

Notice

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

Introduction

We, the Canadian Securities Administrators (CSA) are implementing amendments to *Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities* (the Regulation) and its companion policy (the Policy Statement).

The CSA adopted the Regulation and the Policy Statement in September 2003 and, in Québec, in 2005. The Regulation sets out the annual filing requirements for reporting issuers who are involved in oil and gas activities and the general disclosure standards for reporting issuers who are reporting on their oil and gas activities. The disclosure standards apply to any disclosure made by a reporting issuer throughout the year. The Policy Statement includes explanations, discussion, and examples on how the CSA will interpret and apply the Regulation.

The text of the amendments to the Regulation and a new version of the Policy Statement are published along with this notice.

The Regulation to amend the Regulation has been made, or is expected to be made, by each member of the CSA.

Provided all necessary ministerial approvals are obtained, the Regulation to amend the Regulation will come into force on **December 28, 2007**. The new version of the Policy Statement will come into effect at the same time as the Regulation to amend the Regulation.

In Québec, the Regulation is a regulation made under section 331.1 of the *Securities Act* (Québec) by the Autorité des marchés financiers (the Authority) and must be approved, with or without amendment, by the Minister of Finance. The Regulation will come into force on the date of its publication in the *Gazette officielle du Québec* or on a later date indicated in the Regulation. The Policy Statement will be adopted as a policy of the Authority and will take effect concomitantly with the Regulation. They must also be published in the Bulletin.

Substance and Purpose

The amendments to the Regulation fall into the following four broad categories:

1. Amendments to clarify some provisions of the Regulation.
2. Amendments to remove or amend certain requirements for the annual filing requirements where such requirements were determined to be burdensome for reporting issuers and of limited utility for investors and security holders.
3. Amendments to certain provisions to provide new guidelines for disclosure of resources that cannot currently be classified as reserves.
4. Amendments to streamline requirements in the Regulation.

Background

We published the proposed amendments for comment on January 19, 2007. The comment period ended in April 2007.

Summary of Written Comments Received by the CSA

During the comment period, we received submissions from 13 commenters. We have considered the comments received and thank all the commenters. Appendix A lists the names of the commenters and Appendix B summarizes their comments and our responses. The original comment letters are available on the Alberta Securities Commission website at www.albertasecurities.com.

After considering the comments, we have made changes to the amendments that we published for comment. However, as these changes are not material, we are not republishing the amendments for a further comment period.

Summary of Changes to Proposed Amendments

See appendix C for a summary of the changes made to the amendments as originally published.

We are also eliminating the following staff notices relating to the Regulation effective the implementation date of the amendments to the Regulation, as they are no longer necessary:

- CSA Staff Notice 51-313 *Frequently Asked Questions - Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*
- CSA Staff Notice 51-321 *Questions and answers concerning resources and possible reserves Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*
- CSA Staff Notice 51-317 *Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities Application of Canadian Oil and Gas Evaluation Handbook*
- National Policy Statement 22 - *Use of Information and Opinion Re Mining and Oil Properties by Registrants and Others*. (**Note:** National Policy Statement 22 has already been repealed in Québec)

We are also publishing CSA Staff Notice 51-324 *Glossary to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*. This staff notice replaces Appendix 1 to the Policy Statement.

Questions

Please refer your questions to any of the following:

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October 12, 2007

Appendix A

List of Commenters

	COMMENTER	NAME	DATE
1.	AJM Petroleum Consultants	Philip S. Kandel	January 25, 2007
2.	Vero Energy Inc.	Clinton T. Broughton	January 31, 2007
3.	Henry R. Lawrie	Henry R. Lawrie	February 12, 2007
4.	Norwest Corporation	Geoff Jordan	February 14, 2007
5.	SEPAC	Gary C. Leach	April 12, 2007
6.	Freehold Royalty Trust	William O. Ingram	April 17, 2007
7.	Reg Pitt	Reg Pitt	April 19, 2007
8.	Robinson Petroleum Consulting Ltd.	J. Glenn Robinson	April 19, 2007
9.	TSX Venture Exchange	Peter Varsanyi	April 29, 2007
10.	John Yu	John Yu	April 30, 2007
11.	Macleod Dixon LLP	Kevin E. Johnson	April 30, 2007
12.	Nexen Inc.	Ian McDonald	April 30, 2007
13.	The Canadian Advocacy Council of CFA Institute Canadian Societies.	Blair Carey/Robert Morgan	May 1, 2007

Appendix B

Draft Regulation to amend *Regulation 51-101 respecting Standards of Disclosure for Oil & Gas Activities*

Summary of Comments and CSA Responses

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
1.	General comment	One commenter agrees with the removal of the requirement to report reserves and future net revenue using constant prices and costs, the removal of the requirement to do a reconciliation of future net revenue, and the changing of the requirement to do reserves reconciliation using gross reserves instead of net reserves. The commenter believes this will significantly enhance the usefulness of disclosure to analysts and investors while reducing the burden on the reporting issuer.	We acknowledge the comment.
2.	General comment	One commenter representing several senior issuers with exemptions to report their oil and gas disclosure using US standards ("several senior issuers") states that they generally support the purposes of the proposed amendments and the underlying principle of improving the quality of disclosure. The exempt issuers are concerned with certain aspects of the resource amendments.	We acknowledge the comment. We discuss the comment concerning resource amendments below by reference to the specific comments raised by the commenter concerning the resource amendments.
3.	General comment	One commenter that represents small and medium oil and gas issuers states that it fully supports the proposed amendments.	We acknowledge the comment.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
4.	General comment	<p>One commenter representing a Canadian stock exchange states that overall it supports the proposed amendments. The amendments improve the clarity and meaning of various provisions and significantly enhance the Regulation, particularly in terms of guidance to issuers with resource estimates.</p> <p>However, the commenter contends that securities regulatory authorities may be missing an opportunity to enhance the capital markets by not including sufficient guidance for certain emerging oil and gas issuers, particularly those with material undeveloped properties for which there are no resource estimates.</p>	<p>We acknowledge the comment.</p> <p>There are requirements for the disclosure of unproved properties where the issuer voluntarily discloses anticipated results relating to the unproved properties. However, the existing and proposed legislation do not contain any requirements that are triggered by the disclosure of a material unproved property. For this reason there is no guidance focused on this topic.</p>
5.	General comment	<p>One commenter agrees with the broad objectives and principles of the CSA initiative to improve the disclosure of resources through the proposed additional disclosure requirements. However, the commenter opposes the removal of certain disclosure that is currently required in respect of resources (existing section 5.9).</p>	<p>We acknowledge the comment. We discuss the repeal and substitution of existing section 5.9 at greater length in item 25.</p>
6.	General comment	<p>One commenter states he has not encountered any use or reporting of possible reserves or resources beyond proved or probable reserves but that the more rigorous guidelines</p>	<p>We acknowledge the comment.</p>

