

Draft Regulation

Securities Act

(R.S.Q. c. V-1.1, s. 331.1, pars. (1), (2), (3), (8), (19.3), (19.5), (20) and (34), and s. 331.2)

Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities

Notice is hereby given by the *Autorité des marchés financiers* (the "Authority") that, in accordance with section 331.2 of the *Securities Act*, R.S.Q. c. V-1.1, the following Regulation, the text of which is published hereunder, may be made by the Authority and subsequently submitted to the Minister of Finance and the Economy for approval, with or without amendment, after 90 days have elapsed since its publication in the Bulletin of the Authority:

- *Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.*

Draft amendments to *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities.*

Request for comment

Comments regarding the above may be made in writing by **January 17, 2014**, to the following:

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October 17, 2013

CSA Notice and Request for Comment
Draft Regulation to Amend
Regulation 51-101 respecting Standards of Disclosure for Oil and Gas
Activities
and
Draft Amendments to Policy Statement to Regulation 51-101
respecting Standards of Disclosure for Oil and Gas Activities

October 17, 2013

Introduction

The Canadian Securities Administrators (the CSA or we) are publishing for a 90 day comment period draft amendments to the following materials (the Draft Amendments):

- *Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (Regulation 51-101), and
- *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (Policy Statement 51-101).

The text of the Draft Amendments is published with this notice and will also be available on websites of CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bsc.bc.ca
www.gov.ns.ca/nssc
www.fcnb.ca
www.osc.gov.on.ca
www.fcaa.gov.sk.ca
www.msc.gov.mb.ca

Substance and Purpose

The Draft Amendments constitute an important evolutionary shift in Regulation 51-101 that will promote better disclosure of resources other than reserves and associated metrics while at the same time providing for increased flexibility for oil and gas reporting issuers that report in a variety of different locations worldwide, recover different oil and gas product types and operate under different regulatory regimes.

The Draft Amendments are also intended to bring Regulation 51-101 into harmony with proposed changes to the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook). In particular, the changes to subsection 5.9(2) of Regulation 51-101 are intended to track the additional guidance provided in the amendments to the COGE Handbook on the evaluation and

classification of resources other than reserves. To the extent that there are changes to the COGE Handbook prior to implementation of the Draft Amendments that are not in keeping with the proposed subsection 5.9(2) of Regulation 51-101, the CSA's intent is to follow the evaluation and classification framework to be adopted in the COGE Handbook and changes will be made to Regulation 51-101 accordingly prior to implementation.

Background

Regulation 51-101 is a disclosure standard for reporting issuers engaged in oil and gas activities. Under Regulation 51-101 reporting issuers are required to provide annual disclosure, appoint an independent qualified reserves evaluator, facilitate communication between the board of directors and the independent qualified reserves evaluator and prepare all public disclosures of reserves and resources other than reserves in accordance with the requirements of Part 5, which include the requirement that the reserves and resources other than reserves be prepared in accordance with the COGE Handbook and be evaluated or audited by a qualified reserves evaluator. Since its implementation in 2003, Regulation 51-101 has been amended two times, in 2007 and 2010.

The CSA has, since 2010, been evaluating potential amendments to Regulation 51-101 in response to its ongoing engagement with oil and gas reporting issuers, independent qualified reserves evaluators and industry. The most recent publication related to Regulation 51-101 was an update to CSA Staff Notice 51-327 *Guidance on Oil and Gas Disclosure* (CSA Notice 51-327) on December 29, 2011. As is stated in CSA Notice 51-327, its purpose was to provide new guidance on:

- issuer and expert responsibilities;
- the disclosure of after-tax net present value of future net revenue;
- the use of BOEs;
- disclosure of well-flow test results; and

expanded guidance on the evaluation and classification of unconventional hydrocarbons and classification to most specific category of resource.

We are proposing the following important changes in response to our observations of reporting issuer disclosure and industry feedback, which are more fully described in the Summary of the Draft Amendments section of this Notice:

- in certain circumstances and subject to disclosure requirements, permitting disclosure prepared under an alternative resources evaluation standard;
- inclusion and refinement of product type definitions in Regulation 51-101;
- additional requirements regarding the disclosure of contingent and prospective resources;

- introduction of a principle-based approach to the disclosure of oil and gas metrics;
- clarification of the point at which sales of oil and gas, and resources should be disclosed;
- definition of and requirements related to the disclosure of abandonment and reclamation costs;
- deletion of the requirement to match the presentation of reserves not directly held by the reporting issuer in the statement prepared in accordance with Form 51-101F1 to the presentation of the assets in the financial statements;
- removal of the requirement to obtain independent qualified reserves evaluator consent before disclosing results from the annual evaluation outside of the required annual filings;
- revision of the date at which the independent qualified reserves evaluator takes responsibility for information related to the reserves evaluation;
- clarification of required disclosure when an issuer has no reserves.

Summary of the Draft Amendments

1. Alternative Resources Evaluation Standard

Numerous issuers reporting in Canada also access the U.S. capital markets and are subject to the SEC's reserves disclosure regime. For example, SEC issuers who prepare financial statements in accordance with U.S. GAAP, as defined in *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards*, have a requirement under Statement 19 of the Financial Standards Accounting Board to include reserves disclosure prepared in accordance with the U.S. regime within their financial statements. Certain issuers have sought and obtained a limited form of exemptive relief that allows them to disclose reserves prepared in accordance with U.S. requirements in addition to their reserves prepared under Regulation 51-101. The relief is required owing to an interpretation of sections 5.1, 5.2 and 5.3 of Regulation 51-101 that does not allow for any public disclosure of reserves other than estimates prepared in accordance with the COGE Handbook.

Proposed section 5.18 of Regulation 51-101 allows for disclosure from alternative regimes. The disclosure under the alternative regime must be accompanied by the disclosure required by Regulation 51-101, be made in respect of a regime which is comparable to the COGE Handbook, have a scientific basis and be based on reasonable assumptions. Those estimates must be prepared by a qualified reserves evaluator.

2. Product Types and Production Group

CSA staff has seen an increase of disclosure of reserves and resources other than reserves which have traditionally been called "unconventional" but with the passage of time and increased usage

are not considered to be unconventional any more. Unconventional resources can have different costs associated with their recovery, despite technically being the same product. For example, shale gas and natural gas from a conventional reservoir are both technically natural gas, however, each has different production profiles, risks and costs associated with recovery. In addition, shifting government policies and new recovery methods have given rise to uncertainty with the current definitions of product types, for instance the definition of heavy crude oil, and the lack of a definition for shale gas.

The Draft Amendments import the product type definitions from the COGE Handbook and refine those definitions for securities disclosure purposes. The concept of production group is removed. The inclusion of the definitions and removal of the production group concept give greater emphasis to both the source and process for recovery of the oil and gas, and move away from grouping unconventional resources.

3. Contingent and Prospective Resources

Increasingly, companies are relying on disclosure of resources other than reserves to convey value and development potential to investors. There has been an increase of contingent and prospective resource disclosure generally and, in particular, within reporting issuers' annual statement of reserves data prepared in accordance with Form 51-101F1. There is currently no obligation to provide discounted future net revenue projections along with the estimates of volume or to have those estimates prepared and evaluated or audited by an independent qualified reserves evaluator when contingent resources or prospective resources are included in the statement prepared in accordance with Form 51-101F1.

The Draft Amendments provide clearer boundaries for the disclosure of contingent and prospective resources in the annual filings, including requiring the disclosure of future net revenue projections comparable to those provided for reserves data and requiring that those resources other than reserves estimates be prepared by an independent qualified reserves evaluator.

4. Oil and Gas Metrics

CSA staff has observed the ongoing use of measures of volume, performance and equivalency that without further explanation or additional context have the potential to be misleading, and even with explanation, tend to give a false sense of comparability. The current requirements in Regulation 51-101 relating to specific metrics, such as finding and development costs, have not resulted in either comparability or clearer understanding of those metrics.

Proposed section 5.14 of Regulation 51-101 imposes principle-based requirements to describe the standard, methodology and meaning of a publicly disclosed oil and gas metric. If there is no standard, a reporting issuer must also describe the parameters used in calculating the oil and gas metric and provide a cautionary statement.

5. Marketability of Production and Reserves

Reporting issuers are obligated by Regulation 51-101 to disclose production and reserves based on the price that was or would be used at the point at which the product type could be sold. However, in certain scenarios it may not be appropriate, or even possible, to allocate a price at a point of sale. In respect of resources or sales of oil, gas or associated byproducts, the volume may be measured at the point of sale to a third party (first point of sale), or of transfer to another division of the issuer (alternate reference point) for treatment prior to sale to a third party. For gas, this may occur either before or after the removal of natural gas liquids. For bitumen, this may be before the addition of diluent.

The Draft Amendments clarify the concept of marketability in the reporting of oil and gas volumes. Proposed section 5.4 of Regulation 51-101 requires a reporting issuer to report volumes and values at the first point of sale of the particular product type, unless that point is not relevant, in which case, the reporting issuer can select a point of measurement prior to the first point of sale.

6. Abandonment and Reclamation Costs

CSA staff has observed, and has received commentary from industry about, the inconsistency in the determination of what constitutes an abandonment and reclamation cost for the purpose of the annual oil and gas disclosure.

The Draft Amendments clarify what constitutes abandonment and reclamation costs and require the disclosure of both abandonment costs and reclamation costs in the future net revenue disclosure and in the significant factors and uncertainties disclosure in the statement prepared in accordance with Form 51-101F1.

7. Reserves Presentation

The introduction of IFRS 11 highlights the need for changes to the requirements in respect of the presentation of reserves data in the statement prepared in accordance with Form 51-101F1.

The Draft Amendments point to the COGE Handbook for the purpose of determining ownership and allow for flexibility in the manner of presenting resources for which a reporting issuer does not have control.

8. Other Amendments

The Draft Amendments also clarify areas that have given rise to confusion, such as

- the requirement to obtain consent of the independent qualified reserves evaluator as it relates to the report prepared in accordance with Item 2 of section 2.1,

- the date on which the independent qualified reserves evaluator is responsible for changes in the reporting issuer's reserves data, and
- the disclosure required when an issuer has no reserves.

Impact on Investors

We anticipate that the Draft Amendments will encourage better disclosure of reserves and resources other than reserves. In particular, investors should benefit from:

- the more complete disclosure of contingent and prospective resources, including future net revenue;
- the requirement to engage an independent qualified reserves evaluator when contingent or prospective resources are disclosed as a part of the annual statement of reserves data; and
- the disclosure obligations in proposed section 5.14 of Regulation 51-101 for oil and gas metrics.

We do not anticipate that allowing for the supplementary disclosure of reserves under an alternative disclosure regime will prejudice investors, as an estimate prepared in accordance with the COGE Handbook must be provided along with explanatory information.

The removal of the requirement to provide additional disclosure on abandonment and reclamation costs in the annual statement of reserves data is offset by the inclusion of a definition, a specific requirement to provide an estimate and a specific instruction to discuss the impact of both abandonment costs and reclamation costs.

Anticipated Costs and Benefits of the Draft Amendments

The Draft Amendments, including incorporation of the COGE Handbook definitions, will enhance the quality and consistency of reporting issuers' disclosure of oil and gas activities and will provide greater transparency of the methods used to value and measure oil and gas assets. As we discuss below, these changes could result in increased compliance costs.

The Draft Amendments require an independent evaluation and additional disclosure when a reporting issuer discloses contingent or prospective resources in its annual oil and gas filings. Although this will impose additional expert costs on a reporting issuer choosing to make this disclosure, the independent evaluation and additional disclosure requirements will increase the reliability and completeness of the reporting issuer's disclosure.

The Draft Amendments address issues with the comparability of oil and gas metrics. We have seen that methods used in measures such as finding and development costs, despite the requirements in Regulation 51-101, are subject to significant variability among oil and gas reporting issuers. This has led to incomparability. The additional obligations under the Draft

Amendments to disclose the standard, methodology, and meaning of a publicly disclosed oil and gas metric may result in additional disclosure preparation time and cost for reporting issuers but will benefit investors because the reporting issuer will disclose additional information related to the comparability of the oil and gas metric.

We anticipate that the proposed requirements related to the first and alternate point of sale will promote market efficiency by removing the uncertainty some reporting issuers experienced around the pricing of their resources. We do not anticipate that this will impose additional burden on reporting issuers.

The Draft Amendments permit supplementary disclosure of reserves prepared in accordance with alternative reserves disclosure regimes. We anticipate that this will promote market efficiency by expressly permitting the disclosure of resources prepared under an alternative standard. We have minimized the impact of this change on Canadian investors by requiring that this disclosure may only be made supplementary to the publicly disclosed resources prepared in accordance with Regulation 51-101 and the COGE Handbook.

Request for Comments

We welcome your comments on draft *Regulation to Amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* and draft amendments to *Policy Statement to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*. In addition to any general comments you may have, we also invite comments on the following specific questions.

1. The Draft Amendments would permit an issuer to disclose reserves prepared in accordance with, for example, the SEC regime supplementary to reserves disclosed under Regulation 51-101. Do you support the proposal to permit the supplementary disclosure of reserves prepared under a regime comparable to the COGE Handbook, as is set out in proposed section 5.18 of Regulation 51-101? Please explain your views.
2. The Draft Amendments eliminate the requirement to disclose a reporting issuer's reserves data by production group. Do you support the removal of the requirement to disclose reserves data by production group? Please explain your views.
3. A reporting issuer that includes contingent resources and prospective resources is not currently required to have those estimates prepared by an independent qualified reserves evaluator. Do you support the requirement in proposed item 2 of section 2.1 of Regulation 51-101 for an independent qualified reserves evaluator to evaluate or audit any contingent resources or prospective resources included in the annual statement of reserves data? Please explain your views.
4. Do you support the requirement in proposed paragraph 4 of item 2.1 of Form 51-101F1 to provide low, best and high estimates of volume and net present value of future net revenue in respect of any contingent resources or prospective resources included in the annual statement of reserves data? Please explain your views.

5. When a reporting issuer discloses an oil and gas metric, the Draft Amendments would require the reporting issuer to disclose the standard, methodology and meaning of the disclosed metric, and if there was no identifiable standard, the parameters used in calculating the oil and gas metric and a cautionary statement. Do you support the proposed amendment to section 5.14 of Regulation 51-101 to impose the above described disclosure-based approach to oil and gas metrics such as BOEs, finding and development costs, netbacks, etc.? Please explain your views.

Please submit your comments in writing on or before January 17, 2014. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA.

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We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period.

