

IN THE MATTER OF THE SECURITIES LEGISLATION
OF ONTARIO, BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN AND MANITOBA

AND

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

AND

IN THE MATTER OF VINTAGE PETROLEUM, INC.,
VINTAGE ACQUISITION CORP. AND GENESIS EXPLORATION LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Saskatchewan and Manitoba (the "Jurisdictions") has received an application from Vintage Petroleum, Inc. ("Vintage"), Vintage Acquisition Corp. (the "Offeror") and Genesis Exploration Ltd. ("Genesis") (collectively with Vintage and the Offeror, the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that agreements with certain employees of Genesis who are holders of Common Shares ("Genesis Shares") of Genesis have been made for reasons other than to increase the value of the consideration paid to such employees for their Genesis Shares and may be entered into despite the provision contained in the Legislation which provides that if an offeror makes or intends to make a take-over bid, neither the offeror nor any person or company acting jointly or in concert with the offeror shall enter into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to the other holders of the same class of securities (the "Prohibition on Collateral Agreements");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Application (the "System"), the Ontario Securities Commission is the principal Jurisdiction for this application;

AND WHEREAS the Filers have represented to the Decision Makers that:

1. Vintage is a corporation existing under the laws of the State of Delaware, the common stock of which is listed for trading on the New York Stock Exchange and is not a reporting issuer in any jurisdiction of Canada.
2. The Offeror is a corporation incorporated under the laws of Alberta, is an indirect wholly-owned subsidiary of Vintage and is not a reporting issuer in any jurisdiction of Canada.

3. Genesis is a corporation subject to the laws of Alberta and is a reporting issuer (or the equivalent) under the Legislation of each of Alberta, British Columbia, Ontario, Saskatchewan, Manitoba and Quebec.
4. The authorized capital of Genesis consists of an unlimited number of Genesis Shares and an unlimited number of preferred shares, issuable in series, of which 38,596,701 Genesis Shares and no preferred shares were issued and outstanding on March 30, 2001.
5. The Genesis Shares are listed and posted for trading on The Toronto Stock Exchange.
6. Pursuant to an offer to purchase dated March 30, 2001 (the "Offer"), the Offeror made a cash take-over bid for all of the 38,596,701 outstanding Genesis Shares (and an additional 3,570,919 Genesis Shares issuable upon the exercise of stock options).
7. Unless extended or withdrawn, the Offer is open for 21 days, with an expiry time of midnight (Vancouver time) on April 20, 2001.
8. The Offer is conditional upon, among other things, not less than 66% of the Genesis Shares, calculated on a diluted basis, being deposited under the Offer.
9. Under the Offer, \$18.25 cash is being offered for each Genesis Share, which represents a 22% premium over the closing trading price of the Genesis Shares on March 27, 2001 (the last full day on which the Genesis Shares traded prior to the public announcement of the Offer) and a 32% premium over the weighted average trading price of the Genesis Shares for the 10 trading days preceding the public announcement of the Offeror's intention to make the Offer.
10. Genesis has pre-existing employment contracts with all of its senior officers which provide for the payment of varying amounts of compensation, as may be applicable to a particular senior officer, if the officer is terminated without cause or voluntarily terminates his employment with Genesis, depending on the officer, at any time from 30 to 90 days following a change of control of Genesis. The aggregate obligation of Genesis pursuant to the foregoing agreements following a change of control and a termination is approximately \$3.35 million. If the Offer is successful, a change of control will be considered to have occurred for the purposes of these pre-existing employment agreements.
11. The pre-existing employment agreements (the "Pre-Existing Agreements") between Genesis and the Executives (as defined in paragraph 12 below) permit the Executives to cease being involved with Genesis 30 days after a change in control. Under the Pre-Existing Agreements, upon a change in control, the Executives will receive 30 day's salary and the value of the 30 days' loss of benefits, a lump sum retiring allowance, and any unvested stock options become vested. The Pre-Existing Agreements do not contain any express provisions prohibiting the Executives from engaging in a business which competes with Genesis or from soliciting key employees or others away from Genesis' business.
12. Vintage believes that the two most senior officers of Genesis, Mr. David J. Wilson, President and Chief Executive Officer and Donald J. Sabo, Chairman of the Board and Senior Vice

President of Genesis (together, the "Executives"), have been instrumental in building Genesis into a highly successful company.

13. At the time that the acquisition agreement dated March 27, 2001 (the "Acquisition Agreement") was being negotiated between Vintage and Genesis, Vintage requested that the Executives agree to remain employed by Genesis. Vintage wished to secure such an agreement because of the integral role of the Executives in developing Genesis' business and their substantial and valuable experience and expertise in exploring for, developing and producing oil and gas in Western Canada.

