

## Chapter 5

# Rules and Policies

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### 5.1.1 Notice of Amendments to National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and related and consequential amendments

#### NOTICE OF AMENDMENTS TO NATIONAL INSTRUMENT 51-101 STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES AND RELATED AND CONSEQUENTIAL AMENDMENTS

October 15, 2010

#### Introduction

We, the Canadian Securities Administrators (CSA), are implementing amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and its related forms (the Forms) and companion policy (51-101CP) (collectively, the Instrument).<sup>1</sup>

NI 51-101 sets out the annual filing requirements for reporting issuers who are involved in oil and gas activities, notably in respect of their estimates of reserves and resources. In addition, NI 51-101 sets out the general disclosure standards for reporting issuers who are reporting on their oil and gas activities. The disclosure standards apply to any disclosure made by a reporting issuer throughout the year.

The text of the amendments and blacklined versions of the Instrument showing changes made since publication for comment follow the appendices.

The amendments to the Instrument have been made, or are expected to be made, by each member of the CSA. Provided that all necessary ministerial approvals are obtained, the amendments to the Instrument will come into force on **December 30, 2010**.

#### Substance and purpose of the amendments

In Ontario, the amendments to the Instrument and the other materials required to be delivered to the minister responsible for oversight of the Ontario Securities Commission were delivered on October 14, 2010.

The amendments to the Instrument fall into the following broad categories: amendments for clarification, amendments to codify existing staff guidance and practice, and added requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.

#### Background

We published proposed amendments for comment on December 18, 2009. The comment period ended in March 2010. During the comment period, we received submissions from 8 commenters. We have considered the comments received and thank all of the commenters. Appendix A identifies the commenters and Appendix B summarizes their comments and our responses. The comment letters can be viewed on the Alberta Securities Commission website at [www.albertasecurities.com](http://www.albertasecurities.com).

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

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

#### Consequential and related amendments

Item 5.5 of Form 41-101F1 *Information Required in a Prospectus* will be amended. CSA Staff Notice 51-324 and CSA Staff Notice 51-327 will be amended as of December 30, 2010 to reflect changes to the Instrument.

The text of the amendments follows or can be found elsewhere on a CSA member website.

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<sup>1</sup> In Ontario, paragraphs 143(1) 22, 24, 39 and 39.1 of the Securities Act provide the Ontario Securities Commission with authority to make the amendments to the Instrument.

**Questions**

Please refer your questions to any of the following:

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Appendix A

LIST OF COMMENTERS

Proposed Amendments to National Instrument 51-101  
*Standards of Disclosure for Oil and Gas Activities*  
Request for Comment December 18, 2009

	COMMENTER	NAME	DATE
1.	Husky Energy Inc.	Janice Knoechel, P. Eng Fred Au-Yeung, P. Eng	March 17, 2010
2.	Northwest & Ethical Investments L.P.	John Kearns Bob Walker	March 19, 2010
3.	Nexen Inc.	Rick Beingessner	March 19, 2010
4.	Suncor Energy Inc.	Shawn P. Poirier	March 19, 2010
5.	Imperial Oil Limited	Paul A. Smith	March 19, 2010
6.	Macleod Dixon LLP	Kevin E. Johnson	March 19, 2010
7.	ARC Resources Ltd.	David Carey	March 19, 2010
8.	Cenovus Energy Inc.	Eric Geppert	March 26, 2010

## Appendix B

Amendments to National Instrument 51-101 *Standards of Disclosure for Oil & Gas Activities*

## Summary of Comments and CSA Responses

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
<b>NATIONAL INSTRUMENT 51-101 STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES</b>			
1.	Paragraph 1.1(v) Definitions <i>product type</i>	One commenter expressed its view that a separate product type designation for oil sands mining should be required to allow investors to understand that the unique risks associated with oil sands mining apply to that particular volume or value of reserves.	Product types indicate the type of material being extracted, not the method of extraction. Disclosure of risk factors associated with the method of extraction are addressed by other disclosure requirements. We therefore have not made the suggested change.
2.	Subparagraph 2.1 3(e)(ii) Report of Management and Directors	One commenter suggested that the words "on behalf of the board of directors" be removed because the report is not a report of the board per se and board members bear no direct statutory civil liability as in the context of a prospectus.	We have not made the suggested change. Form 51-101F3 prescribes a report of an issuer's management and board of directors, for which each of the issuer's directors (among others) bears statutory civil liability.
3.	Section 5.3 Classification of <i>Reserves</i> and of <i>Resources</i> other than <i>Reserves</i>	One commenter was uncertain, from the wording of section 5.3, whether an issuer could supplement disclosure made in accordance with COGE Handbook ( <b>COGEH</b> ) with other disclosure prepared in accordance with different regimes. The commenter called for clarification either by amendment to the instrument or by companion policy guidance to the effect that COGEH and US rules are the same.	We have not made a change to the extent suggested by the commenter.  A key investor-protection objective underlying NI 51-101 was to enhance the reliability and comparability of oil and gas disclosure in Canada. NI 51-101 disclosure requirements are minimum requirements; expanded commentary in 51-101CP clarifies the CSA view that additional disclosure can be provided, although it must not contravene NI 51-101.  We have updated item 2.2 of Form 51-101F1, which permits supplementary disclosure of reserves estimates computed using constant prices and costs, to reflect changes to the similar approach recently adopted in the US. This may go far to address the commenter's concern, as it addresses a type of supplementary disclosure with which investors may already be conversant.
4.	Section 5.3 Classification of <i>Reserves</i> and of <i>Resources</i> other than <i>Reserves</i>	One commenter suggested that this provision requires modification to permit disclosure of discovered petroleum initially-in-place ( <b>PIIP</b> ) without breaking it down into contingent resources, unrecoverable resources and reserves when such more specific estimates have not yet been made.	Section 5.3 requires issuers to use the terminology and classifications specified in COGEH. These include "discovered PIIP". Indeed, new subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP without further sub-categorization so long as the disclosure (i) explains why total, discovered or undiscovered PIIP is the most specific applicable category and (ii) includes the prescribed cautionary statement.

	<b>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</b>	<b>Summarized Comment</b>	<b>CSA Response</b>
5.	Paragraph 5.9(2)(a) Disclosure of <i>Resources</i> Other than <i>Reserves</i>	One commenter opined that the requirement for estimates to be prepared or audited by a qualified reserves evaluator or auditor is too onerous. It appears to preclude issuers from disclosing numbers prepared by outside parties, such as the ERCB. The commenter suggested that companies should be able to quote numbers published by such parties, so long as the party quoted is fully disclosed and the source is reputable.	We have not made the suggested change.  The requirement for involvement of a qualified reserves evaluator or auditor in the preparation of reserves and resources estimates disclosed by an issuer under NI 51-101 is fundamental to the objectives underlying the instrument: enhanced reliability and comparability of oil and gas disclosure. We do not consider that simply reproducing "numbers" prepared by third parties – whose purposes, responsibilities and applicable standards might be quite different from those of capital market regulators – would serve these objectives.  NI 51-101 already recognizes that third-party-sourced data may be useful, and permits its use for specified purposes; see, for example, section 5.10 <i>Analogous Information</i> .
6.	Paragraph 5.9(2)(b) Disclosure of <i>Resources</i> Other than <i>Reserves</i>	One commenter contended that issuers should be allowed to disclose discovered PIIP without breaking it down further.	See our response to comment 4 above.
7.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	One commenter expressed its support for prohibiting addition across resource categories.	We acknowledge the comment.
8.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	Two commenters recommended against the proposal to require disclosure of PIIP sub-classification and a cautionary statement, expressing concern that the unrecoverable portion of PIIP for an early-stage property would not yet have been evaluated, so nothing could be disclosed. Another commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	Where sufficient information is available we consider it beneficial to investors for the unrecoverable volumes to be disclosed. However, where the total PIIP, discovered PIIP or undiscovered PIIP estimate is the most specific category available, sub-classification is not required. See our response to comment 4 above.
9.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	One commenter found the cautionary statements in paragraph 5.9(v) and section 5.16 duplicative.	We agree, and have revised subsection 5.16(3) to refer to section 5.9.
10.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	One commenter suggested that disclosure of discovered PIIP should be allowed without specifying what portion is currently considered contingent or unrecoverable.	New subsection 5.16(3) allows issuers to disclose total, discovered or undiscovered PIIP so long as they explain why that category is the most specific category that applies and includes the prescribed cautionary statement.

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
11.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	Several commenters expressed the view that an aggregation of categories such as “remaining recoverable resources” is appropriate and recognized by COGEH and PRMS, and therefore that such disclosure should be allowed if the quantities for each category/class are identified.	We consider restrictions on summation across resource categories important. Although, as some commenters noted, COGEH does state that addition across resource categories is acceptable in “ ... some instances (e.g., basin potential studies) ...”, this is not a blanket endorsement of such an approach. We remain concerned that summation across categories has the potential to be misleading and is, in most cases, inappropriate in the context of public company disclosure.  See new subsections 5.16(2) and (3) for instances where disclosure of summations is permitted, with appropriate safeguards.
12.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	One commenter suggested that it might be better to substitute references to specific product types (e.g., bitumen and natural gas) when using the term “petroleum initially-in-place”.	We agree, and now address this point in new subsection 5.3(2).
13.	Section 5.16 Prohibition Against Addition Across <i>Resource</i> Categories	One commenter suggested that section 5.3 and the proposed section 5.16 would not interact correctly.	We have made changes and clarifications to address the issue raised.  Section 5.3 speaks to classifying reserves or resources other than reserves using terminology and categories from COGEH and requires that the reserves or resources other than reserves be classified in the most specific category possible. Where appropriate, the most specific category may be total, discovered or undiscovered PIIP.  Section 5.16, as modified, addresses three points: first, the general principle that issuers must not sum estimates of different resource categories; second that, despite the general prohibition, certain summations of estimates (total, discovered or undiscovered PIIP) are permissible if estimates for each of the applicable subcategories are also disclosed; and third, where total, discovered or undiscovered PIIP is the most specific applicable category, the issuer may disclose that category, but must explain why it is the most specific category that applies and must also include the specified cautionary statement.
14.	Section 5.17 Disclosure of High- and Low-Case Estimates of <i>Reserves</i> and of <i>Resources</i> other than <i>Reserves</i>	One commenter supported the addition of proposed section 5.17.	We acknowledge the comment.

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
15.	Section 5.17 Disclosure of High- and Low-Case Estimates of Reserves and of Resources other than Reserves	One commenter suggests that the provision was overly restrictive in mandating proved plus probable reserves combined.	We agree, and have revised subsection 5.17(1) to allow issuers the option, when the provision is triggered, to disclose either proved plus probable reserves together or proved reserves and probable reserves separately.
16.	Part 9 <i>Instrument in Force</i>	One commenter suggests that this Part be removed in its entirety.	Because such provisions can be helpful to some users we are retaining Part 9, as is typically the case with CSA instruments.

**FORMS 51-101 F1 STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION**

17.	Item 2.1 <i>Reserves Data (Forecast Prices and Costs)</i>	One commenter urged additional disclosure concerning reclamation and abandonment costs for oil sands mines, particularly in light of tailing pond obligations.	We did not make the suggested change.  Disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) <i>Reserves Data</i> as well as Item 6.4 <i>Additional Information Concerning Abandonment and Reclamation Costs</i> .  Issuers are expected to address risk factors in a number of disclosure rules and requirements. In our experience, this type of information is typically included in corporate level disclosure for existing operations and should be included in the evaluation for new properties.
18.	Item 2.1 <i>Reserves Data (Forecast Prices and Costs)</i>	One commenter expressed its view that additional disclosure of the forecast costs of compliance with greenhouse gas emissions pricing regulations should be required.	We do not propose to make the suggested change as it is outside the scope of the current amendments. The purpose of the current amendments is to clarify certain provisions, to codify existing staff guidance and practice and to add requirements to enhance reliability of certain disclosure of reserves and resources other than reserves.
19.	Item 2.2 Supplemental Disclosure of <i>Reserves Data</i>	One commenter did not object to supplemental pricing disclosure in accordance with US practice; however, the commenter did object to providing relief from Item 2.1 of 51-101F1 requirements where that disclosure is substituted with disclosure consistent with SEC requirements.	We have revised Item 2.2 to permit supplementary disclosure of estimates based on constant prices and costs, determined in accordance with current SEC standards.
20.	Item 2.2 Supplemental Disclosure of <i>Reserves Data</i>	Two commenters expressed the view that this change is not sufficient, in and of itself, to make the estimate comparable with estimates prepared in accordance with SEC requirements (resulting values and manner of presentation) and any representation that the estimates are comparable would be misleading.	See our response to comment 19 above.  It was not our intent to design supplementary disclosure requirements that would cause supplementary disclosure to be comparable to disclosure prepared in accordance with SEC regulation.

	<b>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</b>	<b>Summarized Comment</b>	<b>CSA Response</b>
21.	Item 2.2 Supplemental Disclosure of <i>Reserves Data</i>	One commenter expressed concern that the inclusion of Item 2.2 suggests that there is only one way to provide supplementary disclosure – in accordance with the US regime. He noted that the US regime also allows for supplemental pricing scenarios and not just a constant price case. The intent of the provision is unclear.	We eliminated the proposed broad references to US disclosure standards and instead revised Item 2.2, addressing the specific issue of most general interest (estimates based on constant prices and costs), updated to reflect recent changes to SEC standards.
22.	Item 3.1 Supplemental Estimates	One commenter stated that the proposed change does not make the reserves disclosure fully compliant with SEC regulations because it addresses only the price used in reserves disclosure.	The intent was not to conform Canadian disclosure requirements to those of the SEC, but to allow issuers an option to provide supplementary disclosure within Canada. We have revised Item 3.1 to relate specifically to constant prices and costs and, as noted above, we have removed general references to US pricing within NI 51-101 and 51-101F1.
23.	Item 3.2 Forecast Prices Used in Estimates	One commenter expressed its view that disclosure of carbon pricing forecasts should be required.	The suggested change is outside the scope of the current amendments. Therefore, we do not propose to make this change.
24.	Item 5.2 Significant Factors or Uncertainties Affecting <i>Reserves Data</i>	One commenter objected to the removal of the phrase “the need to build a major pipeline or other major facility before production of reserves can begin” from the instruction because that type of information provides relevant information to investors. The commenter conceded that it may be appropriate to remove if reserves would not be assigned in these circumstances in any event, but felt a clarification was warranted.	This phrase was removed from this item of the form because it applies to contingent resources, rather than to reserves. We agree that this information is relevant and important to investors. See the instruction for Item 6.2.1, which includes this text.
25.	Item 6.2.1 Significant Factors or Uncertainties Relevant to <i>Properties With No Attributed Reserves</i>	One commenter objected to this proposed item, contending that the relevant projects are not mature enough to know the plans or to discuss in a meaningful way. Also, for companies with several differing properties, the discussion could be very difficult to prepare in a way that is meaningful for the properties in the aggregate.	We retained this provision because we are of the view that this information can be important for investor consideration.  The CSA are of the view that it is the reporting issuer’s responsibility to consider what factors and uncertainties are relevant to its operations, determine whether this information is material, and then disclose the relevant significant factors or uncertainties.
26.	Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs	One commenter suggested that if reclamation and abandonment costs for tailings ponds are not being included under Item 2.1, then Item 6.4 should provide for more informative disclosure of the liability. Specifically, an estimate of the future volume and extent of tailings ponds that will be created or sustained by exploitation of the reserves, as well as high and low estimates of the potential costs of reclamation.	We did not make the suggested change.  As mentioned in our response to comment 17 above, disclosure of reclamation and abandonment costs is addressed in Item 2.1(3) <i>Reserves Data</i> as well as Item 6.4 <i>Additional Information Concerning Abandonment and Reclamation Costs</i> .