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		appear to be of merit.	
7.	General comment	One commenter states that the increased conservativeness brought about by adoption of the COGE Handbook and the Regulation has contributed to a disconnect between asset values as derived from reserve reports, particularly from proved reserves, and asset values as determined by market acquisitions and dispositions.	The Regulation is intended to provide reasonable and reliable disclosure reflecting, among other things, certain components of the issuer's oil and gas assets. The disclosure prescribed by the rule does not purport to reflect market value and should not be so construed.
REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES			
8.	Section 1.1 -"analogous information"	One commenter states that the addition of this term to the rule is necessary.	We acknowledge the comment.
9.	Section 1.1 -"anticipated results"	One commenter thinks that "anticipated results" should refer to information that indicates the expected value or expected quantities of the resource instead of the potential value or quantities of the resource.	The term "expected value" or "expected quantity" has a specific and restricted meaning. Anticipated results would include the expected value or quantity. We do not propose to make a change to this definition because we would like the application of the term "anticipated results" to be more broad and inclusive.
10.	Section 1.1 – deletion of the definition of "constant prices and costs"	Four commenters agree with the repeal of the definition and the associated annual filing requirement concerning constant prices and costs. One of the commenters, representing small and medium oil and gas issuers, states that forecast prices more accurately reflect the implied value of reserves. Making the constant price disclosure voluntary will simplify the report and will not be	We acknowledge the comment.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		confusing for readers.	
11.	Section 1.1 - deletion of the definition of "constant prices and costs"	One commenter does not support the amendment to make constant prices and cost reporting optional. The commenter favours a modified constant price and cost disclosure based on using: 1) the average of the price received for the last quarter or year; 2) operating costs averaged over the past year; 3) capital costs encountered in the last quarter. This would provide a report that could be compared to financial statements. Forecast prices introduce another source of error.	We remain of the view that the disclosure of forecast prices and costs provides more valuable information and that this aspect of the proposed amendments will be maintained. Constant prices and costs are presently defined to be those in effect at year end. Industry feedback has indicated that this determination of constant prices and costs is of little value. While it enables comparison to US and domestic peers, it may be skewed given its determination on a fixed date. While a modified constant price and cost definition such as that proposed by the commenter may have merit, it would not facilitate comparability and would also require further policy analysis.
12.	Section 1.1 - deletion of the definition of "constant prices and costs"	One commenter does not support eliminating the requirement to disclose the constant prices and costs because: 1) without the constant case, it is difficult to compare issuers on a reasonably consistent and objective basis; 2) without the constant case, there is no baseline price making it difficult to judge the reasonableness and worthiness of the forecast price; 3) the Taskforce concluded that both constant and forecast cases should be presented; 4) the SEC requires constant cases to be disclosed; 5) constant cases are easily understood and not subject to inappropriate estimates; 6) the cost of developing the constant case is not material on a relative basis; and 7) there have been no complaints that the	1) Broad feedback persuades us that the mandatory use of the constant price and cost case is of little value and can be misleading and that this outweighs the value of facilitating comparisons based on arbitrary values; 2) we note that reporting issuers and evaluators take responsibility for their price estimates; mandatory disclosure of price forecasts assists investors in assessing the information disclosed; moreover, the year-end price may not be indicative of a reasonable price; 3) since the work of the Taskforce, we have had the benefit of seeing four years of reporting and hearing feedback from industry participants and users that support the

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		constant case is misleading but there have been complaints that the forecast price is misleading.	proposed change; 4) an issuer may optionally disclose constant prices and costs if it wishes to be compared to US peers; 5) use of a year-end price can yield an arbitrary and meaningless result; 6) the cost of developing the constant case was not material to the decision to eliminate it; and 7) there have been complaints that the constant case is misleading (for example, bitumen).
13.	Section 1.1 - "forecast prices and costs"	One commenter states that there is more inconsistency than there needs to be between evaluation firms with respect to forecast prices. It is suggested that the same prices be specified for all reserves evaluators at any point in time, with those prices based on the market strip.	As alluded to in item #12, we are satisfied that the responsibility of issuers and evaluators coupled with the disclosure of the price forecast used provides useful information to investors and it is not our present intention to mandate a specified forecast price.
14.	Section 1.1 - "qualified reserves evaluator" and "qualified reserves auditor" and section 4.2	One commenter states that the reference to reserves data and resources in the proposed amended definitions of a qualified reserves evaluator and auditor and in proposed section 4.2 should be changed to "reserves and resources data".	The term "reserves data" is a defined term in the rule and is a fundamental concept in the annual filing. The CSA does not believe it is advisable to change the definitions of qualified reserves evaluator or auditor unless these terms are changed in the COGE Handbook.
15.	Section 1.1 - "reserves"	One commenter suggests changing the definition of "reserves" to more specifically refer to "individual estimates of volumes of proved, probable or possible reserves or aggregated volumes of proved plus probable reserves or proved plus probable plus possible reserves".	The proposed amendment applies at the individual and aggregated levels and therefore we believe that the definition in its proposed form addresses the substance of the comment.
16.	Section 1.1 - "reserves data"	One commenter recommends further amending the definition of reserves data to mean estimates of proved	We do not propose to make a change to the proposed definition. While we agree with the comment in

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		<p>reserves and probable reserves and an aggregation of proved plus probable reserves and respective estimates of future net revenue for each category of reserves, estimated using forecast prices and costs.</p> <p>The commenter adds that estimates of possible reserves and aggregated proved plus probable plus possible reserves and related future net revenue may also be included. However, the commenter also appears to favour the inclusion of a statement indicating that the proved plus probable reserves estimates and related future net revenue represents the Company's best estimates of reserves to be recovered and future net revenue to be received from the sale of the proved plus probable reserves.</p>	<p>principle, we believe that the proposed amendment covers these categories and is more succinct.</p> <p>The disclosure of possible reserves is optional disclosure in Form 51-101F1 and not an integral part of reserves data, as it is defined and applied in the Regulation.</p>
17.	Section 2.2 - Notice to Announce Filing	One commenter, representing small and medium oil and gas issuers, disagrees with the proposed amendment which replaces the dissemination of a news release announcing the annual filing with the filing of a notice announcing the same. The commenter did not feel that this was a value added exercise given that the notice was filed on SEDAR like the report itself.	This amendment was initially proposed to facilitate the consistent and clear disclosure of the announcement. However, we agree with the comment and will maintain the existing provision permitting the dissemination of a news release, as this may be a more effective method of giving notice of the filed reports.
18.	Section 3.4 - Certain Responsibilities of Board of Directors	In response to the CSA's request for comment on the benefit of requiring the board of directors to appoint the independent qualified reserves evaluator or auditor, one commenter's response was not altogether clear. The commenter states that it does not believe there would be a material enhancement to investor protection by requiring	We remain of the view that investor interests are adequately addressed by the required participation of the board in the review of the appointment and the approval of the annual filings under the Regulation. The Regulation does not preclude the board from appointing the independent qualified reserves