14. The Executives' role with Genesis following completion of the Offer is critical to Vintage in ensuring a successful transition of Genesis following completion of the Offer. In addition, Vintage believed that if it was able to secure the services of the Executives, the rest of the management team would be more likely to remain with Genesis following completion of the Offer.

15. Two contracts of employment (the "Employment Agreements") were agreed to among each of the Executives, Vintage and Genesis.

16. The Employment Agreements recognize the Executives' entitlements upon a change in control under the Pre-Existing Agreements and provide that each of the Executives will remain employed by Genesis for a period of one year following completion of the Offer at a salary equal to the salary to be paid to him by Genesis in the 2001 fiscal year. We understand that such terms of employment are consistent with the remuneration of those occupying comparable positions within the industry.

17. In addition, in order to encourage the Executives to remain with Genesis beyond the one year term envisioned by the Employment Agreements, Vintage has agreed to issue to each Executive 25,000 shares of Vintage common stock (the "Restricted Stock") under the Vintage 1990 Stock Plan (the "1990 Plan"), as amended. The Restricted Stock will be issued in accordance with, and subject to the terms of, the 1990 Plan and the further terms, restrictions and conditions set forth in the Employment Agreements. The material terms of the Restricted Stock include the following:

(a) Subject to certain limited exceptions, all shares of Restricted Stock are subject to forfeiture (i.e. all of the Executive's right, title and interest in such shares ceases and such shares will be returned to Vintage with no compensation of any nature to the Executive), if the Executive's employment with Genesis is terminated for cause or if he resigns from his employment prior to the three years commencing on the date of the grant of the Restricted Stock.

(b) Certificates representing shares of Restricted Stock issued to the Executives will remain in the physical custody of Vintage (in escrow) until all restrictions are removed or expire. Certificates representing the Restricted Stock will be delivered to the Executive when such restrictions lapse.

(c) Each certificate representing shares of Restricted Stock issued to the Executives will bear a legend making appropriate reference to the terms, conditions and restrictions imposed on such shares. Any attempt by the Executive to dispose of Restricted Stock in contravention of such terms, conditions and restrictions, irrespective of whether the certificate contains such a legend, will be ineffective and any disposition purported to be effected thereby shall be void.

(d) Any shares or other securities received by the Executive as a stock dividend on, or as a result of stock splits, combinations, exchanges of shares, reorganizations, mergers, consolidations or otherwise with respect to shares of Restricted Stock shall be subject to the same terms, conditions and restrictions and bear the same legend as the Restricted Stock.

18. The Employment Agreements contemplate that a bonus may be paid to the Executives, although any bonuses will be within the discretion of Genesis. The Employment Agreements also provide for fewer holidays than the Executives would have been entitled to under the Pre-Existing Agreements and do not recognize any entitlement of the Executives under their present arrangements to stock options. Further, the Employment Agreements contain non-competition and non-solicitation provisions applicable to the Executives.

19. The Employment Agreements were negotiated on an arm's length basis, are on commercially reasonable terms, are consistent with current industry practice and Vintage's compensation arrangements for new executives and are intended to provide an incentive for the Executives to continue in the employment of Genesis for more than one year following completion of the Offer.

20. Vintage would not have entered into the Acquisition Agreement if the Executives had not entered into the Employment Agreements. Vintage believes that if it were to acquire only Genesis' assets and not the services of its key personnel, there would be a material reduction in likelihood of a successful transition of Genesis following completion of the Offer and a corresponding reduction in the value of Genesis to Vintage and its stockholders.

21. Mr. David J. Wilson holds an aggregate of 1,542,593 Genesis Shares and options to purchase 325,000 Genesis Shares and Mr. Donald J. Sabo holds an aggregate of 1,121,977 Genesis Shares and options to purchase 325,000 Genesis Shares. Neither of the Executives are related to Vintage or the Offeror.

22. The Employment Agreements were entered into for valid business reasons unrelated to the Executives' holdings of Genesis Shares and not for the purpose of conferring a collateral benefit on the Executives not enjoyed by the other holders of Genesis Shares.

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 the Employment Agreements are being made for reasons other than to increase the value of the consideration to be paid to the Executives for their Genesis Shares under the Offer, and that the Employment Agreements may be entered into notwithstanding the Prohibition on Collateral Agreements.

DATED April 25, 2001.

"Paul M. Moore"

"Robert W. Korthals"

Headnote

MRRS for Exemptive Relief Applications – Take-Over bid – Employment agreements entered into with two selling securityholders who are directors and senior officers of an offeree issuer – Decision that agreements are being made for reasons other than to increase the value of the consideration paid to the officers for their shares of the offeree issuer and agreements may be entered into despite the prohibition against collateral benefits.

Statutes Cited

Securities Act, R.S.O. 1990, c.S-5, as amended., ss. 97(2) and 104(2)(a)