

NATIONAL INSTRUMENT 51-101

**STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES**

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NATIONAL INSTRUMENT 51-101

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

PART 1. APPLICATION AND TERMINOLOGY¹

1.1 *Reporting Issuers Only* - This *Instrument* applies to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities* or the extraction of hydrocarbons from shale, tar sands or coal.

1.2 *Materiality Standard*

- (1) This *Instrument* applies only in respect of information that is *material*.
- (2) For the purposes of subsection (1), information is *material*, in respect of a *reporting issuer*, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.

1.3 *Definitions*²

- (1) Terms defined in the Appendix to this *Instrument* have that meaning in this *Instrument*.
- (2) Terms used in this *Instrument* and defined or interpreted in the *SPEE Handbook* have the meaning ascribed to those terms in the *SPEE Handbook*.
- (3) Terms used in this *Instrument* and defined or interpreted in the *FASB Standard* have the meaning ascribed to those terms in the *FASB Standard*.
- (4) In the event of a conflict or inconsistency between the meaning ascribed to a term in the Appendix to this *Instrument* and the meaning ascribed to the term in the *SPEE Handbook* or in the *FASB Standard*, the meaning ascribed in the Appendix to this *Instrument* shall apply.
- (5) In the event of a conflict or inconsistency between the meaning ascribed to a term in the *FASB Standard* and the meaning ascribed to the term in the *SPEE Handbook*, the meaning ascribed in the *SPEE Handbook* shall apply.

¹ For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in this *Instrument*, *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* or the Companion Policy.

² A national definition instrument has been adopted as National Instrument 14-101 *Definitions* ("*NI 14-101*"). It contains definitions of certain terms used in more than one national instrument. *NI 14-101* also provides that a term used in a national instrument and defined in the statute relating to securities of the applicable *jurisdiction*, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in that statute, unless the context otherwise requires. *NI 14-101* also provides that a provision or a reference within a provision of a national instrument that specifically refers by name to a *jurisdiction*, other than the local jurisdiction, shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

PART 2. MEASUREMENT

2.1 Accounting Methods - A reporting issuer engaged in oil and gas activities that discloses financial statements prepared in accordance with Canadian GAAP shall use

- (a) the full cost method of accounting, applying CICA Accounting Guideline 5; or
- (b) the successful efforts method of accounting, applying FAS 19.

2.2 Estimating Reserves, Future Net Revenue and the Standardized Measure

- (1) Estimates of reserves, future net revenue and the standardized measure contained in a document filed with the securities regulatory authority under this Instrument shall, in addition to other requirements of this Instrument, be prepared by a qualified evaluator
 - (a) in accordance with SPEE standards;
 - (b) in the case of proved oil and gas reserve quantities and the related standardized measure, using constant prices and costs and applying the FASB Standard;
 - (c) in the case of reserves and related future net revenue, other than proved oil and gas reserve quantities and the related standardized measure, using forecast prices and costs;
 - (d) assuming that development of a property will occur, without regard to the likely availability of funding required for that development;
 - (e) deducting reasonably estimated future abandonment and reclamation costs related to a particular property, for the purpose of determining whether reserves should be attributed to that property in the first year in which reserves are considered for attribution to the property;
 - (f) deducting reasonably estimated aggregate future abandonment and reclamation costs in estimating aggregate future net revenue and the standardized measure; and
 - (g) in the case of proved oil and gas reserve quantities, reflecting a high degree of certainty of recoverability by targeting a 90 percent probability that at least the estimated proved oil and gas reserve quantities will be recovered.
- (2) The date or period with respect to which the effects of an event or transaction are recorded in a reporting issuer's annual financial statements shall be the same as the date or period with respect to which they are first reflected in the reporting issuer's annual reserves data disclosure under Part 5.
- (3) For the purposes of this Instrument, despite any indication to the contrary in FAS 69 or in the FASB Standard, the FASB Standard, as it relates to reserves and the standardized measure, applies to reporting issuers engaged in the extraction of hydrocarbons from shale, tar sands and coal.

PART 3. RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS

- 3.1 Interpretation** - For the purposes of this Part, a reference to a board of directors means, if a *reporting issuer* does not have a board of directors, the individuals whose authority and duties with respect to the *reporting issuer* are similar to those of a board of directors.
- 3.2 Reporting Issuer to Appoint Independent Qualified Evaluator** - A *reporting issuer* shall appoint one or more *independent qualified evaluators* to report to its board of directors on the *reporting issuer's reserves data*.
- 3.3 Reporting Issuer to Make Information Available to Independent Qualified Evaluator** - A *reporting issuer* shall make available, to each *independent qualified evaluator* that it appoints under section 3.2, all information reasonably necessary to enable the *independent qualified evaluator* to provide a report that will, when approved and filed with the *securities regulatory authority*, satisfy the applicable requirements of Parts 4 and 5.
- 3.4 Certain Responsibilities of Board of Directors** - The board of directors of a *reporting issuer* shall
- (a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities* or the extraction of hydrocarbons from shale, tar sands or coal, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;
 - (b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified evaluator* and management of the *reporting issuer*;
 - (c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *independent qualified evaluator* who reports on *reserves data* for the purposes of this *Instrument*;
 - (d) before approving the filing of *reserves data* and the report thereon referred to in section 5.1, meet with management and each *independent qualified evaluator* appointed under section 3.2, to
 - (i) determine whether any restrictions affect the ability of the *independent qualified evaluator* to report on *reserves data* without *reservation*; and
 - (ii) review the *reserves data* and the report thereon of the *independent qualified evaluator*; and
 - (e) review and approve
 - (i) the content and filing, under section 5.1, of the statement referred to in item 1 of section 5.1;
 - (ii) the filing, under section 5.1, of the report referred to in item 2 of section 5.1; and

- (iii) the content and filing, under section 5.1, of the report referred to in item 3 of section 5.1.

