

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

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

Regulation 51-101<sup>i</sup> supplements other continuous disclosure requirements of securities legislation that apply to reporting issuers in all business sectors.

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

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

### ~~Part~~ PART

1

## APPLICATION AND TERMINOLOGY

### 1.1. Definitions

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

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

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

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

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

- (a) is an employee, insider, or director of the reporting issuer;
- (b) is an employee, insider, or director of a related party of the reporting issuer;
- (c) is a partner of any person ~~or company~~ in paragraph (a) or (b);

(d) holds or expects to hold securities, either directly or indirectly, of the reporting issuer or a related party of the reporting issuer;

(e) holds or expects to hold securities, either directly or indirectly, in another reporting issuer that has a direct or indirect interest in the property that is the subject of the technical report or an adjacent property;

(f) has or expects to have, directly or indirectly, an ownership, royalty, or other interest in the property that is the subject of the technical report or an adjacent property; or

(g) has received the majority of their income, either directly or indirectly, in the three years preceding the date of the technical report from the reporting issuer or a related party of the reporting issuer.

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

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

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

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

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

[A reporting issuer should choose the closest product type if the substance produced does not exactly match one of the product types or if it matches more than one of the product types listed in Regulation 51-101. For example, shale gas projects may not strictly adhere to the formal lithological-based definition of “shale”. The produced gas can come from intervals that contain clay, carbonates, siltstone and minor amounts of very fine-grained sandstone laminations. Despite coming from intervals that may not meet the technical definition of “shale”, gas to which fracturing techniques have been applied when intermingled with gas that comes from “shale”, may be reported as being shale gas.](#)

[A reporting issuer must ensure that its disclosure is not misleading and will have to consider whether additional explanation is required to provide the necessary context.](#)

(5) **Professional Organization**

(a) **Recognized Professional Organizations**

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

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

(a.1) Canadian Professional Organizations

As at ~~October 12, 2010~~,December 4, 2014, each of the following organizations in Canada is a professional organization for the purposes of Regulation 51-101:

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

(b) **Other Professional Organizations**

The CSA are willing to consider whether particular foreign professional bodies should be accepted as “professional organizations” for the purposes of Regulation 51-101. A

reporting issuer, foreign professional body or other interested person can apply to have a self-regulatory organization that satisfies the first three elements of the definition of “professional organization” accepted for the purposes of Regulation 51-101.

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

~~The list of foreign professional organizations is updated periodically in CSA Staff Notice 51-309 Acceptance of Certain Foreign Professional Boards as a “Professional Organization”. As at October 12, 2010, As at December 4, 2014,~~ each of the following foreign organizations has been recognized as a professional organization for the purposes of Regulation 51-101:

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

**(c) No Professional Organization**

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

**(d) Renewal Applications Unnecessary**

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

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

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

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

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

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

## 1.2. COGE Handbook

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

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

Subparagraph 5.2(~~1~~[1](#))(a)(iii) of Regulation 51-101 requires that all estimates of reserves or future net revenue ~~have been~~[be](#) prepared or audited in accordance with the COGE Handbook. Under sections 5.2, 5.3 and 5.9 of Regulation 51-101, all types of public oil and gas disclosure, including disclosure of reserves and of resources other than reserves must be prepared in accordance with the COGE Handbook ~~subject to the exception pursuant to section 5.18 of Regulation 51-101.~~

## 1.3. Applies to Reporting Issuers Only

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

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

## 1.4. Materiality Standard

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

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

The reference in subsection 1.4(2) of Regulation 51-101 to a “reasonable investor” denotes an objective test: would a notional investor, broadly representative of investors generally and guided by reason, be likely to be influenced, in making an investment decision to buy, sell or hold a security of a reporting issuer, by an item of information or an aggregate of items of information? If so, then that item of information, or aggregate of items, is “material” in respect of that reporting issuer. An item that is immaterial alone may be material in the context of other information, or may be necessary to give context to other information. For example, a large number of small interests in oil and gas properties may be material in aggregate to a reporting issuer. Alternatively, a small interest in an oil and gas property may be material to a reporting issuer, depending on the size of the reporting issuer and its particular circumstances.

## **PART 2**

### **ANNUAL FILING REQUIREMENTS**

#### **2.1. Annual Filings on SEDAR**

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

#### **2.2. Inapplicable or Immaterial Information**

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

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

#### **2.3. Use of Forms**

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

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

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

## 2.4. Annual Information Form

Section 2.3 of Regulation 51-101 permits reporting issuers to satisfy the requirements of section 2.1 of Regulation 51-101 by presenting the information required under section 2.1 in an annual information form. [If a reporting issuer adopting this approach provides optional disclosure of contingent resources data and prospective resources data in its statement of reserves data and other oil and gas information required under section 2.1, that disclosure must be included as an appendix to the reporting issuer's annual information form.](#)

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

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

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

## 2.5. Reporting Issuer With No Reserves [or Ceasing to Engage in Oil and Gas Activities](#)

The requirement to make annual Regulation 51-101 filings is not limited to only those [reporting](#) issuers that have reserves and related future net revenue. A reporting issuer with no reserves but with prospects, unproved properties or resources may be engaged in oil and gas activities (see section 1.3 above) and therefore subject to Regulation 51-101. That means the [reporting](#) issuer must still make annual Regulation 51-101 filings and ensure that it complies with other Regulation 51-101 requirements. The following is guidance on the preparation of Form 51-101F1, Form 51-101F2, Form 51-101F3, [Form 51-101F5](#) and other oil and gas disclosure if the reporting issuer has no reserves.