Rules and Policies

	<i>Topic (unless otherwise noted, cross-references are to provisions of the same instrument)</i>	<i>Summarized Comment</i>	<i>CSA Response</i>
<b>GENERAL</b>			
27.	General	One commenter stated that the proposed amendments to NI 51-101 did not go far enough in resolving the differences between the US regime and NI 51-101 and suggested that the CSA either align its requirements with the SEC's or exempt from compliance those required to prepare disclosure to SEC standards.	We did not make either suggested change. It was not our objective to align Canadian disclosure requirements with US disclosure requirements.

## Appendix C

### Summary of Changes from Proposed Amendments Published for Comment on December 18, 2009

The discussion below summarizes changes between the versions of the documents published for comment on December 18, 2009 and the versions of those documents ultimately approved.

#### **NI 51-101 *Standards of Disclosure for Oil and Gas Activities***

- We removed the definition of “executive officer” and adjusted the wording in section 2.1(3)(e) to require an “officer” rather than an “executive officer” to execute the Form 51-101F3
- We moved the content of section 2.2 to new subsection 2.3(2) as this is a more appropriate location for the requirement
- We moved the contents of proposed section 2.5 of NI 51-101 to section 2.10 of 51-101CP
- We added section 5.3(2) to allow issuers to report using a specific product type when disclosing petroleum initially-in-place (PIIP) rather than the more general “petroleum”
- We revised section 5.16 to clarify disclosure requirements for total, discovered and undiscovered PIIP: an issuer can disclose total, discovered or undiscovered PIIP if it discloses estimates of the applicable subcategories that comprise the summed estimate; or, it can disclose total, discovered or undiscovered PIIP without disclosing estimates of the applicable subcategories that comprise the summed estimate, where that information is not yet available, if the issuer explains why total, discovered or undiscovered PIIP is the most specific classification that can be assigned and the issuer includes specified cautionary language. The proposed cautionary language has been removed and reference is made to existing cautionary language in sections 5.9(2)(c)(v)(A) and (B)
- We modified the high- and low-case estimate for reserves disclosure in section 5.17 to allow issuers to report either proved and proved + probable reserves (together) or proved and probable reserves (separately) when disclosing proved + probable + possible reserves

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

- We removed all references to “US oil and gas disclosure requirements” and have reverted to allowing supplementary disclosure based on constant prices and costs (see items 2.2 and 3.1)
- Constant prices and costs requirements have been updated for accuracy
- We added Instruction (5) to Part 4 to clarify that a reconciliation is not required when “opening” estimates as at the beginning of the financial year are not available

#### **Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities***

- We revised section 2.7(4) to provide specific guidance for disclosure using constant prices and costs
- We added section 2.9 to explain how we interpret the term “chief executive officer”
- We added section 2.10 to provide guidance to non-corporate reporting issuers regarding the execution of the Form 51-101F3
- We added guidance in section 5.3 to clarify the disclosure requirements of section 5.16(2) of NI 51-101
- We added section 5.9.1 to clarify the purpose and intent of section 5.16 of NI 51-101

#### **NI 41-101 *General Prospectus Requirements (section 5.5)***

- We have reintroduced the instruction that had been inadvertently removed

Although this amending instrument amends section headers in National Instrument 51-101, section headers do not form part of the instrument and are inserted for ease of reference only.

**Amendments to  
NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

1. **National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.**
2. **Paragraph 1.1(c) is repealed.**
3. **Paragraph 1.1(d) is repealed.**
4. **Paragraph 1.1(e) is repealed.**
5. **Paragraph 1.1(i) is repealed.**
6. **Section 1.1 is amended**
  - (a) **by adding the following paragraph after paragraph (n):**
    - (n.1) “Form 51-101F4” means Form 51-101F4 Notice of Filing of 51-101F1 Information;
  - (b) **in clause (s)(i)(B), by deleting “further” and by replacing “reservoirs on those properties” with “their natural locations”, and**
  - (c) **in clause (s)(i)(C), by replacing “reservoirs” with “locations”.**
7. **Item 3 of section 2.1 is amended by repealing paragraph (e) and substituting the following:**
  - (e) is executed
    - (i) by two officers of the reporting issuer, one of whom is the chief executive officer, and
    - (ii) on behalf of the board of directors, by
      - (A) any two directors of the reporting issuer, other than the persons referred to in subparagraph (i) above, or
      - (B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the reporting issuer.
8. **Section 2.2 is repealed.**
9. **Section 2.3 is amended by renumbering it as subsection 2.3(1) and by adding the following after subsection (1):**
  - (2) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its annual information form, file with the securities regulatory authority a notice of filing in accordance with Form 51-101F4.
10. **Section 4.1 is repealed.**
11. **Section 5.3 is replaced with the following:**
  - 5.3 **Classification of Reserves and of Resources Other than Reserves**
    - (1) Reserves or resources other than reserves must be disclosed using the applicable terminology and categories set out in the COGE Handbook and must be classified in the most specific category of reserves or resources other than reserves in which the reserves or resources other than reserves can be classified.

- (2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of resources is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the reporting issuer may depart from the applicable terminology by substituting, for the word "petroleum", reference to the specific *product type* of the resource.

**12. Section 5.9 is repealed and the following substituted:**

**5.9 Disclosure of Resources Other than Reserves**

- (1) If a reporting issuer discloses *anticipated results* from resources which are not currently classified as reserves, the reporting issuer must also disclose in writing, in the same document or in a *supporting filing*:
- (a) the reporting issuer's interest in the resources;
  - (b) the location of the resources;
  - (c) the *product types* reasonably expected;
  - (d) the risks and the level of uncertainty associated with recovery of the resources; and
  - (e) in the case of *unproved property*, if its value is disclosed,
    - (i) the basis of the calculation of its value; and
    - (ii) whether the value was prepared by an *independent party*.
- (2) If disclosure referred to in subsection (1) includes an estimate of a quantity of resources other than reserves in which the reporting issuer has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:
- (a) have been prepared or audited by a *qualified reserves evaluator or auditor*;
  - (b) have been prepared or audited in accordance with the *COGE Handbook*;
  - (c) be classified in the most specific category of resources other than reserves as required by section 5.3; and
  - (d) be accompanied by the following information:
    - (i) a definition of the resources category used for the estimate;
    - (ii) the *effective date* of the estimate;
    - (iii) the significant positive and negative factors relevant to the estimate;
    - (iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the resources as reserves; and
    - (v) a cautionary statement that is proximate to the estimate to the effect that:
      - (A) in the case of *discovered resources* or a subcategory of *discovered resources* other than reserves:

"There is no certainty that it will be commercially viable to produce any portion of the resources."; or
      - (B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

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

- (3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:
  - (a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
  - (b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

13. **Section 5.10 is amended by replacing “5.2, 5.3 and 5.9” wherever it occurs with “5.2, 5.3, 5.9 and 5.16”.**

14. **Part 5 is amended by adding the following sections after section 5.15:**

**5.16 Restricted Disclosure: Summation of Resource Categories**

- (1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:
  - (a) *reserves*;
  - (b) *contingent resources*;
  - (c) *prospective resources*;
  - (d) the unrecoverable portion of *discovered petroleum initially-in-place*;
  - (e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
  - (f) *discovered petroleum initially-in-place*; and
  - (g) *undiscovered petroleum initially-in-place*.
- (2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:
  - (a) *reserves*;
  - (b) *contingent resources*;
  - (c) *prospective resources*;
  - (d) the commercial portion of *discovered petroleum initially-in-place*;
  - (e) the sub-commercial portion of *discovered petroleum initially-in-place*;
  - (f) the unrecoverable portion of *discovered petroleum initially-in-place*;
  - (g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
  - (h) *discovered petroleum initially-in-place*; and
  - (i) *undiscovered petroleum initially-in-place*.
- (3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its resources if, proximate to its disclosure, the *reporting issuer*
  - (a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and
  - (b) includes

- (i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or
- (ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

- (1) If a *reporting issuer* discloses an estimate of *proved plus probable plus possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved plus probable reserves* or of *proved* and *probable reserves*.
- (2) If a *reporting issuer* discloses a high-case estimate of *resources* other than *reserves*, the *reporting issuer* must also disclose the corresponding low and best-case estimates.

15. **Subsection 8.2(2) is amended by replacing “in accordance with” with “under”.**

16. **Section 9.2 is repealed.**

17. **The General Instructions of Form 51-101F1 are amended by adding the following subsections after subsection (6):**

- (7) A **reporting issuer** disclosing financial information in a currency other than the Canadian dollar must, clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.
- (8) The **COGE Handbook** provides guidance about reporting using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and *Système International (SI)* units of measurement (such as tonnes) within or between disclosure documents.

18. **Subsection (1) of the Instructions under Item 1.1 of Form 51-101F1 is amended by striking out “the definition of reserves data and” and by striking out “It is the date of the balance sheet for the reporting issuer’s most recent financial year (for example, “as at December 31, 20xx”) and the ending date of the reporting issuer’s most recent annual statement of income (for example, “for the year ended December 31, 20xx”).”.**

19. **Item 2.2 of Form 51-101F1 is replaced with the following:**

**Item 2.2 Supplementary Disclosure (Constant Prices and Costs)**

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing estimates of *reserves*, *resources* other than *reserves*, or both, together with estimates of associated *future net revenue*, determined using constant prices and costs rather than *forecast prices and costs* for each applicable product type.

**INSTRUCTION**

For this purpose,

- (a) a constant price is,
  - i) if the **reporting issuer** is legally bound to supply the product at a particular price, that price; or
  - ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and
- (b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation..

20. **Items 2.3 and 2.4 of Form 51-101F1 are amended by replacing “minority interest” wherever it occurs with “non-controlling interest”.**

21. **Subsection (3) of the Instructions under Item 2.4 of Form 51-101F1 is repealed.**

22. **Item 3.1 of Form 51-101F1 is replaced with:**

**Item 3.1 Constant Prices Used in Supplementary Estimates**

If supplementary disclosure under Item 2.2 is made, the *reporting issuer* must disclose, for each *product type*, the constant price used.

23. **Subsection (2) of the Instructions under Item 3.2 of Form 51-101F1 is amended by striking out “term “constant prices and costs” and the” and by replacing “include” with “includes”.**

24. **The Instructions under Item 4.1 of Form 51-101F1 are amended by adding the following after subsection (4):**

(5) *If the reporting issuer first became engaged in oil and gas activities only after the last day of its preceding financial year and no evaluation report in respect of its reserves as at that date is available to the reporting issuer, so that there is no opening data to be reconciled, the reporting issuer need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence.*

25. **Item 5.2 of Form 51-101F1 is amended**

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

(b) *in section 1, by replacing “important” with “significant”.*

26. **The Instruction under Item 5.2 of Form 51-101F1 is amended by, striking out “the need to build a major pipeline or other major facility before production of reserves can begin,”.**

27. **Part 6 of Form 51-101F1 is amended by adding the following after section 2 of Item 6.2:**

**INSTRUCTION**

*If the reporting issuer holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the gross and net area. A general description of the method of calculating the disclosed area will suffice.*

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

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

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

**EXAMPLES**

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

28. **Section 2 of Item 6.3 of Form 51-101F1 is replaced with the following:**

2. A *reporting issuer* may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the *effective date*..

29. **Paragraph 1(b) of Item 6.7 of Form 51-101F1 is amended by replacing “gas wells and service wells” with “gas wells, service wells and stratigraphic test wells”.**

30. **Paragraph 1(a) of Item 6.9 of Form 51-101F1 is amended by adding “gross” between “average” and “daily” and by striking out “, before deduction of royalties”.**

31. **Item 5 of Form 51-101F2 is amended by adding “, consistently applied” after “in accordance with the COGE Handbook”.**

32. **Section 7 of Form 51-101F2 is amended by striking out** “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”.
33. **Form 51-101F3 is amended by**
- (a) **striking out** “However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.”, **and**
- (b) **replacing** “a senior officer” **with** “an officer”.
34. **A new form is added after Form 51-101F3 as follows:**

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

**This is the form referred to in section 2.3 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).**

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of NI 51-101, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company’s *annual information form* under the company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com))].

35. ***This Instrument comes into force on December 30, 2010.***

**NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

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**NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

**PART 1 APPLICATION AND TERMINOLOGY<sup>1</sup>**

**1.1 Definitions<sup>2</sup> - In this *Instrument*:**

- (a) "*annual information form*" has the same meaning as "AIF" in *NI 51-102*;
- (a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:
  - (i) historical information concerning *reserves*;
  - (ii) estimates of the volume or value of *reserves*;
  - (iii) historical information concerning *resources*;
  - (iv) estimates of the volume or value of *resources*;
  - (v) historical *production* amounts;
  - (vi) *production* estimates; or
  - (vii) information concerning a *field*, well, basin or *reservoir*;
- (a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:
  - (i) estimates of volume;
  - (ii) estimates of value;
  - (iii) areal extent;
  - (iv) pay thickness;
  - (v) flow rates; or
  - (vi) hydrocarbon content;
- (b) "*BOEs*" means barrels of *oil* equivalent;
- (c) Repealed (December 30, 2010);
- (d) Repealed (December 30, 2010);
- (e) Repealed (December 30, 2010);
- (f) "*COGE Handbook*" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument*, *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* or Companion Policy 51-101CP.

