

M.O., 2007-07**Order number V-1.1-2007-07 of the Minister of Finance dated 14 December 2007**

Securities Act
(R.S.Q., c. V-1.1)

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

WHEREAS subparagraphs 1, 8, 11 and 34 of section 331.1 of the Securities Act (R.S.Q., c. V-1.1) stipulate that the Autorité des marchés financiers may make regulations concerning the matters referred to in those paragraphs;

WHEREAS the third and fourth paragraphs of section 331.2 of the said Act stipulate that a draft regulation shall be published in the Bulletin of the Authority, accompanied with the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

WHEREAS the first and fifth paragraphs of the said section stipulate that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or any later date specified in the regulation;

* The Securities Regulation, enacted pursuant to Order-in-Council No. 660-83 dated March 30, 1983 (1983, *G.O.* 2, 1269), was last amended by the Regulations to amend that Regulation approved by Order-in-Council No. 1183-2005 dated December 7, 2005 (2005, *G.O.* 2, 5159) and Ministerial Order No. 2005-22 dated August 17, 2005 (2005, *G.O.* 2, 3643). For previous amendments, refer to the *Tableau des modifications et Index sommaire*, Éditeur officiel du Québec, 2007, updated to September 1, 2007.

WHEREAS the Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities was made by ministerial order 2005-15 dated August 2, 2005;

WHEREAS there is cause to amend this regulation;

WHEREAS the draft Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities was published in the Bulletin de l'Autorité des marchés financiers, volume 4, No. 3 of January 19, 2007;

WHEREAS on November 29, 2007, by the decision No. 2007-PDG-0205, the Authority made Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities;

WHEREAS there is cause to approve this regulation without amendment;

CONSEQUENTLY, the Minister of Finance approves without amendment Regulation to amend Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities appended hereto.

December 14, 2007

MONIQUE JÉRÔME-FORGET,
Minister of Finance

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

Securities Act
(R.S.Q., c. V-1.1, s. 331.1, par. (1), (8), (11) and (34))

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

(1) by replacing the definition of “reserves data” with the following:

““reserves data” means an estimate of proved reserves and probable reserves and related future net revenue, estimated using forecast prices and costs; and”;

* Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities, approved by Ministerial Order No. 2005-15 dated August 2, 2005 (*G.O.* 2, 4733), was amended solely by the Regulation to Amend the Regulation approved by Ministerial Order No. 2005-25 dated November 30, 2005 (2005, *G.O.* 2, 7149).

(2) in paragraph (a) of the definition of “qualified reserves evaluator”, by adding the word “, resources” after “reserves data”, wherever it appears;

(3) in the definition of “independent”, by replacing “qualified reserves evaluator or auditor, has the meaning set out in the COGE Handbook” with “person or company, means a relationship between the reporting issuer and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person’s or company’s exercise of judgment regarding the preparation of information which is used by the reporting issuer”;

(4) by adding the following after the definition of “annual information form”:

““analogous information” means information about an area outside the area in which the reporting issuer has an interest or intends to acquire an interest, which is referenced by the reporting issuer for the purpose of drawing a comparison or conclusion to an area in which the reporting issuer has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

- (a) historical information concerning reserves;
- (b) estimates of the volume or value of reserves;
- (c) historical information concerning resources;
- (d) estimates of the volume or value of resources;
- (e) historical production amounts;
- (f) production estimates; or

(g) information concerning a field, well, basin or reservoir;

“anticipated results” means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of resources in respect of the reporting issuer’s resources or a portion of its resources and includes:

- (a) estimates of volume;
- (b) estimates of value;
- (c) areal extent;
- (d) pay thickness;

(e) flow rates; or

(f) hydrocarbon content;”;

(5) by replacing the definition of “CICA Accounting Guideline 5” with the following:

““CICA Accounting Guideline 16” means Accounting Guideline AcG-16 “Oil and gas accounting - full cost” included in the CICA Handbook, as amended from time to time;”;

(6) by deleting the definition of “constant prices and costs”;

(7) by adding the following after the definition of “qualified reserves evaluator or auditor”:

““reserves” means proved, probable or possible reserves;”;

(8) by adding the following after subparagraph (iv) of paragraph (b) of the definition of “product type”, and making the necessary changes:

“(v) shale oil; or

(vi) shale gas;”;

(9) in paragraph (a) of the definition of “qualified reserves auditor”, by adding the word “, resources” after “reserves data”, wherever it appears.