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		<p>the board to make these appointments. The existing requirement that the board review the appointment is adequate.</p> <p>However, the commenter also states that to ensure greater independence, the board rather than management, should appoint the evaluator given that reserves represent significant assets for companies in the extractive industry.</p>	evaluator or auditor if in its judgement, this would be useful.
19.	Section 3.4 - Certain Responsibilities of Board of Directors	In response to the CSA's request for comment on the benefit of requiring the board of directors to appoint the independent qualified reserves evaluator or auditor, two commenters state that they do not perceive a need to make this change. One commenter states that there would be no material enhancement to investor protection and that the change would simply be one of formality not substance. Investor protection concerns are sufficiently addressed by the required participation of the board in the approval and execution of Form 51-101F3. The other commenter states that a change in current practice is not warranted. On the contrary, it is desirable to increase the separation and independence of the board of directors in reviewing and approving the work of the reserves evaluator.	We agree. No change will be made.
20.	Subparagraph 5.2(a)(v) -Cautionary language concerning possible reserves	One commenter urges that the cautionary language concerning possible reserves be expanded to include a statement that proved plus probable reserves and related future net revenue represent the issuer's best estimate of reserves to be recovered and the future net revenue to be	We do not propose to make the suggested change. The additional disclosure on proved plus probable reserves does not provide additional necessary or useful information on possible reserves.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		obtained.	
21.	Subparagraph 5.2(a)(v) -cautionary language concerning possible reserves	Two commenters state that the cautionary language is inconsistent with the COGE Handbook definition. One commenter states that the reference to percentage probability should be removed and replaced with the language in the COGE Handbook definition: "It is unlikely that the actual remaining quantities recovered will exceed the sum of proved + probable + possible reserves."	The definition quoted by the commenter refers to the lowest level [individual non-aggregated properties] at which reserves calculations are performed (see COGE Handbook, volume 1, section 5.4.1). However, reserves reported under the Regulation are Reported Reserves which are aggregated reserves (as referenced in the COGE Handbook) the criteria for which are numerical probabilities (see COGE Handbook, volume 1, section 5.4.3). We will amend the statement to remove the word "only". Although this does not duplicate the language in the COGE Handbook, it is consistent with the COGE Handbook and more understandable for investors.
22.	Section 5.3 - Reserves and Resources Classification	One commenter favours retaining the existing wording of section 5.3.	We believe that the amendment is warranted to ensure disclosure of resources is not misleading and more clear. The more specific resource categories convey more meaningful and accurate information to investors than the more general resource categories. For example, the general category of "discovered resources" covers everything from cumulative production to unrecoverable resources, thus the disclosure of "discovered resources" may convey very little information to investors that is not necessarily helpful in rendering investment decisions.
23.	Section 5.3 - Reserves and	Two commenters indicate that the SPE/WPC have	The proposed changes to the resource provisions are

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	Resources Classification	prepared new reserves and resources definitions that are similar to, but not exactly the same as, the definitions and categories in the COGE Handbook. One of the commenters notes that many senior issuers prefer the SPE/WPC definitions and the CSA should wait until these definitions are harmonized before making changes to resource disclosure.	not being deferred for the following reasons: <ul style="list-style-type: none"> • we have identified an immediate need to improve voluntary resource disclosure to ensure that the investment community is provided with meaningful and consistent information • we have endeavoured to accommodate this anticipated change by modifying the cautionary language in draft subparagraph 5.9(2)(c)(vi) to reference commercial viability (rather than economic viability and technical feasibility) of the resource based on the SPE/WPC use of the term “commercial”. We have also severed the glossary from the companion policy in a staff notice to accommodate a faster update of the resource definitions if the SPE/WPC definitions are adopted in the COGE Handbook.
24.	Section 5.3 - Reserves and Resources Classification	The commenter representing exempt senior issuers states that the issuers concur with the CSA’s objective of improving disclosure of resources to make the disclosure more meaningful for the investment community. However, the SPE/WPC standards are globally recognized and widely used. Issuers with assets outside Canada or which trade on a market outside Canada should have the ability to use the definitions and categories in either the COGE Handbook or those adopted by SPE/WPC.	We are of the view that the rule’s substantive principle that the disclosure of reserves and resources is to be done in accordance with the terminology and categories set out in the COGE Handbook, must be maintained. However, we have made the changes noted in item 23 in anticipation of the potential adoption of the SPE/WPC definitions in the COGE Handbook.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
25.	Repeal of existing section 5.9	<p>Two commenters oppose the repeal of existing section 5.9 which prescribes disclosure requirements concerning prospects if anticipated results from a prospect(s) is disclosed. One commenter specifically opposes the removal of the following two disclosure requirements:</p> <p>1. The removal of the disclosure of the expiry date of a leasehold interest in undeveloped property. The commenter states that this information can have a material impact on valuation and does not pose significant additional costs.</p> <p>2. The removal of the requirement to disclose reasonably expected marketing and transportation arrangements. The commenter favours retaining and amending the existing disclosure requirement to read “whether infrastructure currently exists in the region to transport the resource.”</p>	<p>With respect to the specific disclosures which the commenter wishes to retain, we do not propose to retain the disclosure requirements for the following reasons:</p> <p>1. If an issuer provides a valuation of the leasehold interest, it is required to disclose the basis of the calculation of its value pursuant to paragraph 5.9(1)(e). The proposed companion policy guidance states that the remaining term of the unproved property may be a relevant consideration in the determination of value. This would depend on the circumstances of the particular issuer. Also, Form 51-101F1 requires the issuer to disclose annually the net area for which exploration and development rights expire within one year (item 6.2(2)). Additionally if an issuer discloses a resource volume or related value, it is required pursuant to proposed subparagraph 5.9(2)(c)(iii) of the Regulation to disclose significant positive and negative factors relevant to the estimate, which could in certain circumstances necessitate a discussion of a leasehold expiry date. We will provide additional guidance in the companion policy to this effect. At the broader level of disclosure of anticipated results (subsection 5.9(1)), we do not believe that the specific disclosure of expiry dates is practical and meaningful, particularly where many leasehold interests are aggregated.</p>

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			2. We believe that the disclosure of infrastructure may be required when an issuer discloses a resource volume or associated value, pursuant to proposed subparagraph 5.9(2)(c)(iii) which requires the disclosure of significant positive and negative factors relevant to the estimate. We will provide additional guidance in the companion policy to this effect. Also, it may be prescribed pursuant to the requirement in proposed paragraph 5.9(2)(c) that an issuer disclosing a contingent resource volume must also disclose specific contingencies preventing the resource's classification as a reserve. At the present time, we do not wish to prescribe further requirements for infrastructure disclosure.
26.	Repeal of existing sections 5.9 and 5.10	One commenter, representing a Canadian stock exchange, opposes the elimination of existing sections 5.9 and 5.10. The elimination of these provisions will result in virtually no disclosure guidelines for issuers that have interests in material undeveloped properties with no resource estimates. The commenter believes that these provisions should be retained in some form and expanded to provide enhanced guidance to those issuers.	We retained certain elements of existing sections 5.9 and 5.10 in the proposed amendments while expanding the requirements where necessary. For example, certain information prescribed in existing section 5.9 (nature of interest in the resource, location of the resource, associated risks) has been retained in proposed subsection 5.9(1) and the provision has been expanded to address anticipated results not only from prospects, but also from resources excluding reserves. Issuers are not precluded from disclosing additional relevant information, which may or may not include items listed in existing section 5.9.