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

- (g) Repealed (December 28, 2007);
- (h) "*effective date*", in respect of information, means the date as at which, or for the period ended on which, the information is provided;
- (i) Repealed (December 30, 2010);
- (j) "*forecast prices and costs*" means future prices and costs that are:
  - (i) generally accepted as being a reasonable outlook of the future;
  - (ii) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (i);
- (k) "*foreign geographic area*" means a geographic area outside North America within one country or including all or portions of a number of countries;
- (l) "*Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;
- (m) "*Form 51-101F2*" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*;
- (n) "*Form 51-101F3*" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*;
- (n.1) "*Form 51-101F4*" means Form 51-101F4 *Notice of Filing of 51-101F1 Information*;
- (o) "*independent*", in respect of the relationship between a *reporting issuer* and a person or company, means a relationship between the *reporting issuer* and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the *reporting issuer*;
- (p) "*McfGEs*" means thousand cubic feet of *gas* equivalent;
- (q) "*NI 14-101*" means National Instrument 14-101 *Definitions*;
- (r) Repealed (December 30, 2005);
- (r.1) "*NI 51-102*" means National Instrument 51-102 *Continuous Disclosure Obligations*;
- (s) "*oil and gas activities*"
  - (i) include:
    - (A) the search for *crude oil* or *natural gas* in their natural states and original locations;
    - (B) the acquisition of *property* rights or *properties* for the purpose of exploring for or removing *oil* or *gas* from their natural locations;
    - (C) the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural locations and the acquisition, construction, installation and maintenance of *field* gathering and storage systems including lifting the *oil* and *gas* to the surface and gathering, treating, *field* processing and *field* storage; and
    - (D) the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (A), (B) and (C) undertaken with a view to such extraction; but
  - (ii) do not include:
    - (A) transporting, refining or marketing *oil* or *gas*;

- (B) activities relating to the extraction of natural resources other than *oil* and *gas* and their by-products; or
  - (C) the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources;
- (t) "*preparation date*", in respect of written disclosure, means the most recent date to which information relating to the period ending on the *effective date* was considered in the preparation of the disclosure;
- (u) "*production group*" means one of the following together, in each case, with associated by-products:
  - (i) light and medium *crude oil* (combined);
  - (ii) *heavy oil*;
  - (iii) *associated gas* and *non-associated gas* (combined); and
  - (iv) *bitumen*, *synthetic oil* or other products from non-conventional *oil and gas activities*.
- (v) "*product type*" means one of the following:
  - (i) in respect of conventional *oil and gas activities*:
    - (A) light and medium *crude oil* (combined);
    - (B) *heavy oil*;
    - (C) *natural gas* excluding *natural gas liquids*; or
    - (D) *natural gas liquids*; and
  - (ii) in respect of non-conventional *oil and gas activities*:
    - (A) *synthetic oil*;
    - (B) *bitumen*;
    - (C) coal bed methane;
    - (D) hydrates;
    - (E) shale oil; or
    - (F) shale gas;
- (w) "*professional organization*" means a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose professional practice includes *reserves evaluations* or *reserves audits*, that:
  - (i) admits members primarily on the basis of their educational qualifications;
  - (ii) requires its members to comply with the professional standards of competence and ethics prescribed by the organization that are relevant to the estimation, *evaluation*, *review* or *audit* of *reserves data*;
  - (iii) has disciplinary powers, including the power to suspend or expel a member; and
  - (iv) is either:
    - (A) given authority or recognition by statute in a Canadian jurisdiction; or
    - (B) accepted for this purpose by the *securities regulatory authority* or the *regulator*;
- (x) "*qualified reserves auditor*" means an individual who:
  - (i) in respect of particular *reserves data*, *resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data*, *resources* and related information; and

- (ii) is a member in good standing of a *professional organization*;
- (y) "*qualified reserves evaluator*" means an individual who:
  - (i) in respect of particular *reserves data, resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data, resources* and related information; and
  - (ii) is a member in good standing of a *professional organization*;
- (z) "*qualified reserves evaluator or auditor*" means a *qualified reserves auditor* or a *qualified reserves evaluator*;
- (z.1) "*reserves*" means *proved, probable* or *possible reserves*;
- (aa) "*reserves data*" means an estimate of *proved reserves* and *probable reserves* and related *future net revenue*, estimated using *forecast prices and costs*; and
- (bb) "*supporting filing*" means a document filed by a *reporting issuer* with a *securities regulatory authority*.

## 1.2 COGE Handbook Definitions

- (1) Terms used in this *Instrument* but not defined in this *Instrument, NI 14-101* or the securities statute in the *jurisdiction*, and defined or interpreted in the *COGE Handbook*, have the meaning or interpretation ascribed to those terms in the *COGE Handbook*.
- (2) In the event of a conflict or inconsistency between the definition of a term in this *Instrument, NI 14-101* or the securities statute in the *jurisdiction* and the meaning ascribed to the term in the *COGE Handbook*, the definition in this *Instrument, NI 14-101* or the securities statute in the *jurisdiction*, as the case may be, applies.

1.3 **Applies to Reporting Issuers Only** - This *Instrument* applies only to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities*.

## 1.4 Materiality Standard

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

## PART 2 ANNUAL FILING REQUIREMENTS

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

- 1. **Statement of Reserves Data and Other Information** - a statement of the *reserves data* and other information specified in *Form 51-101F1*, as at the last day of the *reporting issuer's* most recent financial year and for the financial year then ended;
- 2. **Report of Independent Qualified Reserves Evaluator or Auditor** - a report in accordance with *Form 51-101F2* that is:
  - (a) included in, or filed concurrently with, the document filed under item 1; and
  - (b) executed by one or more *qualified reserves evaluators or auditors* each of whom is *independent* of the *reporting issuer*, who must in the aggregate have:
    - (i) *evaluated* or audited at least 75 percent of the *future net revenue* (calculated using a discount rate of 10 percent) attributable to *proved plus probable reserves*, as reported in the statement filed or to be filed under item 1; and
    - (ii) *reviewed* the balance of such *future net revenue*; and

3. **Report of Management and Directors** - a report in accordance with *Form 51-101F3* that:
- (a) refers to the information filed or to be filed under items 1 and 2;
  - (b) confirms the responsibility of management of the *reporting issuer* for the content and filing of the statement referred to in item 1 and for the filing of the report referred to in item 2;
  - (c) confirms the role of the board of directors in connection with the information referred to in paragraph (b);
  - (d) is contained in, or filed concurrently with, the statement filed under item 1; and
  - (e) is executed
    - (i) by two officers of the *reporting issuer*, one of whom is the chief executive officer, and
    - (ii) on behalf of the board of directors, by
      - (A) any two directors of the *reporting issuer*, other than the persons referred to in subparagraph (i) above, or
      - (B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the *reporting issuer*.

2.2 Repealed (December 30, 2010)

**2.3 Inclusion in Annual Information Form**

- (1) The requirements of section 2.1 may be satisfied by including the information specified in section 2.1 in an *annual information form* filed within the time specified in section 2.1.
- (2) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the *securities regulatory authority* a notice of filing in accordance with *Form 51-101F4*.

**2.4 Reservation in Report of Qualified Reserves Evaluator or Auditor**

- (1) If a *qualified reserves evaluator or auditor* cannot report on *reserves data* without *reservation*, the *reporting issuer* must ensure that the report of the *qualified reserves evaluator or auditor* prepared for the purpose of item 2 of section 2.1 sets out the cause of the *reservation* and the effect, if known to the *qualified reserves evaluator or auditor*, on the *reserves data*.
- (2) A report containing a *reservation*, the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 2.1.

**PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS**

**3.1 Interpretation** - A reference to a board of directors in this Part means, for a *reporting issuer* that does not have a board of directors, those individuals whose authority and duties in respect of that *reporting issuer* are similar to those of a board of directors.

**3.2 Reporting Issuer to Appoint Independent Qualified Reserves Evaluator or Auditor** - A *reporting issuer* must appoint one or more *qualified reserves evaluators or auditors*, each of whom is *independent* of the *reporting issuer*, to report to the board of directors of the *reporting issuer* on its *reserves data*.

**3.3 Reporting Issuer to Make Information Available to Qualified Reserves Evaluator or Auditor** - A *reporting issuer* must make available to the *qualified reserves evaluators or auditors* that it appoints under section 3.2 all information reasonably necessary to enable the *qualified reserves evaluators or auditors* to provide a report that will satisfy the applicable requirements of this *Instrument*.

**3.4 Certain Responsibilities of Board of Directors** - The board of directors of a *reporting issuer* must

- (a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities*, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;

- (b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified reserves evaluator or auditor* and management of the *reporting issuer*;
- (c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *qualified reserves evaluators or auditors* who report on *reserves data* for the purposes of this *Instrument*;
- (d) before approving the filing of *reserves data* and the report of the *qualified reserves evaluators or auditors* thereon referred to in section 2.1, meet with management and each *qualified reserves evaluator or auditor* appointed under section 3.2, to
  - (i) determine whether any restrictions affect the ability of the *qualified reserves evaluator or auditor* to report on *reserves data* without *reservation*; and
  - (ii) review the *reserves data* and the report of the *qualified reserves evaluator or auditor* thereon; and
- (e) review and approve
  - (i) the content and filing, under section 2.1, of the statement referred to in item 1 of section 2.1;
  - (ii) the filing, under section 2.1, of the report referred to in item 2 of section 2.1; and
  - (iii) the content and filing, under section 2.1, of the report referred to in item 3 of section 2.1.

### 3.5 Reserves Committee

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

3.6 Repealed (September 19, 2005)

## PART 4 MEASUREMENT

4.1 Repealed (December 30, 2010)

4.2 **Consistency in Dates** - The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements must be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

## PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

5.1 **Application of Part 5** - This Part applies to disclosure made by or on behalf of a *reporting issuer*

- (a) to the public;

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

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

- (a) estimates of *reserves* or *future net revenue* must
  - (i) disclose the *effective date* of the estimate;
  - (ii) have been prepared or audited by a *qualified reserves evaluator or auditor*;
  - (iii) have been prepared or audited in accordance with the *COGE Handbook*;
  - (iv) have been made assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development; and
  - (v) in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

“Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.”;
- (b) for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* must have been taken into account;
- (c) in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and
- (d) the disclosure must be consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that the statement has been supplemented or superseded by a report of a material change<sup>3</sup> filed by the *reporting issuer* with the *securities regulatory authority*.

**5.3 Classification of Reserves and of Resources Other than Reserves**

- (1) *Reserves* or *resources* other than *reserves* must be disclosed using the applicable terminology and categories set out in the *COGE Handbook* and must be classified in the most specific category of *reserves* or *resources* other than *reserves* in which the *reserves* or *resources* other than *reserves* can be classified.
- (2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of *resources* is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the *reporting issuer* may depart from the applicable terminology by substituting, for the word “*petroleum*”, reference to the specific *product type* of the *resource*.

**5.4 Oil and Gas Reserves and Sales** - Disclosure of *reserves* or of sales of *oil*, *gas* or associated by-products must be made only in respect of *marketable* quantities, reflecting the quantities and prices for the product in the condition (upgraded or not upgraded, processed or unprocessed) in which it is to be, or was, sold.

**5.5 Natural Gas By-Products** - Disclosure concerning *natural gas* by-products (including *natural gas liquids* and sulphur) must be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

**5.6 Future Net Revenue Not Fair Market Value** - Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value.

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<sup>3</sup> “Material change” has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

**5.7 Consent of *Qualified Reserves Evaluator or Auditor***

- (1) A *reporting issuer* must not disclose a report referred to in item 2 of section 2.1 that has been delivered to the board of directors of the *reporting issuer* by a *qualified reserves evaluator or auditor* pursuant to an appointment under section 3.2, or disclose information derived from the report or the identity of the *qualified reserves evaluator or auditor*, without the written consent of that *qualified reserves evaluator or auditor*.
- (2) Subsection (1) does not apply to
  - (a) the filing of that report by a *reporting issuer* under section 2.1;
  - (b) the use of or reference to that report in another document filed by the *reporting issuer* under section 2.1; or
  - (c) the identification of the report or of the *qualified reserves evaluator or auditor* in a news release referred to in section 2.2.

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

- (a) the disclosure must include a cautionary statement to the effect that

“The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation”; and
- (b) the document containing the disclosure of any *reserves* attributable to one *property* must also disclose total *reserves* of the same classification for all *properties* of the *reporting issuer* in the same country (or, if appropriate and not misleading, in the same *foreign geographic area*).

**5.9 Disclosure of Resources Other than Reserves**

- (1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:
  - (a) the *reporting issuer's* interest in the *resources*;
  - (b) the location of the *resources*;
  - (c) the *product types* reasonably expected;
  - (d) the risks and the level of uncertainty associated with recovery of the *resources*; and
  - (e) in the case of *unproved property*, if its value is disclosed,
    - (i) the basis of the calculation of its value; and
    - (ii) whether the value was prepared by an *independent party*.
- (2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than *reserves* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must:
  - (a) have been prepared or audited by a *qualified reserves evaluator or auditor*;
  - (b) have been prepared or audited in accordance with the *COGE Handbook*;
  - (c) be classified in the most specific category of *resources* other than *reserves* as required by section 5.3; and
  - (d) be accompanied by the following information:
    - (i) a definition of the *resources* category used for the estimate;

- (ii) the *effective date* of the estimate;
  - (iii) the significant positive and negative factors relevant to the estimate;
  - (iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and
  - (v) a cautionary statement that is proximate to the estimate to the effect that:
    - (A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or
    - (B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”
- (3) Paragraphs (1)(d) and (e) and subparagraphs (2)(c)(iii) and (iv) do not apply if:
- (a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
  - (b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.

#### 5.10 Analogous Information

- (1) Sections 5.2, 5.3, 5.9 and 5.16 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:
- (a) the source and date of the *analogous information*;
  - (b) whether the source of the *analogous information* was *independent*;
  - (c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and
  - (d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities*.
- (2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information*, sections 5.2, 5.3, 5.9 and 5.16 apply to the disclosure of the information.

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

**5.12 Reserve Replacement** - Written disclosure concerning *reserve* replacement must include an explanation of the method of calculation applied.

**5.13 Netbacks** - Written disclosure of a netback must

- (a) Repealed (December 28, 2007);
- (b) reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and

- (c) state the method of calculation.

**5.14 BOEs and McfGEs** - If written disclosure includes information expressed in *BOEs*, *McfGEs* or other units of equivalency between *oil* and *gas*

- (a) the information must be presented
  - (i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (6 *Mcf*:1 *bb*l);
  - (ii) in the case of *McfGEs*, using *McfGEs* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (1 *bb*l:6 *Mcf*); and
  - (iii) with the conversion ratio stated;
- (b) if the information is also presented using *BOEs* or *McfGEs* derived using a conversion ratio other than a ratio specified in paragraph (a), the disclosure must state that other conversion ratio and explain why it has been chosen;
- (c) if the information is presented using a unit of equivalency other than *BOEs* or *McfGEs*, the disclosure must identify the unit, state the conversion ratio used and explain why it has been chosen; and
- (d) the disclosure must include a cautionary statement to the effect that:

“*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 *bb*l [or ‘An *McfGE* conversion ratio of 1 *bb*l: 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”.

**5.15 Finding and Development Costs** - If written disclosure is made of finding and *development costs*:

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

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

Method 2: 
$$\frac{a+b+d}{y}$$

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

- (b) the disclosure must include
  - (i) the results of both methods of calculation under paragraph (a) and a description of those methods;
  - (ii) 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;

- (iii) for each result, comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years;
- (iv) a cautionary statement to the effect that:

“The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year”; and
- (v) the cautionary statement required under paragraph 5.14(d).