2. Paragraph (2) of section 1.2 of the Regulation is amended:

(1) in the French text, by replacing “dans le manuel COGE, la définition dans le présent règlement, la Norme canadienne 14-101, Définition” with “dans le manuel COGE, la définition dans le présent règlement, la Norme canadienne 14-101, Définitions”;

(2) in the English text, by replacing “shall apply” with “applies”.

3. Section 2.1 of the Regulation is amended:

(1) in the introductory sentence, by replacing “shall” with “must”;

(2) in the introductory sentence of subparagraph (b) of paragraph (2), by replacing “shall” with “must”;

(3) at the end of the English text of subparagraph (b) of paragraph (3), by replacing “item 1” with “item 2”.

4. Section 2.2 of the Regulation is amended by replacing “shall” with “must”.

5. Section 3.2 of the Regulation is amended by replacing “shall” with “must”.

6. Section 3.3 of the Regulation is amended by replacing “shall” with “must”.

7. Section 3.5 of the Regulation is amended:

(1) in the English text of subparagraph (iii) of subparagraph (a) of paragraph (1), by replacing “clause” with “subparagraph”;

(2) in paragraph (2):

(a) in the English text, by replacing “shall” with “must”;

(b) by replacing “paragraph 3.4(1)(e)” with “paragraph 3.4(e)”;

(3) in paragraph (3):

(a) in the English text, by replacing “shall” with “must”;

(b) by replacing “paragraph 3.4(1)(e)” with “paragraph 3.4(e)”.

8. Section 4.1 of the Regulation is amended:

(1) in the introductory sentence, by replacing “shall” with “must”;

(2) in subparagraph (a):

(a) in the French text, by replacing “comptabilisation” with “capitalisation”;

(b) by replacing “5” with “16”.

9. Section 4.2 of the Regulation is replaced with the following:

“4.2. Consistency in Dates

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 must 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 2.”.

10. Sections 5.2 and 5.3 of the Regulation are replaced with the following:

“ 5.2. Disclosure of Reserves and Other Information

If a reporting issuer makes disclosure of reserves or other information of a type that is specified in Form 51-101F1, Statement of Reserves Data and Other Oil and Gas Information, the reporting issuer must ensure that the disclosure satisfies the following requirements:

(a) estimates of reserves or future net revenue must

(i) disclose the effective date of the estimate;

(ii) have been prepared or audited by a qualified reserves evaluator or auditor;

(iii) have been prepared or audited in accordance with the COGE Handbook;

(iv) have been made assuming that development of each property in respect of which the estimate is made will occur, without regard to the likely availability to the reporting issuer of funding required for that development; and

(v) in the case of estimates of possible reserves or related future net revenue disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

“Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.”;

(b) for the purpose of determining whether reserves should be attributed to a particular undrilled property, reasonably estimated future abandonment and reclamation costs related to the property must have been taken into account;

(c) in disclosing aggregate future net revenue the disclosure must comply with the requirements for the determination of future net revenue specified in Form 51-101F1, Statement of Reserves Data and Other Oil and Gas Information; and

(d) the disclosure must be 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 2.1,

except to the extent that the statement has been supplemented or superseded by a report of a material change filed by the reporting issuer with the securities regulatory authority.

“5.3. Reserves and Resources Classification

Disclosure of reserves or resources must apply the reserves and resources terminology and categories set out in the COGE Handbook and must relate to the most specific category of reserves or resources in which the reserves or resources can be classified.”

11. Section 5.4 of the Regulation is amended:

(1) in the English text, by replacing “shall” with “must”;

(2) by adding “the quantities and” after “marketable quantities, reflecting”.