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			Similarly, the requirements of existing section 5.10 have been retained in a simpler and clearer form in proposed subsection 5.9(1)(e). Extensive additional guidance concerning this provision is provided in the companion policy.
27.	General comment on section 5.9 - Disclosure of Resources	One commenter, representing small and medium oil and gas issuers, accepts the proposed changes to the disclosure of estimates of resource volumes or values.	We acknowledge the comment.
28.	General comment on section 5.9 - Disclosure of Resources	One commenter states that, while resource estimates are of interest to investors and analysts in a comparative context regarding future opportunity sets, these estimates are typically not considered material because of their inherent risk and uncertainty. They are not risked the way reserves are.	Resource estimate disclosure is increasingly common and it provides significant information to the investment community about the issuer's opportunities and potential value. It may be the only asset or a major asset of an issuer. The concepts of materiality and risk are distinct. The fact that a resource estimate is less certain or more risky than a reserves estimate does not make it less material from an investor's perspective.
29.	General comment on section 5.9 - Disclosure of Resources	One commenter states that the resource amendments are problematic for the following reasons: a. The resource amendments attempt to reflect the technical rigor and risk factor disclosure used in the mining rule (Regulation 43-101) despite the differences between the two industries. b. The resource amendments could impair the competitiveness of issuers in an international context whose joint venture partners would not be subject to similar disclosure requirements. They could also affect	a. The CSA appreciate the differences between the oil and gas industry and the mining industry and the resource amendments (undefined but which we infer to be proposed sections 5.3 and 5.9) do not endeavour to draw on any disclosure requirements in the mining rule, but are rather motivated by staff and user experience. b. If the issuer's partner is opposed to the additional disclosure requirements triggered by the issuer's voluntary disclosure of resource results, the issuer

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		<p>confidentiality for the issuer.</p> <p>c. The general disclaimer in proposed paragraph 5.9(2)(vi) undermines the intentions of requiring a qualified reserves evaluator to have prepared the resource estimate and indicates the limitations to the perception of additional rigor to resource disclosure estimates. Also, use of the term “no certainty” is inconsistent with the inherent definitional contingencies estimation of either discovering or developing the resources.</p> <p>d. The issuer prefers the US disclosure system, which only permits reserves, not resource, disclosure in SEC filings but permits prospect and other resource disclosure in press releases, provided cautionary language is disclosed.</p> <p>e. The issuer is a 10-K filer and will be required to disclose in its 10-K the resource information prescribed in subsections 5.9(1) and (2), which is not permitted under SEC law. The issuer is caught between two regimes because the US regime prohibits resource filings while the Canadian regime mandates it.</p> <p>f. For issuers with multiple resource opportunities, the information in section 5.9 is burdensome. It is also impractical as there is often 10 or more prospects underlying the anticipated result.</p>	<p>has the option not to disclose the resource results. There are no mandatory disclosure requirements for resources. It is unclear how the resource amendments would affect confidentiality for the issuer as the issuer has discretion not to disclose information concerning resources. The issuer may also avail itself of the opportunity to file a confidential material change report where appropriate. See also item 31.</p> <p>c. The language referred to is not a disclaimer but rather cautionary language designed to give investors straightforward understandable information relating to the risks and uncertainties associated with the resource.</p> <p>d. Canadian and US reporting requirements share similarities in some regards. However, the CSA has determined a need to further regulate the voluntary disclosure of resources in order to ensure that a more balanced and informative picture is provided to investors.</p> <p>e. The Regulation does not mandate resource disclosure. Section 5.9 only prescribes additional disclosure concerning a resource if the issuer voluntarily discloses results concerning its resource. Section 5.9 would not be triggered if the issuer does not disclose resource information, which should be consistent with the 10-K requirements as described by the commenter.</p>

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			f. The additional disclosure prescribed in subsection 5.9(1) is significantly shorter than what is presently required for the disclosure of prospects. The CSA reduced the requirements to those factors viewed as essential for the investor to know in connection with the anticipated result. If there are numerous prospects underlying the anticipated result, the issuer may summarize the prescribed information. See also item 34.
30.	General comment on section 5.9 - Disclosure of Resources	<p>One commenter states that the sophistication and internal controls of senior issuers should be recognized, such that only the following disclosure should be required, in lieu of the information prescribed by proposed subsections 5.9(1) and (2):</p> <ul style="list-style-type: none"> • a description of the issuer's resource estimation processes, and • uncertainties associated with certain types of disclosure, such as is required for reserves disclosure. 	We do not propose to make the suggested change. A description of the issuer's resource estimation processes may not be readily understood or helpful information to an investor. Rather, investors should be advised of the simplified list of information concerning anticipated results of a resource set out in subsection 5.9(1), which includes the disclosure of uncertainty recommended by the commenter. Alternatively, if actual volumes or associated values of a resource are disclosed, the issuer should provide additional information and proper cautions concerning the type of resource, as set out in subsection 5.9(2)
31.	General comment on section 5.9 - Disclosure of Resources	One commenter representing exempt senior issuers states that proposed section 5.9 may result in issuers being required to publicly disclose proprietary and competitively sensitive information. Protection of proprietary information such as success rate of exploration in a new area, certainty of recovery of the	The proposed amendment calls for the provision of certain basic and balanced information about the resource when anticipated results or volumes of the resource are voluntarily disclosed by the issuer. We are not persuaded that this requirement is unduly onerous. We do not agree that basic information

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		resource associated with a new technology or technique and the probability of commerciality must be preserved. Proposed section 5.9 should be revised to allow for omitting certain information if the disclosure would be prejudicial to the issuer's interests, in a manner comparable to s.12.2 of Regulation 51-102 regarding the filing of material contracts.	relating to the resource, such as its general location and the product types expected from the resource, should be omitted from disclosure to the investing public. With respect to the disclosure of the risk associated with the resource, we are of the view that basic information concerning the associated recovery risk is essential in order to provide investors with a fair and balanced picture concerning these resources. However, we are prepared to eliminate the requirement set out in proposed subparagraph 5.9(2)(c)(iv) as we are persuaded at this time that the other requirements of section 5.9 sufficiently convey necessary information associated with the resource to investors - please refer to the comments on this provision for further elaboration. With respect to s. 12.2 of Regulation 51-102, this provision applies to a mandatory disclosure requirement whereas section 5.9 of the Regulation is only triggered if an issuer voluntarily discloses anticipated results from its resources.
32.	General comment on section 5.9 - Disclosure of Resources	One commenter expresses doubt concerning the disclosure of resources given the high level of uncertainty associated with possible reserves.	We disagree with the comment. There is an accepted regime to classify resources and our goal is to ensure that the voluntary disclosure of resource information is consistent and transparent.
33.	Subsection 5.9(1) - anticipated results from resources	One commenter recommends changing the term "anticipated results" to "expected results".	The term "expected results" has a specific and restricted meaning. We do not propose to make a change to this definition because we would like the