(1) **Form 51-101F1** - Section 1.4 of Regulation 51-101 states that the Regulation applies only in respect of information that is material in respect of a reporting issuer. If indeed ~~the~~[a](#) reporting issuer has no reserves, we would consider that fact alone material. The reporting issuer's

disclosure, under Part 2 of Form 51-101F1, should make clear that it has no reserves and hence ~~nois not reporting~~ related future net revenue.

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

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

(2) **Form 51-101F2** - Regulation 51-101 requires a reporting issuers issuer to retain an independent qualified reserves evaluator or auditor to evaluate or audit ~~the company's reserves data and its reserves data, contingent resources data or prospective resources data, if that data is included in the statement required under item 1 of section 2.1 of Regulation 51-101, and to have that evaluator or auditor~~ report to the board of directors.

If the reporting issuer had no reserves during the year ~~and hence did not retain an evaluator or auditor, then~~, it would not need to retain ~~one~~ an evaluator or auditor just to file a (nil) report of the independent evaluators on the reserves data in the form of Form 51-101F2 ~~and the reporting issuer would therefore not be required to file a Form 51-101F2~~. If, however, the issuer did retain an evaluator or auditor to evaluate reserves, and the evaluator or auditor concluded that they could not be so categorized, or reclassified those reserves to resources, the issuer would have to file a report of the qualified reserves evaluator because the evaluator has, in fact, evaluated the reserves and expressed an opinion.

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

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

(5) **Other Regulation 51-101 Requirements** - Regulation 51-101 does not require reporting issuers to disclose anticipated results from ~~their~~, or estimates of a quantity or an estimated value attributable to an estimated quantity of, their contingent resources or prospective resources. However, if a reporting issuer chooses to disclose that type of information, ~~section 5.9 of Regulation 51-101~~ sections 5.9, 5.16 and 5.17 of Regulation 51-101 apply to that disclosure. If disclosed in the statement required under item 1 of section 2.1 of Regulation 51-101, Part 7 of Form 51-101F1 also applies to that disclosure.

Section 5.3 of Regulation 51-101 requires reserves and resources other than reserves to be disclosed using the applicable terminology and categories set out in the COGE Handbook.

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

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

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

A report containing a reservation may be acceptable if the reservation is caused by a limitation in the scope of the evaluation or audit resulting from an event that clearly limits the availability of necessary records and which is beyond the control of the reporting issuer. This



could be the case if, for example, necessary records have been inadvertently destroyed and cannot be recreated or if necessary records are in a country at war and access is not practicable.

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

## 2.7. Disclosure in Form 51-101F1

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

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

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

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

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

(a) **Tax**

~~Form 51-101F1 requires future net revenue to be estimated and disclosed both before and after deduction of income taxes. However~~ Reporting issuers are required to disclose estimates of after-tax net present value of proved and probable reserves in the statement prepared in accordance with Form 51-101F1. In addition, reporting issuers may, but are not required to, disclose volumes and estimates of risked after-tax net present value of future net revenue of contingent resources and prospective resources in an appendix to the statement prepared in accordance with Form 51-101F1. In a separate disclosure document, a reporting issuer may not be subject to income taxes because of its royalty or income trust structure. In this instance, the issuer should use the tax rate that most appropriately reflects the income tax it reasonably expects to pay on the future net revenue. If the issuer is not subject to income tax because of its royalty trust structure, then the most appropriate income tax rate would be zero. In this case, the issuer could present the estimates of future net revenue in only one column and explain, in a note to the table, why the estimates of before-tax and after-tax future net revenue are the same. also disclose its reserves or other information of a type that is specified in the Form 51-101F1 in the aggregate or for a portion of its activities subject to the requirements of subparagraph 5.2(1)(a)(iii) and paragraph 5.2(1)(c) of Regulation 51-101.

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

- forecast future capital expenditure required to achieve forecast production;
- interaction with, or deductibility of, government royalties or proportionate sharing rights;
- inclusion of existing tax pool balances of the reporting issuer (inclusion is prescribed for reporting issuer-aggregate estimates according to section 7 of volume 1 of the COGE Handbook);
- tax pool write-off rates;
- sequence of tax pool utilization;
- applicability of special tax incentives; and
- forecast production revenue and expenses.

Each of these can have a significant impact on the outcome, which could mislead investors if not considered in the evaluation or if the reporting issuer’s disclosure does not provide sufficient accompanying information.

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

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

- an explanatory statement to the following effect:

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

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

**(b) Other Fiscal Regimes**

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

**(4) Supplementary Disclosure of Future Net Revenue Using Constant Prices and Costs -** Form 51-101F1 gives reporting issuers the option of disclosing future net revenue, together with associated estimates of reserves or resources other than reserves, ~~determined~~calculated using constant prices and costs. Constant prices and costs are assumed not to change throughout the life

of a property, except to the extent of certain fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product (including those for an extension period of a contract that is likely to be extended).

~~(5) (paragraph deleted)~~ 4.1) **Estimates of Contingent Resources and Prospective Resources**

Estimates of contingent resources should be disclosed to the most specific category set out in the COGE Handbook, which includes project maturity sub-classes for contingent resources.

Since contingent resources and prospective resources are subject to risks that result in less than 100% chance of commerciality, the qualified reserves evaluator or auditor of a reporting issuer will need to address those risks in the estimation and classification of that reporting issuer's publicly disclosed contingent resources and prospective resources. There are many methods to accomplish this and no particular method is being prescribed.