12. Section 5.6 of the Regulation is amended by adding, in the English text of the title, “Market” after “Not Fair”.

13. Sections 5.9 and 5.10 of the Regulation are replaced with the following:

“5.9. Disclosure of Resources

(1) If a reporting issuer discloses anticipated results from resources which are not currently classified as reserves, the reporting issuer must also disclose in writing, in the same document or in a supporting filing:

- (a) the reporting issuer’s interest in the resources;
- (b) the location of the resources;
- (c) the product types reasonably expected;
- (d) the risks and the level of uncertainty associated with recovery of the resources; and
- (e) in the case of unproved property, if its value is disclosed,
 - (i) the basis of the calculation of its value; and
 - (ii) whether the value was prepared by an independent party.

(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of resources in which the reporting issuer has an interest or intends to acquire an

interest, or an estimated value attributable to an estimated quantity, the estimate must

(a) have been prepared or audited by a qualified reserves evaluator or auditor;

(b) relate to the most specific category of resources in which the resources can be classified, as set out in the COGE Handbook, and must identify what portion of the estimate is attributable to each category; and

(c) be accompanied by the following information:

(i) a definition of the resources category used for the estimate;

(ii) the effective date of the estimate;

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

(iv) in respect of contingent resources, the specific contingencies which prevent the classification of the resources as reserves; and

(v) a cautionary statement that is proximate to the estimate to the effect that:

(A) in the case of discovered resources or a subcategory of discovered resources other than reserves:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or

(B) in the case of undiscovered resources or a subcategory of undiscovered resources:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”

(3) Paragraphs 5.9(1)(d) and (e) and subparagraphs 5.9(2)(c)(iii) and (iv) do not apply if:

(a) the reporting issuer includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and

(b) the resources in the written disclosure, taking into account the specific properties and interests reflected in the resources estimate or other anticipated result, are materially the same resources addressed in the previously filed document.

“5.10. Analogous Information

(1) Sections 5.2, 5.3 and 5.9 do not apply to the disclosure of analogous information provided that the reporting issuer discloses the following:

- (a) the source and date of the analogous information;
- (b) whether the source of the analogous information was independent;
- (c) if the reporting issuer is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor or in accordance with the COGE Handbook, a cautionary statement to that effect proximate to the disclosure of the analogous information; and
- (d) the relevance of the analogous information to the reporting issuer's oil and gas activities.

(2) For greater certainty, if a reporting issuer discloses information that is an anticipated result, an estimate of a quantity of reserves or resources, or an estimate of value attributable to an estimated quantity of reserves or resources for an area in which it has an interest or intends to acquire an interest that is based on an extrapolation from analogous information sections 5.2, 5.3 and 5.9 apply to the disclosure of the information.”

14. Section 5.13 of the Regulation is amended:

- (1) in the English text of the introductory sentence, by adding “must” after “Written disclosure of a netback”;
- (2) by deleting paragraph (a);
- (3) in the English text of paragraph (b) and (c), by deleting “shall”.

15. Section 5.15 of the Regulation is amended, in the French text of the cautionary statement set out in subparagraph (iv) of paragraph (b), by replacing “frais d'exploration futurs” with “frais de mise en valeur futurs”.

16. Paragraph (2) of section 6.1 of the Regulation is replaced with the following:

“(2) 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) must discuss the reporting issuer's reasonable expectation of how the material change has affected its reserves data or other information.”

17. The Regulation is amended by adding the following after section 8.1:

“8.2. Exemption for Certain Exchangeable Security Issuers

(1) An exchangeable security issuer, as defined in subsection 13.3(1) of Regulation 51-102 respecting Continuous Disclosure Obligations, is exempt from this Regulation if all of the requirements of subsection 13.3(2) of Regulation 51-102 respecting Continuous Disclosure Obligations are satisfied;

(2) For the purposes of subsection (1), the reference to “continuous disclosure documents” in clause 13.3(2)(d)(ii)(A) of Regulation 51-102 respecting Continuous Disclosure Obligations includes documents filed in accordance with this Regulation.”

