

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, pars (1), (2), (3), (8), (11), (20) and (34); 2009, c. 58)

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

(1) in subparagraph (a) of the definition of “oil and gas activities”:

(a) by replacing, in subparagraph (ii), the words “reservoirs on” with “the subsurface of”;

(b) by replacing, in subparagraph (iii), the word “reservoirs” with “subsurface locations”;

(2) by deleting the definition of “CICA”;

(3) by deleting, wherever they appear in the French text of the definition of “independent”, the words “ou société”;

(4) by adding the following definition after the definition of “effective date”:

““executive officer” means, for a reporting issuer, an individual who is

(a) a chair, vice-chair or president;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or

(c) performing a policy-making function in respect of the issuer;”;

(5) by deleting the definition of “CICA Accounting Guideline 16”;

(6) by adding the following definition after the definition of “supporting filing”, and making the necessary changes:

““US oil and gas disclosure requirements” means the disclosure requirements relating to reserves and oil and gas activities under US federal securities law and include disclosure requirements or guidelines imposed or issued by the SEC, as amended from time to time;”;

(7) by deleting the definition of “FAS 19”.

2. Paragraph (e) of subsection 3 of section 2.1 of the Regulation is replaced with the following:

“(e) is signed

(i) by

(A) the chief executive officer; and

(B) a person other than the chief executive officer that is an executive officer of the reporting issuer; and

(ii) on behalf of the board of directors, by

(A) any two directors of the reporting issuer, other than the persons referred to in subparagraph (i) above, or

(B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the reporting issuer.”.

3. Section 2.2 of the Regulation is replaced with the following:

“2.2 Notice of Filing of 51-101F1 Information

A reporting issuer must, concurrently with filing a statement and reports under section 2.1, file with the securities regulatory authority a notice of filing of 51-101F1 information in accordance with Form 51-101F4.”.

4. The Regulation is amended by adding the following section after section 2.4:

“2.5 Reporting Issuer Not a Corporation

If the reporting issuer is not a corporation, a report in accordance with Form 51-101F3 must be signed by the persons who, in relation to the reporting issuer, are in a similar position or perform similar functions to the persons required to sign under item 3 of section 2.1.”.

5. Section 4.1 of the Regulation is repealed.

6. Section 5.3 of the Regulation is replaced with the following:

“5.3 Classification of Reserves and of Resources Other than Reserves

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

7. Section 5.9 of the Regulation is amended:

(1) in the title, by adding the words **“Other Than Reserves”** after the word **“Resources”**;

(2) in subsection 2:

(a) by adding the words “other than reserves” after the word “resources”;

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

“(b) relate to the most specific category of resources other than reserves as required by section 5.3;

(b.1) have been prepared or audited in accordance with the COGE Handbook; and”.

8. Section 5.10 of the Regulation is amended by replacing, wherever it appears, “5.2, 5.3 and 5.9” with “5.2, 5.3, 5.9 and 5.16”.

9. The Regulation is amended by adding the following sections after section 5.15:

“5.16 Prohibition Against Addition Across Resource Categories

(1) A reporting issuer must not disclose a summation of any combination of an estimate of quantity or value of any two or more of the following:

- (a) reserves;
- (b) contingent resources;
- (c) prospective resources;
- (d) the unrecoverable portion of discovered petroleum initially-in-place;
- (e) the unrecoverable portion of undiscovered petroleum initially-in-place;
- (f) discovered petroleum initially-in-place; and
- (g) undiscovered petroleum initially-in-place.

(2) Notwithstanding subsection (1), a reporting issuer may disclose an estimate of total petroleum initially-in-place, discovered petroleum initially-in-place and undiscovered petroleum initially-in-place if:

- (a) the estimate of quantity or value of all subcategories are also disclosed, including the unrecoverable portion(s); and
- (b) there is a cautionary statement that is proximate to the estimate, in bold font, to the effect that:

“The [total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place,] includes unrecoverable volumes and is not an estimate of the [value or volume] of the substances that will ultimately be recovered.”

“5.17 Disclosure of High- and Low-Case Estimates of Reserves and of Resources other than Reserves

(1) If a reporting issuer discloses an estimate of proved + probable + possible reserves, the reporting issuer must also disclose the corresponding estimates of proved and proved + probable reserves.

(2) If a reporting issuer discloses a high-case estimate, the reporting issuer must also disclose the corresponding low- and best-case estimates.”.

10. Subsection 2 of section 8.2 of the Regulation is amended by replacing the words “in accordance with” with “under”.

11. Section 9.2 of the Regulation is repealed.

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

- (1) in the General Instructions:
 - (a) by replacing instruction (3) with the following:

“(3) *The numbering, headings and ordering of items included in this Form 51-101F1 are guidelines only. Information may be provided in tables.*”;

- (b) by adding the following instructions after instruction (6):

“(7) If a reporting issuer discloses financial information in a currency other than the Canadian dollar, clearly, and as frequently as is appropriate to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.