3.5 Reserves Committee

- (1) The board of directors of a *reporting issuer* may, subject to subsection (2), delegate the responsibilities set out in section 3.4 to a committee of the board of directors, provided that a majority of the members of the committee are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement, including being, or having been during the preceding 12 months
 - (a) an officer or employee of the *reporting issuer* or of an affiliate of the *reporting issuer*;
 - (b) a person who beneficially owns 10 percent or more of the outstanding voting securities of the *reporting issuer*; or
 - (c) a relative of a person referred to in paragraph (a) or (b), residing in the same home.
- (2) Despite subsection (1), a board of directors of a *reporting issuer* shall not delegate its responsibility under paragraph 3.4(e) to approve the content or the filing of information.
- (3) A board of directors that has delegated responsibility to a committee pursuant to subsection (1) shall solicit the recommendation of that committee as to whether to approve the content or the filing of information for the purposes of paragraph 3.4(e).

PART 4. REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

4.1 Application of Part 4 - This Part applies to disclosure made by or on behalf of a *reporting issuer*

- (a) to the public;
- (b) in a document filed with a *securities regulatory authority*; or
- (c) in other circumstances in which, at the time of making the disclosure, the *reporting issuer* knows, or ought reasonably to know, that the disclosure is or will become available to the public.

4.2 Consistency with Reserves Data and Other Information - If a *reporting issuer* makes disclosure of information of a type that is required to be included in a statement filed with a *securities regulatory authority* under item 1 of section 5.1, the information shall be

- (a) prepared in accordance with Part 2, as applicable; and
- (b) consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item

1 of section 5.1, except to the extent of changes disclosed in a report of a material change³ filed by the *reporting issuer* with the *securities regulatory authority*.

4.3 Oil and Gas Reserves and Sales - Disclosure of *reserves* or sales of *oil* or *gas* shall be made only in respect of *marketable oil* or *gas*, reflecting prices for the product in the condition, upgraded or not upgraded, processed or unprocessed, in which it is to be, or was, sold.

4.4 Natural Gas Liquids - Disclosure concerning *natural gas* liquids shall be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

4.5 Future Net Revenue Not Fair Value - Disclosure of an estimate of *future net revenue* or of the *standardized measure* shall include a statement to the effect that the estimated values disclosed do not represent fair market value.

4.6 Consent of Qualified Evaluator

- (1) Disclosure of information relating to *reserves data* obtained by a *reporting issuer* from a *qualified evaluator*, or disclosure of the identity of the *qualified evaluator*, shall be made only with the written consent of that *qualified evaluator*.
- (2) Subsection (1) does not apply to the filing by a *reporting issuer*, under item 2 of section 5.1, of a report delivered by an *independent qualified evaluator* to the board of directors of the *reporting issuer* pursuant to an appointment under section 3.2, or to the identification of that *independent qualified evaluator* by the *reporting issuer* in a news release referred to in section 5.2.

4.7 Disclosure of Less Than All Reserves - If a *reporting issuer* that has more than one *property* makes written disclosure of any *reserves* attributable to a particular *property*,

- (a) the disclosure shall include a statement to the effect that "Estimates of reserves and future net revenue for individual properties may not have as high a level of probability as the total for all properties, due to the effects of aggregation"; and
- (b) the document containing the disclosure shall also disclose *reserves* of the same category in total for all *properties* of the *reporting issuer*.

4.8 Disclosure Concerning Prospects - If a *reporting issuer* discloses expected results from a *prospect*, the *reporting issuer* shall also disclose in writing, in the same document or in a *supporting filing*, in respect of the *prospect*

- (a) the location and basin name;
- (b) the distance to the nearest analogous commercial production;
- (c) the drilling commencement and completion dates;

³

"Material change" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

- (d) the name, geologic age and lithology of the target zone;
- (e) the depth of the target zone;
- (f) the estimated cost to drill and test a well to the target depth;
- (g) the range of pool or *field* sizes and the probability of success and risks;
- (h) the *product type* reasonably expected;
- (i) the *reporting issuer's gross* and *net* interest, expressed in acres, and its *gross* and *net* interest in any *production* or *reserves*;
- (j) the identity and relevant experience of the operator;
- (k) expected marketing and transportation arrangements;
- (l) the price environment; and
- (m) the applicable information specified in section 4.9.