Questions

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REGULATION TO AMEND REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (2), (3), (8), (19.3), (19.5), (20) and (34))

1. Section 1.1 of Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities is amended:

(1) by inserting, before the definition of the expression “analogous information”, the following:

““abandonment costs” means all costs associated with

(a) rendering all intervals of a well incapable of flow into the wellbore or between intervals;

(b) removing all wellhead equipment; and

(c) the physical removal of surface facilities, and the decommissioning of any facilities, in the vicinity of the well, required for the transport, treatment and metering of a product type;

“alternate reference point” means a location at which quantities and values of a product type are measured before the first point of sale;”;

(2) by inserting, after the definition of the expression “anticipated results” the following:

““bitumen” means the naturally occurring viscous mixture, consisting mainly of pentanes and heavier hydrocarbons, with a viscosity greater than 10,000 mPa·s (cP) measured at the mixture’s original temperature in the reservoir and at atmospheric pressure on a gas-free basis;”;

(3) by inserting, after the definition of the expression “BOEs”, the following:

““byproduct” means a hydrocarbon or non-hydrocarbon that is recovered as a consequence of producing a product type;

“coal bed methane” means natural gas, primarily made up of methane, contained in coal deposits;”;

(4) by inserting, after the definition of the expression “COGE Handbook”, the following:

““contingent resources data” means an estimate of contingent resources and related future net revenue, estimated using forecast prices and costs;

“conventional natural gas” means natural gas contained in and produced from pore space in an accumulation for which the primary trapping mechanism is related to hydrodynamic forces and localized or depositional geological features;”;

(5) by inserting, after the definition of the expression “effective date”, the following:

““first point of sale” means the first point after initial production at which there is a transfer of ownership of a product type;”;

(6) by inserting, after the definition of the expression “foreign geographic area”, the following:

““future net revenue” means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources net of the associated royalties, operating costs, development costs, abandonment costs and reclamation costs;

“gas hydrates” means naturally occurring crystalline substances composed of water and gas, in an ice lattice structure;

“heavy crude oil” means crude oil with a density greater than 10 degrees API gravity and less than or equal to 22.3 degrees API gravity;

“hydrocarbon” means a compound consisting of hydrogen and carbon, which, when naturally occurring, may also contain other elements such as sulphur;”;

(7) by inserting, after the definition of the expression “independent”, the following:

““light crude oil” means crude oil with a density greater than 31.1 degrees API gravity;”;

(8) by inserting, after the definition of the expression “McfGEs”, the following:

““medium crude oil” means crude oil with a density that is greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity;

“natural gas” means a naturally occurring mixture of hydrocarbon gases and non-hydrocarbon gases;

“natural gas liquids” means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and may contain non-hydrocarbons;”;

(9) by replacing the definition of the expression “oil and gas activities” with the following:

““oil and gas activities” includes

(a) the search for product types in their natural locations;

(b) the acquisition of property rights or properties for the purpose of exploring for or removing product types from their natural locations;

(c) the activities necessary to remove product types from their natural locations, including construction, drilling, mining and production, and the acquisition, construction, installation and maintenance of field gathering and storage systems including treating, field processing and field storage; and

(d) the production of synthetic crude oil or synthetic gas;

but does not include any of the following:

(e) activities that occur after the first point of sale;

(f) activities relating to the extraction of natural resources other than product types and their byproducts;

(g) the extraction of hydrocarbons as a consequence of the extraction of geothermal steam;

“oil and gas metric” means a numerical measure of a reporting issuer’s oil and gas activities;”;

(10) by deleting the definition of the expression “production group”;

(11) by replacing the definition of the expression “product type” with the following:

““product type” means any of the following:

(a) in respect of liquid hydrocarbons, any of the following:

- (i) a combination of light crude oil and medium crude oil;
- (ii) heavy crude oil;
- (iii) bitumen;
- (iv) natural gas liquids;
- (v) synthetic crude oil;

(b) in respect of gaseous hydrocarbons, any of the following:

- (i) conventional natural gas;
- (ii) coal bed methane;
- (iii) gas hydrates;
- (iv) shale gas;
- (v) synthetic gas;”;

(12) by inserting, after the definition of “professional organization”, the following:

““prospective resources data” means an estimate of prospective resources and related future net revenue, estimated using forecast prices and costs;”;

(13) by inserting, after the definition of “qualified reserves evaluator or auditor”, the following:

““reclamation costs” means all costs, other than abandonment costs, associated with restoring land as close as possible to its original state or to a standard prescribed or imposed by a government or regulatory authority;”;

(14) by inserting, after the definition of “reserves data”, the following:

““shale gas” means natural gas

(a) contained in dense organic-rich rocks, including inherently low permeability shales, siltstones and carbonates in which the natural gas is primarily adsorped on the kerogen or clay minerals; and

(b) that requires the use of fracturing techniques to achieve economic production rates;”;

(15) by inserting, after the definition of “supporting filing”, the following:

““synthetic gas” means a gaseous fluid

(a) generated as a result of the application of an in situ transformation process to coal or other hydrocarbon-bearing rock types; and

(b) comprised of not less than 10% by volume of methane; and

“synthetic crude oil” means a mixture of liquid hydrocarbons derived by upgrading bitumen, kerogen from oil shales, coal or from gas to liquid conversion and may contain sulphur or other non-hydrocarbon compounds.”.

2. Section 2.1 of the Regulation is amended:

(1) by deleting, in paragraph (1), “, Statement of Reserves Data and Other Oil and Gas Information”;

(2) in paragraph (2):

(a) by deleting, in the part preceding subparagraph (a), “, Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor”;

(b) by replacing subparagraph (b) with the following:

“(b) executed by one or more qualified reserves evaluators or auditors each of whom is independent of the reporting issuer, and who must have,

(i) in the aggregate,

(A) evaluated or audited at least 75% of the future net revenue (calculated using a discount rate of 10%) attributable to proved plus probable reserves, as reported in the statement filed or to be filed under item 1; and

(B) reviewed the balance of such future net revenue; and

(ii) evaluated or audited the contingent resources data or prospective resources data reported in the statement filed or to be filed under item 1.”;

(3) by deleting, in paragraph (3), “, Report of Management and Directors on Oil and Gas Disclosure”.

3. Section 2.4 of the Regulation is amended by replacing paragraph (1) with the following:

“(1) If a qualified reserves evaluator or auditor cannot report without reservation on reserves data, contingent resources data or prospective resources data, the reporting issuer must ensure that the report of the qualified reserves evaluator or auditor prepared for the purpose of item 2 of section 2.1 sets out the cause of the reservation and the effect, if known to the qualified reserves evaluator or auditor, on the reserves data, contingent resources data, or prospective resources data.”.

4. Section 3.2 of the Regulation is replaced with the following:

“3.2. Reporting Issuer to Appoint Independent Qualified Reserves Evaluator or Independent Qualified Reserves Auditor

(1) A reporting issuer must appoint a qualified reserves evaluator, or qualified reserves auditor, that is independent of the reporting issuer, and must have the evaluator or auditor report to the board of directors of the reporting issuer on the reserves data disclosed in the statement prepared for the purpose of item 1 of section 2.1.

(2) If a reporting issuer discloses contingent resources data or prospective resources data in a statement prepared for the purpose of item 1 of section 2.1, the reporting issuer must have the qualified reserves evaluator or qualified reserves auditor appointed under subsection (1) report to the board of directors of the reporting issuer on the contingent resources data or prospective resources data included in the statement.”.

5. Section 3.4 of the Regulation is amended:

(1) by inserting, in paragraph (c) and after the words “reserves data”, “, contingent resources data or prospective resources data”;

(2) in paragraph (d):

(a) by inserting, in the part preceding subparagraph (i) and after the words “reserves data”, “, contingent resources data or prospective resources data”;

(b) by inserting, in subparagraph (ii) and after the words “reserves data”, “, contingent resources data or prospective resources data”.

6. Section 4.2 of the Regulation is amended by inserting, after the words “reserves data”, “, contingent resources data or prospective resources data”.

7. Section 5.2 of the Regulation is amended:

(1) by replacing the part preceding paragraph (a) with the following:

“(1) If a reporting issuer makes disclosure of reserves or other information of a type that is specified in Form 51-101F1, the reporting issuer must ensure that the disclosure satisfies the following requirements:”;

(2) by deleting, in paragraph (c), “, Statement of Reserves Data and Other Oil and Gas Information”;

(3) by inserting, after paragraph (d), the following:

“(2) Disclosure referred to under subsection (1) must indicate whether the estimates of reserves or future net revenue were prepared by an independent qualified reserves evaluator or qualified reserves auditor.”.

8. Section 5.4 of the Regulation is replaced with the following:

“5.4. Oil and Gas Resources and Sales

(1) Disclosure of resources or of sales of product types or associated byproducts must be made with respect to the first point of sale.

(2) Despite subsection (1), a reporting issuer may disclose resources or sales of product types or associated byproducts with respect to an alternate reference point if, to a reasonable person, the resources, product types or associated byproducts would be marketable at the alternate reference point.

(3) If a reporting issuer discloses resources or sales of product types or associated byproducts with respect to an alternate reference point, the reporting issuer must

(a) state that the disclosure is made with respect to an alternate reference point;

(b) disclose the location of the alternate reference point; and

(c) explain why disclosure is not being made with respect to the first point of sale.”.

9. Sections 5.5 and 5.7 of the Regulation are repealed.

10. Section 5.9 of the Regulation is amended:

(1) by inserting, after subparagraph (iii) of subparagraph (d) of paragraph (2), the following:

“(iii.1) a description of the project including

(A) each significant event in the project and the specific time period in which each event is expected to occur;

(B) the recovery technology; and

(C) whether the project is a conceptual or pre-development study;”;

(2) by replacing, in the part preceding subparagraph (a) of paragraph (3), “(2)(c)(iii)” with “(2)(d)(iii), (iii.1)”;

(3) by inserting, after paragraph (3), the following:

“(4) Any disclosure made under subsection (1) or (2) must indicate whether the anticipated results from resources which are not currently classified as reserves or the estimate of a quantity of resources other than reserves were prepared by an independent qualified reserves evaluator or auditor.”.

11. Sections 5.11 to 5.13 of the Regulation are repealed.

12. Section 5.14 of the Regulation is replaced with the following:

“5.14. Disclosure Using Oil and Gas Metrics

(1) If a reporting issuer discloses an oil and gas metric, other than an estimate of volume or value of resources prepared in accordance with section 5.2, 5.9 or 5.18 or a comparative or equivalency measure under Part 2, 3, 4, 5 or 6 of Form 51-101F1, the reporting issuer must include disclosure that

(a) identifies the standard and source of the oil and gas metric;

(b) provides a brief description of the method used to determine the oil and gas metric;

(c) provides an explanation of the meaning of the oil and gas metric; and

(d) cautions readers as to the reliability of the oil and gas metric.

(2) If there is no identifiable standard for an oil and gas metric, the reporting issuer must also include disclosure that

(a) provides a brief description of the parameters used in the calculation of the oil and gas metric, and

(b) states that the oil and gas metric does not have any standardized meaning and should not be used to make comparisons.”.

13. Section 5.15 of the Regulation is repealed.

14. Section 5.16 of the Regulation is amended by replacing, in subparagraph (b) of paragraph (3), “5.9(2)(c)(v)(A)” with “5.9(2)(d)(v)(A)” and “5.9(2)(c)(v)(B)” with “5.9(2)(d)(v)(B)”.

15. The Regulation is amended by inserting, after section 5.17, the following:

“5.18. Supplementary Disclosure of Resources Using Evaluation Standards other than the COGE Handbook

(1) A reporting issuer may supplement disclosure provided in accordance with section 5.2, 5.3 or 5.9 with an estimate of the volume or the value of resources prepared in accordance with an alternative resources evaluation standard that

(a) has a comprehensive framework for the evaluation of resources;

(b) defines resources using terminology and categories in a manner that is consistent with the terminology and categories of the COGE Handbook;

(c) has a scientific basis; and

(d) requires that estimates of volume and value of resources be based on reasonable assumptions.

(2) If disclosure is made under subsection (1) and that disclosure is required under the laws of or by a foreign jurisdiction, the reporting issuer must, proximate to the disclosure,

(a) disclose the effective date of the estimate;

(b) describe any significant differences, and the reasons those differences exist, between the estimate prepared in accordance with the alternative resources evaluation standard and the estimate prepared in accordance with the COGE Handbook; and

(c) include a reference to the location on the SEDAR website of the estimate prepared

(i) in accordance with section 5.2, 5.3 or 5.9, as applicable; and

(ii) at the same effective date as the alternative disclosure.

(3) If disclosure is made under subsection (1) and the disclosure is not required by a foreign jurisdiction, the reporting issuer must, proximate to the disclosure,

(a) disclose the effective date of the estimate;

(b) provide a description of the alternative resources evaluation standard;

(c) describe any significant differences, and the reasons those differences exist, between the estimate prepared in accordance with the alternative

resources evaluation standard and the estimate prepared in accordance with the COGE Handbook; and

- (d) disclose the estimate prepared
 - (i) in accordance with section 5.2, 5.3 or 5.9, as applicable; and
 - (ii) at the same effective date as the disclosure provided under subsection (1).

(4) An estimate under subsection (1) must have been prepared or audited by a qualified reserves evaluator or auditor.”.

16. The Regulation is amended by replacing the title of Part 6 with the following:

“PART 6 MATERIAL CHANGE DISCLOSURE AND CEASING TO ENGAGE IN OIL AND GAS ACTIVITIES”.

17. Section 6.1 of the Regulation is amended by replacing, in paragraph (1), the word “Part” with the word “section”.

18. The Regulation is amended by inserting, after section 6.1, the following:

“6.2. Ceasing to Engage in Oil and Gas Activities

A reporting issuer must file with the securities regulatory authority a notice prepared in accordance with Form 51-101F5 not later than 10 days after ceasing to be engaged, directly or indirectly, in oil and gas activities.”.

19. Form 51-101F1 of the Regulation is amended:

(1) by replacing, in paragraph (2) of the general instructions, the words “*its financial year then ended*” with the words “*the financial year then ended*”;

(2) by inserting, in paragraph (4) of the instructions of item 1.1 and after the words “*should ensure its financial*”, the word “*statement*”;

(3) in item 2.1:

(a) by replacing, wherever they occur in the French text of paragraph (2), the words “valeur des produits des activités ordinaires nets futurs” with the words “valeur actualisée nette des produits des activités ordinaires nets futurs” and the words “charges d’impôt futurs” with the words “charges d’impôts futurs”;

(b) in paragraph (3):

(i) in subparagraph (b):

(A) by inserting, in subparagraph (v) and after the word “abandonment”, the word “costs”;

(B) by replacing, wherever they occur in the French text of subsections (vi), (vii) and (viii), the words “charges d’impôt futurs” with the words “charges d’impôts futurs”;

(ii) by replacing subparagraph (c) with the following:

“(c) Disclose, by product type, in each case with associated byproducts, and on a unit value basis for each product type, in each case with associated byproducts (e.g., \$/Mcf or \$/bbl using net reserves), the net present value of

future net revenue (before deducting future income tax expenses) estimated using forecast prices and costs and calculated using a discount rate of 10%.’;

(c) by inserting, after paragraph (3), the following:

“4. Contingent Resources or Prospective Resources - If the reporting issuer discloses contingent resources or prospective resources in the statement filed or to be filed under item 1 of section 2.1 of the Regulation, disclose, separately from the disclosure required by items 1, 2 and 3 of section 2.1 of this Form,

(a) the contingent resources or prospective resources, as applicable, gross and net, estimated using forecast prices and costs, for each product type, in each of the following categories:

- (i) contingent resources (1C);
- (ii) contingent resources (2C);
- (iii) contingent resources (3C);
- (iv) prospective resources (low estimate);
- (v) prospective resources (best estimate);
- (vi) prospective resources (high estimate); and

(b) the net present value of future net revenue attributable to each category of resources referred to in paragraph (a) of this Item, estimated using forecast prices and costs, before deducting future income tax expenses, calculated using discount rates of 0%, 5%, 10%, 15% and 20%.

INSTRUCTIONS

(1) *Disclose all of the reserves over which the reporting issuer has a direct or indirect ownership, working or royalty interest. These concepts are explained in sections 5.5.4(a) “Ownership Considerations” and 7.5 “Interests” of Volume 1 of the COGE Handbook, section 5.2 “Ownership Considerations” of Volume 2 of the COGE Handbook and, with respect to an entitlement to share production under a production sharing agreement, section 4.0 “Fiscal Regimes” of the chapter entitled “Reserves Recognition For International Properties” of Volume 3 of the COGE Handbook.*

(2) *Do not include, in the reserves data, contingent resources data or prospective resources data, a product type that is subject to purchase under a long-term supply, purchase or similar agreement. However, if the reporting issuer is a party to such an agreement with a government or governmental authority, and participates in the operation of the properties in which the product type is situated or otherwise serves as producer of the resources (in contrast to being an independent purchaser, broker, dealer or importer), disclose separately the reporting issuer’s interest in the resources that are subject to such agreements at the effective date and the net quantity of the product type received by the reporting issuer under the agreement during the year ended on the effective date.*

(3) *Future net revenue includes the portion attributable to the reporting issuer’s interest under an agreement referred to in Instruction (2).*

(4) *A reporting issuer may disclose resources separately from the disclosure required under item 2.1 of this Form. The separate disclosure must include an explanation of the purpose for the separation and of whether the separately disclosed resources were also included in the disclosure required under item 2.1 of this Form.*

(5) *If the reporting issuer's disclosure of resources would, to a reasonable person, be misleading, if stated without an explanation of the reporting issuer's ownership of or control over those resources, explain the nature of the reporting issuer's ownership of or control over resources disclosed in the statement filed or to be filed under item 1 of section 2.1 of the Regulation.*

(6) *If a reporting issuer voluntarily discloses contingent resources or prospective resources and the 1C or low estimate, as applicable, has a negative net present value at any of the discount rates referred to in paragraph (4)(b), the reporting issuer must disclose the negative net present value.*

GUIDANCE

A reporting issuer is subject to section 5.9 of the Regulation when providing disclosure of contingent resources or prospective resources in this Form.”.