Expected Value Theory is one of the methods which can be used to quantify the risked volumes and values of the resources. The expected value is the sum of all the possible outcomes of a project, such as volumes and values of the resources, multiplied by their respective estimated probabilities of occurrence. The expected value is not the actual value of the contingent resources or prospective resources for a particular project but an average of the outcomes weighted by probabilities of the outcomes. If a reporting issuer has a large number of similar projects and they are executed many times, the actual value obtained may approach the expected value. Expected value is a decision tool to decide if a project will go ahead.

If the expected value is in monetary terms, the calculated expected value is termed Expected Monetary Value (EMV) and it is one applicable method that can be used to estimate a risked net present value of future net revenue. One occurrence of a single project is unlikely to achieve the calculated EMV. In theory, by always choosing projects with the greatest positive EMV, the reporting issuer may achieve better results than by making more random decisions. The COGE Handbook states that EMV is not a projection of revenue but a tool for companies to determine whether it makes sense to proceed with a project to develop potential sales volumes. Reporting issuers will need to explain how those volumes and values were determined if included under Item 7.1 or 7.2 of Form 51-101F1.

Contingent resources in the development pending project maturity sub-class have the highest chance of development and commerciality of all resources other than reserves. Because there is additional uncertainty with the other project maturity sub-classes of contingent resources and prospective resources, disclosure of the risked net present value of prospective resources and contingent resources other than in the development pending project maturity sub-class should be accompanied by a detailed explanation of chance of commerciality, which includes both the chance of discovery and the chance of development based on economic and development-related factors (such as development plans, production forecasts, markets, facilities, capital and operating costs, product prices and approvals) in the case of prospective resources and chance of development in the case of contingent resources. Without disclosure relating to the chance of discovery and chance of development, disclosure of the risked net present value of prospective resources and contingent resources other than in the development pending project maturity sub-class may be misleading.

(5) (paragraph repealed).

**(6) Reserves Reconciliation**

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

(b) The reserves reconciliation is prepared on a gross reserves, not net reserves, basis. For some reporting issuers with significant royalty interests, such as royalty trusts, the net reserves may exceed the gross reserves. In order to provide adequate disclosure given the distinctive nature of its business, the reporting issuer may also disclose its reserves reconciliation on a net reserves

basis. The reporting issuer is not precluded from providing this additional information with its disclosure prescribed in Form 51-101F1 provided that the net reserves basis for the reconciliation is clearly identified in the additional disclosure to avoid confusion.

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

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

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

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

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

Incidents that lead to a significant decrease in the volume of production from business operations should be disclosed. This may include production losses due to theft and sabotage. In order to not be misleading, the decrease in the volume of production should be considered for disclosure when a reporting issuer sets out first-year production estimates under Form 51-101F1 requirements.

If events subsequent to the effective date but prior to the preparation date have resulted in significant changes in expected future prices, such that the forecast prices reflected in the reserves data differ ~~materially~~ significantly from those that would be considered to be a reasonable outlook on the future around the date of the company's "statement of reserves data and other information", then the reporting issuer's statement might include, pursuant to item 5.2, a discussion of that change and its effect on the disclosed future net revenue estimates. It may be misleading to omit this information. Refer to subsection 2.8(3) of this Policy Statement respecting the related commentary relating to qualified reserves evaluators or auditors.

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

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

To the extent that additional, or more detailed, disclosure can be expected to assist readers in understanding and assessing the mandatory disclosure, it is encouraged. Indeed, to the extent that additional disclosure of material facts is necessary in order to make mandated disclosure not misleading, a failure to provide that additional disclosure would amount to a misrepresentation.

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

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

## 2.8. Form 51-101F2

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

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

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

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

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

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

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

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

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

(3) **Effective date of Evaluation** - A qualified reserves evaluator or auditor cannot prepare an evaluation using information that relates to events that occurred after the effective date, being the financial year-end. Information that relates to events that occurred after the year-end should not be incorporated into the forecasts. For example, information about drilling results from wells drilled in January or February, or changes in production that occurred after year-end date of December 31, should not be used. Even though this more recent information is available, the evaluator or auditor should not go back and change the forecast information [for disclosure purposes](#). The forecast is to be based on the evaluator's or auditor's perception of the future as of December 31, the effective date of the report. [Refer to subsection 2.7\(4.1\)\(7\) of this Policy Statement respecting the related commentary relating to reporting issuers.](#)

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

### **2.9.2.9. Chief Executive Officer**

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

## **2.10. Reporting Issuer Not a Corporation**

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

## **PART 3**

### **RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS**

#### **3.1. Reserves Committee**

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

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

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

### **3.2. Responsibility for Disclosure**

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

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

## **PART 4 MEASUREMENT**

### **4.1. Consistency in Dates**

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

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

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

## **PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE**

### **5.1. Application of Part 5**

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

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

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

- the annual filings required under Part 2 of Regulation 51-101,

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

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

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

(2) **Supplementary Resources Disclosure** – All public disclosure of reserves or resources other than reserves made by a reporting issuer must be made in accordance with Part 5 of Regulation 51-101. This means that reserves and resources other than reserves disclosed publicly by a reporting issuer must be evaluated in accordance with the COGE Handbook. A reporting issuer may supplement its disclosure of reserves or resources other than reserves evaluated in accordance with an alternative resources evaluation standard under section 5.18 of Regulation 51-101, to the extent that such disclosure is not contrary to section 5.18 of Regulation 51-101. Alternative resources evaluation standards that the CSA considers acceptable include the SEC’s oil and gas disclosure framework and the Petroleum Resource Management System prepared by the Society of Petroleum Engineers.

The CSA are of the view that disclosure is “required under the laws of or by a foreign jurisdiction” when, in order to access the capital markets of a foreign jurisdiction, a reporting issuer is required by that jurisdiction to present reserves or resources other than reserves disclosure in accordance with that jurisdiction’s resources evaluation standard.