4.9

Estimates of Fair Value

- (1) If a *reporting issuer* discloses in writing an estimate of the fair value of a *property*, of a *prospect* or of *resources*, or discloses expected results from a *prospect*, the disclosure shall include all positive and negative factors relevant to the estimate or expectation.
- (2) If a *reporting issuer* discloses in writing an estimate of the fair value of a *property*, of a *prospect* or of *resources*
 - (a) in the case of an estimate of the fair value of a *property*, except as provided in paragraph (b), the estimate shall be based on the first applicable item listed below, and that item shall be described as the basis of the estimate in the document containing the disclosure or in a *supporting filing*:
 1. the acquisition cost to the issuer, provided that there have been no material changes in the *property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;
 2. recent sales of interests by others in the same *property*;
 3. terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *property*;
 4. terms and conditions, expressed in monetary terms, of recent work commitments related to the *property*;
 5. recent sales of similar *properties* in the same general area;

- (b) in the case of an estimate of fair value to which none of the items listed in paragraph (a) applies
 - (i) the estimate shall be prepared or accepted by a professional valuator, who is not a "related party" of the *reporting issuer* within the meaning of the term as used in the Handbook of the *CICA*, applying valuation standards established by the professional organization of which the valuator is a member and from which the valuator derives professional standing;
 - (ii) the estimate shall consist of at least a reasonable three-part range of values that reflect a range of likelihood (the low value being pessimistic, the middle value being most likely, and the high value being optimistic) reflecting the course of action reasonably expected to be followed by the *reporting issuer*;
 - (iii) the estimate, and the identities of the professional valuator and of the professional organization referred to in subparagraph (i), shall be set out in the document containing the disclosure or in a *supporting filing*; and
 - (iv) the *reporting issuer* shall obtain from the professional valuator referred to in subparagraph (i)
 - (A) a report on the estimate that does not contain
 - (I) a disclaimer that materially detracts from the usefulness of the estimate; or
 - (II) a statement that the report may not be relied on; and
 - (B) the professional valuator's written consent to the disclosure of the report by the *reporting issuer* to the public.

4.10 Net Asset Value and Net Asset Value per Share - Written disclosure of net asset value or net asset value per share shall include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

4.11 Reserve Replacement - Written disclosure concerning reserve replacement shall include an explanation of the method of calculation applied.

4.12 Netbacks - If written disclosure is made of a netback

- (a) the disclosure shall include separate netbacks for each *product type*, by country; and
- (b) the netbacks shall be calculated by subtracting royalties and operating costs from revenues.

4.13 BOEs and Mcfes - If written disclosure includes information expressed in *BOEs* or in *mcfes*

- (a) the information shall be presented
 - (i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (*6mcf:1 bbl*);
 - (ii) in the case of *mcfes*, using *mcfes* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (*1 bbl:6mcf*); and
 - (iii) with the conversion ratio stated;
- (b) if the information is also presented using *BOEs* or *mcfes* derived using a conversion ratio other than a ratio specified in paragraph (a), that other conversion ratio shall be stated; and
- (c) the disclosure shall include a statement to the effect that "*BOEs* [or "*Mcfes*"] are very approximate comparative measures that, in some cases, could mislead, particularly if used in isolation."

4.14 Finding and Development Costs - If written disclosure is made of finding and development costs

- (a) those costs shall be calculated using both of the following methods, in each case after eliminating the effects of acquisitions and dispositions:

1. Method 1 -
$$\frac{a + b + c}{x}$$

2. Method 1 -
$$\frac{a + b + d}{y}$$

- where
- a = *exploration costs* incurred in the most recent financial year
 - b = *development costs* incurred in the most recent financial year
 - c = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves*
 - d = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves* and *probable reserves*
 - x = additions to *proved reserves*, expressed in *BOEs*, during the most recent financial year
 - y = additions to *proved reserves* and *probable reserves*, expressed in *BOEs*, during the most recent financial year

- (b) the disclosure shall include
 - (i) the results of both methods of calculation under paragraph (a); and
 - (ii) comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years.

PART 5. ANNUAL FILING REQUIREMENTS

5.1 Reserves Data and Additional Oil and Gas Information - A reporting issuer shall, not later than the date on which it is required to file audited financial statements for its most recent financial year, file with the securities regulatory authority the following:

1. **Reserves Data and Other Information** - a statement of the reserves data and other information specified in Form 51-101F1, as at the last day of the reporting issuer's most recent financial year and for the financial year then ended;
2. **Report of Independent Qualified Evaluator** - a report on the reserves data set out in the statement referred to in paragraph (a) that is
 - (a) prepared in accordance with Form 51-101F2;
 - (b) contained in, or filed concurrently with, the document filed under item 1; and
 - (c) signed by one or more qualified evaluators each of whom is independent of the reporting issuer, who shall have
 - (i) evaluated or audited at least 75 percent of the estimated future net revenue (discounted using a discount rate of 10 percent) from proved plus probable reserves; and
 - (ii) reviewed the balance of such future net revenue;
3. **Management Report** - a report, prepared in accordance with Form 51-101F3, that
 - (a) refers to the information filed or to be filed under items 1 and 2;
 - (b) confirms the reporting issuer's responsibility for the content of the information filed or to be filed under item 1 and this item, and for the filing of the information filed or to be filed under items 1 and 2 and this item; and
 - (c) is contained in, or filed concurrently with, the document filed under item 1.