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			application of the term “anticipated results” to be more broad and inclusive.
34.	Subsection 5.9(1) - anticipated results from resources	<p>The commenter representing several senior issuers states that if an issuer with many prospect areas wishes to disclose an aggregate resource number for its global operations, the disclosure requirements in proposed subsection 5.9(1) would likely require a supporting filing including a list of all the properties, their location and the product types reasonably expected from each.</p> <p>The commenter argues that this disclosure would be impractical and of little value to the investors. Compliance with paragraph 5.9(1)(d) (risk and level of uncertainty associated with recovery of the resources) and subparagraph 5.9(2)(c)(iii) (significant positive and negative factors) is not clear, i.e. would it apply to each individual property or to the aggregate estimate. The commenter recommends that a materiality qualifier be inserted which makes it clear that the specific items of disclosure need not be provided if it is not significant to the understanding of the estimate.</p>	<p>If an aggregate estimate for numerous properties is disclosed, the issuer may, depending on the circumstances, satisfy the requirements of proposed subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The issuer must ensure that its disclosure is reasonable and at a level appropriate to its size. However, the issuer must ensure compliance with the categorization requirement in paragraph 5.9(2)(b). The intention of the amendment in subsection 5.9(1) is to simplify the existing requirements for prospect and other resource disclosure, while ensuring that investors are still provided with certain basic essential information. Similarly the requirements of paragraph 5.9(1)(d) and subparagraph 5.9(2)(c)(iii) may relate to the aggregate estimate concerning numerous properties, unless discussion of specific material prospects or other resources would be warranted. It would be important for an investor to be advised of the risks associated with the resource result disclosed pursuant to paragraph 5.9(1)(d). With respect to subparagraph 5.9(2)(c)(iii), it is in the issuer’s discretion to determine if there are in fact any significant positive and negative factors relating to the resource estimate. For this reason, we</p>

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			do not believe a materiality qualifier is warranted.
35.	Paragraph 5.9(1)(d) - anticipated results from resources	One commenter recommends removing the requirement to disclose risks since the concept of risk conflicts with uncertainty.	The terms risk and uncertainty are not contradictory (see the COGE Handbook, volume 1, section 9.2.2). For example, the concept of risk would be appropriate to express the likelihood that an exploration well would be successful or not, and the concept of uncertainty to capture the possible range of results of a successful well. We will provide additional guidance in the companion policy to this effect.
36.	Paragraph 5.9(1)(e) - value of an unproved property	One commenter recommends replacing the term "unproved property" with "resource".	Proposed paragraph 5.9(1)(e) addresses value estimates of unproved property or undeveloped lands that are generally lease values. This paragraph is not intended to address values associated with resource volume estimates made by qualified reserves evaluators or auditors in subsection 5.9(2). There is a discussion of this distinction in the companion policy. We do not propose to make the suggested change.
37.	Subsection 5.9(2) - disclosure of a resource quantity or associated value	One commenter states that "estimated value" should be changed to "estimated expected value" and "estimated quantity" to "estimated expected quantity".	The terms "estimated expected value" and "estimated expected quantity" have a specific and restricted meaning. The desired disclosure is not limited to those restrictive meanings. We do not propose to make the suggested change.
38.	Paragraph 5.9(2)(a) - resource estimate prepared by a qualified reserves evaluator or auditor	One commenter believes it is reasonable to have resource estimates prepared by a qualified individual, being a person with 5 years of relevant experience.	We will not make the suggested change. It is not clear from the comment which individuals, other than a qualified reserves evaluator or auditor, should

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			be permitted to carry out a resource estimate. We believe that any estimate of a resource volume or associated value must be prepared by an individual who satisfies the requirements of a qualified reserves evaluator or auditor.
39.	Subparagraphs 5.9(2)(c)(i) and (vi) - requirements relating to disclosure of resource quantity or associated value	The commenter representing exempt senior issuers states that the disclosure of the definition of the resource category and the associated cautionary language in the proposed amendments effectively convey the probability of success associated with the resources.	We acknowledge the comment.
40.	Subparagraph 5.9(2)(c)(iii) - requirement relating to disclosure of resource quantity or associated value	One commenter believes that the prescribed disclosure of “significant positive and negative factors” should be changed to “levels of uncertainty”.	The term significant positive and negative factors does not refer to disclosure of uncertainty but rather to a discussion of legal, business, infrastructure, capital or other factors highly relevant to the estimate. Please refer to the companion policy for guidance.
41.	Subparagraph 5.9(2)(c)(iv) - requirement relating to disclosure of resource quantity or associated value	Two commenters do not support the addition of the requirement to disclose an estimated percentage probability of discovery or commercial extraction, depending on the type of resource. One of the commenters stated that there is no accepted industry standard for determining such estimated percentage probabilities. The other commenter stated that there is no clear methodology to use for risked estimates for an issuer’s global resources on an aggregated basis. The latter commenter also states that the disclosure of the definition of the resource category and the associated	There are many components for the evaluation process for which there is no accepted industry standard. We acknowledge that there is no accepted industry standard for estimating percentage probabilities, but there is extensive technical literature that provides guidance. However, we will remove this requirement as we accept that the disclosure prescribed by proposed subparagraphs 5.9(2)(c)(i) and (vi) as noted by the commenter as well as the other requirements of section 5.9 sufficiently convey the level of uncertainty.

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		<p>cautionary language (proposed subparagraphs 5.9(2)(c)(i) and (vi)) effectively convey the probability of success associated with the resources.</p> <p>The two commenters also state that it would provide an enhanced level of assurance to investors that is not achievable, given the inherent uncertainties of resource estimates.</p>	
42.	Clauses 5.9(2)(c)(iv)(A) and (B) and 5.9(2)(c) (vi)(A) and (B)	One commenter states that the references to subcategories should be removed in these provisions.	We do not propose to make the suggested change. Pursuant to section 5.3, issuers must classify resources in their most specific categories. We wish to ensure that the prescribed disclosure is provided when a resource is disclosed in one of the subcategories.
43.	Section 5.13 - Netbacks	One commenter believes that netbacks for each major product type of each production group should be required.	We do not propose to make the suggested change. It is difficult to break out netbacks by product type because an issuer commonly gets more than one product type from a well. We made this change to make the requirements less onerous. An issuer is not precluded from disclosing netbacks by product type, if it so chooses.
44.	Section 5.13 - Netbacks	One commenter wishes to replace the “netbacks” disclosure regulated in section 5.13 with a disclosure favoured by the commenter called “distribution of gross revenues”.	While this suggestion may have merit, it would require further review and public comment and is beyond the scope of the current amendments. We are of the view that netbacks are readily understood and widely used by industry and believe that it is more important to regulate the disclosure in its