**5.16 Restricted Disclosure: Summation of Resource Categories**

- (1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:
  - (a) *reserves*;
  - (b) *contingent resources*;
  - (c) *prospective resources*;
  - (d) the unrecoverable portion of *discovered petroleum initially-in-place*;
  - (e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
  - (f) *discovered petroleum initially-in-place*; and
  - (g) *undiscovered petroleum initially-in-place*.
- (2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:
  - (a) *reserves*;
  - (b) *contingent resources*;
  - (c) *prospective resources*;
  - (d) the commercial portion of *discovered petroleum initially-in-place*;
  - (e) the sub-commercial portion of *discovered petroleum initially-in-place*;
  - (f) the unrecoverable portion of *discovered petroleum initially-in-place*;
  - (g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
  - (h) *discovered petroleum initially-in-place*; and
  - (i) *undiscovered petroleum initially-in-place*.
- (3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its *resources* if, proximate to its disclosure, the *reporting issuer*
  - (a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and
  - (b) includes
    - (i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

- (ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

- (1) If a *reporting issuer* discloses an estimate of *proved plus probable plus possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved plus probable reserves* or of *proved* and *probable reserves*.
- (2) If a *reporting issuer* discloses a high-case estimate of *resources* other than *reserves*, the *reporting issuer* must also disclose the corresponding low and best-case estimates.

**PART 6 MATERIAL CHANGE DISCLOSURE**

**6.1 Material Change<sup>4</sup> from Information Filed under Part 2**

- (1) This Part applies in respect of a material change that, had it occurred on or before the *effective date* of information included in the statement most recently filed by a *reporting issuer* under item 1 of section 2.1, would have resulted in a significant change in the information contained in the statement.
- (2) In addition to any other requirement of *securities legislation* governing disclosure of a material change, disclosure of a material change referred to in subsection (1) must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves* data or other information.
  - (a) Repealed (December 27, 2007).
  - (b) Repealed (December 27, 2007).

**PART 7 OTHER INFORMATION**

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

**PART 8 EXEMPTIONS**

**8.1 Authority to Grant Exemption**

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

**8.2 Exemption for Certain Exchangeable Security Issuers**

- (1) An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;
- (2) For the purposes of subsection (1), the reference to "continuous disclosure documents" in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed under this *Instrument*.

**PART 9 INSTRUMENT IN FORCE**

- 9.1 Coming Into Force** -This Instrument comes into force on September 30, 2003.

- 9.2** Repealed (December 30, 2010)

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<sup>4</sup> In this Part, "material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

**NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

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**NATIONAL INSTRUMENT 51-101  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

**PART1 APPLICATION AND TERMINOLOGY<sup>1</sup>**

**4.4.1.1 Definitions<sup>2</sup>** - In this *Instrument*:

~~(a)-(a)~~ "*annual information form*" has the same meaning as "AIF" in *NI 51-102*;

(a.1) "*analogous information*" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

- (i) historical information concerning *reserves*;
- (ii) estimates of the volume or value of *reserves*;
- (iii) historical information concerning *resources*;
- (iv) estimates of the volume or value of *resources*;
- (v) historical *production* amounts;
- (vi) *production* estimates; or
- (vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "*anticipated results*" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

- (i) estimates of volume;
- (ii) estimates of value;
- (iii) areal extent;
- (iv) pay thickness;
- (v) flow rates; or
- (vi) hydrocarbon content;

~~(b)-(b)~~ "*BOEs*" means barrels of *oil* equivalent;

~~(c)~~ ~~repealed~~;

~~(d)~~ ~~repealed~~;

~~(e)~~ ~~repealed~~;

~~(c)~~ **Repealed (December 30, 2010);**

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument*, *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* or Companion Policy 51-101CP.

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

~~(d)~~ **Repealed (December 30, 2010):**

~~(e)~~ **Repealed (December 30, 2010):**

~~(f)~~ ~~(f)~~ "COGE Handbook" means the "Canadian Oil and Gas Evaluation Handbook" prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time;

~~(g)~~ **repealed;**

~~(g)~~ **Repealed (December 28, 2007):**

~~(h)~~ ~~(h)~~ "effective date", in respect of information, means the date as at which, or for the period ended on which, the information is provided;

~~(h.1)~~ "executive officer" means, for a reporting issuer, an individual who is

~~(i)~~ a chair, vice chair or president;

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

~~(iii)~~ performing a policy making function in respect of the issuer;

~~(i)~~ **repealed;**

~~(i)~~ **Repealed (December 30, 2010):**

~~(j)~~ ~~(j)~~ "forecast prices and costs" means future prices and costs that are:

~~(i)~~ ~~(i)~~ generally accepted as being a reasonable outlook of the future;

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

~~(k)~~ ~~(k)~~ "foreign geographic area" means a geographic area outside North America within one country or including all or portions of a number of countries;

~~(l)~~ ~~(l)~~ "Form 51-101F1" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;

~~(m)~~ ~~(m)~~ "Form 51-101F2" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*;

~~(n)~~ ~~(n)~~ "Form 51-101F3" means Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*;

(n.1) "Form 51-101F4" means Form 51-101F4 *Notice of Filing of 51-101F1 Information*;

~~(o)~~ ~~(o)~~ "independent", in respect of the relationship between a reporting issuer and a person or company, means a relationship between the reporting issuer and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the reporting issuer;

~~(p)~~ ~~(p)~~ "McfGEs" means thousand cubic feet of gas equivalent;

~~(q)~~ ~~(q)~~ "NI 14-101" means National Instrument 14-101 *Definitions*;

~~(r)~~ **repealed;**

~~(r)~~ **Repealed (December 30, 2005):**

(r.1) "NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

~~(s)~~ (s) "oil and gas activities"

~~(i)~~ (i) include:

~~(A)~~ (A) the search for *crude oil* or *natural gas* in their natural states and original locations;

~~(B)~~ (B) the acquisition of *property* rights or *properties* for the purpose of further exploring for or removing *oil* or *gas* from the subsurface of those ~~properties~~ their natural locations;

~~(C)~~ (C) the construction, drilling and *production* activities necessary to retrieve *oil* and *gas* from their natural subsurface locations, and the acquisition, construction, installation and maintenance of *field* gathering and storage systems including lifting the *oil* and *gas* to the surface and gathering, treating, *field* processing and *field* storage; and

~~(D)~~ (D) the extraction of hydrocarbons from oil sands, shale, coal or other non-conventional sources and activities similar to those referred to in clauses (A), (B) and (C) undertaken with a view to such extraction; but

~~(ii)~~ (ii) do not include:

~~(A)~~ (A) transporting, refining or marketing *oil* or *gas*;

~~(B)~~ (B) activities relating to the extraction of natural resources other than *oil* and *gas* and their by-products; or

~~(C)~~ (C) the extraction of geothermal steam or of hydrocarbons as a by-product of the extraction of geothermal steam or associated geothermal resources;

~~(t)~~ (t) "preparation date", in respect of written disclosure, means the most recent date to which information relating to the period ending on the *effective date* was considered in the preparation of the disclosure;

~~(u)~~ (u) "production group" means one of the following together, in each case, with associated by-products:

~~(i)~~ (i) light and medium *crude oil* (combined);

~~(ii)~~ (ii) *heavy oil*;

~~(iii)~~ (iii) *associated gas* and *non-associated gas* (combined); and

~~(iv)~~ (iv) *bitumen*, *synthetic oil* or other products from non-conventional *oil and gas activities*.

~~(v)~~ (v) "product type" means one of the following:

~~(i)~~ (i) in respect of conventional *oil and gas activities*:

~~(A)~~ (A) light and medium *crude oil* (combined);

~~(B)~~ (B) *heavy oil*;

~~(C)~~ (C) *natural gas* excluding *natural gas liquids*; or

~~(D)~~ (D) *natural gas liquids*; and

(ii) in respect of non-conventional *oil and gas activities*:

~~(A)~~ (A) *synthetic oil*;

~~(B)~~ (B) *bitumen*;

~~(C)~~ (C) coal bed methane;

~~(D)-(D)~~ hydrates;

~~(E)-(E)~~ shale oil; or

~~(F)-(F)~~ shale gas;

~~(w)-(w)~~ "*professional organization*" means a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose professional practice includes *reserves evaluations* or *reserves audits*, that:

~~(i)-(i)~~ admits members primarily on the basis of their educational qualifications;

~~(ii)-(ii)~~ requires its members to comply with the professional standards of competence and ethics prescribed by the organization that are relevant to the estimation, *evaluation*, *review* or *audit* of *reserves data*;

~~(iii)-(iii)~~ has disciplinary powers, including the power to suspend or expel a member; and

~~(iv)-(iv)~~ is either:

~~(A)-(A)~~ given authority or recognition by statute in a Canadian jurisdiction; or

~~(B)-(B)~~ accepted for this purpose by the *securities regulatory authority* or the *regulator*;

~~(x)-(x)~~ "*qualified reserves auditor*" means an individual who:

~~(i)-(i)~~ in respect of particular *reserves data*, *resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* and *audit* of the *reserves data*, *resources* and related information; and

~~(ii)-(ii)~~ is a member in good standing of a *professional organization*;

~~(y)-(y)~~ "*qualified reserves evaluator*" means an individual who:

~~(i)-(i)~~ in respect of particular *reserves data*, *resources* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation* and *review* of the *reserves data*, *resources* and related information; and

~~(ii)-(ii)~~ is a member in good standing of a *professional organization*;

~~(z)-(z)~~ "*qualified reserves evaluator or auditor*" means a *qualified reserves auditor* or a *qualified reserves evaluator*;

(z.1) "*reserves*" means *proved*, *probable* or *possible reserves*;

~~(aa)-(aa)~~ "*reserves data*" means an estimate of *proved reserves* and *probable reserves* and related *future net revenue*, estimated using *forecast prices and costs*; and

~~(bb)-(bb)~~ "*supporting filing*" means a document filed by a *reporting issuer* with a *securities regulatory authority*; and

~~(cc)~~ "~~*US oil and gas disclosure requirements*~~" means the disclosure requirements relating to ~~*reserves and oil and gas activities under US federal securities law*~~ and include disclosure requirements or guidelines imposed or issued by the ~~*SEC*~~, as amended from time to time.

#### **4.2.1.2 COGE Handbook Definitions**

~~(1)-(1)~~ Terms used in this *Instrument* but not defined in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction*, and defined or interpreted in the *COGE Handbook*, have the meaning or interpretation ascribed to those terms in the *COGE Handbook*.

~~(2)-(2)~~ In the event of a conflict or inconsistency between the definition of a term in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction* and the meaning ascribed to the term in the *COGE Handbook*, the definition in this *Instrument*, *NI 14-101* or the securities statute in the *jurisdiction*, as the case may be, applies.

**4.3.1.3 Applies to Reporting Issuers Only** - This *Instrument* applies only to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities*.

**4.4.1.4 Materiality Standard**

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

**PART 2 ANNUAL FILING REQUIREMENTS**

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

**1.1. Statement of Reserves Data and Other Information** - a statement of the *reserves data* and other information specified in *Form 51-101F1*, as at the last day of the *reporting issuer's* most recent financial year and for the financial year then ended;

**2.2. Report of Independent Qualified Reserves Evaluator or Auditor** - a report in accordance with *Form 51-101F2* that is:

- (a) ~~(a)~~ included in, or filed concurrently with, the document filed under item 1; and
- (b) ~~(b)~~ executed by one or more *qualified reserves evaluators or auditors* each of whom is *independent* of the *reporting issuer*, who must in the aggregate have:
  - (i) ~~(i)~~ *evaluated* or audited at least 75 percent of the *future net revenue* (calculated using a discount rate of 10 percent) attributable to *proved plus probable reserves*, as reported in the statement filed or to be filed under item 1; and
  - (ii) ~~(ii)~~ *reviewed* the balance of such *future net revenue*; and

**3.3. Report of Management and Directors** - a report in accordance with *Form 51-101F3* that:

- (a) ~~(a)~~ refers to the information filed or to be filed under items 1 and 2;
- (b) ~~(b)~~ confirms the responsibility of management of the *reporting issuer* for the content and filing of the statement referred to in item 1 and for the filing of the report referred to in item 2;
- (c) ~~(c)~~ confirms the role of the board of directors in connection with the information referred to in paragraph (b);
- (d) ~~(d)~~ is contained in, or filed concurrently with, the statement filed under item 1; and
- (e) is signed
  - (i) by
    - (A) the chief ~~executive officer~~; and

**(e) is executed**

- (B) a person other than (i) **by two officers of the reporting issuer, one of whom is** the chief executive officer that is an *executive officer* of the *reporting issuer*; and **and**
- (ii) ~~(ii)~~ on behalf of the board of directors, by
  - (A) ~~(A)~~ any two directors of the *reporting issuer*, other than the persons referred to in subparagraph (i) above, or
  - (B) ~~(B)~~ if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the *reporting issuer*.

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

**2.2** ~~Repealed (December 30, 2010)~~

**2.3-2.3** ~~Inclusion in Annual Information Form—~~

~~(1)~~ (1) The requirements of section 2.1 may be satisfied by including the information specified in section 2.1 in an *annual information form* filed within the time specified in section 2.1.

~~(2)~~ (2) **A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its annual information form, file with the securities regulatory authority a notice of filing in accordance with Form 51-101F4.**

**2.4-2.4** ~~Reservation in Report of Qualified Reserves Evaluator or Auditor~~

~~(1)~~ (1) If a *qualified reserves evaluator or auditor* cannot report on *reserves data* without *reservation*, the *reporting issuer* must ensure that the report of the *qualified reserves evaluator or auditor* prepared for the purpose of item 2 of section 2.1 sets out the cause of the *reservation* and the effect, if known to the *qualified reserves evaluator or auditor*, on the *reserves data*.

~~(2)~~ (2) A report containing a *reservation*, the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 2.1.

~~2.5~~ **Reporting Issuer Not a Corporation** — if the *reporting issuer* is not a corporation, a report in accordance with *Form 51-101F3* must be signed by the persons who, in relation to the *reporting issuer*, are in a similar position or perform similar functions to the persons required to sign under item 3 of section 2.1.

**PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS**

**3.1-3.1** **Interpretation** - A reference to a board of directors in this Part means, for a *reporting issuer* that does not have a board of directors, those individuals whose authority and duties in respect of that *reporting issuer* are similar to those of a board of directors.

**3.2-3.2** **Reporting Issuer to Appoint Independent Qualified Reserves Evaluator or Auditor** - A *reporting issuer* must appoint one or more *qualified reserves evaluators or auditors*, each of whom is *independent* of the *reporting issuer*, to report to the board of directors of the *reporting issuer* on its *reserves data*.

**3.3-3.3** **Reporting Issuer to Make Information Available to Qualified Reserves Evaluator or Auditor** - A *reporting issuer* must make available to the *qualified reserves evaluators or auditors* that it appoints under section 3.2 all information reasonably necessary to enable the *qualified reserves evaluators or auditors* to provide a report that will satisfy the applicable requirements of this *Instrument*.