5.2 News Release to Announce Filing - A reporting issuer shall, concurrently with filing a statement and reports under section 5.1, disseminate a news release announcing that filing and indicating where a copy of the filed information can be found for viewing by electronic means.

5.3 Inclusion in Annual Information Form - The requirements of section 5.1 may be satisfied by including the information specified in section 5.1 in an annual information form filed within the time specified in section 5.1.

5.4 Reservation in Report of Independent Qualified Evaluator

- (1) If an independent qualified evaluator cannot report on reserves data without reservation, the report of the independent qualified evaluator prepared for the purpose of item 2 of section 5.1 shall set out the cause of the reservation and the effect, if known to the independent qualified evaluator, on the reserves data.

- (2) A report containing a *reservation*, the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 5.1.

PART 6. MATERIAL CHANGE⁴ DISCLOSURE

6.1 Material Change from Information Filed under Part 5

- (1) This Part applies in respect of a material change that, had it occurred on or before the *effective date* of information included in the document most recently filed by a *reporting issuer* under item 1 of section 5.1, would have resulted in a significant change in the information contained in the document.
- (2) Despite subsection (1), this Part does not apply in respect of a material change as it would affect an estimate derived using *constant prices and costs*.
- (3) In addition to any other requirement of *securities legislation* governing disclosure of a material change, disclosure of a material change referred to in subsection (1) shall
- (a) identify the document filed under Part 5 that contains the original information referred to in subsection (1); and
 - (b) discuss the *reporting issuer's* reasonable expectation of how the material change, had it occurred on or before the *effective date* referred to in subsection (1), would have affected the *reserves data* or other information contained in the document identified under paragraph (a).

PART 7. OTHER INFORMATION

- 7.1 Information to be Furnished on Request** - A *reporting issuer* shall, on the request of the *regulator*, deliver additional information with respect to the content of a document filed under this *Instrument*.

PART 8. EXEMPTIONS

8.1 Exemption

- (1) The *regulator* or the *securities regulatory authority* may grant an exemption from this *Instrument*, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario only the *regulator* may grant an exemption.

⁴

In this Part, "material change" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

PART 9. INSTRUMENT IN FORCE

9.1 Coming Into Force - This *Instrument* comes into force on [January 1, 2003].

9.2 Transition - Despite section 9.1, this *Instrument* does not apply to a *reporting issuer* unless

- (a) 140 days have elapsed from the end of its financial year that includes or ends on December 31, 2002; or
- (b) it has filed with the *securities regulatory authority*, for the purposes of section 5.1, the statement referred to in item 1 of section 5.1.

**APPENDIX
to
NATIONAL INSTRUMENT 51-101**

**STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES**

DEFINITIONS

In National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*:

- (a) *annual information form* means:
 - (i) a "current AIF", as defined in *NI 44-101*;
 - (ii) in the case of a *reporting issuer* that is eligible to file, for the purposes of Part 3 of *NI 44-101*, a current annual report on Form 10-K or Form 20-F under the 1934 Act, such a current annual report so filed; or
 - (iii) a document prepared in the form of Form 44-101F1 *AIF* and filed with the *securities regulatory authority* in the *jurisdiction* in accordance with *securities legislation* of the *jurisdiction* other than *NI 44-101*;
- (b) "BOEs" means barrels of *oil* equivalent;
- (c) "CICA" means The Canadian Institute of Chartered Accountants;
- (d) "*CICA Accounting Guideline 5*" means Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" included in the Handbook of the *CICA*, as amended from time to time;
- (e) "*effective date*", in respect of information, means the date as at which, or for the period ending on which, the information is prepared or provided;
- (f) "*FAS 19*" means *FASB* Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time;
- (g) "*FAS 69*" means *FASB* Statement of Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities -- an amendment of *FASB* Statements 19, 25, 33, and 39", as amended from time to time;
- (h) "*FASB*" means The United States Financial Accounting Standards Board;
- (i) "*FASB Standard*" means paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184 and .401 through .408 of the "Financial Accounting Standards Board Current Text Section OI5, Oil and Gas Producing Activities", as amended from time to time;
- (j) "*Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;