(4) by deleting items 2.3 and 2.4;

(5) in item 3.2:

(a) by inserting, in paragraph 1 and after the words “reserves data”, “, contingent resources data or prospective resources data”;

(b) in the instructions:

(i) by inserting, in paragraph 2 and after the words “reserves data”, “, contingent resources data or prospective resources data”;

(ii) by deleting paragraph 3;

(6) in item 4.1:

(a) by replacing subparagraphs (b) and (c) of paragraph 2 with the following:

“(b) for each of the following:

(i) a combination of light crude oil and medium crude oil;

(ii) heavy crude oil;

(iii) bitumen;

(iv) natural gas liquids;

(v) synthetic crude oil;

(vi) conventional natural gas;

(vii) coal bed methane;

(viii) gas hydrates;

(ix) shale gas;

(x) synthetic gas;

“(c) separately identifying and explaining each of the following:

- (i) extensions and improved recovery;
- (ii) technical revisions;
- (iii) discoveries;
- (iv) acquisitions;
- (v) dispositions;
- (vi) economic factors;
- (vii) production.”;

(b) by replacing, in paragraph (2) of the instructions, the word “*by-product*” with the word “*byproduct*”;

(7) in item 5.1:

(a) by deleting, wherever they occur, the words “and, in the aggregate, before that time”;

(b) by replacing, wherever they occur, the words “not planning to develop” with the words “deferring the development of”;

(c) by inserting, after paragraph 2, the following:

“INSTRUCTIONS

(1) *The phrase “first attributed” refers to the initial allocation of an undeveloped volume of oil or gas reserves by a reporting issuer. Only previously unassigned undeveloped volumes of oil or gas may be included in the first attributed volumes for the applicable financial year. For example, if in 2011 a reporting issuer allocated by way of acquisition, discovery, extension and improved recovery 300 Mcf of proved undeveloped conventional natural gas reserves, that would be the first attributed volume for 2011.*

(2) *The discussion of a reporting issuer’s plans for developing undeveloped reserves, or the reporting issuer’s reasons for deferring the development of undeveloped reserves, must enable a reasonable investor to assess the efforts made by the reporting issuer to convert undeveloped reserves to developed reserves.”;*

(8) by replacing item 5.2 with the following:

“Item 5.2 Significant Factors or Uncertainties Affecting Reserves

Data

Identify and discuss significant economic factors or significant uncertainties that affect particular components of the reserves data.

INSTRUCTIONS

(1) *A reporting issuer must, under this Item, include a discussion of any significant abandonment costs and reclamation costs, unusually high expected development costs or operating costs, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.*

(2) *If the information required by this Item is presented in the reporting issuer's financial statements and notes thereto for the most recent financial year ended, the reporting issuer satisfies this Item by directing the reader to that presentation.*”;

(9) by replacing item 6.2.1 with the following:

“Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on properties with no attributed reserves.

INSTRUCTIONS

(1) *A reporting issuer must, under this Item, include a discussion of any significant abandonment costs and reclamation costs, unusually high expected development costs or operating costs, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.*

(2) *If the information required by this Item is presented in the reporting issuer's financial statements and notes thereto for the most recent financial year ended, the reporting issuer satisfies this Item by directing the reader to that presentation.*”;

(10) by deleting item 6.4;

(11) by replacing item 6.6 with the following:

“Item 6.6 Costs Incurred

Disclose by country for the most recent financial year each of the following:

(a) property acquisition costs, separately for proved properties and unproved properties;

(b) exploration costs;

(c) development costs.

INSTRUCTION

If the costs specified in paragraphs (a), (b) and (c) are presented in the reporting issuer's financial statements and the notes to those statements for the most recent financial year ended, the reporting issuer satisfies this Item by directing the reader to that presentation.”;

(12) by replacing, in paragraph 1 of item 6.9, the words “To the extent not previously disclosed in financial statements by the reporting issuer, disclose” with “Disclose,”.

20. Form 51-101F2 of the Regulation is replaced with the following:

“FORM 51-101F2 REPORT ON [RESERVES DATA],[[CONTINGENT RESOURCES DATA][AND] [PROSPECTIVE RESOURCES DATA] BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

This is the form referred to in item 2 of section 2.1 of the Regulation.

1. Terms to which a meaning is ascribed in the Regulation have the same meaning in this form.

2. The report on reserves data, contingent resources data or prospective resources data, if applicable, referred to in item 2 of section 2.1 of the Regulation, to be executed by one or more qualified reserves evaluators or auditors independent of the reporting issuer, must in all material respects be in the following form:

Report on Reserves Data

To the board of directors of [name of reporting issuer] (the “Company”):

1. We have [audited] [evaluated] [and reviewed] the Company’s [reserves data][,][contingent resources data][and][prospective resources data] as at [last day of the reporting issuer’s most recently completed financial year]. **[If the Company has reserves, include the following sentence]** The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer’s most recently completed financial year], estimated using forecast prices and costs. **[If the Company has disclosed contingent resources data or prospective resources data, include the following sentence]** The [contingent resources data] [and] [prospective resources data] are estimates of [contingent resources][and][prospective resources] and related future net revenue as at [last day of the reporting issuer’s most recently completed financial year], estimated using forecast prices and costs.

2. The [reserves data][,][contingent resources data][and][prospective resources data] are the responsibility of the Company’s management. Our responsibility is to express an opinion on the [reserves data][,][contingent resources data][and][prospective resources data] based on our [audit] [evaluation] [and review].

We carried out our [audit] [evaluation] [and review] in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the [reserves data][,][contingent resources data][and][prospective resources data] are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the [reserves data] [,][contingent resources data][and][prospective resources data] are in accordance with principles and definitions presented in the COGE Handbook.

4. **[If the Company has reserves, include this paragraph]** The following table shows the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10%, included in the reserves data of the Company [audited] [evaluated] [and reviewed] for the year ended [last day of the reporting issuer’s most recently completed financial year], and identifies the respective portions thereof that we have [audited] [evaluated] [and reviewed] and reported on to the Company’s [management/board of directors]:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of [Audit/Evaluation/ Review] Report]	Location of Reserves (Country or Foreign Geographic Area))	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxxx	\$xxx	\$xxx	\$xxx	\$xxx
Evaluator B	xxx xx, 20xx	xxxx	xxx	xxx	xxx	xxx
Totals			<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx¹</u>

¹ This amount must be the amount disclosed by the reporting issuer in its statement of reserves data filed under item 1 of section 2.1 of the Regulation, as its future net revenue (before deducting future income tax expenses) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10% (required by section 2 of Item 2.1 of Form 51-101F1).

4.1 **[If the Company has disclosed contingent resources data or prospective resources data, include this paragraph]** The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to [contingent resources][and][prospective resources], estimated using forecast prices and costs and calculated using a discount rate of 10%, included in the Company's statement prepared in accordance with Form 51-101F1 and identifies the respective portions of the [contingent resources data][and][prospective resources data] that we have [audited][evaluated] and reported on to the Company's [management/board of directors]:

Classification	Independent Qualified Reserves Evaluator or Auditor	Effective Date of [Audit/Evaluation] Report	Location of Reserves Other than Reserves (Country or Foreign Geographic Area)	Estimated volume of Contingent/ Prospective Resources	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)		
					Audited	Evaluated	Total
Contingent Resources (2C)	Evaluator	xxx xx, 20xx	xxxx	xxx	\$xxx	\$xxx	\$xxx
Prospective Resources (Best Estimate)	Evaluator	xxx xx, 20xx	xxxx	xxx	\$xxx	\$xxx	\$xxx

5. In our opinion, the [reserves data][,][contingent resources data][and][prospective resources data] respectively [audited] [evaluated] by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the [reserves data][,][contingent resources data][and] [prospective resources data] that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph[s] [4] [and] [4.1] for events and circumstances occurring after the effective date of our reports.

7. Because the [reserves data][,][contingent resources data][and][prospective resources data] are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Evaluator A, City, Province or State / Country, Execution Date
 _____ [signed]

Evaluator B, City, Province or State / Country, Execution Date
_____ [signed]”.

21. Form 51-101F3 of the Regulation is replaced with the following:

“FORM 51-101F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

This is the form referred to in item 3 of section 2.1 of the Regulation.

1. Terms to which a meaning is ascribed in the Regulation have the same meaning in this form.

2. The report referred to in item 3 of section 2.1 of the Regulation must in all material respects be in the following form:

**Report of Management and Directors
on Reserves Data and Other Information**

Management of [name of reporting issuer] (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data and may include, if disclosed in the statement required by item 1 of section 2.1 of the Regulation, contingent resources data or prospective resources data.

[Alternative A: Reserves Data to Report or Contingent Resources Data or Prospective Resources Data Reported]

[An] independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [has / have] [audited] [evaluated] [and reviewed] the Company’s [reserves data][,][contingent resources data][and][prospective resources data]. The report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has

(a) reviewed the Company’s procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];

(b) met with the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to determine whether any restrictions affected the ability of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to report without reservation [and, in the event of a proposal to change the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]], to inquire whether there had been disputes between the previous independent [qualified reserves evaluator[s] or qualified reserves auditor[s] and management]; and

(c) reviewed the [reserves data][,][contingent resources data][and][prospective resources data] with management and the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]].

The [Reserves Committee of the] board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing [reserves data][,][contingent resources data][and][prospective resources data] and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and

(c) the content and filing of this report.

Because the [reserves data][,][contingent resources data][and][prospective resources data] are based on judgements regarding future events, actual results will vary and the variations may be material.

[Alternative B: No Reserves to Report and No Resources Other than Reserves Reported]

The [Reserves Committee of the] board of directors of the Company has reviewed the oil and gas activities of the Company and has determined that the Company had no reserves as of [last day of the reporting issuer’s most recently completed financial year].

An independent qualified reserves evaluator or qualified reserves auditor has not been retained to evaluate the Company’s reserves data. No report of an independent qualified reserves evaluator or qualified reserves auditor will be filed with securities regulatory authorities with respect to the financial year ended on [last day of the reporting issuer’s most recently completed financial year].

The [Reserves Committee of the] board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [,on the recommendation of the Reserves Committee,] approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Company’s oil and gas activities; and

(b) the content and filing of this report.

[signature, name and title of chief executive officer]

[signature, name and title of an officer other than the chief executive officer]

[signature, name of a director]

[signature, name of a director]

[Date]”.

22. The Regulation is amended by inserting, after Form 51-101F4, the following:

“FORM 51-101F5 NOTICE OF CEASING TO ENGAGE IN OIL AND GAS ACTIVITIES

This is the form referred to in section 6.2 of the Regulation.

1. Terms to which a meaning is ascribed in the Regulation have the same meaning in this form.

2. The notice referred to in section 6.2 of the Regulation must in all material respects be in the following form:

**Notice of
Ceasing to Engage in Oil and Gas Activities**

Management and the board of directors of [name of reporting issuer] (the “Company”) have determined that as of [date] the Company is no longer engaged, directly or indirectly, in oil and gas activities.

[signature, name and title of chief executive officer]

[signature, name and title of an officer other than the chief executive officer]

[signature, name of a director]

[signature, name of a director]

[Date]”.

23. This Regulation comes into force on (*insert here the date of coming into force of this Regulation*).

POLICY STATEMENT TO REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

This Policy Statement sets out the views of the Canadian Securities Administrators (CSA) as to the interpretation and application of *Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (Regulation 51-101) and related forms.

Regulation 51-101¹ supplements other continuous disclosure requirements of securities legislation that apply to reporting issuers in all business sectors.

The requirements under Regulation 51-101 for the filing with securities regulatory authorities of information relating to oil and gas activities are designed in part to assist the public and analysts in making investment decisions and recommendations.

The CSA encourage registrants² and other persons ~~and companies~~ that wish to make use of information concerning oil and gas activities of a reporting issuer, including reserves data, to review the information filed on SEDAR under Regulation 51-101 by the reporting issuer and, if they are summarizing or referring to this information, to use the applicable terminology consistent with Regulation 51-101 and the COGE Handbook.

PART 1 APPLICATION AND TERMINOLOGY

1.1. Definitions

(1) **General** - Several terms relating to oil and gas activities are defined in section 1.1 of Regulation 51-101. If a term is not defined in Regulation 51-101, ~~in~~ [Regulation 14-101 respecting Definitions \(Regulation 14-101\)](#) or the securities statute in the jurisdiction, it will have the meaning or interpretation given to it in the COGE Handbook if it is defined or interpreted there, pursuant to section 1.2 of Regulation 51-101.

For the convenience of readers, *CSA Staff Notice 51-324 Glossary to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (the Regulation 51-101 Glossary) sets out the meaning of terms, including those defined in Regulation 51-101 and several terms which are derived from the COGE Handbook.

(2) **Forecast Prices and Costs** - The term forecast prices and costs is defined in ~~paragraph~~ [section 1.1\(j\)](#) of Regulation 51-101 and discussed in the COGE Handbook. Except to the extent that the reporting issuer is legally bound by fixed or presently determinable future prices or costs³, forecast prices and costs are future prices and costs “generally accepted as being a reasonable outlook of the future”.

The CSA do not consider that future prices or costs would satisfy this requirement if they fall outside the range of forecasts of comparable prices or costs used, as at the same date, for the same future period, by major independent qualified reserves evaluators or auditors or by other reputable sources appropriate to the evaluation.

(3) **Independent** - The term independent is defined in ~~paragraph~~ [section 1.1\(i\)](#) of Regulation 51-101. Applying this definition, the following are examples of circumstances in which the CSA would consider that a qualified reserves evaluator or auditor (or other expert) is not independent. We consider a qualified reserves evaluator or auditor is not independent when the qualified reserves evaluator or auditor:

- (a) is an employee, insider, or director of the reporting issuer;

¹ CSA Staff Notice 51-324 *Glossary to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* sets out the meanings of certain terms that are used in Regulation 51-101, Form 51-101F1, Form 51-101F2 or Form 51-101F3, or in this Policy Statement.

² “Registrant” has the meaning ascribed to the term under securities legislation in the jurisdiction.

³ Refer to the discussion of financial instruments in subsection 2.7(5) below.

- (b) is an employee, insider, or director of a related party of the reporting issuer;
- (c) is a partner of any person ~~or company~~ in paragraph (a) or (b);
- (d) holds or expects to hold securities, either directly or indirectly, of the reporting issuer or a related party of the reporting issuer;
- (e) holds or expects to hold securities, either directly or indirectly, in another reporting issuer that has a direct or indirect interest in the property that is the subject of the technical report or an adjacent property;
- (f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or
- (g) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the reporting issuer or a related party of the reporting issuer.

For the purpose of paragraph (d) above, “related party of the reporting issuer” means an affiliate, associate, subsidiary, or control person of the reporting issuer as those terms are defined under securities legislation.

There may be instances in which it would be reasonable to consider that the independence of a qualified reserves evaluator or auditor would not be compromised even though the qualified reserves evaluator or auditor holds an interest in the reporting issuer’s securities. The reporting issuer needs to determine whether a reasonable person would consider that such interest would interfere with the qualified reserves evaluator’s or auditor’s judgement regarding the preparation of the technical report.

There may be circumstances in which the securities regulatory authorities question the objectivity of the qualified reserves evaluator or auditor. In order to ensure the requirement for independence of the qualified reserves evaluator or auditor has been preserved, the reporting issuer may be asked to provide further information, additional disclosure or the opinion of another qualified reserves evaluator or auditor to address concerns about possible bias or partiality on the part of the qualified reserves evaluator or auditor.