“(8) Reporting Issuers should refer to the COGE Handbook for the proper reporting of units of measurement. Reporting issuers should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.”;

- (2) in instruction (1) of item 1.1, by deleting the second sentence;

- (3) in the French text of item 2.1:

(a) by replacing, in paragraph 1, the words “réserves prouvées mises en valeur et exploitées” with “réserves prouvées mises en valeur exploitées”, and the words “réserves prouvées mises en valeur et inexploitées” with “réserves prouvées mises en valeur inexploitées”;

(b) by replacing, wherever they appear in paragraphs 2 and 3, the words “charges futures d’impôt” with “charges d’impôts futures”;

- (4) by replacing item 2.2 with the following:

“Item 2.2 Supplemental Disclosure of Reserves Data

The reporting issuer may supplement its disclosure of reserves data under Item 2.1 by also disclosing the components of Item 2.1, using prices and costs as determined in a manner consistent with the relevant US oil and gas disclosure requirements.”;

(5) in item 2.3, by replacing, wherever they appear, the words “minority interest” with “non-controlling interest”;

- (6) in item 2.4:

(a) by replacing, wherever they appear in paragraphs 1 and 2, the words “minority interest” with “non-controlling interest”;

(b) by deleting instruction (3);

- (7) in item 3.1:

(a) by deleting, in the title, the words “**Constant Prices Used in**”;

(b) by replacing “operates, as at the last day of the reporting issuer’s most recent financial year” with “operates as determined in a manner consistent with the relevant US oil and gas disclosure requirements”;

(8) in instruction (2) of item 3.2, by deleting “*term “constant prices and costs” and the*” and replacing “*include*” with “*includes*”;

(9) in the French text of item 5.1:

(a) by replacing, wherever they appear in paragraph 1, the words “réserves non mises en valeur prouvées” with “réserves prouvées non mises en valeur”;

(b) by replacing, wherever they appear in paragraph 2, the words “réserves non mises en valeur probables” with “réserves probables non mises en valeur”;

(10) in item 5.2:

(a) by adding, in the title, the words “**Affecting Reserves Data**” after “**Uncertainties**”;

(b) by replacing, in paragraph 1, the word “important” with “significant”;

(c) by deleting, in the instruction, “, *the need to build a major pipeline or other major facility before production of reserves can begin,*”;

(11) in the French text of subparagraph (a) of paragraph 2 of item 5.3, by replacing the words “financement par emprunts” with “financement par emprunt”;

(12) in the French text of paragraph 2 of item 6.1, by replacing the words “puits exploités et inexploités” with “puits producteurs et non producteurs”;

(13) by adding the following after paragraph 2 of item 6.2:

“INSTRUCTION

If a reporting issuer holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the gross and net area. For example, if the reporting issuer has included the area of each of its leases in its calculation of net area despite the fact that certain leases will pertain to the same surface area, disclose that fact. A general description of the method of calculating the area will suffice.

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

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

2. Section 1 does not apply if the information is disclosed in the reporting issuer’s financial statements for the financial year ended on the effective date.

“INSTRUCTION

Examples of information that could warrant disclosure under this Item 6.2.1 include unusually high expected development costs or operating costs or the need to build a major pipeline or other major facility before production can begin.”;

(14) by replacing paragraph 2 of item 6.3 with the following:

“2. Section 1 does not apply to agreements specifically disclosed by the reporting issuer in its financial statements for the financial year ended on the effective date.”;

(15) in subparagraph (b) of paragraph 1 of item 6.7, by replacing the words “gas wells and service wells” with “gas wells, service wells and stratigraphic test wells”;

(16) in subparagraph (a) of paragraph (1) of item 6.9, by adding the word “gross” after “daily” and by deleting “, before deduction of royalties”.

13. The second paragraph of Form 51-101F2 of the Regulation is amended:

(1) in the French text of footnote 1 to the table in subparagraph 4, by replacing the words “charges futures d’impôt” with “charge d’impôts futurs”;

(2) in subparagraph 5, par adding “, consistently applied” after the words “in accordance with the COGE Handbook”;

(3) in subparagraph 7, by deleting the second sentence.

14. Form 51-101F3 of the Regulation is amended:

(1) in subparagraph (c) of the fourth paragraph, by deleting the second sentence;

(2) under the second signature line, by replacing the words “a senior officer” with “an executive officer”.

15. The Regulation is amended by adding the following after Form 51-101F3:

**“FORM 51-101F4
NOTICE OF
FILING OF 51-101F1 INFORMATION**

This is the form referred to in section 2.2 of the Regulation.

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of the Regulation, which can be found [describe where a copy of the filed information can be found for viewing by electronic means].”.

16. This Regulation comes into force January 1, 2011.