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

- (1) by replacing Items 2.1 and 2.2 with the following:

“Item 2.1. Reserves Data (Forecast Prices and Costs)

1. Breakdown of Reserves (Forecast Case) – Disclose, by country and in the aggregate, reserves, gross and net, estimated using forecast prices and costs, for each product type, in the following categories:

- (a) proved developed producing reserves;
- (b) proved developed non-producing reserves;
- (c) proved undeveloped reserves;
- (d) proved reserves (in total);
- (e) probable reserves (in total);
- (f) proved plus probable reserves (in total); and
- (g) if the reporting issuer discloses an estimate of possible reserves in the statement:
 - (i) possible reserves (in total); and
 - (ii) proved plus probable plus possible reserves (in total).

2. Net Present Value of Future Net Revenue (Forecast Case) – Disclose, by country and in the aggregate, the net present value of future net revenue attributable to the reserves categories referred to in section 1 of this Item, estimated using forecast prices and costs, before and

after deducting future income tax expenses, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit value basis (e.g., \$/Mcf or \$/bbl using net reserves) using a discount rate of 10 percent and calculated before deducting future income tax expenses. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of proved reserves and for probable reserves in the disclosure referred to in paragraph 3(c) of Item 2.1.

3. Additional Information Concerning Future Net Revenue (Forecast Case)

(a) This section 3 applies to future net revenue attributable to each of the following reserves categories estimated using forecast prices and costs:

- (i) proved reserves (in total);
- (ii) proved plus probable reserves (in total); and
- (iii) if paragraph 1(g) of this Item applies, proved plus probable plus possible reserves (in total).

(b) Disclose, by country and in the aggregate, the following elements of future net revenue estimated using forecast prices and costs and calculated without discount:

- (i) revenue;
- (ii) royalties;
- (iii) operating costs;
- (iv) development costs;
- (v) abandonment and reclamation costs;
- (vi) future net revenue before deducting future income tax expenses;
- (vii) future income tax expenses; and
- (viii) future net revenue after deducting future income tax expenses.

(c) Disclose, by production group and on a unit value basis for each production group (e.g., \$/Mcf or \$/bbl using net reserves), the net present value of future net revenue (before deducting future income tax expenses) estimated using forecast prices and costs and calculated using a discount rate of 10 percent.

“Item 2.2. Supplemental Disclosure of Reserves Data (Constant Prices and Costs)”

The reporting issuer may supplement its disclosure of reserves data under Item 2.1 by also disclosing the components of Item 2.1 in respect of its proved reserves or its proved and probable reserves, using constant prices and costs as at the last day of the reporting issuer’s most recent financial year.”.

(2) by replacing instruction (3) of Item 2.4 with the following:

“(3) *Constant prices and costs are prices and costs used in an estimate that are:*

(a) *the reporting issuer’s prices and costs as at the effective date of the estimation, held constant throughout the estimated lives of the properties to which the estimate applies;*

(b) *if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).*

For the purpose of paragraph (a), the reporting issuer’s prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.”;

(3) in item 3.1:

(a) in the title, by adding “**Supplemental**” after “**Constant Prices Used in**”;

(b) by replacing “For” with “If supplemental disclosure under Item 2.2 is made, then disclose, for”, by deleting “disclose” after “each product type”, and by replacing “2.1” with “2.2”;

(4) in Item 3.2:

(a) in subparagraph (a) of paragraph (1), by replacing “2.2” with “2.1”;

(b) in the English text of paragraph (2), by replacing “shall” with “must”;

(c) in instruction (2), by replacing “*defined terms*” with “*term*” and by adding “*the defined term*” after ““*constant prices and costs*” and”;

(5) in the title of Part 4, by replacing “**RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE**” with “**RECONCILIATION OF CHANGES IN RESERVES**”;

(6) in item 4.1:

(a) in the French text of the title, by replacing “Variations” with “Variation”;

(b) in paragraph (1), by replacing “net” wherever it appears with “gross”;

(c) in paragraph (2):

(i) in subparagraph (b):

(A) at the end of subparagraph (iv), by deleting “and other products from non-conventional oil an gas activities”;

(B) by adding the following after subparagraph (iv) and making the necessary changes:

“(v) bitumen;