**3.4-3.4** **Certain Responsibilities of Board of Directors** - The board of directors of a *reporting issuer* must

~~(a)~~ (a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities*, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;

~~(b)~~ (b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified reserves evaluator or auditor* and management of the *reporting issuer*;

~~(c)~~ (c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *qualified reserves evaluators or auditors* who report on *reserves data* for the purposes of this *Instrument*;

~~(d)~~ (d) before approving the filing of *reserves data* and the report of the *qualified reserves evaluators or auditors* thereon referred to in section 2.1, meet with management and each *qualified reserves evaluator or auditor* appointed under section 3.2, to

~~(i)~~ (i) determine whether any restrictions affect the ability of the *qualified reserves evaluator or auditor* to report on *reserves data* without *reservation*; and

~~(ii)~~ (ii) review the *reserves data* and the report of the *qualified reserves evaluator or auditor* thereon; and

~~(e)~~ (e) review and approve

- (i)-(i) the content and filing, under section 2.1, of the statement referred to in item 1 of section 2.1;
- (ii)-(ii) the filing, under section 2.1, of the report referred to in item 2 of section 2.1; and
- (iii)-(iii) the content and filing, under section 2.1, of the report referred to in item 3 of section 2.1.

### **3.5-3.5 Reserves Committee**

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

**3.6** — repealed

**3.6** Repealed (September 19, 2005)

## **PART 4 MEASUREMENT**

**4.1** — repealed

**4.1** Repealed (December 30, 2010)

**4.2-4.2 Consistency in Dates** - The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements must be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

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

**5.1-5.1 Application of Part 5** - This Part applies to disclosure made by or on behalf of a *reporting issuer*

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

**5.2-5.2 Disclosure of Reserves and Other Information** - If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

- (a)-(a) estimates of *reserves* or *future net revenue* must
  - (i)-(i) disclose the *effective date* of the estimate;

- (ii) ~~(ii)~~ have been prepared or audited by a *qualified reserves evaluator or auditor*;
- (iii) ~~(iii)~~ have been prepared or audited in accordance with the *COGE Handbook*;
- (iv) ~~(iv)~~ have been made assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development; and
- (v) ~~(v)~~ in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

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

- (b) ~~(b)~~ for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* must have been taken into account;
- (c) ~~(c)~~ in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and
- (d) ~~(d)~~ the disclosure must be consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that the statement has been supplemented or superseded by a report of a material change<sup>3</sup> filed by the *reporting issuer* with the *securities regulatory authority*.

### **5.3-5.3 Classification of Reserves and of Resources Other than Reserves—**

~~(1) Disclosure of reserves or of resources other than reserves must apply the applicable terminology for and categories of reserves and of resources other than reserves set out in the COGE Handbook and must relate to be classified in the most specific category of reserves or of resources other than reserves in which the reserves or resources other than reserves can be classified.~~

~~(2) Despite subsection (1), where the applicable terminology set out in the COGE Handbook for the disclosure of resources is total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place, the reporting issuer may depart from the applicable terminology by substituting, for the word “petroleum”, reference to the specific product type of the resource.~~

**5.4-5.4 Oil and Gas Reserves and Sales** - Disclosure of *reserves* or of sales of *oil, gas* or associated by-products must be made only in respect of *marketable* quantities, reflecting the quantities and prices for the product in the condition (upgraded or not upgraded, processed or unprocessed) in which it is to be, or was, sold.

**5.5-5.5 Natural Gas By-Products** - Disclosure concerning *natural gas* by-products (including *natural gas liquids* and sulphur) must be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

**5.6-5.6 Future Net Revenue Not Fair Market Value** —Disclosure of an estimate of *future net revenue*, whether calculated without discount or using a discount rate, must include a statement to the effect that the estimated values disclosed do not represent fair market value.

### **5.7-5.7 Consent of Qualified Reserves Evaluator or Auditor**

(1) ~~(1)~~ A *reporting issuer* must not disclose a report referred to in item 2 of section 2.1 that has been delivered to the board of directors of the *reporting issuer* by a *qualified reserves evaluator or auditor* pursuant to an appointment under section 3.2, or disclose information derived from the report or the identity of the *qualified reserves evaluator or auditor*, without the written consent of that *qualified reserves evaluator or auditor*.

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<sup>3</sup> "Material change" has the meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

~~(2)-(2)~~ Subsection (1) does not apply to

~~(a)-(a)~~ the filing of that report by a *reporting issuer* under section 2.1;

~~(b)-(b)~~ the use of or reference to that report in another document filed by the *reporting issuer* under section 2.1; or

~~(c)-(c)~~ the identification of the report or of the *qualified reserves evaluator or auditor* in a news release referred to in section 2.2.

**5.8-5.8 Disclosure of Less Than All Reserves** - If a *reporting issuer* that has more than one *property* makes written disclosure of any *reserves* attributable to a particular *property*

~~(a)-(a)~~ the disclosure must include a cautionary statement to the effect that

“The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation”; and

~~(b)-(b)~~ the document containing the disclosure of any *reserves* attributable to one *property* must also disclose total *reserves* of the same classification for all *properties* of the *reporting issuer* in the same country (or, if appropriate and not misleading, in the same *foreign geographic area*).

**5.9-5.9 Disclosure of Resources Other than Reserves**

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

~~(a)-(a)~~ the *reporting issuer's* interest in the *resources*;

~~(b)-(b)~~ the location of the *resources*;

~~(c)-(c)~~ the *product types* reasonably expected;

~~(d)-(d)~~ the risks and the level of uncertainty associated with recovery of the *resources*; and

~~(e)-(e)~~ in the case of *unproved property*, if its value is disclosed,

~~(i)-(i)~~ the basis of the calculation of its value; and

~~(ii)-(ii)~~ whether the value was prepared by an *independent party*.

~~(2)-(2)~~ If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* other than *reserves* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must :

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

~~(b)-(b)~~ **have been prepared or audited in accordance with the COGE Handbook;**

~~(c)-(c)~~ ~~relate to be classified in~~ the most specific category of *resources* other than *reserves* as required by section 5.3; **and**

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

~~(e)-(d)~~ be accompanied by the following information:

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

~~(ii)-(ii)~~ the *effective date* of the estimate;

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

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

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

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

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

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

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

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

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

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

#### **5.10-5.10 Analogous Information**

~~(1)-(1)~~ Sections 5.2, 5.3, 5.9 and 5.16 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

~~(a)-(a)~~ the source and date of the *analogous information*;

~~(b)-(b)~~ whether the source of the *analogous information* was *independent*;

~~(c)-(c)~~ if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and

~~(d)-(d)~~ the relevance of the *analogous information* to the *reporting issuer's oil and gas activities*.

~~(2)-(2)~~ For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information*, sections 5.2, 5.3, 5.9 and 5.16 apply to the disclosure of the information.

**5.11-5.11 Net Asset Value and Net Asset Value per Share** —Written disclosure of net asset value or net asset value per share must include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

**5.12-5.12 Reserve Replacement** - Written disclosure concerning *reserve* replacement must include an explanation of the method of calculation applied.

**5.13-5.13 Netbacks** - Written disclosure of a netback must

(a) — ~~repealed~~

~~(a)~~ **Repealed (December 28, 2007):**

~~(b)-(b)~~ reflect netbacks calculated by subtracting royalties and *operating costs* from revenues; and

~~(c)-(c)~~ state the method of calculation.

**5.14-5.14 BOEs and McfGEs** - If written disclosure includes information expressed in *BOEs*, *McfGEs* or other units of equivalency between *oil* and *gas*

~~(a)-(a)~~ the information must be presented

- (i)-(i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (6 *Mcf*:1 *bb*l);
- (ii)-(ii) in the case of *McfGEs*, using *McfGEs* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (1 *bb*l:6 *Mcf*); and
- (iii)-(iii) with the conversion ratio stated;
- (b)-(b) if the information is also presented using *BOEs* or *McfGEs* derived using a conversion ratio other than a ratio specified in paragraph (a), the disclosure must state that other conversion ratio and explain why it has been chosen;
- (c)-(c) if the information is presented using a unit of equivalency other than *BOEs* or *McfGEs*, the disclosure must identify the unit, state the conversion ratio used and explain why it has been chosen; and
- (d)-(d) the disclosure must include a cautionary statement to the effect that:  

“*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 *bb*l [or ‘An *McfGE* conversion ratio of 1 *bb*l: 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”.

**5.15-5.15 Finding and Development Costs** - If written disclosure is made of finding and *development costs*:

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

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

Method 2: 
$$\frac{a+b+d}{y}$$

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

- (b)-(b) the disclosure must include
  - (i)-(i) the results of both methods of calculation under paragraph (a) and a description of those methods;
  - (ii)-(ii) 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;
  - (iii)-(iii) for each result, comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years;
  - (iv)-(iv) a cautionary statement to the effect that:  

“The aggregate of the *exploration* and *development costs* incurred in the most recent financial year and the change during that year in estimated future *development costs* generally will not reflect total finding and *development costs* related to reserves additions for that year”; and

~~(v)-(v)~~ the cautionary statement required under paragraph 5.14(d).

**5.16 — Prohibition Against Addition Across 5.16 Restricted Disclosure: Summation of Resource Categories**

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

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

~~(2)~~ Notwithstanding ~~(2)~~ **Despite** subsection (1), a reporting issuer may disclose an estimate of *total petroleum initially-in-place, discovered petroleum initially-in-place and/or undiscovered petroleum initially-in-place* if **the reporting issuer includes, proximate to that disclosure, an estimate of each of the following, as applicable:**

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

“The [*total petroleum initially-in-place,*

- (a) reserves;**
- (b) contingent resources;**
- (c) prospective resources;**
- (d) the commercial portion of *discovered petroleum initially-in-place* or;**
- (e) the sub-commercial portion of *discovered petroleum initially-in-place*;**
- (f) the unrecoverable portion of *discovered petroleum initially-in-place*;**
- (g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;** includes unrecoverable volumes and is not an estimate of the [value or volume] of the substances that will ultimately be recovered.”;
- (h) *discovered petroleum initially-in-place*; and**
- (i) *undiscovered petroleum initially-in-place*.**

~~(3)~~ **A reporting issuer may disclose an estimate of *total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place* as the most specific category that it can assign to its resources if, proximate to its disclosure, the reporting issuer**

- (a) explains why *total petroleum initially-in-place, discovered petroleum initially-in-place or undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and**
- (b) includes**

**(i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or**

(ii) in the case of disclosure of total petroleum initially-in-place or undiscovered petroleum initially-in-place, the cautionary statement required by clause 5.9(2)(c)(v)(B).

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

- (1)-(1) If a reporting issuer discloses an estimate of proved +plus probable +plus possible reserves, the reporting issuer must also disclose the corresponding estimates of proved and proved +plus probable reserves or of proved and probable reserves.
- (2)-(2) If a reporting issuer discloses a high-case estimate of resources other than reserves, the reporting issuer must also disclose the corresponding low- and best-case estimates.

**PART 6 MATERIAL CHANGE DISCLOSURE**

**6.4-6.1 Material Change<sup>4</sup> from Information Filed under Part 2**

- (1)-(1) This Part applies in respect of a material change that, had it occurred on or before the effective date of information included in the statement most recently filed by a reporting issuer under item 1 of section 2.1, would have resulted in a significant change in the information contained in the statement.
- (2)-(2) In addition to any other requirement of securities legislation governing disclosure of a material change, disclosure of a material change referred to in subsection (1) must discuss the reporting issuer's reasonable expectation of how the material change has affected its reserves data or other information.

(a) Repealed (December 27, 2007).

(b) Repealed (December 27, 2007).

**PART 7 OTHER INFORMATION**

**7.4-7.1 Information to be Furnished on Request** - A reporting issuer must, on the request of the regulator, deliver additional information with respect to the content of a document filed under this Instrument.

**PART 8 EXEMPTIONS**

**8.4-8.1 Authority to Grant Exemption**

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

**8.2-8.2 Exemption for Certain Exchangeable Security Issuers**

- (1)-(1) An exchangeable security issuer, as defined in subsection 13.3(1) of NI 51-102, is exempt from this Instrument if all of the requirements of subsection 13.3(2) of NI 51-102 are satisfied;
- (2)-(2) For the purposes of subsection (1), the reference to "continuous disclosure documents" in clause 13.3(2)(d)(ii)(A) of NI 51-102 includes documents filed under this Instrument.

**PART 9 INSTRUMENT IN FORCE**

**9.4-9.1 Coming Into Force** - This Instrument comes into force on September 30, 2003.

**9.2** — repealed

**9.2** — Repealed (December 30, 2010)

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<sup>4</sup> In this Part, "material change" has the meaning ascribed to the term under securities legislation of the applicable jurisdiction.

**Amendments to  
Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities**

1. **Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.**
2. **Subsection 1.1.3 is amended by adding “that” after “person would consider” and before “such interest”.**
3. **Subsection 1.1(4) is amended by adding “other than reserves” after “resources” wherever it occurs.**
4. **Paragraphs 1.1(5)(a) and (b) are amended by replacing “August 1, 2007” with “October 12, 2010” wherever it occurs.**
5. **Section 1.2 is replaced by the following:**

**1.2 COGE Handbook**

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

Section 1.1 of *NI 51-101* and the *NI 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 *NI 51-101* Glossary.

Subparagraph 5.2(a)(iii) of *NI 51-101* requires that all estimates of *reserves* or *future net revenue* have been prepared or audited in accordance with the *COGE Handbook*. Under sections 5.2, 5.3 and 5.9 of *NI 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*.

6. **Section 1.4 is amended by striking out** “This concept of *materiality* is consistent with the concept of *materiality* applied in connection with financial reporting pursuant to the *CICA Handbook*.”.
7. **Section 2.3 is amended by replacing** “The report of management and directors in *Form 51-101F3* may be combined with management’s report on financial statements, if any, in respect of the same financial year.” **with the following:**

A *reporting issuer* may supplement the annual disclosure required under *NI 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 *NI 51-101*.

8. **Subsection 2.4(2) is amended by replacing** “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 *NI 51-101* *oil* and *gas* disclosure, a notification that the information required under section 2.1 of *NI 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 (NI 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 *NI 51-101*. If this is the case, the news release should be filed under *SEDAR* Filing Type: “Oil and Gas Annual Disclosure (NI 51-101)” and Filing Subtype/Document Type: “News Release (section 2.2 of NI 51-101).” **with the following:**

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 *NI 51-101*).

9. **Section 2.5 is amended by replacing “That Has” with “With” in the title.**
10. **Section 2.7 is amended by**

(a) **replacing subsection (4) with the following:**

(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 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),.

- (b) **repealing subsection (5),**
- (c) **in subsection (7), striking out** “Like a “subsequent event” note in a financial statement, the issuer should discuss this type of information even if it pertains to a period subsequent to the *effective date*.”, **and**
- (d) **replacing the second paragraph in subsection (8) with the following:**

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 *NI 51-101* and not misleading.

**11. Subsection 2.8(2) is amended by**

- (a) **replacing** “*Form 51-101F2* (and *Form 51-101F3*) contains a statement that variations between *reserves data* and actual results may be material but that any variations should be consistent with the fact that *reserves* are categorized according to the probability of their recovery.” **with** “The report prescribed by *Form 51-101F2* contains statements to the effect that variations between *reserves data* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.”, **and**
- (b) **replacing** “Any variations arising due to technical factors should be consistent” **with** “Any variations arising due to technical factors must be consistent”.