~~(4) **Product Types Arising From Oil Sands and Other Non-Conventional Activities**— The definition of product type in paragraph 1.1(v) includes products arising from non-conventional oil and gas activities. Regulation 51-101 therefore applies not only to conventional oil and gas activities, but also to non-conventional activities such as the extraction of bitumen from oil sands with a view to the production of synthetic oil, the in-situ production of bitumen, the extraction of methane from coal beds and the extraction of shale gas, shale oil and hydrates.~~

~~— Although Regulation 51-101 and Form 51-101F1 make few specific references to non-conventional oil and gas activities, the requirements of Regulation 51-101 for the preparation and disclosure of reserves data and for the disclosure of resources other than reserves apply to oil and gas reserves and resources other than reserves relating to oil sands, shale, coal or other non-conventional sources of hydrocarbons.— **Additional Disclosure** —~~ The CSA encourage reporting issuers that are engaged in ~~non-conventional~~ oil and gas activities that may require additional explanation to supplement the disclosure prescribed in Regulation 51-101 and Form 51-101F1 with information specific to those activities that can assist investors and others in understanding the business and results of the reporting issuer.

For example, shale gas projects and plays may not strictly adhere to the formal lithological-based definition of “shale”. The produced gas can come from intervals that contain clay, carbonates, siltstone and minor amounts of very fine grained sandstone laminations. Despite coming from intervals that may not meet the technical definition of “shale”, gas to which fracturing techniques have been applied when intermingled with gas that comes from “shale” may be reported as being shale gas. In this scenario, a reporting issuer must ensure that its disclosure is not misleading and will have to consider whether additional explanation is required to provide the necessary context.

(5) **Professional Organization**

(a) **Recognized Professional Organizations**

For the purposes of the Regulation, a qualified reserves evaluator or auditor must also be a member in good standing with a self-regulatory professional organization of engineers, geologists, geoscientists or other professionals.

The definition of “professional organization” (in ~~paragraph~~section 1.1(w) of Regulation 51-101 and in the Regulation 51-101 Glossary) has four elements, three of which deal with the basis on which the organization accepts members and its powers and requirements for continuing membership. The fourth element requires either authority or recognition given to the organization by a statute in Canada, or acceptance of the organization by the securities regulatory authority or regulator.

(a.1) Canadian Professional Organizations

As at October 12, ~~2010~~2011, each of the following organizations in Canada is a professional organization:

- Association of Professional Engineers, ~~Geologists~~ and ~~Geophysicists~~Geoscientists of Alberta (~~APEGGA~~APEGA)
- Association of Professional Engineers and Geoscientists of the Province of British Columbia (APEGBC)
- Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)
- Association of Professional Engineers and Geoscientists of Manitoba (APEGM)
- Association of Professional Geoscientists of Ontario (APGO)
- Professional Engineers of Ontario (PEO)
- Ordre des ingénieurs du Québec (OIQ)
- Ordre des Géologues du Québec (OGQ)
- Association of Professional Engineers of Prince Edward Island (APEPEI)
- Association of Professional Engineers and Geoscientists of New Brunswick (APEGNB)
- Association of Professional Engineers of Nova Scotia (APENS)
- Association of Professional Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)
- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

(b) **Other Professional Organizations**

The CSA are willing to consider whether particular foreign professional bodies should be accepted as “professional organizations” for the purposes of Regulation 51-101. A reporting issuer, foreign professional body or other interested person can apply to have a self-

regulatory organization that satisfies the first three elements of the definition of “professional organization” accepted for the purposes of Regulation 51-101.

In considering any such application for acceptance, the securities regulatory authority or regulator is likely to take into account the degree to which a foreign professional body’s authority or recognition, admission criteria, standards and disciplinary powers and practices are similar to, or differ from, those of organizations listed above.

The list of foreign professional organizations is updated periodically in *CSA Staff Notice 51-309 Acceptance of Certain Foreign Professional Boards* as a “Professional Organization”. As at October 12, ~~2010~~,[2011](#), each of the following foreign organizations has been recognized as a professional organization for the purposes of Regulation 51-101:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration for Professional Engineers and Land Surveyors
- Texas Board of Professional Engineers
- American Association of Petroleum Geologists (AAPG) but only in respect of Certified Petroleum Geologists who are members of the AAPG’s Division of Professional Affairs
- American Institute of Professional Geologists (AIPG), in respect of the AIPG’s Certified Professional Geologists
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows
- [Society of Petroleum Evaluation Engineers \(SPEE\), but only in respect of Members, Honorary Life Members and Life Members](#)

(c) No Professional Organization

A reporting issuer or other person may apply for an exemption under Part 8 of Regulation 51-101 to enable a reporting issuer to appoint, in satisfaction of its obligation under section 3.2 of Regulation 51-101, an individual who is not a member of a professional organization, but who has other satisfactory qualifications and experience. Such an application might refer to a particular individual or generally to members and employees of a particular foreign reserves evaluation firm. In considering any such application, the securities regulatory authority or regulator is likely to take into account the individual’s professional education and experience or, in the case of an application relating to a firm, to the education and experience of the firm’s members and employees, evidence concerning the opinion of a qualified reserves evaluator or auditor as to the quality of past work of the individual or firm, and any prior relief granted or denied in respect of the same individual or firm.

(d) Renewal Applications Unnecessary

A successful applicant would likely have to make an application contemplated in this subsection 1.1(5) only once, and not renew it annually.

(6) Qualified Reserves Evaluator or Auditor - The definitions of qualified reserves evaluator and qualified reserves auditor are set out in ~~paragraphs~~[section](#) 1.1(~~y~~) and 1.1(~~x~~) of Regulation 51-101,~~respectively~~, and again in the Regulation 51-101 Glossary.

The defined terms “qualified reserves evaluator” and “qualified reserves auditor” have a number of elements. A qualified reserves evaluator or qualified reserves auditor must

- possess professional qualifications and experience appropriate for the tasks contemplated in the Regulation, and
- be a member in good standing of a professional organization.

Reporting issuers should satisfy themselves that any person they appoint to perform the tasks of a qualified reserves evaluator or auditor for the purpose of the Regulation satisfies each of the elements of the appropriate definition.

In addition to having the relevant professional qualifications, a qualified reserves evaluator or auditor must also have sufficient practical experience relevant to the reserves data to be reported on. In assessing the adequacy of practical experience, reference should be made to section 3 of volume 1 of the COGE Handbook – “Qualifications of Evaluators and Auditors, Enforcement and Discipline”.

1.2. COGE Handbook

Pursuant to section 1.2 of Regulation 51-101, definitions and interpretations in the COGE Handbook apply for the purposes of Regulation 51-101 if they are not defined in Regulation 51-101, ~~NI~~[Regulation](#) 14-101 or the securities statute in the jurisdiction (except to the extent of any conflict or inconsistency with Regulation 51-101, ~~NI~~[Regulation](#) 14-101 or the securities statute).

Section 1.1 of Regulation 51-101 and the Regulation 51-101 Glossary set out definitions and interpretations, many of which are derived from the COGE Handbook. Reserves and resources definitions and categories are incorporated in the COGE Handbook and are also set out, in part, in the Regulation 51-101 Glossary.

Subparagraph 5.2(1)(a)(iii) of Regulation 51-101 requires that all estimates of reserves or future net revenue have been prepared or audited in accordance with the COGE Handbook. Under sections 5.2, 5.3 and 5.9 of Regulation 51-101, all types of public oil and gas disclosure, including disclosure of reserves and of resources other than reserves must be prepared in accordance with the COGE Handbook.

1.3. Applies to Reporting Issuers Only

Regulation 51-101 applies to reporting issuers engaged in oil and gas activities. The definition of oil and gas activities is broad. For example, a reporting issuer with no reserves, but a few prospects, unproved properties or resources, could still be engaged in oil and gas activities because such activities include exploration and development of unproved properties.

Regulation 51-101 will also apply to an issuer that is not yet a reporting issuer if it files a prospectus or other disclosure document that incorporates prospectus requirements. Pursuant to the long-form prospectus requirements, the issuer must disclose the information contained in Form 51-101F1, as well as the reports set out in Form 51-101F2 and Form 51-101F3.

1.4. Materiality Standard

Section 1.4 of Regulation 51-101 states that Regulation 51-101 applies only in respect of information that is material. Regulation 51-101 does not require disclosure or filing of information that is not material. If information is not required to be disclosed because it is not material, it is unnecessary to disclose that fact.

Materiality for the purposes of Regulation 51-101 is a matter of judgement to be made in light of the circumstances, taking into account both qualitative and quantitative factors, assessed in respect of the reporting issuer as a whole.

The reference in subsection 1.4(2) of Regulation 51-101 to a “reasonable investor” denotes an objective test: would a notional investor, broadly representative of investors generally

and guided by reason, be likely to be influenced, in making an investment decision to buy, sell or hold a security of a reporting issuer, by an item of information or an aggregate of items of information? If so, then that item of information, or aggregate of items, is “material” in respect of that reporting issuer. An item that is immaterial alone may be material in the context of other information, or may be necessary to give context to other information. For example, a large number of small interests in oil and gas properties may be material in aggregate to a reporting issuer. Alternatively, a small interest in an oil and gas property may be material to a reporting issuer, depending on the size of the reporting issuer and its particular circumstances.

PART 2 ANNUAL FILING REQUIREMENTS

2.1. Annual Filings on SEDAR

The information required under section 2.1 of Regulation 51-101 must be filed electronically on SEDAR. *Consult Regulation 13-101 respecting System for Electronic Document Analysis and Retrieval (SEDAR) and the current CSA “SEDAR Filer Manual” for information about filing documents electronically.* The information required to be filed under item 1 of section 2.1 of Regulation 51-101 is usually derived from a much longer and more detailed oil and gas report prepared by a qualified reserves evaluator. These long and detailed reports cannot be filed electronically on SEDAR. The filing of an oil and gas report, or a summary of an oil and gas report, does not satisfy the requirements of the annual filing under Regulation 51-101.

2.2. Inapplicable or Immaterial Information

Section 2.1 of Regulation 51-101 does not require the filing of any information, even if specified in Regulation 51-101 or in a form referred to in Regulation 51-101, if that information is inapplicable or not material in respect of the reporting issuer. See section 1.4 of this Policy Statement for a discussion of materiality.

If an item of prescribed information is not disclosed because it is inapplicable or immaterial, it is unnecessary to state that fact or to make reference to the disclosure requirement.

2.3. Use of Forms

Section 2.1 of Regulation 51-101 requires the annual filing of information set out in Form 51-101F1 and reports in accordance with Form 51-101F2 and Form 51-101F3. Appendix 1 to this Policy Statement provides an example of how certain of the reserves data might be presented. While the format presented in Appendix 1 in respect of reserves data is not mandatory, we encourage issuers to use this format.

The information specified in all three forms, or any two of the forms, can be combined in a single document. A reporting issuer may wish to include statements indicating the relationship between documents or parts of one document. For example, the reporting issuer may wish to accompany the report of the independent qualified reserves evaluator or auditor (Form 51-101F2) with a reference to the reporting issuer’s disclosure of the reserves data (Form 51-101F1), and vice versa.

A reporting issuer may supplement the annual disclosure required under Regulation 51-101 with additional information corresponding to that prescribed in Form 51-101F1, Form 51-101F2 and Form 51-101F3, but as at dates, or for periods, subsequent to those for which annual disclosure is required. However, to avoid confusion, such supplementary disclosure should be clearly identified as being interim disclosure and distinguished from the annual disclosure (for example, if appropriate, by reference to a particular interim period). Supplementary interim disclosure does not satisfy the annual disclosure requirements of section 2.1 of Regulation 51-101.

2.4. Annual Information Form

Section 2.3 of Regulation 51-101 permits reporting issuers to satisfy the requirements of section 2.1 of Regulation 51-101 by presenting the information required under section 2.1 in an annual information form.

(1) **Meaning of “Annual Information Form”** - Annual information form has the same meaning as “AIF” in *Regulation 51-102 respecting Continuous Disclosure Obligations*. Therefore, as set out in that definition, an annual information form can be a completed Form 51-102F2 Annual Information Form or, in the case of an SEC issuer (as defined in Regulation 51-102), a completed Form 51-102F2 or an annual report or transition report under the 1934 Act on Form 10-K, Form 10-KSB or Form 20-F.

(2) **Option to Set Out Information in Annual Information Form** - Form 51-102F2 Annual Information Form requires the information required by section 2.1 of Regulation 51-101 to be included in the annual information form. ~~However, a reporting issuer that elects to follow this approach must file, at the same time and on SEDAR, in the appropriate SEDAR category, a notice in accordance with Form 51-101F4 (see subsection 2.3(2) of Regulation 51-101).~~ That information may be included either by setting out the text of the information in the annual information form or by incorporating it, by reference from separately filed documents. The option offered by section 2.3 of Regulation 51-101 enables a reporting issuer to satisfy its obligations under section 2.1 of Regulation 51-101, as well as its obligations in respect of annual information form disclosure, by setting out the information required under section 2.1 only once, in the annual information form. If the annual information form is on Form 10-K, this can be accomplished by including the information in a supplement (often referred to as a “wrapper”) to the Form 10-K.

A reporting issuer that elects to set out in full in its annual information form the information required by section 2.1 of Regulation 51-101 need not also file that information again for the purpose of section 2.1 in one or more separate documents. ~~A~~ However, a reporting issuer that elects to follow this approach should file its annual information form in accordance with usual requirements of securities legislation, and at the same time file on SEDAR, in the category for Regulation 51-101 oil and gas disclosure, a notification that the information required under section 2.1 of Regulation 51-101 is included in the reporting issuer’s filed annual information form. — More specifically, the notification should be filed under SEDAR Filing Type: “Oil and Gas Annual Disclosure (Regulation 51-101)” and Filing Subtype/Document Type: “Oil and Gas Annual Disclosure Filing (Forms 51-101F1, F2 & F3).” — Alternatively, the notification could be a copy of the news release mandated by section 2.2 of Regulation 51-101. If this is the case, the news release should be filed under SEDAR Filing Type: “Oil and Gas Annual Disclosure (Regulation 51-101)” and Filing Subtype/Document Type: “News Release (section 2.2 of Regulation 51-101).” — must file, at the same time and on SEDAR, in the appropriate SEDAR category, a notice in accordance with Form 51-101F4 (see subsection 2.3(2) of Regulation 51-101). This notification will assist other SEDAR users in finding that information. It is not necessary to make a duplicate filing of the annual information form itself under the SEDAR Regulation 51-101 oil and gas disclosure category.

2.5. Reporting Issuer With No Reserves and Ceasing to Engage in Oil and Gas Activities

The requirement to make annual Regulation 51-101 filings is not limited to only those issuers that have reserves and related future net revenue. A reporting issuer with no reserves but with prospects, unproved properties or resources may be engaged in oil and gas activities (see section 1.3 above) and therefore subject to Regulation 51-101. That means the issuer must still make annual Regulation 51-101 filings and ensure that it complies with other Regulation 51-101 requirements. The following is guidance on the preparation of Form 51-101F1, Form 51-101F2, Form 51-101F3 and other oil and gas disclosure if the reporting issuer has no reserves.

(1) **Form 51-101F1** - Section 1.4 of Regulation 51-101 states that the Regulation applies only in respect of information that is material in respect of a reporting issuer. If indeed the reporting issuer has no reserves, we would consider that fact alone material. The reporting issuer’s disclosure, under Part 2 of Form 51-101F1, should make clear that it has no reserves and hence ~~no~~ is not reporting related future net revenue.

Supporting information regarding reserves data required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the issuer had disclosed reserves and related future net revenue in the previous year, and has no reserves as at the end of its current financial year, the reporting issuer is still required to present a reconciliation to the prior-year's estimates of reserves, as required by Part 4 of Form 51-101F1.

The reporting issuer is also required to disclose information required under Part 6 of Form 51-101F1. Those requirements apply irrespective of the quantum of reserves, if any. This would include information about properties (items 6.1 and 6.2), costs (item 6.6), and exploration and development activities (item 6.7). The disclosure should make clear that the issuer had no production, as that fact would be material.