If a reporting issuer re-discloses a reserves or resources other than reserves estimate that has been provided in response to the laws of a foreign jurisdiction in public disclosure that has not been required by a foreign jurisdiction (for example, in a news release), a reporting issuer will need to consider whether there is sufficient context in the non-required disclosure to allow a reader of that document to appreciate the nature of the alternative resources evaluation standard and the differences between the estimate prepared under Regulation 51-101 and the alternative resources evaluation standard.

Paragraphs 5.18(2)(b) and (3)(c) of Regulation 51-101 require a description of the differences between an estimate prepared under an alternative resources evaluation standard and an estimate prepared under Regulation 51-101 and the COGE Handbook, and the reasons for those differences, but does not require an actual reconciliation of those estimates

## **5.2. Disclosure of Reserves and Other Information**

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

(2) **Reserves** - Regulation 51-101 does not prescribe any particular methods of estimation but it does require that a ~~reserve~~ reserves estimate be prepared in accordance with the COGE



Handbook. ~~For example, section 5 of volume 1 of the COGE Handbook specifies that, in respect of an issuer's reported proved reserves, there is to be at least a 90 percent probability that the total remaining quantities of oil and gas to be recovered will equal or exceed the estimated total proved reserves.~~

~~Additional guidance on particular topics is provided below.~~

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

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

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

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

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

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

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

Disclosure of an estimate of reserves, contingent resources or prospective resources in respect of which timely availability of funding for development is not assured may be misleading

if that disclosure is not accompanied, proximate to it, by a discussion (or a cross-reference to such a discussion in other disclosure filed by the reporting issuer on SEDAR) of funding uncertainties and their anticipated effect on the timing or completion of such development (or on any particular stage of multi-stage development such as often observed in ~~oil sands~~oil sands developments).

(6) **Proved or Probable Undeveloped Reserves** - Proved or probable undeveloped reserves must be reported in the year in which they are recognized. If the reporting issuer does not disclose the proved or probable undeveloped reserves ~~just because it has not yet spent the capital to develop these reserves~~, it may be omitting material information, thereby causing the reserves disclosure to be misleading. If the proved or probable undeveloped reserves are not disclosed to the public, then those who have a special relationship with the reporting issuer and know about the existence of these reserves would not be permitted to purchase or sell the securities of the reporting issuer until that information has been disclosed. If the reporting issuer has filed or intends to file a prospectus, the prospectus might not contain “full, true and plain disclosure” of all material facts if it does not contain information about these proved or probable undeveloped reserves. Reporting issuers should review section 10.3 of volume 1 of the COGE Handbook for a discussion on what information is to be included in disclosure about these reserves

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

### 5.3. Classification of Reserves and of Resources Other ~~than~~Than Reserves

Section 5.3 of Regulation 51-101 requires that any disclosure of reserves or of resources other than reserves must apply the applicable categories and terminology set out in the COGE Handbook. The definitions of ~~various~~ resource categories, derived from the COGE Handbook, are provided in the Regulation 51-101 Glossary. In addition, section 5.3 of Regulation 51-101 requires that disclosure of reserves or of resources other than reserves must relate to the most specific category of reserves or of resources other than reserves in which the reserves or resources other than reserves can be classified. For instance, there are several ~~subcategories of discovered resources including reserves, contingent resources and discovered unrecoverable resources~~project maturity sub-classes of contingent resources including development pending, development on-hold, development unclarified and development not viable.

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

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

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

### 5.4. ~~Written Consents~~Natural Gas By-Products

~~Section 5.7 of Regulation 51-101 restricts a reporting issuer's use of a report of a qualified reserves evaluator or auditor without written consent. The consent requirement does not apply to the direct use of the report for the purposes of Regulation 51-101 (filing Form 51-101F1 or making direct or indirect reference to the conclusions of that report in the filed Form 51-101F1 and Form 51-101F3). The qualified reserves evaluator or auditor retained to report to a reporting issuer for the purposes of Regulation 51-101 is expected to anticipate these uses of the report. However, further use of the report (for example, in a securities offering document or in other news releases) would require written consent.~~5.5 of Regulation 51-101 does not allow natural gas liquids reserves

(NGLs) to be assigned prior to the first point of sale unless the NGLs have been extracted from the natural gas stream. If the NGLs will be extracted prior to the first point of sale, it may be appropriate to disclose NGLs reserves if there is a contract in place that explicitly provides for alternate delivery or marketing arrangements.

### **5.5. Future Net Revenue Not Fair Market Value**

A risked or unrisked net present value of future net revenue is not a measure of fair market value.

### **5.6. Evaluator or Auditor Consent**

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

### **5.7. Disclosure of Resources Other than Reserves**

(1) **Disclosure of Resources Generally** - The disclosure of resources, excluding proved and probable reserves, is not mandatory under Regulation 51-101, except that a reporting issuer must make disclosure concerning its unproved properties and resource activities in its annual filings as described in Part 6 of Form 51-101F1. Additional disclosure beyond this is voluntary and must comply with section 5.9 of Regulation 51-101 if anticipated results from the resources other than reserves are voluntarily disclosed.

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

Disclosure of resources other than reserves may involve the use of statistical measures that may be unfamiliar to a user. It is the responsibility of the evaluator and the reporting issuer to be familiar with these measures and for the reporting issuer to be able to explain them to investors. Information on statistical measures may be found in the [COGE Handbook](#) (section 9 of volume 1 and section 4 of volume 2) and in the extensive technical ~~literature~~<sup>iv</sup> [literature](#)<sup>14</sup> on the subject.