**12. Part 2 is amended by adding the following sections after section 2.8:**

**2.9 Chief Executive Officer**

Paragraph 2.1(3)(e) of *NI 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 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* must 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 *NI 51-101*.

**Subsection 5.2(5) is amended by adding the following after the second paragraph:**

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 oilsands developments)..

**13. Section 5.3 is replaced by the following:**

**5.3 Classification of Reserves and of Resources Other than Reserves**

Section 5.3 of *NI 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 *NI 51-101* Glossary. In addition, section 5.3 of *NI 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*.

*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 *NI 51-101*.

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

14. **Section 5.4 is amended by removing “,” after “(filing Form 51-101” and replacing it with “, or” and by removing “;” and identifying the report in the news release referred to in section 2.2”.**

15. **Section 5.5 is amended by adding “Other than Reserves” after “Resources” in the title.**

16. **Subsection 5.5(1) is replaced by the following:**

- (1) **Disclosure of Resources Generally** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 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 *NI 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 issuer, even if the disclosure is not mandated by *NI 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>1</sup> on the subject.

<sup>1</sup> For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 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)

17. **Subsection 5.5(2) is amended by replacing “if a reporting issuer discloses an aggregate resource estimate (or associated value) referred to in subsection 5.9(2) of NI 51-101, the issuer must ensure that any aggregation of properties occurs within the most specific category of resource classification as required by paragraph 5.9(2)(b). A reporting issuer cannot aggregate properties across different categories of resources if a resource estimate referenced in subsection 5.9(2) is disclosed.” with the following:**

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 *NI 51-101*..

18. **Paragraph 5.5(3)(a) is amended by**

- (a) **replacing** “In addition, pursuant” **with** “Pursuant”,
- (b) **deleting** “and paragraph 5.9(2)(b)”, **and**
- (c) **replacing** “paragraph 5.9(2)(b)” **with** “subsection 5.3(1)”.

19. **Paragraph 5.5(3)(b) is replaced by the following:**

(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 *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the *NI 51-101 Glossary* identify and define the various *resource* categories.

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 *NI 51-101*.

In addition to disclosing the most specific category of *resource*, 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 *NI 51-101* is included.

20. **Paragraph 5.5(3)(c) is amended by**

(a) **replacing “5.9(2)(c)(v)” with “5.9(2)(d)(v)” wherever it occurs,**

(b) **replacing “5.9(2)(c)(iii)” with “5.9(2)(d)(iii)”,**

(c) **replacing “5.9(2)(c)” with “5.9(2)(d)”.**

21. **Part 5 is amended by adding the following section after section 5.9:**

**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 *NI 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.

22. **Subsection 5.10(2) is amended by replacing “5.9 and 5.10” with “5.9, 5.10 and 5.16”.**

23. **Appendix 1 is amended by replacing “supplemental” with “supplementary” wherever it occurs.**

**These amendments become effective on December 30, 2010.**

COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

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**COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

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

NI 51-101<sup>1</sup> supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

The requirements under NI 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 in making investment decisions and recommendations.

The CSA encourage registrants<sup>2</sup> 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 NI 51-101 by the *reporting issuer* and, if they are summarizing or referring to this information, to use the applicable terminology consistent with NI 51-101 and the *COGE Handbook*.

**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 NI 51-101. If a term is not defined in NI 51-101, NI 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 NI 51-101.

For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* (the NI 51-101 Glossary) sets out the meaning of terms, including those defined in NI 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 1.1(j) of NI 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>3</sup>, *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 1.1(o) of NI 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;

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in NI 51-101, Form 51-101F1, Form 51-101F2 or Form 51-101F3, or in this Companion Policy (other than terms italicized in titles of documents that are printed entirely in italics).

<sup>2</sup> "Registrant" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

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

- (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 (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*. *NI 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 *NI 51-101* and *Form 51-101F1* make few specific references to non-conventional *oil and gas activities*, the requirements of *NI 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. The CSA encourage *reporting issuers* that are engaged in non-conventional *oil and gas activities* to supplement the disclosure prescribed in *NI 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*.

- (5) **Professional Organization**

- (a) **Recognized Professional Organizations**

For the purposes of the *Instrument*, a *qualified reserves evaluator or auditor* must also be a member in good standing with a self-regulatory *professional organization* of engineers, geologists, geoscientists or other professionals.

The definition of "*professional organization*" (in paragraph 1.1(w) of *NI 51-101* and in the *NI 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*.

As at October 12, 2010, each of the following organizations in Canada is a *professional organization*:

- Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
- 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 Manitoba (APEGM)
- Association of Professional Geoscientists of Ontario (APGO)
- Professional Engineers of Ontario (PEO)

- Ordre des ingénieurs du Québec (OIQ)
- Ordre des 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 Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)
- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

(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 *NI 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 *NI 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, each of the following foreign organizations has been recognized as a *professional organization* for the purposes of *NI 51-101*:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration 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
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows

(c) **No Professional Organization**

A *reporting issuer* or other person may apply for an exemption under Part 8 of *NI 51-101* to enable a *reporting issuer* to appoint, in satisfaction of its obligation under section 3.2 of *NI 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 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the *NI 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 *Instrument*, 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 *Instrument* 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 *NI 51-101*, definitions and interpretations in the *COGE Handbook* apply for the purposes of *NI 51-101* if they are not defined in *NI 51-101*, *NI 14-101* or the securities statute in the *jurisdiction* (except to the extent of any conflict or inconsistency with *NI 51-101*, *NI 14-101* or the securities statute).

Section 1.1 of *NI 51-101* and the *NI 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 *NI 51-101 Glossary*.

Subparagraph 5.2(a)(iii) of *NI 51-101* requires that all estimates of *reserves* or *future net revenue* have been prepared or audited in accordance with the *COGE Handbook*. Under sections 5.2, 5.3 and 5.9 of *NI 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*.

## 1.3 **Applies to Reporting Issuers Only**

*NI 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 *prospects*, unproved *properties* or *resources*, could still be engaged in *oil and gas activities* because such activities include exploration and development of unproved *properties*.

*NI 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 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 *NI 51-101* states that *NI 51-101* applies only in respect of information that is material. *NI 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 *NI 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 *NI 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 *NI 51-101* must be filed electronically on SEDAR. Consult National Instrument 13-101 *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 *NI 51-101* is usually derived from a much longer and more detailed *oil and gas* report prepared by a *qualified reserves evaluator*. These long and detailed reports cannot 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 *NI 51-101*.

### 2.2 Inapplicable or Immaterial Information

Section 2.1 of *NI 51-101* does not require the filing of any information, even if specified in *NI 51-101* or in a form referred to in *NI 51-101*, if that information is inapplicable or not material in respect of the *reporting issuer*. See section 1.4 of this Companion Policy 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 *NI 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 Companion Policy 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* is not mandatory, we encourage 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 *NI 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 *NI 51-101*.

### 2.4 Annual Information Form

Section 2.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 2.1 of *NI 51-101* by presenting the information required under section 2.1 in an *annual information form*.

- (1) **Meaning of "Annual Information Form"** – *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *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 *NI 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 the information required by section 2.1 of *NI 51-101* to be included in the *annual information form*. 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 from separately filed documents. The option offered by section 2.3 of

*NI 51-101* enables a *reporting issuer* to satisfy its obligations under section 2.1 of *NI 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 *NI 51-101* need not also file that information again for the purpose of section 2.1 in one or more separate documents. 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 *NI 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 NI 51-101 oil and gas* disclosure category.

## 2.5 Reporting Issuer With No Reserves

The requirement to make annual *NI 51-101* filings is not limited to only those 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 *NI 51-101*. That means the issuer must still make annual *NI 51-101* filings and ensure that it complies with other *NI 51-101* requirements. The following is guidance on the preparation of *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* and other *oil and gas* disclosure if the *reporting issuer* has no *reserves*.

- (1) **Form 51-101F1** – Section 1.4 of *NI 51-101* states that the *Instrument* applies only in respect of information that is material in respect of a *reporting issuer*. If indeed the *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 no related *future net revenue*.

Supporting information regarding *reserves data* required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the 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 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 issuer had no *production*, as that fact would be material.

- (2) **Form 51-101F2** – *NI 51-101* requires *reporting issuers* to retain an *independent qualified reserves evaluator* or *auditor* to evaluate or audit the company's *reserves data* and 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 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*, the requirement to file a report of management and directors in the form of *Form 51-101F3* applies.
- (4) **Other NI 51-101 Requirements** – *NI 51-101* does not require *reporting issuers* to disclose *anticipated results* from their *resources*. However, if a *reporting issuer* chooses to disclose that type of information, section 5.9 of *NI 51-101* applies to that disclosure.

## 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 *NI 51-101* if the report contains a *reservation*, the cause of which can be removed by the *reporting issuer* (subsection 2.4(2) of *NI 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 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 *NI 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, 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, 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 *NI 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 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 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 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) **repealed.**

(6) **Reserves Reconciliation**

(a) If the *reporting issuer* reports *reserves*, but had no *reserves* 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 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 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" category or in an additional stand-alone 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 issuer may wish to 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 issuer to identify and discuss important economic factors or significant uncertainties that affect particular components of the *reserves data*.

For example, if events subsequent to the *effective date* have resulted in significant changes in expected future prices, such that the forecast prices reflected in the *reserves data* differ materially 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 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.

(8) **Additional Information** – As discussed in section 2.3 above and in the instructions to *Form 51-101F1*, *NI 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 *NI 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 Companion Policy sets out an example of how certain of the *reserves data* might be presented in a manner which the CSA consider to be consistent with *NI 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 *NI 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* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.

*Reserves* estimates are made at a point in time, being the *effective date*. A reconciliation of a *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* 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* 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. 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.

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 Chief Executive Officer

Paragraph 2.1(3)(e) of *NI 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 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* 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 *NI 51-101*.

## PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS

### 3.1 Reserves Committee

Section 3.4 of *NI 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 *NI 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

*NI 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*.

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 *NI 51-101*.

## PART 4 MEASUREMENT

### 4.1 Consistency in Dates

Section 4.2 of *NI 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

Part 5 of *NI 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 *NI 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 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 *NI 51-101*,
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of *NI 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) of *NI 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 *NI 51-101* and the *COGE Handbook*, in the preparation, review or approval of all such *oil* and *gas* disclosure.

### 5.2 Disclosure of Reserves and Other Information

- (1) **General** – A *reporting issuer* must comply with the requirements of section 5.2 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** – *NI 51-101* does not prescribe any particular methods of estimation but it does require that a *reserve 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. For this reason, the cautionary language prescribed in subparagraph 5.2(a)(v) of *NI 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* applying the definitions and using the guidelines set out in the *COGE Handbook*.
  - Entity level probabilistic *reserves* estimates should be aggregated arithmetically to provide reported level *reserves*.
  - If the evaluator also prepares aggregate *reserves* estimates using probabilistic methods, the evaluator should explain in the *evaluation* report the method used. In particular, 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* that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the *reserves* definitions used for estimating the *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 *COGE Handbook* and subparagraph 5.2(a)(iv) of *NI 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, it 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 oilsands 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 issuer and know about the existence of these *reserves* would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has 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*.

- (7) **Mechanical Updates** – So-called “mechanical updates” of *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 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 that the information is not misleading.

### 5.3 Classification of Reserves and of Resources Other than Reserves

Section 5.3 of *NI 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 *NI 51-101* Glossary. In addition, section 5.3 of *NI 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*.

*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 *NI 51-101*.

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

### 5.4 Written Consents

Section 5.7 of *NI 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 *NI 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 *NI 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 Disclosure of Resources Other than Reserves

- (1) **Disclosure of Resources Generally** – The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 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 *NI 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 issuer, even if the disclosure is not mandated by *NI 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>4</sup> on the subject.

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<sup>4</sup> For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora,

- (2) **Disclosure of Anticipated Results under Subsection 5.9(1) of NI 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 *NI 51-101*. Additional disclosure requirements arise if the *anticipated results* disclosed by the issuer include an estimate of a *resource* quantity or associated value, as set out below in subsection 5.5(3).

If a *reporting issuer* discloses *anticipated results* relating to numerous aggregated *properties*, *prospects* or *resources*, the 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 few *properties*, it may be appropriate to make the disclosure for each *property*. Such disclosure may be unreasonably onerous for a *reporting 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 *NI 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 *NI 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*.

In satisfying the requirement of paragraph 5.9(1)(d) of *NI 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 issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e). 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). 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) 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) 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 NI 51-101**

(a) **Overview of Subsection 5.9(2) of NI 51-101**

Pursuant to subsection 5.9(2) of *NI 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* 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 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. 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* estimate is not an independent *resource* 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 *NI 51-101*, the *reporting issuer* must ensure that the estimated *resource* relates to the most specific category of *resources* in which the *resource* can be classified. As discussed above in subsection 5.5(2) of this Companion Policy, if a *reporting issuer* wishes to disclose an aggregate *resource* 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 *NI 51-101*.

Subsection 5.9(2) requires the *reporting issuer* to disclose certain information in addition to that prescribed in subsection 5.9(1) of *NI 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 *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the *NI 51-101* Glossary identify and define the various *resource* categories.

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 *NI 51-101*.

In addition to disclosing the most specific category of *resource*, 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 *NI 51-101* is included.

**(c) Application of Subsection 5.9(2) of NI 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;
- (iii) 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 *NI 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 Companion Policy.

*Reporting issuers* are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(d)(iii). For example, if there is no infrastructure in the region to transport the resource, this may constitute a significant negative factor relevant to the estimate. Other examples would include a significant lease expiry 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* is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(d)(v) 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 *NI 51-101* Glossary.

The general disclosure requirements of paragraph 5.9(2)(d) of *NI 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 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. 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 *NI 51-101*, when it discloses *analogous information*, as that term is broadly defined in *NI 51-101*, for an area which includes an area of the *reporting issuer's* area of interest. Pursuant to subsection 5.10(2) of *NI 51-101*, if the issuer discloses an estimate of its own *reserves* or *resources* based on an extrapolation from the *analogous information*, or if the *analogous information* itself is an estimate of its own *reserves* or *resources*, the issuer must ensure the estimate is prepared in accordance with the *COGE Handbook* and disclosed in accordance with *NI 51-101* generally. For example, in respect of a *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 *NI 51-101*.

## 5.7 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 should refer to 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(a)(iii) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant terminology and unit prefixes set out in the *COGE Handbook*.

## 5.8 BOEs and McfGEs

Section 5.14 of *NI 51-101* sets out requirements that apply if 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. Section 13 of the *COGE Handbook*, under the heading "Barrels of Oil Equivalent", provides additional guidance.

## 5.9 Finding and Development costs

Section 5.15 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure of finding and *development costs*.

Because the prescribed methods of calculation under section 5.15 involve the use of *BOEs*, section 5.14 of *NI 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.

*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 *NI 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 Prospectus Disclosure

In addition to the general disclosure requirements in *NI 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 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 issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 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 *NI 51-101*, except for certain disclosure concerning the 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 of *NI 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 issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.
- (3) **Proved or Probable Undeveloped reserves** – Further to the guidance provided in subsection 5.2(4) of this Companion Policy, *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 issuer has 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 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 categories of the *reserves* reconciliation.
- (5) **Relief to Provide More Recent Form 51-101F1 Information in a Prospectus** —If an 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 issuer of the requirement to disclose the *reserves data* and other information as at year-end.