(2) **Form 51-101F2** - Regulation 51-101 requires reporting issuers to retain an independent qualified reserves evaluator or auditor to evaluate or audit the company's reserves data, contingent resources data or prospective resources data, if included in the statement required under item 1 of section 2.1 of Regulation 51-101, and report to the board of directors. If the reporting issuer had no reserves during the year and ~~hence did not retain an evaluator or auditor, then did not disclose resources other than reserves in the statement required under item 1 of section 2.1 of Regulation 51-101~~, it would not need to retain ~~one~~ an evaluator or auditor just to file a (nil) report of the independent evaluators on the reserves data in the form of Form 51-101F2 and the reporting issuer would therefore not be required to file a Form 51-101F2. If, however, the issuer did retain an evaluator or auditor to evaluate reserves, and the evaluator or auditor concluded that they could not be so categorized, or reclassified those reserves to resources, the issuer would have to file a report of the qualified reserves evaluator because the evaluator has, in fact, evaluated the reserves and expressed an opinion.

(3) **Form 51-101F3** - Irrespective of whether the reporting issuer has reserves to report, the requirement to file a report of management and directors in the form of Form 51-101F3 applies.

(4) **Form 51-101F5** - Section 6.2 of Regulation 51-101 requires reporting issuers that cease to be engaged in oil and gas activities to file a notice in the form of Form 51-101F5.

(5) **Other Regulation 51-101 Requirements** - Regulation 51-101 does not require reporting issuers to disclose anticipated results from ~~their, or estimates of a quantity or an estimated value attributable to an estimated quantity of, their contingent resources or prospective~~ resources. However, if a reporting issuer chooses to disclose that type of information, ~~section 5.9 of Regulation 51-101~~ sections 5.9, 5.16 and 5.17 of Regulation 51-101 apply to that disclosure. If disclosed in the statement required under item 1 of section 2.1 of Regulation 51-101, item 2.1.4 of Form 51-101F1 also applies to that disclosure.

2.6. Reservation in Report of Independent Qualified Reserves Evaluator or Auditor

A report of an independent qualified reserves evaluator or auditor on reserves data will not satisfy the requirements of item 2 of section 2.1 of Regulation 51-101 if the report contains a reservation, the cause of which can be removed by the reporting issuer (subsection 2.4(2) of Regulation 51-101).

The CSA do not generally consider time and cost considerations to be causes of a reservation that cannot be removed by the reporting issuer.

A report containing a reservation may be acceptable if the reservation is caused by a limitation in the scope of the evaluation or audit resulting from an event that clearly limits the availability of necessary records and which is beyond the control of the reporting issuer. This could be the case if, for example, necessary records have been inadvertently destroyed and cannot be recreated or if necessary records are in a country at war and access is not practicable.

One potential source of reservations, which the CSA consider can and should be addressed in a different way, could be reliance by a qualified reserves evaluator or auditor on information derived or obtained from a reporting issuer's independent financial auditors or reflecting their report. The CSA recommend that qualified reserves evaluators or auditors follow the procedures and guidance set out in both sections 4 and 12 of volume 1 of the COGE Handbook in respect of dealings with independent financial auditors. In so doing, the CSA

expect that the quality of reserves data can be enhanced and a potential source of reservations can be eliminated.

2.7. Disclosure in Form 51-101F1

(1) **Royalty Interest in Reserves** - Net reserves (or “company net reserves”) of a reporting issuer include its royalty interest in reserves.

If a reporting issuer cannot obtain the information it requires to enable it to include a royalty interest in reserves in its disclosure of net reserves, it should, proximate to its disclosure of net reserves, disclose that fact and its corresponding royalty interest share of oil and gas production for the year ended on the effective date.

~~Form 51-101F1 requires that certain reserves data be provided on both a “gross” and “net” basis, the latter being adjusted for both royalty entitlements and royalty obligations. However, if a royalty is granted by a trust’s subsidiary to the trust, this would not affect the computation of “net reserves”. The typical oil and gas income trust structure involves the grant of a royalty by an operating subsidiary of the trust to the trust itself, the royalty being the source of the distributions to trust investors. In this case, the royalty is wholly within the combined or consolidated trust entity (the trust and its operating subsidiary). This is not the type of external entitlement or obligation for which adjustment is made in determining, for example, “net reserves”. Viewing the trust and its consolidated entities together, the relevant reserves and other oil and gas information is that of the operating subsidiary without deduction of the internal royalty to the trust.~~

(2) **Government Restriction on Disclosure** - If, because of a restriction imposed by a government or governmental authority having jurisdiction over a property, a reporting issuer excludes reserves information from its reserves data disclosed under Regulation 51-101, the disclosure should include a statement that identifies the property or country for which the information is excluded and explains the exclusion.

(3) **Computation of Future Net Revenue**

(a) **Tax**

~~Form 51-101F1 requires future net revenue to be estimated and disclosed both before and after deduction of income taxes. However, a reporting issuer may not be subject to income taxes because of its royalty or income trust structure. In this instance, the issuer should use the tax rate that most appropriately reflects the income tax it reasonably expects to pay on the future net revenue. If the issuer is not subject to income tax because of its royalty trust structure, then the most appropriate income tax rate would be zero. In this case, the issuer could present the estimates of future net revenue in only one column and explain, in a note to the table, why the estimates of before tax and after tax future net revenue are the same. Reporting issuers are required to disclose estimates of after-tax net present value of proved and probable reserves in the statement prepared in accordance with Form 51-101F1. Reporting issuers may, but are not required to, disclose volumes and estimates of after-tax net present value of other resources in the statement prepared in accordance with Form 51-101F1. In a separate disclosure document, a reporting issuer may also disclose its reserves or other information of a type that is specified in the Form 51-101F1 in the aggregate or for a portion of its activities subject to the requirements of subparagraph 5.2(a)(iii) and paragraph 5.2(c) of Regulation 51-101.~~

Estimates of after-tax net present value are dependant on a number of factors including, but not limited to, one or more of the following:

- forecast future capital expenditure required to achieve forecast production;
- interaction with, or deductibility of, government royalties or other proportionate sharing rights;
- inclusion of existing tax pool balances of the reporting issuer (inclusion is prescribed for reporting issuer-aggregate estimates according to section 7 Volume 1 of COGE Handbook);

- tax pool write-off rates;
- sequence in which tax pools are utilized;
- applicability of special tax incentives; and
- forecast production revenue and expenses.

Each of these can have a significant impact on the outcome, which could mislead investors if not considered in the evaluation or if the reporting issuer's disclosure does not provide sufficient accompanying information to enable a reader to make an informed decision.

If a reporting issuer discloses after-tax net present value, it should generally include, as appropriate, one or more of the following:

- a general explanation of the method and assumptions used in the reporting issuer's calculation, worded to reflect its specific circumstance and the approach taken. This need not be detailed, but major aspects should be addressed, such as whether tax pools have been included in the evaluation;

- an explanatory statement to the following effect:

"The after-tax net present value of [the business entity]'s oil and gas properties here reflects the tax burden on the properties on a stand-alone basis. It does not consider the business-entity-level tax situation, or tax planning. It does not provide an estimate of the value at the business entity, which may be significantly different. The financial statements and the management's discussion & analysis (MD&A) of the [business entity] should be consulted for information at the level of the business entity."

~~Also, tax~~ Tax pools should be taken into account when computing future net revenue after income taxes. The definition of "future income tax expense" is set out in the Regulation 51-101 Glossary. Essentially, future income tax expenses represent estimated cash income taxes payable on the reporting issuer's future pre-tax cash flows. These cash income taxes payable should be computed by applying the appropriate year-end statutory tax rates, taking into account future tax rates already legislated, to future pre-tax net cash flows reduced by appropriate deductions of estimated unclaimed costs and losses carried forward for tax purposes and relating to oil and gas activities (i.e., tax pools). Such tax pools may include Canadian oil and gas property expense (COGPE), Canadian development expense (CDE), Canadian exploration expense (CEE), undepreciated capital cost (UCC) and unused prior year's tax losses. (Issuers should be aware of limitations on the use of certain tax pools resulting from acquisitions of properties in situations where provisions of the Income Tax Act concerning successor corporations apply.)

(b) **Other Fiscal Regimes**

Other fiscal regimes, such as those involving production sharing contracts, should be adequately explained with appropriate allocations made to various classes of proved reserves and to probable reserves.

(4) **Supplementary Disclosure of Future Net Revenue Using Constant Prices and Costs** - Form 51-101F1 gives reporting issuers the option of disclosing future net revenue, together with associated estimates of reserves or resources other than reserves, determined using constant prices and costs. Constant prices and costs are assumed not to change throughout the life of a property, except to the extent of certain fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).

(5) (paragraph ~~deleted~~repealed).

(6) Reserves Reconciliation

(a) If the reporting issuer reports reserves, but had no reserves to report at the start of the reconciliation period, a reconciliation of reserves must be carried out if any reserves added during the previous year are material. Such a reconciliation will have an opening balance of zero.

(b) The reserves reconciliation is prepared on a gross reserves, not net reserves, basis. For some reporting issuers with significant royalty interests, such as royalty trusts, the net reserves may exceed the gross reserves. In order to provide adequate disclosure given the distinctive nature of its business, the reporting issuer may also disclose its reserves reconciliation on a net reserves basis. The issuer is not precluded from providing this additional information with its disclosure prescribed in Form 51-101F1 provided that the net reserves basis for the reconciliation is clearly identified in the additional disclosure to avoid confusion.

(c) Clause 2(c)(ii) of item 4.1 of Form 51-101F1 requires reconciliations of reserves to separately identify and explain technical revisions. Technical revisions show changes in existing reserves estimates, in respect of carried-forward properties, over the period of the reconciliation (i.e., between estimates as at the effective date and the prior year's estimate) and are the result of new technical information, not the result of capital expenditure. With respect to making technical revisions, the following should be noted:

• Infill Drilling: It would not be acceptable to include infill drilling results as a technical revision. Reserves additions derived from infill drilling during the year are not attributable to revisions to the previous year's reserves estimates. Infill drilling reserves must either be included in the "extensions and improved recovery" category or in an additional stand-alone category in the reserves reconciliation labelled "infill drilling".

• Acquisitions: If an acquisition is made during the year, (i.e., in the period between the effective date and the prior year's estimate), the reserves estimate to be used in the reconciliation is the estimate of reserves at the effective date, not at the acquisition date, plus any production since the acquisition date. This production must be included as production in the reconciliation. If there has been a change in the reserves estimate between the acquisition date and the effective date other than that due to production, the issuer may wish to explain this as part of the reconciliation in a footnote to the reconciliation table.

(7) **Significant Factors or Uncertainties** - Item 5.2 of Form 51-101F1 requires an issuer to identify and discuss important economic factors or significant uncertainties that affect particular components of the reserves data.

Important economic factors or significant uncertainties may include abandonment costs and reclamation costs, unusually high expected development costs or operating costs, or contractual obligations to produce and sell a significant portion of production at prices substantially below those which could be realized but for those contractual obligations.

For example, if events subsequent to the effective date have resulted in significant changes in expected future prices, such that the forecast prices reflected in the reserves data differ materially from those that would be considered to be a reasonable outlook on the future around the date of the company's "statement of reserves data and other information", then the issuer's statement might include, pursuant to item 5.2, a discussion of that change and its effect on the disclosed future net revenue estimates. It may be misleading to omit this information.

(8) **Additional Information** - As discussed in section 2.3 above and in the instructions to Form 51-101F1, Regulation 51-101 offers flexibility in the use of the prescribed forms and the presentation of required information.

The disclosure prescribed in Form 51-101F1 is the minimum disclosure required, subject to the materiality standard. Reporting issuers may provide additional disclosure that is not inconsistent with Regulation 51-101 and not misleading.

To the extent that additional, or more detailed, disclosure can be expected to assist readers in understanding and assessing the mandatory disclosure, it is encouraged. Indeed, to the

extent that additional disclosure of material facts is necessary in order to make mandated disclosure not misleading, a failure to provide that additional disclosure would amount to a misrepresentation.

(9) **Sample Reserves Data Disclosure** - Appendix 1 to this Policy Statement sets out an example of how certain of the reserves data, [contingent resources data and prospective resources data](#) might be presented in a manner which the CSA consider to be consistent with Regulation 51-101 and Form 51-101F1. The CSA encourages reporting issuers to use the format presented in Appendix 1.

The sample presentation in Appendix 1 also illustrates how certain additional information not mandated under Form 51-101F1 might be incorporated in an annual filing.

2.8. Form 51-101F2

(1) **Negative Assurance by Qualified Reserves Evaluator or Auditor** - A qualified reserves evaluator or auditor conducting a review may wish to express only negative assurance — for example, in a statement such as “Nothing has come to my attention which would indicate that the reserves data have not been prepared in accordance with principles and definitions presented in the Canadian Oil and Gas Evaluation Handbook”. This can be contrasted with a positive statement such as an opinion that “The reserves data have, in all material respects, been determined and presented in accordance with the Canadian Oil and Gas Evaluation Handbook and are, therefore, free of material misstatement”.

The CSA are of the view that statements of negative assurance can be misinterpreted as providing a higher degree of assurance than is intended or warranted.

The CSA believe that a statement of negative assurance would constitute so material a departure from the report prescribed in Form 51-101F2 as to fail to satisfy the requirements of item 2 of section 2.1 of Regulation 51-101.

In the rare case, if any, in which there are compelling reasons for making such disclosure (e.g., a prohibition on disclosure to external parties), the CSA believe that, to avoid providing information that could be misleading, the reporting issuer should include in such disclosure useful explanatory and cautionary statements. Such statements should explain the limited nature of the work undertaken by the qualified reserves evaluator or auditor and the limited scope of the assurance expressed, noting that it does not amount to a positive opinion.

(2) **Variations in Estimates** — The report prescribed by Form 51-101F2 contains statements to the effect that variations between reserves data and actual results may be material but reserves have been determined in accordance with the COGE Handbook, consistently applied.

Reserves estimates are made at a point in time, being the effective date. A reconciliation of a reserves estimate to actual results is likely to show variations and the variations may be material. This variation may arise from factors such as exploration discoveries, acquisitions, divestments and economic factors that were not considered in the initial reserves estimate. Variations that occur with respect to properties that were included in both the reserves estimate and the actual results may be due to technical or economic factors. Any variations arising due to technical factors must be consistent with the fact that reserves are categorized according to the probability of their recovery. For example, the requirement that reported proved reserves “must have at least a 90-~~percent~~% probability that the quantities actually recovered will equal or exceed the estimated proved reserves” (section 5 of volume 1 of the COGE Handbook) implies that as more technical data becomes available, a positive, or upward, revision is significantly more likely than a negative, or downward, revision. Similarly, it should be equally likely that revisions to an estimate of proved plus probable reserves will be positive or negative.

Reporting issuers must assess the magnitude of such variation according to their own circumstances. A reporting issuer with a limited number of properties is more likely to be affected by a change in one of these properties than a reporting issuer with a greater number of properties. Consequently, reporting issuers with few properties are more likely to show larger variations, both positive and negative, than those with many properties.

Variations may result from factors that cannot be reasonably anticipated, such as the fall in the price of bitumen at the end of 2004 that resulted in significant negative revisions in proved reserves, or the unanticipated activities of a foreign government. If such variations occur, the reasons will usually be obvious. However, the assignment of a proved reserve, for instance, should reflect a degree of confidence in all of the relevant factors, at the effective date, such that the likelihood of a negative revision is low, especially for a reporting issuer with many properties. Examples of some of the factors that could have been reasonably anticipated, that have led to negative revisions of proved or of proved plus probable reserves are:

- Over-optimistic activity plans, for instance, booking reserves for proved or probable undeveloped reserves that have no reasonable likelihood of being drilled.
- Reserves estimates that are based on a forecast of production that is inconsistent with historic performance, without solid technical justification.
- Assignment of drainage areas that are larger than can be reasonably expected.
- The use of inappropriate analogs.

