

Date: January 26, 2005

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, MANITOBA, ONTARIO, NOVA SCOTIA AND NEWFOUNDLAND AND
LABRADOR**

AND

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

AND

**IN THE MATTER OF
VIKING ENERGY ROYALTY TRUST**

MRRS Decision Document

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of Alberta, Manitoba, Ontario, Nova Scotia and Newfoundland and Labrador (the Jurisdictions) has received an application from Viking Energy Royalty Trust (Viking) 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 and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the Registration and Prospectus Requirements) shall not apply to certain trades in trust units of Viking issued in connection with a business combination (the Business Combination) pursuant to a combination agreement with Calpine Natural Gas Trust (Calpine).
2. Under the Mutual Reliance Review System for Exemptive Relief Applications (the System), the Alberta Securities Commission is the principal regulator for this application.
3. Under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the Decision).

Interpretation

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

Representations

5. This decision is based on the following facts represented by Viking to the Decision Makers:

5.1 Viking is an open-end investment trust formed under the laws of the Province of Alberta and is governed by an amended and restated trust indenture dated as of July 1, 2003 between Computershare Trust Company of Canada (Computershare), as trustee, and VHI. The head office of Viking is located in Calgary, Alberta.

5.2 Viking's purpose is to acquire, hold or invest in securities, royalties or other interests in entities that derive their value from petroleum and natural gas and energy related assets and to issue Viking Units to the public. Pursuant to an amended and restated royalty agreement dated as of July 1, 2003 between Viking Holdings Inc. (VHI) and the Trustee and an amended and restated royalty agreement dated as of July 1, 2003 between VHI, in its capacity as trustee of Viking Holdings Trust (VHT) and the Trustee, Viking receives 99% of the net production revenues attributable to VHI and VHT's petroleum and natural gas properties. Viking also receives interest and principal payments with respect to a debt instrument issued to Viking by VHT and unsecured subordinated notes issued by Viking Energy Ltd. (VEL) and distributions from VHT. VHT receives cash flow from payments received from a royalty granted by VEL, interest and principal payments with respect to debt instruments issued to VHT by VEL and partnership income received from the Sedpex Partnership.

5.3 Computershare is the trustee of Viking and the holders of the Viking Units are the sole beneficiaries of Viking.

5.4 Viking has been a reporting issuer or the equivalent under the Legislation since December, 1996 and, to the best of its knowledge, is not in default of any requirements of the Legislation.

5.5 Viking is authorized to issue an unlimited number of Viking Units, each of which represents an equal fractional undivided beneficial interest in Viking. All Viking Units share equally in all distributions from Viking and all Viking Units carry equal voting rights at meetings of holders of Viking Units (the Viking Unitholders). As of November 23, 2004, there were 110,476,934 Viking Units issued and outstanding.

5.6 The Viking Units are listed and posted for trading on the Toronto Stock Exchange (the TSX).

5.7 Viking makes and expects to continue to make monthly cash distributions to Viking Unitholders in an amount per Unit equal to a pro rata share of all amounts and income received by Viking in each month, less: (i) expenses of Viking; and (ii) any other amounts required to be deducted, withheld or paid by Viking.

5.8 All of the issued and outstanding common shares of VHI are owned by Viking.

5.9 Calpine is an open-end investment trust formed under the laws of the Province of Alberta and is governed by a trust indenture (the Calpine Trust Indenture) dated as of August 23, 2003, as amended and restated September 2, 2004 between Computershare, as trustee, and Calpine Natural Gas Limited (CNGL). The head office and principal business office of Calpine is located in Calgary, Alberta.

5.10 Calpine was created initially for the purposes of issuing the Calpine Units and to indirectly purchase and manage certain natural gas and petroleum properties owned by Calpine Natural Gas, L.P. (the Partnership). Calpine holds its 99.99% limited partnership interest in the Partnership through Calpine Natural Gas Commercial Trust, which is wholly-owned by Calpine. All of the issued and outstanding common shares of CNGL are owned by Calpine. CNGL is the general partner of the Partnership and holds a 0.01% interest in the Partnership. Calpine Unitholders participate in the income derived from natural gas and petroleum properties acquired from time to time by the Partnership or other subsidiaries of Calpine.