An 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 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 consider granting relief on a case-by-case basis to permit an 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 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 *NI 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 *NI 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 *NI 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 *NI 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 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*.

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**  
**to**  
**COMPANION POLICY 51-101CP**  
**STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**  
**SAMPLE RESERVES DATA DISCLOSURE**

**Format of Disclosure**

*NI 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 *NI 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 *NI 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 Companion Policy 51-101CP.

**Sample Tables**

The following sample tables provide an example of how certain of the *reserves data* might be presented in a manner consistent with *NI 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 *NI 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**  
**CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTARY DISCLOSURE]**

RESERVES CATEGORY	RESERVES <sup>(1)</sup>							
	LIGHT AND MEDIUM OIL		HEAVY OIL		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 SUPPLEMENTARY

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

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year (\$/Mcf) (\$/bbl)
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	
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
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	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 SUPPLEMENTARY

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]**

RESERVES CATEGORY	REVENUE (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

 OPTIONAL SUPPLEMENTARY

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)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx

 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**

RESERVES CATEGORY	RESERVES <sup>(1)</sup>							
	LIGHT AND MEDIUM OIL		HEAVY OIL		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.

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

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX 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
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	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

(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, in the chart for item 2.1(3)(c) of *Form 51-101F1* (see sample chart below entitled Future Net Revenue by Production Group).

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

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

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

RESERVES CATEGORY	REVENUE (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  
as of December 31, 2006  
FORECAST PRICES AND COSTS**

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

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

**SUMMARY OF PRICING ASSUMPTIONS  
as of December 31, 2006  
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 Price 40 <sup>0</sup> API (\$Cdn/bbl)	Hardisty Heavy 12 <sup>0</sup> API (\$Cdn/bbl)	Cromer Medium 29.3 <sup>0</sup> API (\$Cdn/bbl)			
Historical (Year End)							
2003	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx
2006 (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

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS  
as of December 31, 2006  
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 Price 40 <sup>0</sup> API \$Cdn/bbl	Hardisty Heavy 12 <sup>0</sup> API \$Cdn/bbl	Cromer Medium 29.3 <sup>0</sup> API \$Cdn/bbl				
Historical <sup>(4)</sup>								
2003	xx	xx	xx	xx	xx	xx	xx	
2004	xx	xx	xx	xx	xx	xx	xx	
2005	xx	xx	xx	xx	xx	xx	xx	
2006	xx	xx	xx	xx	xx	xx	xx	
Forecast								
2007	xx	xx	xx	xx	xx	xx	xx	
2008	xx	xx	xx	xx	xx	xx	xx	
2009	xx	xx	xx	xx	xx	xx	xx	
2010	xx	xx	xx	xx	xx	xx	xx	
2011	xx	xx	xx	xx	xx	xx	xx	
Thereafter	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, 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 AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Extensions & Improved Recovery Technical	xx	xx	xx	xx	xx	xx	xx	xx	xx
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, 2006	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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

Reference: Item 4.1 of *Form 51-101F1*

COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

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APPENDIX 1 – SAMPLE *RESERVES DATA* DISCLOSURE

**COMPANION POLICY 51-101CP  
STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**

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

*NI 51-101*<sup>1</sup> supplements other continuous disclosure requirements of *securities legislation* that apply to *reporting issuers* in all business sectors.

The requirements under *NI 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 in making investment decisions and recommendations.

The CSA encourage registrants<sup>2</sup> 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 *NI 51-101* by the *reporting issuer* and, if they are summarizing or referring to this information, to use the applicable terminology consistent with *NI 51-101* and the *COGE Handbook*.

**PART 1 ~~PART 1~~ APPLICATION AND TERMINOLOGY**

**4.4 ~~1.1~~ Definitions**

- (1) ~~(1)~~ **General** - Several terms relating to *oil and gas activities* are defined in section 1.1 of *NI 51-101*. If a term is not defined in *NI 51-101*, *NI 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 *NI 51-101*.

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

- (2) ~~(2)~~ **Forecast Prices and Costs** - The term *forecast prices and costs* is defined in paragraph 1.1(j) of *NI 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>3</sup>, *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) ~~(3)~~ **Independent** - The term *independent* is defined in paragraph 1.1(o) of *NI 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) ~~(a)~~ is an employee, insider, or director of the *reporting issuer*;
- (b) ~~(b)~~ is an employee, insider, or director of a related party of the *reporting issuer*;
- (c) ~~(c)~~ is a partner of any person or company in paragraph (a) or (b);
- (d) ~~(d)~~ holds or expects to hold securities, either directly or indirectly, of the *reporting issuer* or a related party of the *reporting issuer*;
- (e) ~~(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) ~~(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

---

<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or *Form 51-101F3*, or in this Companion Policy (other than terms italicized in titles of documents that are printed entirely in italics).

<sup>2</sup> "Registrant" has the meaning ascribed to the term under *securities legislation* in the *jurisdiction*.

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

~~(g)~~ **(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 (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)~~ **(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*. *NI 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 *NI 51-101* and *Form 51-101F1* make few specific references to non-conventional *oil and gas activities*, the requirements of *NI 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. The CSA encourage *reporting issuers* that are engaged in non-conventional *oil and gas activities* to supplement the disclosure prescribed in *NI 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*.

~~(5)~~ **(5)** **Professional Organization**

(a) **Recognized Professional Organizations**

For the purposes of the *Instrument*, a *qualified reserves evaluator or auditor* must also be a member in good standing with a self-regulatory *professional organization* of engineers, geologists, geoscientists or other professionals.

The definition of "*professional organization*" (in paragraph 1.1(w) of *NI 51-101* and in the *NI 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*.

As at ~~August 1, 2007~~, **October 12, 2010**, each of the following organizations in Canada is a *professional organization*:

- Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
- 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 Manitoba (APEGM)
- Association of Professional Geoscientists of Ontario (APGO)
- Professional Engineers of Ontario (PEO)
- Ordre des ingénieurs du Québec (OIQ)

- Ordre des 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 Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)
- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

(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 *NI 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 *NI 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 ~~August 1, 2007~~, **October 12, 2010**, each of the following foreign organizations has been recognized as a *professional organization* for the purposes of *NI 51-101*:

- California Board for Professional Engineers and Land Surveyors,
- State of Colorado Board of Registration for Professional Engineers and Professional Land Surveyors
- Louisiana State Board of Registration for Professional Engineers and Land Surveyors,
- Oklahoma State Board of Registration 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
- Energy Institute but only for those members of the Energy Institute who are Members and Fellows

(c) **No Professional Organization**

A *reporting issuer* or other person may apply for an exemption under Part 8 of *NI 51-101* to enable a *reporting issuer* to appoint, in satisfaction of its obligation under section 3.2 of *NI 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)~~ **(6) Qualified Reserves Evaluator or Auditor** - The definitions of *qualified reserves evaluator* and *qualified reserves auditor* are set out in paragraphs 1.1(y) and 1.1(x) of *NI 51-101*, respectively, and again in the *NI 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 *Instrument*, 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 *Instrument* 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".

**4.2-1.2 COGE Handbook**

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

Section 1.1 of *NI 51-101* and the *NI 51-101 Glossary* set out definitions and interpretations, many of which are derived from the *COGE Handbook*. *Reserves* and *resources* definitions and categories developed by the Petroleum Society of the Canadian Institute of Mining, Metallurgy & Petroleum (CIM) are incorporated in the *COGE Handbook* and are also set out, in part, in the *NI 51-101 Glossary*.

Subparagraph 5.2(a)(iii) of *NI 51-101* requires that all estimates of *reserves* or *future net revenue* have been prepared or audited in accordance with the *COGE Handbook*. Under sections 5.2, 5.3 and 5.9 of *NI 51-101*, all types of public *oil* and *gas* disclosure, including disclosure of *reserves* and of *resources* other than *reserves* must be consistent prepared in accordance with the *COGE Handbook*.

**4.3-1.3 Applies to Reporting Issuers Only**

*NI 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 *prospects*, unproved *properties* or *resources*, could still be engaged in *oil and gas activities* because such activities include exploration and development of unproved *properties*.

*NI 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 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*.

**4.4-1.4 Materiality Standard**

Section 1.4 of *NI 51-101* states that *NI 51-101* applies only in respect of information that is material. *NI 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 *NI 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 *NI 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 ~~PART 2~~ ANNUAL FILING REQUIREMENTS**

### **2.4.2.1 Annual Filings on SEDAR**

The information required under section 2.1 of *NI 51-101* must be filed electronically on *SEDAR*. Consult National Instrument 13-101 *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 *NI 51-101* is usually derived from a much longer and more detailed *oil and gas* report prepared by a *qualified reserves evaluator*. These long and detailed reports cannot 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 *NI 51-101*.

### **2.2.2.2 Inapplicable or Immaterial Information**

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

### **2.3.2.3 Use of Forms**

Section 2.1 of *NI 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 Companion Policy 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* is not mandatory, we encourage 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 *NI 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 *NI 51-101*.

### **2.4.2.4 Annual Information Form**

Section 2.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 2.1 of *NI 51-101* by presenting the information required under section 2.1 in an *annual information form*.

- (1) **Meaning of "Annual Information Form"** - *Annual information form* has the same meaning as "AIF" in National Instrument 51-102 *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 *NI 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 the information required by section 2.1 of *NI 51-101* to be included in the *annual information form*. 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 from separately filed documents. The option offered by section 2.3 of *NI 51-101* enables a *reporting issuer* to satisfy its obligations under section 2.1 of *NI 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 *NI 51-101* need not also file that information again for the purpose of section 2.1 in one or more separate documents. However, a *reporting issuer* that elects to follow this approach ~~continues to be subject to the requirement to~~ must file, at the same time and on *SEDAR*, in the appropriate *SEDAR* category, ~~the~~ notice in accordance with *Form 51-101F4* (see ~~sub~~section ~~2-22.3(2)~~ of *NI 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 NI 51-101 oil and gas* disclosure category.

#### **2.6.2.5 Reporting Issuer That Has With No Reserves**

The requirement to make annual *NI 51-101* filings is not limited to only those 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 *NI 51-101*. That means the issuer must still make annual *NI 51-101* filings and ensure that it complies with other *NI 51-101* requirements. The following is guidance on the preparation of *Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* and other *oil and gas* disclosure if the *reporting issuer* has no *reserves*.

~~(1)~~ (1) **Form 51-101F1** - Section 1.4 of *NI 51-101* states that the *Instrument* applies only in respect of information that is material in respect of a *reporting issuer*. If indeed the *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 no related *future net revenue*.

Supporting information regarding *reserves data* required under Part 2 (e.g., price estimates) that are not material to the issuer may be omitted. However, if the 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 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 issuer had no *production*, as that fact would be material.

~~(2)~~ (2) **Form 51-101F2** - *NI 51-101* requires *reporting issuers* to retain an *independent qualified reserves evaluator or auditor* to evaluate or audit the company's *reserves data* and 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 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)~~ (3) **Form 51-101F3** - Irrespective of whether the *reporting issuer* has *reserves*, the requirement to file a report of management and directors in the form of *Form 51-101F3* applies.

~~(4)~~ (4) **Other NI 51-101 Requirements** - *NI 51-101* does not require *reporting issuers* to disclose *anticipated results* from their *resources*. However, if a *reporting issuer* chooses to disclose that type of information, section 5.9 of *NI 51-101* applies to that disclosure.

#### **2.6.2.6 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 *NI 51-101* if the report contains a *reservation*, the cause of which can be removed by the *reporting issuer* (subsection 2.4(2) of *NI 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 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.

## **2.7-2.7 Disclosure in Form 51-101F1**

~~(1)~~ **(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)~~ **(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 *NI 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)~~ **(3) Computation of Future Net Revenue**

### **(a) (a) Tax**

*Form 51-101F1* requires *future net revenue* to be estimated and disclosed both before and after deduction of income taxes. However, 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, 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 *NI 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 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) (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 of proved *reserves* and to *probable reserves*.

~~(4)~~ **(4) Supplementary Disclosure of Future Net Revenue**—In addition to requiring the disclosure of *future net revenue* using *forecast prices and costs*, *Form 51-101—Using Constant Prices and Costs—Form 51-101F1* gives reporting issuers the option of disclosing *future net revenue* based on prices and costs determined in accordance with the relevant *US oil and gas disclosure requirements*, **together with associated estimates of reserves or resources other than reserves, determined using constant prices and costs**. In general, these **Constant** prices and costs are assumed not to change, but rather to remain constant, 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)~~ **(5)** repealed.

~~(6)~~ **(6) Reserves Reconciliation**

~~(a)~~ **(a)** If the *reporting issuer* reports *reserves*, but had no *reserves* 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)~~ **(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 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)~~ **(c)** Clause 2(c)(ii) of item 4.1 of *Form 51-101F1* requires reconciliations of *reserves* to separately identify and explain 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" category or in an additional stand-alone 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 issuer may wish to explain this as part of the reconciliation in a footnote to the reconciliation table.

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

For example, if events subsequent to the *effective date* have resulted in significant changes in expected future prices, such that the forecast prices reflected in the *reserves data* differ materially 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 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.

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

The disclosure specified **prescribed** in *Form 51-101F1* is the minimum disclosure required, subject to the *materiality* standard. *Reporting issuers* are free to **may** provide additional disclosure that is not inconsistent with *NI 51-101—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)-(9) **Sample Reserves Data Disclosure** - Appendix 1 to this Companion Policy sets out an example of how certain of the *reserves data* might be presented in a manner which the CSA consider to be consistent with *NI 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.

### **2.8.2.8 Form 51-101F2**

- (1)-(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 *NI 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)-(2) **Variations in Estimates** – The report prescribed by *Form 51-101F2* contains statements to the effect that variations between *reserves data* and actual results may be material but *reserves* have been determined in accordance with the *COGE Handbook*, consistently applied.

*Reserves* estimates are made at a point in time, being the *effective date*. A reconciliation of a *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* 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* 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)~~ **(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. 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.

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 Chief Executive Officer

Paragraph 2.1(3)(e) of NI 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 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 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 NI 51-101.

## **PART 3 PART 3 RESPONSIBILITIES OF REPORTING ISSUERS AND DIRECTORS**

### **3.1 3.1 Reserves Committee**

Section 3.4 of *NI 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 *NI 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 3.2 Responsibility for Disclosure**

*NI 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*.

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 *NI 51-101*.

## **~~PART 4~~ PART 4 MEASUREMENT**

### **~~4.1~~ 4.1 Consistency in Dates**

Section 4.2 of *NI 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~~ PART 5 REQUIREMENTS APPLICABLE TO ALL DISCLOSURE**

### **~~5.1~~ 5.1 Application of Part 5**

Part 5 of *NI 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 *NI 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 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 *NI 51-101*,
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of *NI 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) of *NI 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 *NI 51-101* and the *COGE Handbook*, in the preparation, review or approval of all such *oil* and *gas* disclosure.