(3) **Effective date of Evaluation** - A qualified reserves evaluator or auditor cannot prepare an evaluation using information that relates to events that occurred after the effective date, being the financial year-end. Information that relates to events that occurred after the year-end should not be incorporated into the forecasts. For example, information about drilling results from wells drilled in January or February, or changes in production that occurred after year-end date of December 31, should not be used. Even though this more recent information is available, the evaluator or auditor should not go back and change the forecast information. The forecast is to be based on the evaluator's or auditor's perception of the future as of December 31, the effective date of the report.

Similarly, the evaluator or auditor should not use price forecasts for a date subsequent to the year-end date of, in this example, December 31. The evaluator or auditor should use the prices that he or she forecasted on or around December 31. The evaluator or auditor should also use the December forecasts for exchange rates and inflation. Revisions to price, exchange rate or inflation rate forecasts after December 31 would have resulted from events that occurred after December 31.

2.9.2.9. Chief Executive Officer

Paragraph 2.1(3)(e) of Regulation 51-101 requires a reporting issuer to file a report in accordance with Form 51-101F3 that is executed by the chief executive officer. The term "chief executive officer" should be read to include the individual who has the responsibilities normally associated with this position or the person who acts in a similar capacity. This determination should be made irrespective of an individual's corporate title and whether that individual is employed directly or acts pursuant to an agreement or understanding.

2.10. Reporting Issuer Not a Corporation

If a reporting issuer is not a corporation, a report in accordance with Form 51-101F3 ~~must~~would be executed by the persons who, in relation to the reporting issuer, are in a similar position or perform similar functions to the persons required to execute under paragraph 2.1(3)(e) of Regulation 51-101.

PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS

3.1. Reserves Committee

Section 3.4 of Regulation 51-101 enumerates certain responsibilities of the board of directors of a reporting issuer in connection with the preparation of oil and gas disclosure.

The CSA believe that certain of these responsibilities can in many cases more appropriately be fulfilled by a smaller group of directors who bring particular experience or abilities and an independent perspective to the task.

Subsection 3.5(1) of Regulation 51-101 permits a board of directors to delegate responsibilities (other than the responsibility to approve the content or filing of certain documents) to a committee of directors, a majority of whose members are independent of management. Although subsection 3.5(1) is not mandatory, the CSA encourage reporting issuers and their directors to adopt this approach.

3.2. Responsibility for Disclosure

Regulation 51-101 requires the involvement of an independent qualified reserves evaluator or auditor in preparing or reporting on certain oil and gas information disclosed by a reporting issuer, and in section 3.2 mandates the appointment of an independent qualified reserves evaluator or auditor to report on reserves data.

The CSA do not intend or believe that the involvement of an independent qualified reserves evaluator or auditor relieves the reporting issuer of responsibility for information disclosed by it for the purposes of Regulation 51-101.

PART 4 MEASUREMENT

4.1. Consistency in Dates

Section 4.2 of Regulation 51-101 requires consistency in the timing of recording the effects of events or transactions for the purposes of both annual financial statements and annual reserves data disclosure.

To ensure that the effects of events or transactions are recorded, disclosed or otherwise reflected consistently (in respect of timing) in all public disclosure, a reporting issuer will wish to ensure that both its financial auditors and its qualified reserves evaluators or auditors, as well as its directors, are kept apprised of relevant events and transactions, and to facilitate communication between its financial auditors and its qualified reserves evaluators or auditors.

Sections 4 and 12 of volume 1 of the COGE Handbook set out procedures and guidance for the conduct of reserves evaluations and reserves audits, respectively. Section 12 deals with the relationship between a reserves auditor and the client's financial auditor. Section 4, in connection with reserves evaluations, deals somewhat differently with the relationship between the qualified reserves evaluator or auditor and the client's financial auditor. The CSA recommend that qualified reserves evaluators or auditors carry out the procedures discussed in both sections 4 and 12 of volume 1 of the COGE Handbook, whether conducting a reserves evaluation or a reserves audit.

PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

5.1. Application of Part 5

(1) **General** - Part 5 of Regulation 51-101 imposes requirements and restrictions that apply to all "disclosure" (or, in some cases, all written disclosure) of a type described in section 5.1 of Regulation 51-101. Section 5.1 refers to disclosure that is either

- filed by a reporting issuer with the securities regulatory authority, or
- if not filed, otherwise made to the public or made in circumstances in which, at the time of making the disclosure, the reporting issuer expects, or ought reasonably to expect, the disclosure to become available to the public.

As such, Part 5 applies to a broad range of disclosure including

- the annual filings required under Part 2 of Regulation 51-101,
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of Regulation 51-101),
- public disclosure documents, whether or not filed, including news releases,
- public disclosure made in connection with a distribution of securities, including a prospectus, and
- except in respect of provisions of Part 5 that apply only to written disclosure, public speeches and presentations made by representatives of the reporting issuer on behalf of the reporting issuer.

For these purposes, the CSA consider written disclosure to include any writing, map, plot or other printed representation whether produced, stored or disseminated on paper or electronically. For example, if material distributed at a company presentation refers to BOEs, the material should ~~include, near the reference to BOEs, the cautionary statement required by paragraph 5.14(d)~~ be prepared in accordance with section 5.14 of Regulation 51-101.

To ensure compliance with the requirements of Part 5, the CSA encourage reporting issuers to involve a qualified reserves evaluator or auditor, or other person who is familiar with Regulation 51-101 and the COGE Handbook, in the preparation, review or approval of all such oil and gas disclosure.

(2) **Supplementary Resources Disclosure** – All public disclosure of reserves or resources other than reserves made by a reporting issuer must be made in accordance with Part 5 of Regulation 51-101. This means that reserves and resources other than reserves disclosed publicly by a reporting issuer must be evaluated in accordance with the COGE Handbook. However, supplementary to this disclosure, a reporting issuer may provide disclosure of reserves or resources other than reserves in accordance with an alternative resources evaluation standard under section 5.18 of Regulation 51-101. Alternative resource evaluation standards that the CSA considers acceptable include the SEC’s oil and gas disclosure framework and the Petroleum Resource Management System prepared by the Society of Petroleum Engineers.

The CSA believes that a qualified reserves evaluator preparing an estimate under an alternative resources evaluation standard and the COGE Handbook should be experienced in the evaluation practices of both evaluation standards. A qualified reserves evaluator should be aware that when an estimate is prepared using an alternative resources evaluation standard, the qualified reserves evaluator is taking on a professional responsibility that reflects on their individual professionalism and the integrity of their profession.

5.2. Disclosure of Reserves and Other Information

(1) **General** - A reporting issuer must comply with the requirements of section 5.2 in its disclosure, to the public, of reserves estimates and other information of a type specified in Form 51-101F1. This would include, for example, disclosure of such information in a news release.

(2) **Reserves** - Regulation 51-101 does not prescribe any particular methods of estimation but it does require that a reserve estimate be prepared in accordance with the COGE Handbook. For example, section 5 of volume 1 of the COGE Handbook specifies that, in respect of an issuer’s reported proved reserves, there is to be at least a 90-~~percent~~% probability that the total remaining quantities of oil and gas to be recovered will equal or exceed the estimated total proved reserves.

Additional guidance on particular topics is provided below.

(3) **Possible Reserves** - A possible reserves estimate - either alone or as part of a sum - is often a relatively large number that, by definition, has a low probability of actually being produced. For this reason, the cautionary language prescribed in subparagraph 5.2(1)(a)(v) of Regulation 51-101 must accompany the written disclosure of a possible reserves estimate.

(4) **Probabilistic and Deterministic Evaluation Methods** - Section 5 of volume 1 of the COGE Handbook states that “In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods”.

When deterministic methods are used, in the absence of a “mathematically derived quantitative measure of probability”, the classification of reserves is based on professional judgment as to the quantitative measure of certainty attained.

When probabilistic methods are used in conjunction with good engineering and geological practice, they will provide more statistical information than the conventional deterministic method. The following are a few critical criteria that an evaluator must satisfy when applying probabilistic methods:

- The evaluator must still estimate the reserves applying the definitions and using the guidelines set out in the COGE Handbook.
- Entity level probabilistic reserves estimates should be aggregated arithmetically to provide reported level reserves.
- If the evaluator also prepares aggregate reserves estimates using probabilistic methods, the evaluator should explain in the evaluation report the method used. In particular, the evaluator should specify what confidence levels were used at the entity, property, and reported (i.e., total) levels for each of proved, proved + probable and proved + probable + possible (if reported) reserves.
- If the reporting issuer discloses the aggregate reserves that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the reserves definitions used for estimating the reserves, about the method that the evaluator used, and the underlying confidence levels that the evaluator applied.

(5) **Availability of Funding** - In assigning reserves to an undeveloped property, the reporting issuer is not required to have the funding available to develop the reserves, since they may be developed by means other than the expenditure of the reporting issuer’s funds (for example by a farm-out or sale). Reserves must be estimated assuming that development of the properties will occur without regard to the likely availability of funding required for that property. The reporting issuer’s evaluator is not required to consider whether the reporting issuer will have the capital necessary to develop the reserves. (See section 7 of COGE Handbook and subparagraph 5.2(1)(a)(iv) of Regulation 51-101.)

However, item 5.3 of Form 51-101F1 requires a reporting issuer to discuss its expectations as to the sources and costs of funding for estimated future development costs. If the issuer expects that the costs of funding would make development of a property unlikely, then even if reserves were assigned, it must also discuss that expectation and its plans for the property.

Disclosure of an estimate of reserves, contingent resources or prospective resources in respect of which timely availability of funding for development is not assured may be misleading if that disclosure is not accompanied, proximate to it, by a discussion (or a cross-reference to such a discussion in other disclosure filed by the reporting issuer on SEDAR) of funding uncertainties and their anticipated effect on the timing or completion of such development (or on any particular stage of multi-stage development such as often observed in oilsands developments).

(6) **Proved or Probable Undeveloped Reserves** - Proved or probable undeveloped reserves must be reported in the year in which they are recognized. If the reporting issuer does not disclose the proved or probable undeveloped reserves just because it has not yet spent the capital to develop these reserves, it may be omitting material information, thereby causing the reserves disclosure to be misleading. If the proved or probable undeveloped reserves are not disclosed to the public, then those who have a special relationship with the issuer and know about the existence of these reserves would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has a prospectus, the prospectus might not

contain full, true and plain disclosure of all material facts if it does not contain information about these proved or probable undeveloped reserves.

(7) **Mechanical Updates** - So-called “mechanical updates” of reserves reports are sometimes created, often by rerunning previous evaluations with a new price deck. This is problematic since there may have been material changes other than price that may lead to the report being misleading. If a reporting issuer discloses the results of the mechanical update it should ensure that all relevant material changes are also disclosed to ensure that the information is not misleading.

5.3. Classification of Reserves and of Resources Other than Reserves

Section 5.3 of Regulation 51-101 requires that any disclosure of reserves or of resources other than reserves must apply the applicable categories and terminology set out in the COGE Handbook. The definitions of various resource categories, derived from the COGE Handbook, are provided in the Regulation 51-101 Glossary. In addition, section 5.3 of Regulation 51-101 requires that disclosure of reserves or of resources other than reserves must relate to the most specific category of reserves or of resources other than reserves in which the reserves or resources other than reserves can be classified. For instance, there are several subcategories of discovered resources including reserves, contingent resources and discovered unrecoverable resources.

Reserves can be characterized as proved, probable or possible reserves, according to the probability that such quantities will actually be produced. As described in the COGE Handbook, proved, probable and possible reserves represent conservative, realistic and optimistic estimates of reserves, respectively. Therefore, any disclosure of reserves must indicate whether they are proved, probable or possible reserves.

Reporting issuers that disclose resources other than reserves must identify those resources as discovered or undiscovered resources except in exceptional circumstances where the most specific category is total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place, in which case the reporting issuer must comply with subsection 5.16(3) of Regulation 51-101.

~~For further guidance on disclosure of reserves and of resources other than reserves, see sections 5.2 and 5.5 of this Policy Statement.~~

5.4. Written ~~Consents~~ Consent

Section 4.4 of Volume 1 of the COGE Handbook recommends the preparation of an engagement letter that specifies a “project description confirming the scope and objective of the [evaluation] project”. An evaluation report is typically prepared for a particular purpose. CSA staff recommend that reporting issuers seek the consent of the evaluator prior to disclosing information from a report for a purpose other than which the report was prepared, or for selective disclosure from any report. A requirement for the evaluator’s consent to disclose part or all of an evaluation is often part of this engagement letter.

~~Section 5.7 of Regulation 51-101 restricts a reporting issuer’s use of a report of a qualified reserves evaluator or auditor without written consent. The consent requirement does not apply to the direct use of the report for the purposes of Regulation 51-101 (filing Form 51-101F1 or making direct or indirect reference to the conclusions of that report in the filed Form 51-101F1 and Form 51-101F3). The qualified reserves evaluator or auditor retained to report to a reporting issuer for the purposes of Regulation 51-101 is expected to anticipate these uses of the report. However, further use of the report (for example, in a securities offering document or in other news releases) would require written consent. An evaluator who consents to disclosure of information from a report should be aware of the potential for civil liability and should be aware of the purpose for which the report will be used.~~

5.5. Disclosure of Resources Other than Reserves

(1) **Disclosure of Resources Generally** - The disclosure of resources, excluding proved and probable reserves, is not mandatory under Regulation 51-101, except that a reporting issuer must make disclosure concerning its unproved properties and resource activities in its annual filings as

described in Part 6 of Form 51-101F1. Additional disclosure beyond this is voluntary and must comply with section 5.9 of Regulation 51-101 if anticipated results from the resources other than reserves are voluntarily disclosed.

For prospectuses, the general securities disclosure obligation of “full, true and plain” disclosure of all material facts would require the disclosure of reserves or of resources other than reserves that are material to the issuer, even if the disclosure is not mandated by Regulation 51-101. Any such disclosure should be based on supportable analysis.

Disclosure of resources other than reserves may involve the use of statistical measures that may be unfamiliar to a user. It is the responsibility of the evaluator and the reporting issuer to be familiar with these measures and for the reporting issuer to be able to explain them to investors. Information on statistical measures may be found in the COGE Handbook (section 9 of volume 1 and section 4 of volume 2) and in the extensive technical literature⁴¹ on the subject.

(2) Disclosure of Anticipated Results under Subsection 5.9(1) of Regulation 51-101 - If a reporting issuer voluntarily discloses anticipated results from resources that are not classified as reserves, it must disclose certain basic information concerning the resources, which is set out in subsection 5.9(1) of Regulation 51-101. Additional disclosure requirements arise if the anticipated results disclosed by the issuer include an estimate of a resource quantity or associated value, as set out below in subsection 5.5(3).

If a reporting issuer discloses anticipated results relating to numerous aggregated properties, prospects or resources, the issuer may, depending on the circumstances, satisfy the requirements of subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The reporting issuer must ensure that its disclosure is reasonable, meaningful and at a level appropriate to its size. For a reporting issuer with only few properties, it may be appropriate to make the disclosure for each property. Such disclosure may be unreasonably onerous for a reporting issuer with many properties, and it may be more appropriate to summarize the information by major areas or for major projects. However, the convenience of aggregating properties will not justify disclosure of resources in a category or subcategory less specific than would otherwise be possible, and required to be disclosed by subsection 5.3(1) of Regulation 51-101.

In respect of the requirement to disclose the risk and level of uncertainty associated with the anticipated result under paragraph 5.9(1)(d) of Regulation 51-101, risk and uncertainty are related concepts. Section 9 of volume 1 of the COGE Handbook provides the following definition of risk:

“Risk refers to a likelihood of loss and ... It is less appropriate to reserves evaluation because economic viability is a prerequisite for defining reserves.”

The concept of risk may have some limited relevance in disclosure related to reserves, for instance, for incremental reserves that depend on the installation of a compressor, the likelihood that the compressor will be installed. Risk is often relevant to the disclosure of resource categories other than reserves, in particular the likelihood that an exploration well will, or will not, be successful.