- (k) "Form 51-101F2" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Evaluator*;
- (l) "Form 51-101F3" means Form 51-101F3 *Report of Management on Oil and Gas Disclosure*;
- (m) "*independent*", in respect of the relationship between a *reporting issuer* and a *qualified evaluator*, means "independent" in accordance with *SPEE standards*;
- (n) "*mcfes*" means thousand cubic feet of *gas* equivalent;
- (o) "*NI 44-101*" means National Instrument 44-101 *Short Form Prospectus Distributions*;
- (p) "*preparation date*", in respect of written disclosure, means the most recent date of information considered in the preparation of the disclosure;
- (q) "*product type*" means one of the following four types of hydrocarbon product:
- (i) light and medium *crude oil* including *natural gas* liquids (combined);
 - (ii) *heavy oil*;
 - (iii) *synthetic oil*; or
 - (iv) *natural gas*;
- (r) "*proved oil and gas reserve quantities*" means "proved oil and gas reserve quantities" "proved oil and gas reserves" and "proved reserves" referred to in the *FASB Standard*;
- (s) "*qualified evaluator*" means an individual *evaluator* who:
- (i) in respect of estimates of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* or *audit* of the *reserves data* and related information; and
 - (ii) is a member in good standing of a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose profession is relevant for the applicable purpose under subparagraph (i) that:
 - (A) admits members primarily on the basis of their educational qualifications;
 - (B) requires its members to comply with the professional standards of competence and ethics established by the organization;
 - (C) has disciplinary powers, including the power to suspend or expel a member; and
 - (D) is either:
 - (l) given authority or recognition by statute in a Canadian jurisdiction;
 - or

- (II) accepted for this purpose by the *securities regulatory authority* or the *regulator*;
- (t) "*reserves data*" means a statement of estimates in respect of a *reporting issuer*, in total and by country, that has four components:
 - (i) *proved reserves* and *probable reserves*, each of which is a quantity estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*;
 - (ii) *proved oil and gas reserve quantities*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year;
 - (iii) *future net revenue* attributable to *proved reserves* and *probable reserves*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*; and
 - (iv) the *standardized measure*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year;
- (u) "*SPEE*" means the Canadian committee of The Society of Petroleum Evaluation Engineers;
- (v) "*SPEE Handbook*" means the "Canadian Oil and Gas Evaluator's Handbook" issued by the *SPEE*, as at [-----, 2002];
- (w) "*SPEE standards*" means the standards, procedures and terminology specified in the *SPEE Handbook*;
- (x) "*standardized measure*" means the "standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities" referred to in paragraph .180 of the *FASB Standard*;
- (y) "*supporting filing*", in respect of a *reporting issuer*, means a document filed by the *reporting issuer* with the *securities regulatory authority*, provided that events subsequent to its filing have not rendered the information contained in the document inaccurate or misleading.

FORM 51-101F1

**STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION**

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FORM 51-101F1

**STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION**

This is the form referred to in item 1 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

GENERAL INSTRUCTIONS

- (1) *Unless otherwise specified in this Form, information provided under item 1 of section 5.1 of **NI 51-101** shall be prepared as at the last day of the issuer's most recent financial year or for its financial year or financial years then ended.*
- (2) *Terms for which a meaning is given in **NI 51-101** have the same meaning in this Form¹.*
- (3) *It is not necessary to include the headings or numbering, or follow the ordering of items, in this Form.*
- (4) *To the extent that information is provided in response to any item of this Form, it need not be repeated.*
- (5) *To the extent that any item or any component of an item specified in this Form does not apply to an issuer and its activities and operations, or is not **material**, no reference need be made to that item or component. It is not necessary to state that such an item or component is "not applicable" or "not material". Materiality is discussed in **NI 51-101** and Companion Policy 51-101CP.*
- (6) *This Form sets out minimum requirements. With the exception of the disclosure of **reserves data** under Part 2, an issuer may provide additional information not required in this Form provided that it is not misleading and not inconsistent with the requirements of **NI 51-101** or with other information filed in accordance with **NI 51-101**, and that material information required to be provided is not omitted.*

PART 1. DATE OF STATEMENT

Item 1.1 Relevant Dates

1. Disclose the *effective date* of the information being provided.
2. Disclose the *preparation date* of the information being provided.

¹

For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this Form or in *NI 51-101, Form 51-101F2, 51-101F3* or the Companion Policy.

INSTRUCTIONS

- (1) For the purpose of Part 5 of **NI 51-101**, and consistent with the definition of **reserves data** and general instruction 1 of this Form, the date to be disclosed under section 1 of Item 1.1 is the last day of the issuer's most recent financial year. It is the date of the balance sheet for the issuer's most recent financial year (for example, as at December 31, 20xx) and the ending date of the issuer's most recent annual statement of income (for example, for the year ended December 31, 20xx).
- (2) The same **effective date** applies to **reserves, proved oil and gas reserve quantities, future net revenue** and the **standardized measure**. References to a change in an item of information, such as changes in production or the change in the **standardized measure**, mean changes in respect of that item during the year ended on the **effective date**.
- (3) The **preparation date** is, of necessity, a date subsequent to the **effective date** because it takes some time from the year-end date to actually prepare the information to be provided as at the year-end date.
- (4) Consider information resulting from events or transactions that occur after the **effective date** but before the **preparation date**, and consider whether additional disclosure is necessary, to ensure that the information provided as at the **effective date** will not be misleading. In some cases (for example, where a subsequent event results in the resolution of an uncertainty that existed at the **effective date**), this will require not simply disclosure of the effect of the subsequent event but rather, or also, an adjustment of the information disclosed as at the **effective date**.
- (5) If the issuer chooses to provide information as at a date more recent than the **effective date**, the date as at which that additional information is prepared must also be stated. The provision of such additional information does not relieve the issuer of the obligation to also provide information as at the **effective date**.