5.11 Computershare is the trustee of Calpine and the holders of the Calpine Units are the sole beneficiaries of Calpine.

5.12 Calpine has been a reporting issuer or the equivalent under the Legislation since October 3, 2003 and, to the best of Viking's knowledge, is not in default of any requirements of the Legislation.

5.13 Calpine is authorized to issue an unlimited number of Calpine Units, each of which represents an equal fractional undivided beneficial interest in Calpine. All Calpine Units share equally in all distributions from Calpine and all Calpine Units carry equal voting rights at meetings of holders of Calpine Units (the Calpine Unitholders). As of November 23, 2004, there were 27,066,160 Calpine Units issued and outstanding.

5.14 The Calpine Units are listed and posted for trading on the Toronto Stock Exchange (the TSX).

5.15 To effect the Business Combination, Viking, VHI, Calpine and CNGL entered into a combination agreement dated November 23, 2004 (the Combination Agreement).

5.16 Pursuant to the Business Combination, Viking will purchase from Calpine all of the assets of Calpine and will assume the liabilities and obligations of Calpine in exchange for the issuance by Viking to Calpine of trust units of Viking (Viking Units). The aggregate number of Viking Units to be issued to Calpine is equal in number to the product of the number of trust units of Calpine (the Calpine Units) outstanding as of the close of business on the date immediately prior to the completion of the Business Combination multiplied by two.

5.17 The Calpine Units (other than one Calpine Unit which Viking will subscribe for prior to completion of the Business Combination) will be redeemed by Calpine in exchange for Viking Units which shall be distributed to the Calpine Unitholders in accordance with the exchange ratio of two Viking Units for each Calpine Unit.

5.18 The TSX has approved the listing of the Viking Units to be issued pursuant to the Business Combination.

5.19 Viking and Calpine are unable to rely on the exemptions from the Registration and Prospectus Requirements of the Legislation of the Jurisdictions to effect the trades of Viking Units to be completed in connection with the Business Combination because the Business Combination is to be effected pursuant to the Combination Agreement rather than pursuant to a statutory procedure.

5.20 At a meeting (the Calpine Meeting) to be held on or about January 27, 2005, the holders of Calpine Units will be asked to approve the Business Combination, which will require the approval of at least 66 2/3% of the votes cast by Calpine Unitholders present in person or by proxy.

5.21 An information circular prepared in connection with the Calpine Meeting has been delivered to Calpine Unitholders containing or incorporating by reference:

5.21.1 prospectus level disclosure regarding the business and affairs of Viking and Calpine;

5.21.2 a detailed description of the Business Combination;

5.21.3 pro forma information of Viking after giving effect to the Business Combination; and

5.21.4 a fairness opinion prepared by Calpine's financial advisor with respect to the Business Combination.

Decision

6. 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.

7. The Decision of the Decision Makers pursuant to the Legislation is that:

7.1 the Registration and Prospectus Requirements shall not apply to the trades of Viking Units pursuant to the Business Combination provided that:

7.1.1 at the time of the trade Viking is a reporting issuer or the equivalent in a jurisdiction listed in Appendix B of Multilateral Instrument 45-102 Resale of Securities and is not in default of any requirements of the Legislation;

7.1.2 the Business Combination is described in an information circular the (Information Circular) in the required form;

7.1.3 the Information Circular is delivered to each Calpine Unitholder; and

7.1.4 the Business Combination is approved by at least 66 2/3% of the votes cast by Calpine Unitholders present in person or represented by proxy at the meeting to approve the Business Combination; and

7.2. the first trade in Viking Units issued in connection with the Business Combination is a distribution or primary distribution to the public unless the conditions set out in subsection 2.6(3) of Multilateral Instrument 45-102 Resale of Securities are satisfied.

"Stephen R. Murison"
Vice-Chair
Alberta Securities Commission

"Dennis A. Anderson", FCA
Member
Alberta Securities Commission