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			current format at this time and we will therefore not make this change.
FORMS 51-101 F1 STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION			
45.	General comments	One commenter supports the reduction of disclosure required in the existing Form 51-101F1.	We acknowledge the comment.
46.	Repeal of existing item 2.1 - Reserves Data (Constant Prices and Costs)	<p>Four commenters support the removal of mandatory reserves data disclosure using constant prices and costs. One of the commenters, representing small and medium oil and gas issuers, states that forecast prices more accurately reflect the implied value of reserves. Making the constant price disclosure voluntary will simplify the report and will not be confusing for readers.</p> <p>One commenter states that constant prices and costs set as the effective date of a reserves evaluation can create a misleading representation of economic value. This is particularly relevant for heavy oil and bitumen that tend to be priced significantly below full year averages at year-end. However, one potential issue of this change is that the comparability of Canadian issuers or the comparability of those issuers to US peers may be affected.</p> <p>One commenter notes that the requirement to disclose both constant and forecast prices and costs in the same document creates conflicting disclosure.</p>	We acknowledge the comment. Regarding the issue of comparability, we note that issuers are not precluded from using the disclosure of constant prices and costs.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
47.	Optional disclosure of possible reserves in paragraph 1(g) of Item 2.1	One commenter suggests eliminating the disclosure of possible reserves because the U.S. does not permit the disclosure of probable reserves.	Possible reserves is an internationally recognized category of reserves. Our position is that proper disclosure of possible reserves should be permitted.
48.	Unit value disclosure in section 2 of Item 2.1	One commenter recommends that the proposed unit value disclosure in section 2 of Item 2.1 be moved to and amalgamated with paragraph 3(c) of Item 2.1. A sample chart should also be provided.	The instruction in section 2 of Item 2.1 allows for this. There is also a sample chart illustrating this which is provided with other sample charts in the companion policy.
49.	Unit value disclosure in section 2 of Item 2.1	One commenter believes the proposed additional requirement to disclose net present value of future net revenue on a unit basis may have some limited value and does not add a significant burden to the reporting issuer. The commenter believes that calculating unit values based on net rather than gross reserves is inconsistent with investment analyst's and investor's common usage. If this requirement is retained, it should be based on gross reserves similar to the change to gross reserves in conducting reconciliations.	We do not propose to make the suggested change. The future net revenue calculation takes into account royalties payable so we believe that it is more appropriate to use net reserves in the unit value calculation. It is consistent with the requirement to report NPV of the future net revenue.
50.	Reporting of gross reserves in Item 2.1	One commenter states a return to the use of Company Interest reserves as the primary reporting number, or at least a clear identification of royalty reserves, should be adopted, with the use of Company Gross reserves relegated to secondary reporting.	At this time, issuers are required to disclose their company interest reserves although the terminology utilized in the Regulation and the associated forms is different. We acknowledge the comment but the terminology of the Regulation has been in use since implementation and we will not make this change at this time.
51.	Reporting of developed producing reserves in Item 2.1	One commenter recommends that proved plus probable developed producing reserves be referred to in reserve	We acknowledge the merit of the comment however a change of this type would require extensive

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		reports and disclosure.	industry consultation and is beyond the scope of the current amendments.
52.	Use of gross reserves in the reserves reconciliation in section 1 of Item 4.1	<p>Two commenters state that reserves reconciliations should be done on a net reserves, not gross reserves, basis. Otherwise, issuers with primarily royalty interests would be disadvantaged. Net reserves are the only volumes that reflect reserves owned by the issuer.</p> <p>One commenter representing one of the largest holders of royalty lands in Western Canada does not support this change and wants to be permitted to quote working interest reserves plus royalty interests received as their gross number. The commenter believes the proposed amendment will be seriously misleading and put it at a distinct disadvantage relative to its peers because: (i) a reconciliation of gross reserves will show only a small part of its oil and gas assets and would not contain any royalty information. Its unique structure will not lend itself to a direct comparison; and (ii) it would need to perform a reconciliation of net reserves which, when compared to other issuers' gross reconciliation could be misleading by understating its numbers.</p>	<p>We do not propose to make the suggested change. It is our understanding that the reserves reconciliation prepared on a gross reserves basis is more helpful in revealing performance and acquisition activity. Reporting issuers are also required to disclose net reserves elsewhere in their annual filing.</p> <p>It is the issuer's responsibility to communicate to investors the distinctive nature of their business. Form 51-101F1 does not prohibit optional additional disclosure of the reconciliation on a net reserves basis. However, to accommodate those issuers with significant royalty interests, brief guidance will be added to the companion policy clarifying that disclosure of the reserves reconciliation on a net reserves basis is permissible.</p>
53.	Use of gross reserves in the reserves reconciliation in section 1 of Item	Four commenters support the use of gross reserves in the reserves reconciliation. One commenter, representing	We acknowledge the comments.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
	4.1	<p>small and medium oil and gas issuers, strongly supports the use of gross reserves in the reserves reconciliation since it ties directly to financial disclosure of production which is reported on a gross basis before royalties. The reconciliation on a net basis is confusing and adds little value to end users.</p> <p>The second commenter states that the requirement to do a reserves reconciliation using net reserves does not provide significant additional material information.</p> <p>The third commenter notes that investment analysts' reports use gross reserves based on forecast prices and costs to compare oil and gas companies.</p>	
54.	Paragraph 2(b) of Item 4.1 - breakdown of products in reserves reconciliation	One commenter states that synthetic oil should be added.	Synthetic oil is already included in the existing paragraph on products.
55.	Categories of the reserves reconciliation in paragraph 2(c) of Item 4.1	One commenter states that the categories of extensions and improved recovery should not be merged. Rather, the category of "improved recovery" should be retained and "infill drilling" should be added to it.	We do not propose to make the suggested change as we would like to streamline and simplify the disclosure requirements where possible. However, we will add an instruction clarifying that in-fill drilling should be included in the category of extensions and improved recovery or disclosed in a separate category. A comment to this effect on in-fill drilling is also noted in the draft companion policy.
56.	Categories of the reserves	One commenter, representing small and medium oil and	We do not propose to make the suggested changes.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
	reconciliation in paragraph 2(c) of Item 4.1	<p>gas issuers, states that the reconciliation categories should be further simplified by adding discoveries to extensions and improved recovery as the distinction may not matter or the issuer may be unable to determine if there is a new discovery versus an extension.</p> <p>Also the commenter states that the categories of technical revisions and revisions due to economic factors should be merged since the distinction is not important.</p>	The classes of extension and a discovery are based on standard industry usage that has been in use for many years. Economic and technical revisions are the result of fundamentally different factors, and we believe the distinction to be important.
57.	Repeal of existing item 4.2 - the Future Net Revenue Reconciliation	<p>Two commenters support the repeal of the existing future net revenue reconciliation. One of the commenters, representing small and medium oil and gas issuers, supports the repeal of the future net revenue reconciliation on the basis that it is extremely complicated (leading to inconsistencies) and time consuming with limited value.</p> <p>The other commenter states that the future net revenue reconciliation does not provide significant additional material information.</p>	We acknowledge the comment.
58.	Repeal of existing item 4.2 - the Future Net Revenue Reconciliation	<p>Two commenters do not support the repeal of the future net revenue reconciliation. One commenter states that the calculation should be modified (to, inter alia, reduce categories) and that it provides a lot of critical information, if done correctly.</p> <p>The other commenter supports retaining the requirement to disclose the reconciliation of changes in reported future</p>	We have received feedback that the future net revenue reconciliation is complex and confusing and provides a great burden of work and cost. It is of limited value as it is highly theoretical and not widely used. Staff experience is that it is improperly prepared and inaccurate. For these reasons, we will not make the suggested change.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		net revenue because: 1) without the reconciliation, the reasons for changes are difficult to identify and quantify and these reasons are important to investors; 2) without the reconciliation, it is difficult to compare issuers on a reasonably, consistent and objective basis; 3) the Taskforce concluded that reconciliation should be required; 4) the SEC requires reconciliation; 5) the cost of preparing the reconciliation is not material on a relative basis; and 6) the reconciliation is useful to investors and not misleading.	
59.	Item 5.1 - Undeveloped Reserves	One commenter does not support the amendment to reduce the PUD history from 5 years to 3 years, as it may take up to 5 years to develop the PUDs.	We do not propose to make the suggested change. This item was amended to require disclosure of both historic and future-oriented information concerning the PUDs and we believe that the future-oriented disclosure in item 5.1 will help to illuminate the development or lack of development of the PUDs.
60.	Future development costs in clause 1(b)(i) of item 5.3	One commenter is opposed to eliminating the requirement to disclose the future development costs at a discounted rate as this represented the time value of money.	We do not propose to make the suggested change as we do not believe this level of detail is required.
61.	Item 6.2 - Properties with No Attributed Reserves	One commenter, representing a Canadian stock exchange, states that item 6.2 should be amended to include, at a minimum, the expanded disclosure in existing section 5.9 of the Regulation. The existing item 6.2 does not provide sufficient guidance for issuers with material undeveloped properties without reserves estimates.	It would not be advisable to expand the mandatory disclosure requirements on resources in item 6.2 to include the information prescribed by existing section 5.9 since the latter information is not mandatory. It only has to be disclosed if the issuer voluntarily discloses anticipated results about its prospects.
62.	Production estimates in section 1 of	One commenter does not support the proposed change to	The issue with the existing requirement is that it