PART 2. RESERVES DATA

Item 2.1 Disclosure of Reserves Data

Disclose the reserves data, by country and in total.

INSTRUCTIONS

- (1) As defined in **NI 51-101**, **reserves data** have only four components, each of which is an aggregate estimate for the issuer:
 - (i) **proved reserves** and **probable reserves**, each of which is a quantity of **oil and gas** estimated as at the last day of the issuer's most recent financial year using **forecast prices and costs**, and which categories of **reserves** are to be disclosed separately in response to Item 2.1;
 - (ii) **proved oil and gas reserve quantities**, estimated as at the last day of the issuer's most recent financial year, using **constant prices and costs** as at the last day of that financial year;

- (iii) **future net revenue** attributable to **proved reserves** and **probable reserves**, estimated as at the last day of the issuer's most recent financial year using **forecast prices and costs** as at the last day of that financial year; and
 - (iv) the **standardized measure**, estimated as at the last day of the issuer's most recent financial year, using **constant prices and costs** as at the last day of that financial year.
- (2) **Possible reserves**, and **future net revenue** attributable to **possible reserves**, do not form part of **reserves data**.
 - (3) Part 3 applies to this Item 2.1.
 - (4) Notwithstanding General Instruction (3), the information specified in this Item 2.1 must be disclosed together even if a portion of that information is repeated elsewhere.

PART 3. ADDITIONAL REQUIREMENTS FOR DISCLOSING RESERVES DATA AND RELATED INFORMATION

Item 3.1 Disclosure of Reserves to Vary with Accounting

In determining *reserve* quantities to be disclosed:

- (a) Consolidated Financial Disclosure - if the issuer files consolidated financial statements:
 - (i) include 100 percent of *reserve* quantities attributable to the parent company and 100 percent of the *reserve* quantities attributable to its consolidated subsidiaries (whether or not wholly-owned); and
 - (ii) if a significant portion of *reserve* quantities referred to in subparagraph (i) is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of such *reserve* quantities attributable to the minority interest;
- (b) Proportionate Consolidation - if the issuer files financial statements in which investments are proportionately consolidated, the issuer's disclosed *reserve* quantities must include the issuer's proportionate share of the investees' *oil* and *gas reserves*; and
- (c) Equity Accounting - if the issuer files financial statements in which investments are accounted for by the equity method, do not include investees' *oil* and *gas reserve* quantities in disclosed *reserve* quantities of the issuer, but disclose the issuer's share of the investees' *oil* and *gas reserve* quantities separately.

Item 3.2 Disclosure of Future Net Revenue to Vary with Accounting

- 1. Consolidated Financial Disclosure - If the issuer files consolidated financial statements, and if a significant portion of the issuer's economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant

minority interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the minority interest.

2. Equity Accounting - If the issuer files financial statements in which investments are accounted for by the equity method, do not include the investees' *future net revenue* relating to *proved*, *probable* or *possible oil and gas reserves* in disclosed *future net revenue* of the issuer, but disclose the issuer's share of such *future net revenue* of investees separately, in the aggregate and by country.

PART 4. ADDITIONAL INFORMATION CONCERNING RESERVES DATA AND RELATED INFORMATION

Item 4.1 Additional Information Concerning *Proved Oil and Gas Reserve Quantities* and the *Standardized Measure*

Disclose the information specified in paragraphs .160 through .184 of the *FASB Standard*.

Item 4.2 Additional Information Concerning *Reserves*

1. Disclose the issuer's *reserves*, *gross* and *net*, estimated using *forecast prices and costs*, in total and by country, in the following categories:
 - (a) *proved developed producing reserves*;
 - (b) *proved developed non-producing reserves*;
 - (c) *proved undeveloped reserves*;
 - (d) *probable reserves*; and
 - (e) *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*).
2. For each of *proved reserves* (in total), *probable reserves*, and *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*), estimated using *forecast prices and costs*, provide the following additional information:
 - (a) the issuer's *gross* interest and *net* interest;
 - (b) the issuer's royalty interests; and
 - (c) a breakdown by *product type*.
3. For *proved undeveloped reserves*, provide the following additional information:
 - (a) disclose when the *proved undeveloped reserves* were first attributed, specifying, by *product type*, the amount of the *proved undeveloped reserves* first attributed in each of the most recent five financial years and the amount first attributed before that time; or

- (b) discuss generally the basis on which the issuer attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.

Item 4.3 Additional Information Concerning *Future Net Revenue*

Specify the issuer's *future net revenue* attributable to each of *proved reserves*, *probable reserves* and *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*) by country and in total, in each case:

- (a) separately identifying:
 - (i) estimated future revenues;
 - (ii) royalties;
 - (iii) *development costs*;
 - (iv) operating costs (abandonment and reclamation costs may be included in operating costs or disclosed separately); and
 - (v) *future income tax expenses*; and
- (b) specifying *future net revenue* estimated:
 - (i) without discount;
 - (ii) discounted at 10 percent; and
 - (iii) discounted at 15 percent.

Item 4.4 Constant Prices Used in Estimates

For each *product type*, disclose the prices, as at the last day of the issuer's most recent financial year, used in estimating *proved oil and gas reserve quantities* and the *standardized measure*.