(vi) coal bed methane;

(vii) hydrates;

(viii) shale oil; and

(ix) shale gas;”;

(ii) in subparagraph (c):

(A) at the end of subparagraph (i), by adding “and improved recovery”;

(B) by deleting subparagraph (ii);

(C) by renumbering subparagraphs (iii) through (viii) as subparagraphs (ii) through (vii), respectively;

(d) by replacing instruction (1) with the following:

“(1) *The reconciliation required under this Item 4.1 must be provided in respect of reserves estimated using forecast prices and costs, with the price and cost case indicated in the disclosure.*”;

(e) by adding the following after instruction (3) :

“(4) *Reporting issuers must not include infill drilling reserves in the category of technical revisions specified in clause 2(c)(ii). Reserves additions from infill drilling*

must be included in the category of extensions and improved recovery in clause 2(c)(i) (or alternatively, in an additional separate category under paragraph 2(c) labelled “infill drilling”).”;

(7) by deleting Item 4.2;

(8) in paragraphs (1) and (2) of Item 5.1, by replacing “five” with “three” and, at the end of the subparagraph (a), by replacing “or” with “and”;

(9) in Item 5.3 :

(a) in paragraph (1):

(i) in subparagraph (a):

(A) by deleting subparagraph (i);

(B) by renumbering subparagraphs (ii) and (iii) as (i) and (ii), respectively;

(ii) in subparagraph (i) of subparagraph (b), by deleting “and using a discount rate of 10 percent”;

(b) in the French text of paragraph (2), by replacing “Exposez” with “Exposer”;

(10) in subparagraph (a) of paragraph (2) of Item 6.3, by replacing “3860” with “3861”;

(11) in the instruction of Item 6.4, by deleting “and clause 3(b)(v) of Item 2.2”;

(12) in paragraph (1) of Item 6.8, by replacing “future net revenue” with “gross proved reserves and gross probable reserves” and “Items 2.1 and 2.2” with “Item 2.1”;

(13) in Item 6.9:

(a) in the French text of subparagraph (b) of paragraph (1), by replacing “mpi” with “kpi”;

(b) in the instruction:

(i) in the French text, by replacing “types de produit” with “types de produits”;

(ii) at the end, by adding “*Resulting netbacks may be disclosed on the basis of units of equivalency between oil and gas (e.g. BOE) but if so that must be made clear and disclosure must comply with section 5.14 of the Regulation*”.

19. Paragraph (2) of Form 51-101F2 of the Regulation is amended:

(1) in the French text of the introductory sentence, by replacing “vérificateur” with “vérificateurs”;

(2) in the section entitled “Report on Reserves Data”:

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

“1. We have [audited] [evaluated] [and reviewed] the Company’s reserves data as at [last day of the reporting issuer’s most recently completed financial year]. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer’s most recently completed financial year], estimated using forecast prices and costs.”;

(b) by adding, in the French text of the second paragraph of paragraph (2), the word “Oil” after “Canadian”;

(c) in note 1 to paragraph (4), by replacing “2.2” with “2.1”;

(d) at the end of paragraph (7), by adding “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”.

20. The part entitled “Report of Management and Directors on Oil and Gas Disclosure” of paragraph (2) of Form 51-101F3 of the Regulation is amended:

(1) by replacing the first paragraph with the following:

“Management of [name of reporting issuer] (the “Company”) are responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer’s most recently completed financial year], estimated using forecast prices and costs.”;

(2) in the English text of subparagraph (b) of the third paragraph, by replacing “because of the” with “in the event of a”;

(3) in the fourth paragraph:

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

“(a) the content and filing with securities regulatory authorities of Form 51-101F1, Statement of Reserves Data and Other Oil and Gas Information containing reserves data and other oil and gas information;”;

(b) in subparagraph (b), by adding “Form 51-101F2, Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor which is” after “the filing of”;

(4) at the end of the fifth paragraph, by adding “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”.

21. The Regulation is amended by replacing, wherever it appears in the English text, with the exception of paragraph (2) of section 1.2, “shall” with “must”.

22. This Regulation comes into force December 28, 2007.

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