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
	item 6.8	disclose production estimates based on volumes reflected in the estimates of gross proved and probable reserves. He favors using net reserves.	references future net revenue which could be based on proved or proved and probable reserves. The change was intended to make more clear the basis for the production estimate. The change was also made to provide consistency with item 6.9 which requires disclosure of production estimates based on gross reserves such that production estimates could be compared with production history over time.
63.	Netback disclosure in item 6.9	One commenter states that he would prefer not to use netbacks or BOE disclosure and favours using distribution of gross revenue disclosure.	Please refer to the CSA response regarding section 5.13 of the Regulation.

FORM 51-101 F2 REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

64.	Additional language concerning variations	One commenter supports the proposed additional language.	We acknowledge the comment.
65.	Additional language concerning variations	Two commenters do not support the proposed additional language stating that, while revisions will generally be upwards, there will be exceptions. Revisions need to be examined on average, over time, not case by case. The commenter representing several senior issuers believes that the qualifier is inaccurate. It focuses on technical revisions and disregards variations due to other factors. Substantially more expansive language would be required to correct the qualifier and such a qualifier may not be meaningful to investors.	The additional language is intended to elaborate on the disclaiming statement that variations from the reserve data estimates may be material. The CSA is of the view that the additional language is important to ensure that reserves data estimates are made responsibly and in compliance with COGE Handbook standards, which categorize reserves according to their probability of recovery. While the additional language primarily addresses technical revisions, it does not preclude legitimate variations arising from economic factors, unforeseen factors or

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			subsequent events. Variations from estimates may result from a number of factors and must be assessed within the appropriate context for a reporting issuer. Some of the factors that could result in variations would clearly not be within the control of an evaluator or a reporting issuer. Additional guidance is provided in the companion policy.
FROM 51-101 F3 REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE			
66.	Additional language concerning variations	One commenter supports this amendment.	We acknowledge the comment.
67.	Additional language concerning variations	The commenter representing several senior issuers believes that the qualifier is inaccurate. It focuses on technical revisions and disregards variations due to other factors. Revisions need to be examined on average, over time, not case by case. Substantially more expansive language would be required to correct the qualifier and such a qualifier may not be meaningful to investors.	The additional language is intended to elaborate on the disclaiming statement that variations from the reserve data estimates may be material. The CSA is of the view that the additional language is important to ensure that reserves data estimates are made responsibly and in compliance with COGE Handbook standards, which categorize reserves according to their probability of recovery. While the additional language primarily addresses technical revisions, it does not preclude legitimate variations arising from economic factors, unforeseen factors or subsequent events. Variations from estimates may result from a number of factors and must be assessed within the appropriate context for a reporting issuer. Some of the factors that could result in variations would clearly not be within the control of an evaluator or a reporting issuer. Additional guidance

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
			is provided in the companion policy.
POLICY STATEMENT TO REGULATION 51-101 RESPECTING STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES			
68.	General comments	One commenter notes that the proposed companion policy is a marked improvement over the existing companion policy and provides greater clarity and improved guidance for issuers with resource estimates. However, it provides little, if any, guidance to issuers with material properties that do not have attributed resource estimates. More guidance should be added.	At the present time, the rule does not mandate the disclosure of resources, excluding reserves. Such resources would include material properties with no attributed resource estimates. Disclosure requirements are only triggered if the issuer voluntarily discloses anticipated results concerning its resources. For example, if an issuer discloses a lease value on a material unproved property, the issuer must comply with the requirements of proposed subsection 5.9(1) and there is extensive guidance in the draft companion policy on this type of disclosure. At this time, the CSA is not prepared to mandate disclosure of resources. Thus, the guidance is restricted to the prescribed disclosure requirements of resources which arise when their anticipated results are disclosed.
69.	General comments	One commenter states that it would be beneficial to provide more detailed guidance regarding the estimation of future income tax expenses, or alternatively, to disclose the amount of income tax paid in previous years.	The Regulation is not designed to provide detailed guidance on evaluation practices, including after-tax evaluation. Evaluation engineers should consult the appropriate experts to obtain advice and direction.
70.	Subsection 1.1(2) - forecast prices and costs	One commenter states that independent qualified reserves evaluators or auditors do not have sufficient expertise to determine forecast prices. An issuer should be able to	The definition of forecast prices and costs incorporates a test that the future prices represent a reasonable outlook of the future. This does not

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		reference price estimates by other parties recognized as reasonable authorities, such as PIRA or CERA.	preclude reliance on an estimate by PIRA or CERA, provided that the qualified reserves evaluator or auditor supplying the report accepts that future price as being a reasonable outlook of the future. It is the qualified reserves evaluator's or auditor's responsibility to evaluate the reserves and associated future net revenue, and as such, they must accept the forecast price estimates utilized. We will provide additional guidance in the companion policy.
71.	Subsection 1.1(4) - non-conventional activities	One commenter notes that the examples of products from non-conventional activities do not include references to shale gas, shale oil and hydrates.	While these are referenced in the definition of product types, we agree that there is merit in referencing them in the guidance. We will make the change.
72.	Section 1.2 - COGE Handbook	One commenter states that the reserves definitions and categories were developed through the joint effort of the Calgary Chapter of the Society of Petroleum Evaluation Engineers and the Standing Committee on Reserves Definitions of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), not merely by the latter.	We do not propose to make the suggested change given that the statement in section 1.2 of the companion policy is consistent with the preface to volume 1 of the COGE Handbook.
73.	Section 1.3	One commenter states that the terms "unproved properties" and "resources" are synonymous.	The terms "unproved properties" and "resources" as defined in the glossary in Appendix 1 of the companion policy are related but not synonymous.
74.	Paragraph 2.7(3)(a) - computation of tax in future net revenue	One commenter states that the guidance on the tax rate to be estimated in a royalty trust structure is confusing and contradictory. The commenter also states that the issue of determining	It is not clear how this guidance is confusing or contradictory. The guidance provides that a zero tax rate may be used in these structures, where appropriate.