(2) **Disclosure of Anticipated Results under Subsection 5.9(1) of Regulation 51-101** - If a reporting issuer voluntarily discloses anticipated results from resources that are not classified as reserves, it must disclose certain basic information concerning the resources, which is set out in subsection 5.9(1) of Regulation 51-101. Additional disclosure requirements arise if the anticipated results disclosed by the [reporting](#) issuer include an estimate of a resource quantity or associated value, as set out below in subsection ~~5.5.7~~(3).

If a reporting issuer discloses anticipated results relating to numerous aggregated properties, prospects or resources, the [reporting](#) issuer may, depending on the circumstances, satisfy the requirements of subsection 5.9(1) by providing summarized information in respect of each prescribed requirement. The reporting issuer must ensure that its disclosure is reasonable, meaningful and at a level appropriate to its size.

For a reporting issuer with ~~only~~<sup>a</sup> few properties, it may be appropriate to make the disclosure for each property. ~~Such disclosure may be unreasonably onerous for~~<sup>For</sup> a reporting

---

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

issuer with many properties, ~~and~~ it may be more appropriate to summarize the information by major areas or for major projects. However, the convenience of aggregating properties will not justify disclosure of resources in a category ~~or subcategory~~ less specific than ~~would otherwise be possible, and~~ required to be disclosed by subsection 5.3(1) of Regulation 51-101.

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

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

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

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

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

However, the concept of uncertainty is generally applicable to any estimate, including not only reserves, but also to all other categories of ~~resource~~[resources](#).

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

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

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

- the acquisition cost of the unproved property to the reporting issuer, provided there have been no material changes in the unproved property, the surrounding properties, or the general oil and gas economic climate since acquisition;
- recent sales by others of interests in the same unproved property;
- terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the unproved property;
- terms and conditions, expressed in monetary terms, of recent work commitments related to the unproved property;
- recent sales of similar properties in the same general area;

- recent exploration and discovery activity in the general area;
- the remaining term of the unproved property; or
- burdens (such as overriding royalties) that impact on the value of the property.

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

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

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

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

Pursuant to subsection 5.9(2) of Regulation 51-101, if a reporting issuer discloses an estimate of a resource quantity or an associated value, the estimate must have been prepared by a qualified reserves evaluator or auditor. ~~If a reporting issuer obtains or carries out an evaluation of resources~~ [Contingent resources data and prospective resources data disclosed as an appendix \(see Instruction 1 of Part 7 of Form 51-101F1\) to the statement required under item 1 of section 2.1 of Regulation 51-101 must have been prepared by an independent qualified reserves evaluator or auditor.](#)

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

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

Pursuant to section 5.3 of Regulation 51-101, the reporting issuer must ensure that the estimated ~~resource relates~~ [resources relate](#) to the most specific [applicable](#) category of resources in which the ~~resource~~ [resources](#) can be classified. As discussed above in subsection ~~5.5.7~~ (2) of this Policy Statement, if a reporting issuer wishes to disclose an aggregate ~~resource~~ [resources](#) estimate which involves the aggregation of numerous properties, prospects or resources, it must ensure that the disclosure does not result in a contravention of the requirement in subsection 5.3(1) of Regulation 51-~~101.~~ [101. A reporting issuer should be aware that the disclosure of the summation of volumes from an economic project with an un-economic project may be misleading.](#)

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

(b) **Definitions of Resource Categories**

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

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

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

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

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

- ~~(i) a definition of the resource category used for the estimate;~~
- ~~(ii) the effective date of the estimate;~~
- ~~(ii) significant positive and negative factors relevant to the estimate;~~
- ~~(iv) the contingencies which prevent the classification of a contingent resource as a reserve; and~~
- ~~(v) cautionary language as prescribed by subparagraph 5.9(2)(d)(v) of Regulation 51-101.~~

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

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

Reporting issuers are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(d)(iii) ~~of Regulation 51-101~~. For example, if there is no infrastructure in the region to transport the ~~resource~~[resources](#), this may constitute a significant negative factor relevant to the estimate. Other examples would include [abandonment and reclamation costs](#), a significant lease expiry, [theft and sabotage as discussed in section 2.7\(7\) of this Policy Statement](#), or any legal, capital, political, technological, business or other factor that is highly relevant to the estimate. To the extent that the reporting issuer discloses an estimate for numerous properties that are aggregated, it may disclose significant positive and negative factors relevant to the aggregate estimate, unless discussion of a particular material ~~resource or~~ property [or resources](#) is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(d)(v) [of Regulation 51-101](#) includes a prescribed disclosure that there is no certainty that it will be commercially viable to produce any portion of the resources. The concept of commercial viability would incorporate the

~~meaning of the word “commercial” provided in the Regulation 51-101 Glossary criteria for determining commerciality provided in section 5.3 of volume 1 of the COGE Handbook.~~

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

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

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

#### **5.6.5.8. Analogous Information**

A reporting issuer may wish to base an estimate on, or include comparative analogous information for their area of interest, such as reserves, resources, and production, from fields or wells, in nearby or geologically similar areas. Particular care must be taken in using and presenting this type of information. For the purposes of Regulation 51-101, CSA staff interpret a field to be limited to a single pool or a grouping of several pools within the geographic area or administrative unit from which product types can reasonably be recovered. Using only the best wells or fields in an area, or ignoring dry holes, for instance, may be particularly misleading. It is important to present a factual and balanced view of the information being provided.