Section 9 of volume 1 of the COGE Handbook provides the following definition of uncertainty:

“Uncertainty is used to describe the range of possible outcomes of a reserves estimate.”

However, the concept of uncertainty is generally applicable to any estimate, including not only reserves, but also to all other categories of resource.

⁴¹ For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0); Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora, Colorado (ISBN 0-9664401-1-0). Rose, P. R., Risk Analysis and Management of Petroleum Exploration Ventures, AAPG Methods in Exploration Series No. 12, AAPG (ISBN 0-89181-062-1).

In satisfying the requirement of paragraph 5.9(1)(d) of Regulation 51-101, a reporting issuer should ensure that their disclosure includes the risks and uncertainties that are appropriate and meaningful for their activities. This may be expressed quantitatively as probabilities or qualitatively by appropriate description. If the reporting issuer chooses to express the risks and level of uncertainty qualitatively, the disclosure must be meaningful and not in the nature of a general disclaimer.

If the reporting issuer discloses the estimated value of an unproved property other than a value attributable to an estimated resource quantity, then the issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e) [of Regulation 51-101](#). This type of value is typically based on petroleum land management practices that consider activities and land prices in nearby areas. If done independently, it would be done by a valuator with petroleum land management expertise who would generally be a member of a professional organization such as the Canadian Association of Petroleum Landmen. This is distinguishable from the determination of a value attributable to an estimated resource quantity, as contemplated in subsection 5.9(2) [of Regulation 51-101](#). This latter type of value estimate must be prepared by a qualified reserves evaluator or auditor.

The calculation of an estimated value described in paragraph 5.9(1)(e) [of Regulation 51-101](#) may be based on one or more of the following factors:

- the acquisition cost of the unproved property to the reporting issuer, provided there have been no material changes in the unproved property, the surrounding properties, or the general oil and gas economic climate since acquisition;
- recent sales by others of interests in the same unproved property;
- terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the unproved property;
- terms and conditions, expressed in monetary terms, of recent work commitments related to the unproved property;
- recent sales of similar properties in the same general area;
- recent exploration and discovery activity in the general area;
- the remaining term of the unproved property; or
- burdens (such as overriding royalties) that impact on the value of the property.

The reporting issuer must disclose the basis of the calculation of the value of the unproved property, which may include one or more of the above-noted factors.

The reporting issuer must also disclose whether the value was prepared by an independent party. In circumstances in which paragraph 5.9(1)(e) [of Regulation 51-101](#) applies and where the value is prepared by an independent party, in order to ensure that the reporting issuer is not making public disclosure of misleading information, the CSA expect the reporting issuer to provide all relevant information to the valuator to enable the valuator to prepare the estimate.

(3) Disclosure of an Estimate of Quantity or Associated Value of a Resource under Subsection 5.9(2) of Regulation 51-101

(a) Overview of Subsection 5.9(2) of Regulation 51-101

Pursuant to subsection 5.9(2) of Regulation 51-101, if a reporting issuer discloses an estimate of a resource quantity or an associated value, the estimate must have been prepared by a qualified reserves evaluator or auditor. [Contingent resources data and prospective resources data disclosed within the statement required under item 1 of section 2.1 of Regulation 51-101 must have been prepared by an independent qualified reserves evaluator or auditor.](#)

If a reporting issuer ~~obtains or carries out an evaluation of resources~~ provides disclosure of contingent resources data or prospective resources data outside of its annual required filings under section 2.1 of Regulation 51-101 and wishes to file or disseminate a report in a format comparable to that prescribed in Form 51-101F2, it may do so. However, the title of such a form ~~must~~ should not contain the term “Form 51-101 F2” as this form is specific to the ~~evaluation of reserves data. Reporting issuers must modify the report on resources to reflect that reserves data is not being reported.~~ report required by item 2 of section 2.1 of Regulation 51-101. A heading such as “Report on Resource Estimate by Independent Qualified Reserves Evaluator or Auditor” may be appropriate. ~~Although such an evaluation is required to be carried out by a qualified reserves evaluator or auditor, there is no requirement that it be independent.~~ If an independent party does not prepare the report, reporting issuers should consider amending the title or content of the report to make it clear that the report has not been prepared by an independent party and the resource estimate is not an independent resource estimate.

~~The COGE Handbook recommends the use of probabilistic evaluation methods for making resource estimates, and although it does not provide detailed guidance there is a considerable amount of technical literature on the subject.~~

Pursuant to section 5.3 of Regulation 51-101, the reporting issuer must ensure that the estimated resource relates to the most specific category of resources in which the resource can be classified. As discussed above in subsection 5.5(2) of this Policy Statement, if a reporting issuer wishes to disclose an aggregate resource estimate which involves the aggregation of numerous properties, prospects or resources, it must ensure that the disclosure does not result in a contravention of the requirement in subsection 5.3(1) of Regulation 51-101.

Subsection 5.9(2) of Regulation 51-101 requires the reporting issuer to disclose certain information in addition to that prescribed in subsection 5.9(1) of Regulation 51-101 to assist recipients of the disclosure in understanding the nature of risks associated with the estimate. This information includes a definition of the resource category used for the estimate, disclosure of factors relevant to the estimate and cautionary language.

(b) **Definitions of Resource Categories**

For the purpose of complying with the requirement of defining the resource category, the reporting issuer must ensure that disclosure of the definition is consistent with the resource categories and terminology set out in the COGE Handbook, pursuant to section 5.3 of Regulation 51-101. Section 5 of volume 1 and section 2 of volume 2 of the COGE Handbook and the Regulation 51-101 Glossary identify and define the various resource categories.

~~A reporting issuer may wish to report reserves or resources other than reserves as “in-place volumes”. By definition, reserves of any type, contingent resources and prospective resources are estimates of volumes that are recoverable or potentially recoverable and, as such, cannot be described as being “in-place”. Terms such as “potential reserves”, “undiscovered reserves”, “reserves in place”, “in-place reserves” or similar terms must not be used because they are incorrect and misleading. The disclosure of reserves or of resources other than reserves must be consistent with the terminology and categories set out in the COGE Handbook, pursuant to section 5.3 of Regulation 51-101.~~

In addition to disclosing the most specific category of resource, the reporting issuer may disclose total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place estimates provided that the additional disclosure required by subsection 5.16(3) of Regulation 51-101 is included.

(c) **Application of Subsection 5.9(2) of Regulation 51-101**

~~If the reporting issuer discloses an estimate of a resource quantity or associated value, the reporting issuer must additionally disclose the following:~~

- ~~(i) a definition of the resource category used for the estimate;~~
- ~~(ii) the effective date of the estimate;~~

~~(ii) significant positive and negative factors relevant to the estimate;~~

~~(iv) the contingencies which prevent the classification of a contingent resource as a reserve; and~~

~~(v) cautionary language as prescribed by subparagraph 5.9(2)(d)(v) of Regulation 51-101.~~

~~The resource estimate may be disclosed as a single quantity such as a median or mean, representing the best estimate. Frequently, however, the estimate consists of three values that reflect a range of reasonable likelihoods (the low value reflecting a conservative estimate, the middle value being the best estimate, and the high value being an optimistic estimate).~~

~~Guidance concerning defining the resource category is provided above in section 5.3 and paragraph 5.5(3)(b) of this Policy Statement.~~

Reporting issuers are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(d)(iii) of Regulation 51-101. For example, if there is no infrastructure in the region to transport the resource, this may constitute a significant negative factor relevant to the estimate. Other examples would include abandonment costs, reclamation costs, a significant lease expiry or any legal, capital, political, technological, business or other factor that is highly relevant to the estimate. To the extent that the reporting issuer discloses an estimate for numerous properties that are aggregated, it may disclose significant positive and negative factors relevant to the aggregate estimate, unless discussion of a particular material resource or property is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(d)(v) of Regulation 51-101 includes a prescribed disclosure that there is no certainty that it will be commercially viable to produce any portion of the resources. The concept of commercial viability would incorporate the meaning of the word “commercial” provided in the Regulation 51-101 Glossary: criteria for determining commerciality provided in section 5.3 of volume 1 of the COGE Handbook.

~~The general disclosure requirements of paragraph 5.9(2)(d) of Regulation 51-101 may be illustrated by an example. If a reporting issuer discloses, for example, an estimate of a volume of its bitumen which is a contingent resource to the issuer, the disclosure would include information of the following nature:~~

~~The reporting issuer holds a [?] interest in [provide description and location of interest]. As of [?] date, it estimates that, in respect of this interest, it has [?] bbls of bitumen, which would be classified as a contingent resource. A contingent resource is defined as [cite current definition in the COGE Handbook]. There is no certainty that it will be commercially viable to produce any portion of the resource. The contingencies which currently prevent the classification of the resource as a reserve are [state specific capital costs required to render production economic, applicable regulatory considerations, pricing, specific supply costs, technological considerations, and/or other relevant factors]. A significant factor relevant to the estimate is [e.g.] an existing legal dispute concerning title to the interest.~~

~~To the extent that this information is provided in a previously filed document, and it relates to the same interest in resources, the issuer can omit disclosure of significant positive and negative factors relevant to the estimate and the contingencies which prevent the classification of the resource as a reserve. However, the issuer must make reference in the current disclosure to the title and date of the previously filed document.~~

5.6. Analogous Information

A reporting issuer may wish to base an estimate on, or include comparative analogous information for their area of interest, such as reserves, resources, and production, from fields or wells, in nearby or geologically similar areas. Particular care must be taken in using and presenting this type of information. Using only the best wells or fields in an area, or ignoring dry holes, for instance, may be particularly misleading. It is important to present a factual and balanced view of the information being provided.

The reporting issuer must comply with the disclosure requirements of section 5.10 of Regulation 51-101, when it discloses analogous information, as that term is broadly defined in Regulation 51-101, for an area which includes an area of the reporting issuer's area of interest. Pursuant to subsection 5.10(2) of Regulation 51-101, if the issuer discloses an estimate of its own reserves or resources based on an extrapolation from the analogous information, or if the analogous information itself is an estimate of its own reserves or resources, the issuer must ensure the estimate is prepared in accordance with the COGE Handbook and disclosed in accordance with Regulation 51-101 generally. For example, in respect of a reserves estimate, the estimate must be classified and prepared in accordance with the COGE Handbook by a qualified reserves evaluator or auditor and must otherwise comply with the requirements of section 5.2 of Regulation 51-101.

5.7. Consistent Use of Units of Measurement

Reporting issuers should be consistent in their use of units of measurement within and between disclosure documents, to facilitate understanding and comparison of the disclosure. For example, reporting issuers should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents. Issuers should refer to Appendices B and C of volume 1 of the COGE Handbook for the proper reporting of units of measurement.

In all cases, in accordance with subparagraph 5.2(1)(a)(iii) and section 5.3 of Regulation 51-101, reporting issuers should apply the relevant terminology and unit prefixes set out in the COGE Handbook.

5.8. BOEs and McfGEs

Section 5.14 of Regulation 51-101 sets out requirements that apply if a reporting issuer ~~chooses to make disclosure~~ discloses using units of equivalency such as BOEs or McfGEs. ~~The requirements include prescribed methods of calculation and cautionary disclosure as to the possible limitations of those calculations.~~ Industry practice is to use a conversion ratio of 6 Mcf of gas to 1 Bbl of oil. If an issuer uses a 6 Mcf to 1 Bbl ratio, in order to satisfy paragraph 5.14(1)(d) of Regulation 51-101, the reporting issuer could provide a cautionary statement to the following effect:

“BOEs [or McfGEs or other applicable units of equivalency] may be misleading particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 Bbl [or “An McfGE conversion ratio of 1 Bbl: 6 Mcf”] is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at wellhead.”

When the value ratio is significantly different from the energy equivalency of 6:1; the disclosure may be misleading without additional information. For example, an actual value ratio of 20:1 at the time the disclosure is made may require a statement to the effect that a conversion using a 6:1 ratio would be misleading as an indication of value.

Results using conversion ratios other than 6:1 may be disclosed, provided an explanation is given. Section 13 of volume 1 of the COGE Handbook, under the heading “Barrels of Oil Equivalent”, provides additional guidance.

5.8.1. Net Asset Value, Reserve Replacement and Netbacks

Section 5.14 of Regulation 51-101 is a set of principle-based requirements for the disclosure of oil and gas metrics, which replaces the rule-based disclosure requirements for net asset value, reserves replacements and netbacks. If a reporting issuer discloses net asset value, reserves replacement or netbacks, additional disclosure will be required by paragraphs 5.14(1)(b) and 5.14(2)(a) of Regulation 51-101. For example, if a reporting issuer discloses

(a) net asset value or net asset value per share, it would be required to include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

(b) reserves replacement, it would be required to include an explanation of the method of calculation applied, or

(c) a netback, it would be required to reflect netbacks calculated by subtracting royalties and operating costs from revenues and state the method of calculation.

5.9. Finding and Development costs

Section ~~5.15~~5.14 of Regulation 51-101 sets out requirements that would apply if a reporting issuer ~~chooses to make disclosure of~~discloses finding and development costs.

~~Because the prescribed methods of calculation under section 5.15 involve the use of BOEs, section 5.14 of Regulation 51-101 necessarily applies to disclosure of finding and development costs under section 5.15. As such, the finding and development cost calculations must apply a conversion ratio as specified in section 5.14 and the cautionary disclosure prescribed in section 5.14 will also be required.~~If a reporting issuer discloses finding and development costs, it must, pursuant to paragraphs 5.14(1)(b) and 5.14(2)(a) of Regulation 51-101 include the method of calculation, the results of the calculation and if the disclosure also includes a result derived using any other method of calculation, a description of that method and the reason for its use.

~~BOEs are based on imperial units of measurement. If the reporting issuer uses other units of measurements (such as SI or “metric” measures), any corresponding departure from the requirements of section 5.15 should reflect the use of units other than BOEs.~~

5.9.1. Summation of Resource Categories

An estimate of quantity or an estimate of value constitutes a summation, disclosure of which is prohibited by subsection 5.16(1) of Regulation 51-101, if that estimate reflects a combination of estimates, known or available to the reporting issuer, for two or more of the subcategories enumerated in that provision. There may be circumstances in which a disclosed estimate was arrived at in accordance with the COGE Handbook without combining, and without the reporting issuer knowing or having access to, estimates in two or more of those enumerated categories. Disclosure of such an estimate would not generally be considered to constitute a summation for purposes of that provision.

~~5.10~~5.10. Prospectus Disclosure

In addition to the general disclosure requirements in Regulation 51-101 which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

(1) **Significant Acquisitions** - To the extent that an issuer engaged in oil and gas activities discloses a significant acquisition in its prospectus, it must disclose sufficient information for a reader to determine how the acquisition affected the reserves data and other information previously disclosed in the issuer’s Form ~~51-101F1~~. This requirement stems from Part 6 of Regulation 51-101 with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions.

(2) **Disclosure of Resources** - The disclosure of resources, excluding proved and probable reserves, is generally not mandatory under Regulation 51-101, except for certain disclosure concerning the issuer’s unproved properties and resource activities as described in Part 6 of Form 51-101F1, which information would be incorporated into the prospectus. Additional disclosure beyond this is voluntary and must comply with ~~sections 5.9, 5.10 and 5.16~~Part 5 of Regulation 51-101, as applicable. However, the general securities disclosure obligation of “full, true, and plain” disclosure of all material facts in a prospectus would require the disclosure of resources that are material to the issuer, even if the disclosure is not mandated by Regulation 51-101 ~~Any such disclosure should be based on supportable analysis.~~

(3) **Proved or Probable Undeveloped reserves** - Further to the guidance provided in subsection 5.2(4) of this Policy Statement, proved or probable undeveloped reserves must be reported in the year in which they are recognized. If the reporting issuer does not disclose the proved or probable undeveloped reserves just because it has not yet spent the capital to develop

these reserves, it may be omitting material information, thereby causing the reserves disclosure to be misleading. If the issuer has a prospectus, the prospectus might not contain full, true and plain disclosure of all material facts if it does not contain information about these proved undeveloped reserves.

