is paid in respect of the trade; and

(e) the trade is not a distribution from the holdings of a person or company, or combination of persons and companies, acting in concert or by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of any voting securities of PWT to affect materially the control of PWT, and if a person or company or combination of persons and companies holds more than 20% of the voting rights attached to all outstanding voting securities of PWT, the person or company or combination of persons and companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of PWT (and for the purposes of this MRRS Decision Document, Exchangeable Shares shall be counted as voting shares of PWT);

3. in the Jurisdictions where the Offeror becomes a reporting issuer under the Legislation, the Continuous Disclosure Requirements shall not apply to the Offeror, provided that at the time that any such requirement would otherwise apply:

(a) PWT is a reporting issuer under the Legislation of the Jurisdiction;

(b) PWT shall concurrently send to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of PrimeWest Units under the Continuous Disclosure Requirements, including, but not limited to, copies of its annual report and all proxy solicitation materials;

(c) PWT shall comply with the requirements of the TSE (or such other principal stock exchange on which the PrimeWest Units are then listed) in respect of making public disclosure of material information on a timely basis and forthwith

issue in the Jurisdictions and file with the Decision Maker any press release that discloses a material change in PWT's affairs;

(d) the Offeror shall provide each recipient or proposed recipient of Exchangeable Shares resident in the Jurisdictions with a statement that, as a consequence of this Decision, the Offeror and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers and insiders, and specifying those requirements the Offeror and its insiders have been exempted from and identifying the disclosure that will be made in substitution thereof;

(e) the Offeror shall issue a press release and file a report with the Decision Makers upon the occurrence of a material change in respect of the affairs of the Offeror that are not material changes in the affairs of PWT;

(f) PWE shall remain the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the Offeror; and

(g) the Offeror does not issue any securities to the public other than the Exchangeable Shares;

4. in the Jurisdictions where the Offeror becomes a reporting issuer under the Legislation, the Insider Reporting Requirements shall not apply to any insider of the Offeror who is not also an insider of PWT; and

5. except in Quebec, the Take-Over Bid Circular Form Requirements contained in the Legislation shall not apply to the Offeror, provided that the Take-Over Bid Circular contains prospectus-level disclosure in respect of PWT and a complete description of the rights, privileges, obligations and restrictions in respect of the Exchangeable Shares.

DATED March 27, 2001.

Brenda Leong
Director

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from the registration and prospectus requirements in respect of trades made in connection with an indirect take over bid where statutory exemptions are not available due to the use of exchangeable shares for tax reasons. Relief also granted from the continuous disclosure requirements, the proxy solicitation requirements, the insider reporting requirements and take over bid form requirements, subject to certain conditions, because the disclosure required to be provided regarding the issuer of the exchangeable shares would not be meaningful to shareholders.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 34(1)(a), 48, 61, 76, 85, 87, 91, 114(2)(c) and 119(2)

Securities Rules, B.C. Reg. 194/97, ss. 144, 145, 149, 184(2)