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

#### **5.7.5.8.1. Consistent Use of Units of Measurement**

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

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

#### **5.8.2. Oil and Gas Metrics**

## 5.8. BOEs and McfGEs

Section 5.14 of Regulation 51-101 sets out requirements that apply ~~if to all oil and gas metrics, including the disclosure of reserves or resources other than reserves by~~ a reporting issuer ~~chooses to make disclosure~~ using units of equivalency such as BOEs or McfGEs. ~~The requirements include prescribed methods of calculation and cautionary disclosure as to the possible limitations of those calculations~~ A commonly used conversion ratio in the oil and gas industry is 6 Mcf of gas to 1 bbl of oil. If a reporting issuer uses a 6 Mcf to 1 bbl ratio, in order to satisfy paragraph 5.14(1)(d) of Regulation 51-101, the reporting issuer should provide a cautionary statement to the following effect:

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

When the value ratio is significantly different from the energy equivalency of 6:1; the disclosure may be misleading without additional information.

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

### Net Asset Value, Reserve Replacement and Netbacks

If a reporting issuer discloses net asset value, reserves replacement or netbacks, additional disclosure will be required by paragraphs 5.14(1)(b) and 5.14(2)(a) of Regulation 51-101. For example, if a reporting issuer discloses

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

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

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

## 5.9. Finding and Development ~~costs~~ Costs

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

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

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

### 5.9.1. Summation of Resource Categories

An estimate of quantity or an estimate of value constitutes a summation, disclosure of which is prohibited by subsection 5.16(1) of Regulation 51-101, if that estimate reflects a combination of estimates, known or available to the reporting issuer, for two or more of the subcategories enumerated in that provision. There may be circumstances in which a disclosed



estimate was arrived at in accordance with the COGE Handbook without combining, and without the reporting issuer knowing or having access to, estimates in two or more of those enumerated categories. Disclosure of such an estimate would not generally be considered to constitute a summation for purposes of that provision.

## **5.10** 5.10 Prospectus Disclosure

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

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

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

(3) **Proved or Probable Undeveloped ~~reserves~~ Reserves** - Further to the guidance provided in subsection 5.2(4) of this Policy Statement, proved or probable undeveloped reserves must be reported in the year in which they are recognized. If the reporting issuer does not disclose the proved or probable undeveloped reserves just because it has not yet spent the capital to develop these reserves, it may be omitting material information, thereby causing the reserves disclosure to be misleading. If the reporting issuer has filed or intends to file a prospectus, the prospectus might not contain "full, true and plain disclosure" of all material facts if it does not contain information about these proved undeveloped reserves.

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

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

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

~~We would~~ CSA staff may consider granting relief on a case-by-case basis to permit ~~an~~ reporting issuer in these circumstances to include in its prospectus the oil and gas information prepared with an effective date more recent than the financial year-end date, without also including the corresponding information effective as at the year-end date. A consideration for granting this

relief may include disclosure of Form 51-101F1 information with an effective date that coincides with the date of interim financial statements. The [reporting](#) issuer should request such relief in the covering letter accompanying its preliminary prospectus. The grant of the relief would be evidenced by the prospectus receipt.

## **PART 6 MATERIAL CHANGE DISCLOSURE**

### **6.1. Changes from Filed Information**

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

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

Part 6 of Regulation 51-101 requires that the disclosure of the material change include a discussion of the reporting issuer's reasonable expectation of how the material change has affected the [reporting](#) issuer's reserves data and other information contained in its filed disclosure. This would not ~~necessarily~~ require that an evaluation be carried out. However, the reporting issuer should ensure it complies with the general disclosure requirements set out in Part 5, as applicable. For example, if the material change report discloses an updated reserves estimate, this should be prepared in accordance with the COGE Handbook and by a qualified reserves evaluator or auditor. [The continuity of ongoing disclosure, including the disclosure of material changes as they happen, is an important factor in keeping investors informed of a reporting issuer's business.](#)

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

## **APPENDIX 1**

### **SAMPLE RESERVES DATA DISCLOSURE**

#### **Format of Disclosure**

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

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

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

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

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

#### **Sample Tables**

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

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

**SUMMARY OF OIL AND GAS RESERVES**

as of December 31, ~~2006~~2015

~~CONSTANT FORECAST PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]~~

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

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

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

**OPTIONAL  
SUPPLEMENTA  
RY**

SUMMARY OF NET PRESENT ~~VALUES~~VALUE OF FUTURE NET REVENUE  
as of December 31, ~~2006~~2015  
~~CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]~~  
FORECAST PRICES AND COSTS

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

OPTIONAL  
SUPPLEMENTA  
RY

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

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

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

~~OPTIONAL  
SUPPLEMENTAR  
Y~~

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

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

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

**OPTIONAL  
SUPPLEMENTARY**

Reference: Item 2.2 of Form 51-101-F1

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

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

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

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



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

RESERVES CATEGORY	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year
	20 (MM\$)	20 (MM\$)	20 (MM\$)	20 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	
<b>PROVED</b>											
Developed Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Developed Non-Producing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>TOTAL PROVED</b>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx
<b>PROBABLE</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>TOTAL PROVED PLUS PROBABLE</b>	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxx

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

(2) The unit values are based on net ~~reserve~~ reserves volumes.