Item 4.5 Forecast Prices Used in Estimates

1. For each *product type*, disclose:
 - (a) the forecast prices used in estimating *reserves* and *future net revenue* under Items 4.2 and 4.3:
 - (i) for each of the following five financial years; and
 - (ii) generally, for subsequent periods; and

- (b) the issuer's weighted average historical prices for the most recent financial year.
2. The forecast prices disclosed in response to section 1 shall be prices generally referenced for trading in that field, region or country.
 3. If the forecast prices specified in response to section 1 were provided by a *qualified evaluator independent* of the issuer, disclose that fact and identify the *qualified evaluator*.

INSTRUCTION

- (1) "Prices generally referenced for trading" may be obtained from sources such as public product trading exchanges or prices posted by purchasers, taking into account differentials (including transportation or marketing fees) from the referenced price location to the issuer's point of sale.
- (2) Under section 4.6 of **NI 51-101**, the issuer must obtain the **qualified evaluator's** written consent to disclose his or her identity in response to section 3 of Item 4.5 of this Form.

Item 4.6 Future Development Costs

1. Disclose the amount of *development costs*:
 - (a) deducted in the calculation of *future net revenue*, in total and by year for each of the first five years estimated; and
 - (b) included in the estimates of each of the categories of *reserves* disclosed in response to Item 2.1, by country, separately for each *product type*.
2. If the issuer believes that new funds from external sources would be necessary to pay for estimated future *development costs*, disclose:
 - (a) that fact;
 - (b) the issuer's estimated costs of obtaining the required funds (including costs of anticipated borrowing, farm-outs or similar arrangements); and
 - (c) if such estimated costs would likely make development uneconomic, the estimated effects on disclosed *reserves* and *future net revenue*, including, if applicable, the reclassification of disclosed *reserves* as *resources*.

INSTRUCTION

Disclosure in response to section 1 of Item 4.6, by **product type**, may require a reasonable allocation of costs.

Item 4.7 Future net revenue before abandonment and reclamation costs and future income tax expenses

Disclose the net present value of *future net revenue* before deducting abandonment and reclamation costs and *future income tax expenses*, estimated using a discount rate of 10 percent, separately by *product type*, for each of:

- (a) *proved reserves*;
- (b) *probable reserves*; and
- (c) *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*).

Item 4.8 **Changes in *Standardized Measure***

In addition to the requirements of Item 4.1, include in the disclosure of changes in the *standardized measure* under paragraph .183 of the *FASB Standard* the information referred to clause e. of that paragraph, separately for each of purchases and sales.

PART 5. **OTHER OIL AND GAS INFORMATION**

Provide information under Part 5 as at the *effective date*.

Item 5.1 ***Oil and gas properties and wells***

1. Identify and describe generally the issuer's important *properties*, plants, facilities and installations:
 - (a) identifying their location, by province, territory or state if in Canada or the United States and by country otherwise;
 - (b) indicating whether they are located onshore or offshore;
 - (c) in respect of *properties* to which *reserves*, disclosed under item 1 of section 5.1 of *NI 51-101*, have been attributed, if the *properties* are capable of producing but are not producing, disclosing generally how long they have been in that condition and discussing the general proximity of pipelines or other means of transportation; and
 - (d) describing generally any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.
2. State, separately for *oil wells* and *gas wells*, the number of the issuer's producing wells and non-producing wells, expressed in terms of both *gross wells* and *net wells*, by location (province, territory or state if in Canada or the United States and by country otherwise).

Item 5.2 ***Properties with no attributed reserves***

1. For all *properties* to which no *reserves* are attributed, disclose:
 - (a) the *gross acreage* in which the issuer has an interest;
 - (b) the interest of the issuer therein expressed in terms of net leaseable acreage;
 - (c) the location, by country; and

- (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.
2. Disclose, by country, the *net* area of *property* to which no *reserves* are attributed and for which the issuer expects its rights to explore, develop and exploit to expire within one year.

Item 5.3 Forward Contracts

1. If the issuer is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or be protected from the full effect of, future market prices for *oil*, *synthetic oil* or *gas*, describe the agreement, providing dates, time periods and summaries or ranges of volumes and contracted or reasonably estimated values.
2. Section 1 does not apply to:
- (a) agreements disclosed by the issuer as financial instruments in accordance with Section 3860 of the Handbook of the *CICA*; or
 - (b) agreements disclosed by the issuer as contractual obligations or commitments in accordance with Section 3280 of the Handbook of the *CICA*.
3. If the issuer's transportation obligations or commitments for future physical deliveries of *oil* or *gas* exceed the issuer's expected related future production from its *proved reserves*, estimated using *forecast prices and costs* and included as part of *reserves data*, disclose the amount of such excess, providing dates, time periods, volumes and reasonably estimated value.

Item 5.4 Abandonment and reclamation costs

In respect of abandonment and reclamation costs for surface *leases*, wells, facilities and pipelines, disclose:

- (a) how the issuer estimates such costs;
- (b) the number of *net* wells for which the issuer is to incur such costs;
- (c) the total amount of such costs expected to be incurred, undiscounted and discounted at 10 percent;
- (d) the extent to which such costs, expected to be incurred, have not been deducted in estimating the *reserves data* disclosed under Part 2; and
- (e) the amount of such costs that the issuer expects to pay in the next three financial years, in total.