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		taxes should be moved to the Regulation section.	Regarding the second comment, we believe that the commenter expressed a preference for the rule prescribing requirements on the determination of tax. We do not propose to make this change as the rule should not prescribe information of this specific nature.
75.	Subsection 2.7(5) - financial instruments	One commenter states that there is confusion about where contractual prices are used in the evaluation.	Contractual prices are to be taken into account in the determination of a forecast (or constant) price or cost, such as, for example, in the determination of a forecast price in the computation of future net revenue.
76.	Subsection 5.2(2) - reserves	In the guidance on reserves, the commenter makes brief reference to his comments from Form 51-101F1 on disclosing proved, proved plus probable and proved plus probable plus possible reserves and his statement that "Proved plus Probable reserves are the Company's best estimate of the reserves to be recovered and the related Future Net Revenue is the result of producing and selling these reserves."	It is not clear whether the commenter is referring to earlier comments made in the Regulation or Form 51-101F1. We have assumed it is the former. To this end, please refer to the CSA response concerning section 1.1 of the Regulation above.
77.	Section 5.5 - disclosure of resources	One commenter states that the following guidance implies that resources must be estimated using probabilistic methods, not deterministic methods: "Disclosure of resources requires the use of statistical measures that may be unfamiliar to a user." The use of the deterministic method should be permitted, and if it is, the guidance should be clarified.	The guidance was not intended to exclude the use of deterministic methods and will be amended as follows: "Disclosure of resources <i>may involve</i> the use of statistical measures that may be unfamiliar to a user."

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
78.	Subsections 5.5(1) and (3) - disclosure of resources	One commenter states that the disclosure of resources does not necessarily require the use of statistical measures and that the guidance in sections 5.5(1) and (3) should be amended accordingly.	We agree. We have made the change to subsection 5.5(1). We have not made a change to subsection 5.5(3) as the guidance states that the COGE Handbook recommends the use of probabilistic methods for making resource estimates; the guidance does not require the use of this method.
79.	Paragraph 5.5(3)(c) - application of subsection 5.9(2) of the Regulation	<p>A. One commenter recommends changing the word “median” to “best” in the reference to the resource estimate’s “middle value being the median estimate”.</p> <p>B. In respect of the guidance on disclosure of estimated percentage probability pursuant to subparagraph 5.9(2)(c)(iv) of the Regulation, the commenter makes the following two comments:</p> <ol style="list-style-type: none"> 1. The terms “risk” and “uncertainty” are not synonymous. The term “risk” should be removed throughout the instrument. 2. The example given of an interval ranging from “20% to 30%” is not an appropriate example of an interval that would likely capture the mostly likely outcome. <p>C. In respect of the example of disclosure satisfying paragraph 5.9(2)(c), the commenter states that the new COGE Handbook definition of contingent resources would not define them as “recoverable but uneconomic”.</p>	<p>A. We agree. We changed the word “median” to “best” as this is more accurate.</p> <p>B. In respect of the commenter’s comments relating to the disclosure of an estimated percentage probability pursuant to subparagraph 5.9(2)(c)(iv) of the Regulation, the CSA will retract this subparagraph from the amendments to the rule as well as the associated companion policy guidance.</p> <p>C. The definition of contingent resources in the COGE Handbook may change at a later date but at</p>

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		There are contingent resources that are economic.	the present time, the example cites the current definition of contingent resources in the COGE Handbook. The example states that such resources are not currently economic, but this does not preclude the resource from becoming economic at a later date.
80.	Section 5.9 - finding and development costs	One commenter states that finding and development costs, as it is improperly used in the industry, causes significant problems in booking reserves.	The Regulation provides a standardized method of calculating finding and development costs pursuant to section 5.15.
81.	Withdrawal of existing Part 8 (commentary on exemptions)	Two of the commenters, both of which have exemptive relief pursuant to Part 8 of the companion policy or represent issuers having such relief, support retaining the guidance on the exemptions, in the same or a simplified or clarified form. One commenter states that the guidance provides valuable background to the original granting of the relief. It would therefore be of assistance in determining the continued applicability of the exemptions if the sunset provisions are triggered and the availability of discretionary exemptive relief in the future. To the extent that the existing guidance results in applications that misconstrue the applicability of the guidance, the guidance could be retained but clarified.	We will not retain the guidance on exemptions in the Policy Statement. The guidance is unusually lengthy and we do not feel that this relief is applicable to the majority of issuers. The removal of the guidance in the companion policy does not affect any existing exemptive relief orders or the ability to apply for future discretionary exemptive relief. It is more appropriate for securities regulatory authorities to consider discretionary relief on a case-by-case basis.
82.	Existing discretionary exemptive relief guidance	One of the commenters does not support eliminating the requirement for independent reserves evaluation or audit	We assume the commenter is referring to the discretionary exemptive relief orders granted to certain issuers. The proposed amendments were

<i>Reference</i>	<i>Subject (references are to proposed sections, items and paragraphs)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
		for some issuers.	developed without reference to and consideration for any discretionary exemptive relief orders, which are considered on a case-by-case basis.
83.	Appendix 1 - definition of "prospective resources"	One commenter notes that the word "uneconomic" in the definition of "prospective resources" should be replaced with "economic" to properly reflect the meaning of the term and its definition in the COGE Handbook.	We agree. The definition of "prospective resources" has been changed to reflect the comment.
84.	Appendix 2 - Reserves and Resources Classification chart	Two commenters state that the reserves and resources classification chart does not duplicate the charts in the COGE Handbook.	We have withdrawn the chart as it would need to be modified if the SPE/WPC definitions of resources are adopted in the COGE Handbook - see item 23.

Appendix C

Summary of Changes to Published Amendments

Regulation

Part 2 Annual Filing Requirements

- We have not proceeded with the proposed amendment to require that a notice announcing the filing be filed with the *securities regulatory authority* as well as disseminated.

Part 5 Requirements Applicable to all Disclosure

- We have removed the requirement in subparagraph 5.9(2)(c)(iv) to disclose the estimated percentage probability of hydrocarbon discovery in the case of *undiscovered resources* or commercial extraction in the case of *discovered resources*.
- We have modified the cautionary language prescribed in subparagraph 5.9(2)(c)(vi) of the published amendments [subparagraph 5.9(2)(c)(v) of the amendments being implemented] to state that there is no certainty that it will be commercially viable, rather than economically viable or technically feasible, to produce the *resource*. The use of the term “commercially viable” is consistent with the language originally published for comment and it anticipates a potential change in the *COGE Handbook* to adopt resource definitions contained in the *Petroleum Resource Management System*¹ which incorporate the concept of commerciality.

Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information

- We have added an instruction concerning the categorization of infill drilling *reserves* in the *reserves* reconciliation.

Policy Statement

- We have added additional guidance regarding:
 - the *reserves* reconciliation in the annual filing;
 - variations from *reserves data* estimates reported in *Form 51-101F2*;
 - the requirements relating to the disclosure of *resources* that cannot currently be classified as *reserves* in section 5.9 of the *Regulation*;
- We have retained the definitions of *reserves* (excerpted from the *COGE Handbook*) contained in Part 2 of Appendix 1 to the Policy Statement. We have also severed the glossary in Appendix 1 (including Parts 1 and 2) from the Policy Statement and will publish the glossary as CSA Staff Notice 51-324 *Glossary to Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities*. The publication of the glossary as a staff notice will facilitate more timely updates of the definitions provided in the glossary.
- We have removed Appendix 2 to the Policy Statement, which provided a chart summarizing the current *COGE Handbook reserves* and *resources* classification.

¹ The *Petroleum Resource Management System* was prepared by the Society of Petroleum Engineers and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.