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

**TOTAL FUTURE NET REVENUE  
(UNDISCOUNTED)  
as of December 31, ~~2006~~2015  
FORECAST PRICES AND COSTS**

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

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

**FUTURE NET REVENUE**  
**BY ~~PRODUCTION GROUP~~ PRODUCT TYPE**  
as of December 31, ~~2006~~2015  
**FORECAST PRICES AND COSTS**

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

	<u>Tight Oil</u>	<u>xxx</u>	<u>xxx</u>
	Total	xxx	<u>xxx</u>
Proved Plus Probable Reserves	<del>Light and Medium Crude Oil (including solution gas and other by products)</del>	<del>xxx</del>	<del>xxx</del>
	<del>Heavy Oil (including solution gas and other by products)</del>	<del>xxx</del>	<del>xxx</del>
	<del>Natural Gas (including by products but excluding solution gas from oil wells)</del>	<del>xxx</del>	<del>xxx</del>
	<del>Non-Conventional Oil and Gas Activities</del>	<del>xxx</del>	<del>xxx</del>
	<b>Total</b>	<b>xxx</b>	

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

**SUMMARY OF PRICING ASSUMPTIONS**  
as of December 31, ~~2006~~2015

**CONSTANT PRICES AND COSTS<sup>(1)</sup>**

Year	OIL <sup>(2)</sup>				NATURAL GAS <sup>(2)</sup> AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	EXCHANGE RATE <sup>(3)</sup> (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/bbl)	Edmonton Par/ <u>Mixed Sweet Blend</u> Price <del>40<sup>0</sup></del> <u>40</u> ° API (\$Cdn/bbl)	Hardisty Heavy <del>12<sup>0</sup></del> <u>12</u> ° API (\$Cdn/bbl)	Cromer Medium <del>29.3<sup>0</sup></del> <u>29.3</u> ° API (\$Cdn/bbl)			
Historical (Year End)							
<del>2003</del> <u>2012</u>	xx	xx	xx	xx	xx	xx	xx
<del>2004</del> <u>2013</u>	xx	xx	xx	xx	xx	xx	xx
<del>2005</del> <u>2014</u>	xx	xx	xx	xx	xx	xx	xx
<del>2006</del> <u>2015</u> (Year End)	xx	xx	xx	xx	xx	xx	xx

**OPTIONAL  
SUPPLEMENTARY**

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

Reference: Item 3.1 of Form 51-101 F1

OPTIONAL  
SUPPLEMENTARY

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS**  
as of December 31, ~~2006~~2015

**FORECAST PRICES AND COSTS**

Year	OIL <sup>(1)</sup>				NATURAL GAS <sup>(1)</sup> AECO Gas Price (\$Cdn/MMBtu)	NATURAL GAS LIQUIDS FOB Field Gate (\$Cdn/bbl)	INFLATION RATES <sup>(2)</sup> %/Year	EXCHANGE RATE <sup>(3)</sup> \$US/\$Cdn
	WTI Cushing Oklahoma \$US/bbl	Edmonton Par/ <u>Mixed Sweet Blend</u> Price <del>40<sup>0</sup></del> <u>40<sup>0</sup></u> API \$Cdn/bbl	Hardisty Heavy <del>12<sup>0</sup></del> <u>12<sup>0</sup></u> API \$Cdn/bbl	Cromer Medium <del>29.3<sup>0</sup></del> <u>29.3<sup>0</sup></u> API \$Cdn/bbl				
Historical <sup>(4)</sup>								
<del>2003</del> <u>2012</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2004</del> <u>2013</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2005</del> <u>2014</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2006</del> <u>2015</u>	xx	xx	xx	xx	xx	xx	xx	xx
Forecast								
<del>2007</del> <u>2016</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2008</del> <u>2017</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2009</del> <u>2018</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2010</del> <u>2019</u>	xx	xx	xx	xx	xx	xx	xx	xx
<del>2011</del> <u>2020</u>	xx	xx	xx	xx	xx	xx	xx	xx
Thereafter	xx	xx	xx	xx	xx	xx	xx	xx

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer.
- (2) Inflation rates for forecasting prices and costs.
- (3) Exchange rates used to generate the benchmark reference prices in this table
- (4) Item 3.2 (1)(b) of Form 51-101F1 also requires disclosure of the reporting issuer's weighted average historical prices for the most recent financial year (~~2006~~2014, in this example).

 OPTIONAL  
SUPPLEMENTARY

Reference: Item 3.2 of Form 51-101 F1

**RECONCILIATION OF  
COMPANY GROSS RESERVES  
BY PRODUCT TYPE<sup>(1)</sup>**

**FORECAST PRICES AND COSTS**

FACTORS	LIGHT <u>CRUDE OIL</u> AND MEDIUM <u>CRUDE OIL</u>			HEAVY <u>CRUDE OIL</u>			<del>ASSOCIATED AND NON ASSOCIATED</del> <u>CONVENTIONAL NATURAL GAS</u>		
	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (Mbbbl)	Gross Probable (Mbbbl)	Gross Proved Plus Probable (Mbbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, <del>2005</del> <u>2014</u>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & Improved Recovery	xx	xx	xx	xx	xx	xx	xx	xx	xx
Technical Revisions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Discoveries	xx	xx	xx	xx	xx	xx	xx	xx	xx
Acquisitions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Dispositions	xx	xx	xx	xx	xx	xx	xx	xx	xx
Economic Factors	xx	xx	xx	xx	xx	xx	xx	xx	xx
Production	xx	xx	xx	xx	xx	xx	xx	xx	xx
December 31, <del>2006</del> <u>2015</u>	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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

Reference: Item 4.1 of Form 51-101F1

SUMMARY OF RISKED OIL AND GAS CONTINGENT RESOURCES<sup>(1)</sup>  
as of December 31, 2015  
FORECAST PRICES AND COSTS

