

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

AND

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

AND

IN THE MATTER OF VELVET EXPLORATION LTD.
AND
IN THE MATTER OF PANATLAS ENERGY INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland and Nova Scotia (the "Jurisdictions") has received an application from Velvet Exploration Ltd. ("Velvet") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that in connection with Velvet's offer (the "Offer") to purchase all of the issued and outstanding common shares (the "PanAtlas Shares") of PanAtlas Energy Inc. ("PanAtlas") on the basis of, at the election of the holder of PanAtlas Shares, \$3.72 (Canadian) in cash, subject to an aggregate maximum of \$23.9 million cash available, or 0.70857 of a common share of Velvet (the "Velvet Share"), Velvet shall be exempt from the requirement in the Legislation to offer all holders of the same class of securities identical consideration (the "Identical Consideration Requirement") insofar as certain holders of PanAtlas Shares who accept the Offer will receive the cash proceeds from the sale of Velvet Shares in accordance with the procedure described in paragraph 3.8 below, instead of receiving Velvet Shares;

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 Velvet has represented to the Decision Makers that:

3.1 Velvet is a corporation continued under the laws of Alberta. Velvet is a reporting issuer or the equivalent thereof in British Columbia, Alberta, Manitoba, Ontario and Quebec and its securities are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "VLV". Velvet's head office is located in Calgary, Alberta.

3.2 Velvet is not in default of any requirement of the Acts.

3.3 On June 2, 2000, Velvet and PanAtlas issued a joint press release announcing that they had entered into an agreement pursuant to which Velvet will make an offer to the PanAtlas Shareholders to acquire all of the outstanding PanAtlas Shares.

3.4 PanAtlas is a corporation continued under the laws of Alberta. It is a reporting issuer or the equivalent thereof in British Columbia, Alberta, Manitoba, Ontario and Quebec and the PanAtlas Shares trade on the TSE under the symbol "PA".

3.5 The Offer is being made in compliance with the Legislation of the Jurisdictions except to the extent that exemptive relief is granted in respect of the Identical Consideration Requirement.

3.6 To the knowledge of Velvet after reasonable inquiry, PanAtlas Shareholders resident in the United States hold, in the aggregate, approximately 2.7% of the PanAtlas Shares and residents of other foreign countries hold, in the aggregate, approximately 1.8% of the PanAtlas Shares.

3.7 The Velvet Shares that may be issued under the Offer have not been and will not be registered or otherwise qualified for distribution pursuant to the securities legislation in the United States or any other jurisdiction outside Canada. Velvet cannot lawfully undertake delivery of Velvet Shares to certain residents of such jurisdictions without further action and without becoming subject to registration and continuous disclosure requirements of those jurisdictions (the "Non-Canadian Holders").

3.8 To the extent that Non-Canadian Holders who accept the Offer are entitled to receive Velvet Shares, Velvet proposes to deliver Velvet Shares to Montreal Trust Company (the "Depository") substantially simultaneously with payment for PanAtlas Shares tendered under the Offer. The Depository will, as soon as reasonably possible after such delivery, sell the Velvet Shares on behalf of the Non-Canadian Holders. Such sale will be done through the TSE in a manner that is intended to minimize any adverse effect on the market price of Velvet Shares. As soon as reasonably possible after completion of such sale, and in any event no later than four business days after delivery of the Velvet Shares to the Depository, the Depository will send to each Non-Canadian Holder whose Velvet Shares have been sold by the Depository a cheque in Canadian funds in an amount equal to such Non-Canadian Holder's pro rata share of the net proceeds of sale.

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 under the Legislation is that in connection with the Offer, Velvet is exempt from the Identical Consideration Requirement, insofar as Non-Canadian Holders who accept the Offer will receive the cash proceeds from the Depositary's sale of the Velvet Shares in accordance with the procedure set out in paragraph 3.8 above, instead of receiving such Velvet Shares.

DATED at Edmonton, Alberta this 5th day of July, 2000.

Eric T. Spink, Vice-Chair

Thomas G. Cooke, Q.C., Member

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - take-over bid made for issuer with shareholders resident in the United States - offeror's securities forming part of the consideration under the take-over bid - offeror's securities not qualified for distribution in the United States - offeror relieved from requirement to provide identical consideration to all holders of securities that are of the same class insofar as offeror proposing to offer United States resident shareholders cash proceeds of sale of exchanged securities.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s.136(1), 144(2)(c).