(4) **Reserves Reconciliation in an Initial Public Offering** - In an initial public offering, if the issuer does not have a reserves report as at its prior year-end, or if this report does not provide the information required to carry out a reserves reconciliation pursuant to item 4.1 of Form 51-101F1, the CSA may consider granting relief from the requirement to provide the reserves reconciliation. A condition of the relief may include a description in the prospectus of relevant changes in any of the categories of the reserves reconciliation.

(5) **Relief to Provide More Recent Form 51-101F1 Information in a Prospectus** - If an issuer is filing a preliminary prospectus and wishes to disclose reserves data and other oil and gas information as at a more recent date than its applicable year-end date, the CSA may consider relieving the issuer of the requirement to disclose the reserves data and other information as at year-end.

An issuer may determine that its obligation to provide full, true and plain disclosure obliges it to include in its prospectus reserves data and other oil and gas information as at a date more recent than specified in the prospectus requirements. The prospectus requirements state that the information must be as at the issuer's most recent financial year-end in respect of which the prospectus includes financial statements. The prospectus requirements, while certainly not presenting an obstacle to such more current disclosure, would nonetheless require that the corresponding information also be provided as at that financial year-end.

We would consider granting relief on a case-by-case basis to permit an issuer in these circumstances to include in its prospectus the oil and gas information prepared with an effective date more recent than the financial year-end date, without also including the corresponding information effective as at the year-end date. A consideration for granting this relief may include disclosure of Form 51-101F1 information with an effective date that coincides with the date of interim financial statements. The issuer should request such relief in the covering letter accompanying its preliminary prospectus. The grant of the relief would be evidenced by the prospectus receipt.

PART 6 MATERIAL CHANGE DISCLOSURE

6.1. Changes from Filed Information

Part 6 of Regulation 51-101 requires the inclusion of specified information in disclosure of certain material changes.

The information to be filed each year under Part 2 of Regulation 51-101 is prepared as at, or for a period ended on, the reporting issuer's most recent financial year-end. That date is the effective date referred to in subsection 6.1(1) of Regulation 51-101. When a material change occurs after that date, the filed information may no longer, as a result of the material change, convey meaningful information, or the original information may have become misleading in the absence of updated information.

Part 6 of Regulation 51-101 requires that the disclosure of the material change include a discussion of the reporting issuer's reasonable expectation of how the material change has affected the issuer's reserves data and other information contained in its filed disclosure. This would not necessarily require that an evaluation be carried out. However, the reporting issuer should ensure it complies with the general disclosure requirements set out in Part 5, as applicable. For example, if the material change report discloses an updated reserves estimate, this should be prepared in accordance with the COGE Handbook and by a qualified reserves evaluator or auditor.

This material change disclosure can reduce the likelihood of investors being misled, and maintain the usefulness of the original filed oil and gas information when the two are read together.

APPENDIX 1

SAMPLE RESERVES DATA DISCLOSURE

Format of Disclosure

Regulation 51-101 and Form 51-101F1 do not mandate the format of the disclosure of reserves data and related information by reporting issuers. However, the CSA encourages reporting issuers to use the format presented in this Appendix.

Whatever format and level of detail a reporting issuer chooses to use in satisfying the requirements of Regulation 51-101, the objective should be to enable reasonable investors to understand and assess the information, and compare it to corresponding information presented by the reporting issuer for other reporting periods or to similar information presented by other reporting issuers, in order to be in a position to make informed investment decisions concerning securities of the reporting issuer.

A logical and legible layout of information, use of descriptive headings, and consistency in terminology and presentation from document to document and from period to period, are all likely to further that objective.

Reporting issuers and their advisers are reminded of the materiality standard under section 1.4 of Regulation 51-101, and of the instructions in Form 51-101F1.

See also sections 1.4, 2.2 and 2.3 and subsections 2.7(8) and 2.7(9) of *Policy Statement [to Regulation 51-101](#) ~~CP-101~~ respecting Standards of Disclosure for Oil and Gas Activities*.

Sample Tables

The following sample tables provide an example of how certain of the reserves data might be presented in a manner consistent with Regulation 51-101.

These sample tables do not reflect all of the information required by Form 51-101F1, and they have been simplified to reflect reserves in one country only. For the purpose of illustration, the sample tables also incorporate information not mandated by Regulation 51-101 but which reporting issuers might wish to include in their disclosure; shading indicates this non-mandatory information.

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006~~2014~~
CONSTANT~~FORECAST~~ **PRICES AND COSTS** [~~OPTIONAL SUPPLEMENTARY DISCLOSURE~~]

RESERVES CATEGORY	RESERVES ⁽¹⁾							
	LIGHT <u>CRUDE OIL</u> AND MEDIUM <u>CRUDE OIL</u>		HEAVY <u>CRUDE OIL</u>		<u>CONVENTIONAL</u> NATURAL GAS ⁽²⁾		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) Other product types must be added if material.

(2) ~~Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.~~

~~OPTIONAL
SUPPLEMENTARY~~

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, ~~2006~~**2014**
~~CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]~~
FORECAST PRICES AND COSTS

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year (\$/Mcf) (\$/bbl)
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					
	0 (MMS)	5 (MMS)	10 (MMS)	15 (MMS)	20 (MMS)	0 (MMS)	5 (MMS)	10 (MMS)	15 (MMS)	20 (MMS)	
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

~~OPTIONAL
SUPPLEMENTARY~~

Reference: ~~Item 2.2 of Form 51-101F1~~

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]**

RESERVES CATEGORY	REVENUE (M\$)	ROYALTIES (M\$)	OPERATING COSTS (M\$)	DEVELOPMENT COSTS (M\$)	ABANDONMENT AND RECLAMATION COSTS (M\$)	FUTURE NET REVENUE BEFORE INCOME TAXES (M\$)	INCOME TAXES (M\$)	FUTURE NET REVENUE AFTER INCOME TAXES (M\$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

OPTIONAL
SUPPLEMENTARY

Reference: Item 2.2 of Form 51-101F1

**FUTURE NET REVENUE
BY PRODUCTION GROUP
as of December 31, 2006
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$)
Proved Reserves	Light and Medium Crude Oil (including solution gas and other by products)	xxx
	Heavy Oil (including solution gas and other by products)	xxx
	Natural Gas (including by products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by products)	xxx
	Heavy Oil (including solution gas and other by products)	xxx
	Natural Gas (including by products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx

OPTIONAL SUPPLEMENTARY

Reference: Item 2.2 of Form 51-101 F1

SUMMARY OF OIL AND GAS RESERVES
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	RESERVES ⁽¹⁾							
	LIGHT AND MEDIUM OIL		HEAVY OIL		NATURAL GAS ⁽²⁾		NATURAL GAS LIQUIDS	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED								
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx
—Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) Other product types must be added if material.

(2) Estimates of reserves of natural gas may be reported separately for (i) associated and non-associated gas (combined), (ii) solution gas and (iii) coal bed methane.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2006
FORECAST PRICES AND COSTS

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year (\$/McF) (\$/bbl)
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	
PROVED											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
PROBABLE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED PLUS PROBABLE	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

- (1) A reporting issuer may wish to satisfy its requirement to disclose these unit values by inserting this disclosure for each category of proved reserves and for probable reserves, by ~~production group~~product type, in the chart for item 2.1(3)(c) of Form 51-101F1 (see sample chart below entitled Future Net Revenue by ~~Production Group~~Product Type).
- (2) The unit values are based on net reserve volumes.

Reference: Item 2.1(1) and (2) of Form 51-101F1

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of December 31, ~~2006~~2014
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	REVENUE (M\$)	ROYALTIES (M\$)	OPERATING COSTS (M\$)	DEVELOPMENT COSTS (M\$)	ABANDONMENT AND RECLAMATION COSTS (M\$)	<u>RECLAMATION COSTS (M\$)</u>	FUTURE NET REVENUE BEFORE INCOME TAXES (M\$)	INCOME TAXES (M\$)	FUTURE NET REVENUE AFTER INCOME TAXES (M\$)
Proved Reserves	xxx	xxx	xxx	xxx	xxx	<u>xxx</u>	xxx	xxx	xxx
Proved Plus Probable Reserves	xxx	xxx	xxx	xxx	xxx	<u>xxx</u>	xxx	xxx	xxx

Reference: Item 2.1(3)(b) of Form 51-101F1

FUTURE NET REVENUE
BY ~~PRODUCTION GROUP~~ PRODUCT TYPE
as of December 31, ~~2006~~2014
FORECAST PRICES AND COSTS

RESERVES CATEGORY	PRODUCTION GROUP <u>PRODUCT TYPE</u>	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (M\$)	UNIT VALUE (\$/Mcf) (\$/bbl)
Proved Reserves	Light <u>Crude Oil</u> and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy <u>Crude Oil</u> (including solution gas and other by-products)	xxx	xxx
	<u>Bitumen</u>	<u>xxx</u>	
	<u>Natural Gas Liquids</u>	<u>xxx</u>	
	<u>Synthetic Crude Oil</u>	<u>xxx</u>	
	<u>Conventional</u> Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	xxx	xxx
	Non-Conventional Oil and <u>Coal Bed Methane</u>	<u>xxx</u>	
	Gas Activities <u>Hydrates</u>	<u>xxx</u>	
	<u>Shale Gas</u>	<u>xxx</u>	
	<u>Synthetic Gas</u>	xxx	xxx
	Total	xxx	
Proved Plus Probable Reserves	Light <u>Crude Oil</u> and Medium Crude Oil (including solution gas and other by-products)	xxx	xxx
	Heavy <u>Crude Oil</u> (including solution gas and other by-products)	xxx	xxx
	<u>Bitumen</u>	xxx	xxx
	<u>Natural Gas Liquids</u>		
	<u>Synthetic Crude Oil</u>		
	<u>Conventional</u> Natural Gas (including by-products but excluding solution gas from oil wells)		
	Non-Conventional Oil and <u>Coal Bed Methane</u>	xxx	
	Gas Activities <u>Hydrates</u>		
	<u>Shale Gas</u>		
	<u>Synthetic Gas</u>		xxx
	Total	xxx	

Reference: Item 2.1(3)(c) of Form 51-101F1

SUMMARY OF OIL AND GAS CONTINGENT AND PROSPECTIVE RESOURCES⁽¹⁾
as of December 31, 2014
FORECAST PRICES AND COSTS

<u>RESOURCES CATEGORY</u>	<u>CONTINGENT AND PROSPECTIVE RESOURCES⁽²⁾</u>							
	<u>LIGHT CRUDE OIL AND MEDIUM CRUDE OIL</u>		<u>HEAVY CRUDE OIL</u>		<u>CONVENTIONAL NATURAL GAS</u>		<u>NATURAL GAS LIQUIDS</u>	
	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>	<u>Gross (MMcf)</u>	<u>Net (MMcf)</u>	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>
<u>CONTINGENT</u>								
<u>1C</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>2C</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>3C</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>PROSPECTIVE</u>								
<u>Low estimate</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>Best estimate</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>High estimate</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

(1) This disclosure is triggered by optional disclosure of contingent or prospective resources in the statement prepared in accordance with item 1 of section 2.1 of Regulation 51-101

(2) Other product types must be added if material.

(3) The disclosure in this table must comply with section 5.9 of Regulation 51-101

Reference: Item 2.1(4)(a) of Form 51-101F1

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE⁽¹⁾
(CONTINGENT AND PROSPECTIVE RESOURCES)
as of December 31, 2014
FORECAST PRICES AND COSTS

<u>RESOURCES CATEGORY</u>	<u>NET PRESENT VALUES OF FUTURE NET REVENUE</u>									
	<u>BEFORE INCOME TAXES</u>					<u>AFTER INCOME TAXES</u>				
	<u>DISCOUNTED AT (%/year)</u>									
	<u>0</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>	<u>0</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>
	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>	<u>(MM\$)</u>
<u>CONTINGENT</u>										
<u>1C</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
<u>2C</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
<u>3C</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
<u>PROSPECTIVE</u>										
<u>Low Estimate</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
<u>Best Estimate</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>
<u>High Estimate</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>	<u>XX</u>

 **OPTIONAL
SUPPLEMENTARY**

(1) This disclosure is triggered by optional disclosure of contingent or prospective resources in the statement prepared in accordance with item 1 of section 2.1 of Regulation 51-101

(2) The disclosure in this table must comply with section 5.9 of Regulation 51-101

Reference: Item 2.1(4)(b) of Form 51-101F1

SUMMARY OF PRICING ASSUMPTIONS
as of December 31, ~~2006~~2014

CONSTANT PRICES AND COSTS⁽¹⁾

Year	OIL ⁽²⁾				NATURAL GAS ⁽²⁾ AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	EXCHANGE RATE ⁽³⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par Price 40 ⁰ API (\$Cdn/bbl)	Hardisty Heavy 12 ⁰ API (\$Cdn/bbl)	Cromer Medium 29.3 ⁰ API (\$Cdn/bbl)			
Historical (Year End)							
2003 <u>11</u>	xx	xx	xx	xx	xx	xx	xx
2004 <u>12</u>	xx	xx	xx	xx	xx	xx	xx
2005 <u>13</u>	xx	xx	xx	xx	xx	xx	xx
2006 <u>14</u> (Year End)	xx	xx	xx	xx	xx	xx	xx

 OPTIONAL
SUPPLEMENTARY

- (1) This disclosure is triggered by optional supplementary disclosure of item 2.2 of Form 51-101F1.
(2) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
(3) The exchange rate used to generate the benchmark reference prices in this table.

Reference: Item 3.1 of Form 51-101F1

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of December 31, 2006~~2014~~
FORECAST PRICES AND COSTS

Year	OIL ⁽¹⁾				NATURAL GAS ⁽¹⁾ AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	INFLATION RATES ⁽²⁾ %/Year	EXCHANGE RATE ⁽³⁾ \$US/\$Cdn
	WTI Cushing Oklahoma \$US/bbl	Edmonton Par Price 40 ⁰ API \$Cdn/bbl	Hardisty Heavy 12 ⁰ API \$Cdn/bbl	Cromer Medium 29.3 ⁰ API \$Cdn/bbl				
Historical ⁽⁴⁾								
<u>200311</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>200412</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>200513</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>200614</u>	xx	xx	xx	xx	xx	xx	xx	xx
Forecast								
<u>200715</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>200816</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>200917</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>201018</u>	xx	xx	xx	xx	xx	xx	xx	xx
<u>201119</u>	xx	xx	xx	xx	xx	xx	xx	xx
Thereafter	xx	xx	xx	xx	xx	xx	xx	xx

(1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.

(2) Inflation rates for forecasting prices and costs.

(3) Exchange rates used to generate the benchmark reference prices in this table

(4) Item 3.2(1)(b) of Form 51-101F1 also requires disclosure of the reporting issuer's weighted average historical prices for the most recent financial year (2006~~14~~, in this example).

OPTIONAL
SUPPLEMENTARY

Reference: Item 3.2 of Form 51-101F1

**RECONCILIATION OF
COMPANY GROSS RESERVES
BY PRODUCT TYPE⁽¹⁾**

FORECAST PRICES AND COSTS

FACTORS	LIGHT <u>CRUDE OIL</u> AND MEDIUM <u>CRUDE OIL</u>			HEAVY <u>CRUDE OIL</u>			ASSOCIATED AND NON ASSOCIATED <u>CONVENTIONAL</u> <u>NATURAL GAS</u>		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005 13	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & Improved Recovery Technical Revisions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Discoveries	xx	xx	xx	xx	xx	xx	xx	xx	xx
Acquisitions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Dispositions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Economic Factors	xx	xx	xx	xx	xx	xx	xx	xx	xx
Production	xx	xx	xx	xx	xx	xx	xx	xx	xx
December 31, 2006 14	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

(1) The reserves reconciliation must include other product types, including bitumen, natural gas liquids, synthetic crude oil, ~~bitumen~~, coal bed methane, gas hydrates, shale oil gas and shale synthetic gas, if material for the reporting issuer.

Reference: Item 4.1 of Form 51-101F1