Item 5.5 Tax Horizon

If the issuer is not required to pay income taxes for its most recently completed financial year, discuss its estimate of when income taxes may become payable.

Item 5.6 Exploration and Development Activities

1. Disclose, by country and separately for *exploratory wells* and *development wells*:
 - (a) the number of *gross wells* and *net wells*, completed in the issuer's most recent financial year; and
 - (b) for each category of wells disclosed under paragraph (a), the number completed as *oil wells*, *gas wells* and *service wells* and the number that were dry holes.
2. Describe generally the issuer's most important current and likely exploration and development activities, by country.

Item 5.7 Production Estimates

1. Disclose, by country and by *product type*, the volume of production estimated for the first year reflected in the estimate of *future net revenue* disclosed under Item 4.3.
2. If one *field* accounts for 20 percent or more of the estimated production disclosed under section 1, identify that *field* and disclose the volume of production estimated for the *field* for that year.

Item 5.8 Production History

1. To the extent not previously disclosed in interim financial statements filed by the issuer, disclose, for each quarter of its most recent financial year, by country:
 - (a) the issuer's share of average daily production volume, before deduction of royalties, by *product type*; and
 - (b) by *product type*, as an average per barrel, for *oil*, and as an average per thousand cubic feet, for *gas*:
 - (i) the product prices received;
 - (ii) royalties paid;
 - (iii) production (lifting) costs; and
 - (iv) the resulting netback.
2. For each important field, and in total, disclose the issuer's production volumes for the most recent financial year, by *product type*.

FORM 51-101F2

**REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED EVALUATOR**

This is the form referred to in item 2 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form¹.
2. The report on *reserves data* referred to in item 2 section 5.1 of *NI 51-101*, to be signed by a *qualified evaluator independent* of the issuer, shall in all material respects be as follows:

Report on Reserves Data

To the board of directors of [name of issuer] (the "Company"):

1. We have [audited] [evaluated] [and reviewed] the Company's Reserves Data as at [last day of the issuer's most recently completed financial year]. The Reserves Data are:
 - (a) (i) proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
 - (b) (i) proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and
 - (ii) the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.
2. The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our [audit] [evaluation] [and review].
3. We carried out our [audit] [evaluation] [and review] in accordance with standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers.
4. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the Reserves Data are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the Reserves Data are in accordance with principles and definitions established by the Canadian committee of The Society of Petroleum Evaluation Engineers.
5. The following sets forth the estimated proved plus probable future net revenue, estimated using forecast prices and costs, discounted at 10% included in the Reserves Data [audited] [evaluated] [and reviewed] for the year ended xxx xx, 20xx:

¹ For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F3* or the Companion Policy.

Independent Evaluator	Report Dated	Reserves Location (Country)	Audited	Evaluate d	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxx	\$xxx	\$xxx	\$xxx	\$xxx
Evaluator B	xxx xx, 20xx	xxx	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Totals			<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>

6. In our opinion, the Reserves Data [audited] [evaluated] by us have, in all material respects, been determined and are presented in accordance with the standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers.
7. We express no opinion on the Reserves Data reviewed.
8. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
9. Because the Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.

Signed as to our report referred to above:

Evaluator A, City, Province/State, Date _____ [signed]
 Evaluator B, City, Province/State, Date _____ [signed]

²

This amount should be the amount reported by the issuer as its total *future net revenue* attributable to *proved* and *probable reserves*, in the *reserves data* included in the statement filed under item 1 of section 5.1 of NI 51-101.

FORM 51-101F3

**REPORT OF MANAGEMENT
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form¹.
2. The report referred to in item 3 of section 5.1 of *NI 51-101* shall in all material respects be as follows:

Report on Reserves Data and Other Information:

Management of [name of 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. Such information includes Reserves Data, which are:

- (a)
 - (i) proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and
 - (ii) the related estimated future net revenue; and
- (b)
 - (i) proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and
 - (ii) the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.

An independent qualified evaluator has [audited] [or evaluated] [and reviewed] the Company's Reserves Data. The report of the independent qualified evaluator [is presented below / will be filed with the [name of securities regulatory authority] 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 evaluator, (b) met with the independent qualified evaluator to determine whether any restrictions affected the ability of the independent qualified evaluator to report without reservation [and, because of the proposal to change the independent qualified evaluator, inquired whether there had been disputes between the previous independent qualified evaluator and Management] , and (c) reviewed the Reserves Data with management and the independent qualified evaluator.

1

For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F2* or the Companion Policy.

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 the content and filing of the Reserves Data and other oil and gas information, the filing of the report of the independent qualified evaluator on the Reserves Data and the content and filing of this report.

Because the Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.

[signature, name and titles of chief executive officer]

[signature, name and titles of officer responsible for reserves disclosure]

[signature, name and title of a director/member of the reserves committee]

[signature, name and title of a director/member of the reserves committee]

[Date]