<u>RESOURCES PROJECT</u> <u>MATURITY SUB-CLASS</u>	<u>CONTINGENT RESOURCES<sup>(2)</sup></u>							
	<u>LIGHT CRUDE OIL AND</u> <u>MEDIUM CRUDE OIL</u>		<u>HEAVY</u> <u>CRUDE OIL</u>		<u>CONVENTIONAL</u> <u>NATURAL GAS</u>		<u>NATURAL GAS</u> <u>LIQUIDS</u>	
	<u>Gross</u> <u>(Mbbbl)</u>	<u>Net</u> <u>(Mbbbl)</u>	<u>Gross</u> <u>(Mbbbl)</u>	<u>Net</u> <u>(Mbbbl)</u>	<u>Gross</u> <u>(MMcfc)</u>	<u>Net</u> <u>(MMcfc)</u>	<u>Gross</u> <u>(Mbbbl)</u>	<u>Net</u> <u>(Mbbbl)</u>
<u>CONTINGENT (2C)</u> <u>Development Pending</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

(1) This disclosure is triggered by optional disclosure of *contingent resources* in the statement prepared in accordance with item 1 of section 2.1 of Regulation 51-101. Disclosure of risked estimates of volume are required under item 7.1(1)(a) of Form 51-101F1.

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

(3) The disclosure in this table must comply with and include the disclosure required by section 5.9 of Regulation 51-101, including section 5.9(2)(d).

(4) A reporting issuer should consider whether the disclosure of development unclarified or development not viable sub-classes contingent resources in the statement of reserves data and other oil and gas information would be misleading given the uncertainty and risk associated with those estimates. Section 2 of volume 2 of the COGE Handbook details commerciality factors.

OPTIONAL  
SUPPLEMENTARY

Reference: Item 7.1(a) of Form 51-101F1



SUMMARY OF RISKED NET PRESENT VALUE OF FUTURE NET REVENUE<sup>(1)</sup>  
(CONTINGENT RESOURCES)  
as of December 31, 2015  
FORECAST PRICES AND COSTS

An estimate of risked net present value of future net revenue of contingent resources is preliminary in nature and is provided to assist the reader in reaching an opinion on the merit and likelihood of the company proceeding with the required investment. It includes contingent resources that are considered too uncertain with respect to the chance of development to be classified as reserves. **There is no certainty that the estimate of risked net present value of future net revenue will be realized.**

<u>RESOURCES PROJECT</u> <u>MATURITY SUB-CLASS</u>	<u>RISKED NET PRESENT VALUE OF FUTURE NET REVENUE</u>									
	<u>BEFORE INCOME TAXES</u>					<u>AFTER INCOME TAXES</u>				
	<u>DISCOUNTED AT (%/year)</u>									
	<u>0</u> <u>(MM\$)</u>	<u>5</u> <u>(MM\$)</u>	<u>10</u> <u>(MM\$)</u>	<u>15</u> <u>(MM\$)</u>	<u>20</u> <u>(MM\$)</u>	<u>0</u> <u>(MM\$)</u>	<u>5</u> <u>(MM\$)</u>	<u>10</u> <u>(MM\$)</u>	<u>15</u> <u>(MM\$)</u>	<u>20</u> <u>(MM\$)</u>
<u>CONTINGENT (2C)</u> <u>Development Pending</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

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

(2) The disclosure in this table must comply with and include the disclosure required by section 5.9 of Regulation 51-101.

	<u>OPTIONAL</u> <u>SUPPLEMENTARY</u>
--	---

Reference: Item 7.1(b) of Form 51-101F1

**SUMMARY OF RISKED OIL AND GAS PROSPECTIVE RESOURCES<sup>(1)</sup>**  
**as of December 31, 2015**  
**VOLUMES**

<u>RESOURCES</u>	<u>PROSPECTIVE RESOURCES<sup>(2)</sup></u>							
	<u>LIGHT CRUDE OIL AND MEDIUM CRUDE OIL</u>		<u>HEAVY CRUDE OIL</u>		<u>CONVENTIONAL NATURAL GAS</u>		<u>NATURAL GAS LIQUIDS</u>	
	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>	<u>Gross (MMcf)</u>	<u>Net (MMcf)</u>	<u>Gross (Mbbbl)</u>	<u>Net (Mbbbl)</u>
<u>PROSPECTIVE (Best Estimate)</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

(1) This disclosure is triggered by optional disclosure of prospective resources in the statement prepared in accordance with item 1 of section 2.1 of Regulation 51-101. Disclosure of risked estimates of volume are required under Item 7.2(1) of Form 51-101F1

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

(3) The disclosure in this table must comply with and include the disclosure required by section 5.9 of Regulation 51-101.

(4) A reporting issuer should consider whether the disclosure of prospective resources in the statement of reserves data and other oil and gas information would be misleading given the uncertainty and risk associated with those estimates.

OPTIONAL SUPPLEMENTARY

Reference: Item 7.2(a) of Form 51-101F1

Document comparison by Workshare Compare on 3 décembre 2014 15:50:01

Input:	
Document 1 ID	file://P:\REG travail\A-F\51-101\2013-2014\Publ 11-14\51-101 IG complet 17-12-10 pour soul A.docx
Description	51-101 IG complet 17-12-10 pour soul A
Document 2 ID	file://P:\REG travail\A-F\51-101\2013-2014\Publ 11-14\AMF\51-101_IG_complet_27-11-13_V2_QA.doc
Description	51-101_IG_complet_27-11-13_V2_QA
Rendering set	Standard

Legend:	
<a href="#">Insertion</a>	
<del>Deletion</del>	
<del>Moved from</del>	
<a href="#">Moved to</a>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	619
Deletions	565
Moved from	11
Moved to	11
Style change	0
Format changed	0
Total changes	1206

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

<sup>ii</sup> 2— “Registrant” has the meaning ascribed to the term under securities legislation in the jurisdiction.

<sup>iii</sup> 3— ~~Refer to the discussion of financial instruments in subsection 2.7(5) below.~~