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

(1)-(1) **General** - A *reporting issuer* must comply with the requirements of section 5.2 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)-(2) **Reserves** - *NI 51-101* does not prescribe any particular methods of estimation but it does require that a *reserve 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)~~ **(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. For this reason, the cautionary language prescribed in subparagraph 5.2(a)(v) of *NI 51-101* must accompany the written disclosure of a *possible reserves* estimate.

~~(4)~~ **(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* applying the definitions and using the guidelines set out in the *COGE Handbook*.
- Entity level probabilistic *reserves* estimates should be aggregated arithmetically to provide reported level *reserves*.
- If the evaluator also prepares aggregate *reserves* estimates using probabilistic methods, the evaluator should explain in the *evaluation* report the method used. In particular, 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* that the evaluator prepared using probabilistic methods, the issuer should provide a brief explanation, near its disclosure, about the *reserves* definitions used for estimating the *reserves*, about the method that the evaluator used, and the underlying confidence levels that the evaluator applied.

~~(5)~~ **(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 *COGE Handbook* and subparagraph 5.2(a)(iv) of *NI 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* as a part of its annual disclosure. If the issuer expects that the costs of funding would make development of a *property* unlikely, then even if *reserves* were assigned, it 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 the 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 oilsands developments).

~~(6)~~ **(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 issuer and know about the existence of these *reserves* would not be permitted to purchase or sell the securities of the issuer until that information has been disclosed. If the issuer has 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*.

~~(7)~~ **(7) Mechanical Updates** - So-called “mechanical updates” of *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 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 that the information is not misleading.

### **5.3-5.3 Classification of Reserves and of Resources Other than Reserves**

Section 5.3 of *NI 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 the various *resource* categories, derived from the *COGE Handbook*, are provided in the *NI 51-101* Glossary. In addition, section 5.3 of *NI 51-101* requires that disclosure of *reserves* **and/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*. *Reporting issuers* must classify *discovered resources* into one of the subcategories of *discovered resources*.

In addition, *reserves* can be estimated using three subcategories, namely **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 be broken down into one of the three subcategories of *reserves*, namely **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 NI 51-101.**

For further guidance on disclosure of *reserves* and of *resources* other than *reserves* please see sections 5.2 and 5.5 of this Companion Policy.

### **5.4-5.4 Written Consents**

Section 5.7 of *NI 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 *NI 51-101* (filing *Form 51-101F1*; **1** or making direct or indirect reference to the conclusions of that report in the filed *Form 51-101F1* and *Form 51-101F3*; and identifying the report in the news release referred to in section 2.2). The *qualified reserves evaluator or auditor* retained to report to a *reporting issuer* for the purposes of *NI 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.

### **5.5-5.5 Disclosure of Resources Other than Reserves**

~~(4)~~ **(1) Disclosure of Resources Generally** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is not mandatory under *NI 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 *NI 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 issuer, even if the disclosure is not mandated by *NI 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>4</sup> on the subject.

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<sup>4</sup> For example, Determination of Oil and Gas Reserves, Monograph No. 1, Chapter 22, Petroleum Society of CIM, Second Edition 2004. (ISBN 0-9697990-2-0) Newendorp, P., & Schuyler, J., 2000, Decision Analysis for Petroleum Exploration, Planning Press, Aurora,

~~(2)~~ **(2) Disclosure of Anticipated Results under Subsection 5.9(1) of NI 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 *NI 51-101*. Additional disclosure requirements arise if the *anticipated results* disclosed by the issuer include an estimate of a *resource* quantity or associated value, as set out below in subsection 5.5(3).

If a *reporting issuer* discloses *anticipated results* relating to numerous aggregated *properties*, *prospects* or *resources*, the 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 few *properties*, it may be appropriate to make the disclosure for each *property*. Such disclosure may be unreasonably onerous for a *reporting issuer* with many *properties*, and it may be more appropriate to summarize the information by major areas or for major projects. However, ~~if a *reporting issuer* discloses an aggregate *resource* estimate (or associated value) referred to in subsection 5.9(2) of *NI 51-101*, the issuer must ensure that any aggregation of *properties* occurs within the most specific category of *resource* classification as required by paragraph 5.9(2)(b). A *reporting issuer* must not disclose an estimate reflecting a summation of different categories of *resources* (see section 5.16 of *NI 51-101*)~~ **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 *NI 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 *NI 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*.

In satisfying the requirement of paragraph 5.9(1)(d) of *NI 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 issuer must disclose the basis of the calculation of the value, in accordance with paragraph 5.9(1)(e). 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). 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) 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) 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)~~ **(3) Disclosure of an Estimate of Quantity or Associated Value of a Resource under Subsection 5.9(2) of NI 51-101**

~~(a)~~ **(a) Overview of Subsection 5.9(2) of NI 51-101**

Pursuant to subsection 5.9(2) of *NI 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* 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 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. 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* estimate is not an independent *resource* 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.

~~In addition, pursuant to section 5.3 and paragraph 5.9(2)(b) of NI 51-101, the reporting issuer must ensure that the estimated resource relates to the most specific category of resources in which the resource can be classified. As discussed above in subsection 5.5(2) of this Companion Policy, if a reporting issuer wishes to disclose an aggregate resource 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 paragraph 5.9(2)(b) of NI 51-101.~~  
**Pursuant to subsection 5.3(1) of NI 51-101.**

Subsection 5.9(2) requires the *reporting issuer* to disclose certain information in addition to that prescribed in subsection 5.9(1) of *NI 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)~~ **(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 *NI 51-101*. Section 5 of volume 1 of the *COGE Handbook* and the *NI 51-101* Glossary identify and define the various *resource* categories.

A *reporting issuer* may wish to report *reserves* or *resources* other than *reserves of oil or gas* 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 *NI 51-101*.

~~The in addition to disclosing the most specific category of resource, the reporting issuer can report other categories of resources, such as may disclose total petroleum initially-in-place, discovered petroleum initially-in-place, or undiscovered petroleum initially-in-place and total petroleum initially-in-place. However, estimates provided that the additional disclosure required by subsection 5.16(3) of *NI 51-101* must also be included.~~

~~(c)~~ **(c) Application of Subsection 5.9(2) of *NI 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)~~ **(i)** a definition of the *resource* category used for the estimate;
- ~~(ii)~~ **(ii)** the *effective date* of the estimate;
- ~~(iii)~~ **(iii)** significant positive and negative factors relevant to the estimate;
- ~~(iv)~~ **(iv)** the contingencies which prevent the classification of a contingent *resource* as a *reserve*; and
- ~~(v)~~ **(v)** cautionary language as prescribed by subparagraph 5.9(2)(~~ed~~)**(v)** of *NI 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 Companion Policy.

*Reporting issuers* are required to disclose significant positive and negative factors relevant to the estimate pursuant to subparagraph 5.9(2)(~~ed~~)**(iii)**. For example, if there is no infrastructure in the region to transport the *resource*, this may constitute a significant negative factor relevant to the estimate. Other examples would include a significant lease expiry 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* is warranted in order to provide adequate disclosure to investors.

The cautionary language in subparagraph 5.9(2)(~~ed~~)**(v)** 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 *NI 51-101* Glossary.

The general disclosure requirements of paragraph 5.9(2)(~~ed~~) of *NI 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.

#### **5.6-5.6 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. 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 *NI 51-101*, when it discloses *analogous information*, as that term is broadly defined in *NI 51-101*, for an area which includes an area of the *reporting issuer's* area of interest. Pursuant to subsection 5.10(2) of *NI 51-101*, if the issuer discloses an estimate of its own *reserves* or *resources* based on an extrapolation from the *analogous information*, or if the *analogous information* itself is an estimate of its own *reserves* or *resources*, the issuer must ensure the estimate is prepared in accordance with the *COGE Handbook* and disclosed in accordance with *NI 51-101* generally. For example, in respect of a *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 *NI 51-101*.

#### **5.7-5.7 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 should refer to 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(a)(iii) and section 5.3 of *NI 51-101*, *reporting issuers* should apply the relevant terminology and unit prefixes set out in the *COGE Handbook*.

#### **5.8-5.8 BOEs and McfGEs**

Section 5.14 of *NI 51-101* sets out requirements that apply if 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. Section 13 of the *COGE Handbook*, under the heading "Barrels of Oil Equivalent", provides additional guidance.

#### **5.9-5.9 Finding and Development costs**

Section 5.15 of *NI 51-101* sets out requirements that apply if a *reporting issuer* chooses to make disclosure of finding and *development costs*.

Because the prescribed methods of calculation under section 5.15 involve the use of *BOEs*, section 5.14 of *NI 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.

*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 NI 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 *NI 51-101* which apply to prospectuses, the following commentary provides additional guidance on topics of frequent enquiry.

- (1) **(1) Significant Acquisitions** - To the extent that an 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 issuer's *Form 51-101F1*. This requirement stems from Part 6 of *NI 51-101* with respect to material changes. This is in addition to specific prospectus requirements for financial information satisfying significant acquisitions.
- (2) **(2) Disclosure of Resources** - The disclosure of *resources*, excluding *proved* and *probable reserves*, is generally not mandatory under *NI 51-101*, except for certain disclosure concerning the 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 ~~5.9.9, 5.10~~ and ~~5.10.5, 16~~ of *NI 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 issuer, even if the disclosure is not mandated by *NI 51-101*. Any such disclosure should be based on supportable analysis.
- (3) **(3) Proved or Probable Undeveloped reserves** - Further to the guidance provided in subsection 5.2(4) of this Companion Policy, *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 issuer has 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) **(4) Reserves Reconciliation in an Initial Public Offering** - In an initial public offering, if the 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 categories of the *reserves* reconciliation.
- (5) **(5) Relief to Provide More Recent Form 51-101F1 Information in a Prospectus** - If an 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 issuer of the requirement to disclose the *reserves data* and other information as at year-end.

An 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 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 consider granting relief on a case-by-case basis to permit an 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 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 PART 6 MATERIAL CHANGE DISCLOSURE**

### **6-1-6.1 Changes from Filed Information**

Part 6 of *NI 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 *NI 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 *NI 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 *NI 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 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*.

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**  
**to**  
**COMPANION POLICY 51-101CP**  
**STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES**  
**SAMPLE RESERVES DATA DISCLOSURE**

**Format of Disclosure**

*NI 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 *NI 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 *NI 51-101*, and of the instructions in *Form 51-101F1*.

See also sections 1.4, 2.2 and 2.3 and subsections 2.7(78) and 2.7(89) of Companion Policy 51-101CP.

**Sample Tables**

The following sample tables provide an example of how certain of the *reserves data* might be presented in a manner consistent with *NI 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 *NI 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**  
**CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL SUPPLEMENTARY DISCLOSURE]**

RESERVES CATEGORY	RESERVES <sup>(1)</sup>							
	LIGHT AND MEDIUM OIL		HEAVY OIL		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 SUPPLEMENTAL SUPPLEMENTARY

**SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE**  
**as of December 31, 2006**  
**CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL SUPPLEMENTARY DISCLOSURE]**

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10%/year (\$/Mcf) (\$/bbl)
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					
	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	0 (MM\$)	5 (MM\$)	10 (MM\$)	15 (MM\$)	20 (MM\$)	
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
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	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 SUPPLEMENTAL SUPPLEMENTARY

Reference: Item 2.2 of Form 51-101F1

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

RESERVES CATEGORY	REVENUE (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

 OPTIONAL SUPPLEMENTAL SUPPLEMENTARY

Reference: Item 2.2 of Form 51-101F1

**FUTURE NET REVENUE  
BY PRODUCTION GROUP  
as of December 31, 2006  
CONSTANT PRICES AND COSTS [OPTIONAL SUPPLEMENTAL 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)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx
Proved Plus Probable Reserves	Light and Medium Crude Oil (including solution gas and other by-products)	xxx
	Heavy Oil (including solution gas and other by-products)	xxx
	Natural Gas (including by-products but excluding solution gas from oil wells)	xxx
	Non-Conventional Oil and Gas Activities	xxx

 OPTIONAL SUPPLEMENTAL 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**

RESERVES CATEGORY	RESERVES <sup>(1)</sup>							
	LIGHT AND MEDIUM OIL		HEAVY OIL		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.

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

RESERVES CATEGORY	NET PRESENT VALUES OF FUTURE NET REVENUE										
	BEFORE INCOME TAXES DISCOUNTED AT (%/year)					AFTER INCOME TAXES DISCOUNTED AT (%/year)					UNIT VALUE BEFORE INCOME TAX 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
Undeveloped	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL PROVED	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	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

(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, in the chart for item 2.1(3)(c) of *Form 51-101F1* (see sample chart below entitled Future Net Revenue by Production Group).

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

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

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

RESERVES CATEGORY	REVENUE (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  
as of December 31, 2006  
FORECAST PRICES AND COSTS**

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

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

**SUMMARY OF PRICING ASSUMPTIONS  
as of December 31, 2006  
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 Price 40 <sup>0</sup> API (\$Cdn/bbl)	Hardisty Heavy 12 <sup>0</sup> API (\$Cdn/bbl)	Cromer Medium 29.3 <sup>0</sup> API (\$Cdn/bbl)			
Historical (Year End)							
2003	xx	xx	xx	xx	xx	xx	xx
2004	xx	xx	xx	xx	xx	xx	xx
2005	xx	xx	xx	xx	xx	xx	xx
2006 (Year End)	xx	xx	xx	xx	xx	xx	xx

 OPTIONAL SUPPLEMENTAL **SUPPLEMENTARY**

- (1) This disclosure is triggered by optional supplemental **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

**SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS  
as of December 31, 2006  
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 Price 40 <sup>0</sup> API \$Cdn/bbl	Hardisty Heavy 12 <sup>0</sup> API \$Cdn/bbl	Cromer Medium 29.3 <sup>0</sup> API \$Cdn/bbl				
Historical <sup>(4)</sup>								
2003	xx	xx	xx	xx	xx	xx	xx	
2004	xx	xx	xx	xx	xx	xx	xx	
2005	xx	xx	xx	xx	xx	xx	xx	
2006	xx	xx	xx	xx	xx	xx	xx	
Forecast								
2007	xx	xx	xx	xx	xx	xx	xx	
2008	xx	xx	xx	xx	xx	xx	xx	
2009	xx	xx	xx	xx	xx	xx	xx	
2010	xx	xx	xx	xx	xx	xx	xx	
2011	xx	xx	xx	xx	xx	xx	xx	
There-after	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, in this example).

 OPTIONAL SUPPLEMENTAL **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 AND MEDIUM OIL			HEAVY OIL			ASSOCIATED AND NON-ASSOCIATED GAS		
	Gross Proved (Mdbl)	Gross Probable (Mdbl)	Gross Proved Plus Probable (Mdbl)	Gross Proved (Mdbl)	Gross Probable (Mdbl)	Gross Proved Plus Probable (Mdbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2005	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, 2006	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

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

Reference: Item 4.1 of Form 51-101F1

**FORM 51-101F1**  
**STATEMENT OF RESERVES DATA**  
**AND OTHER OIL AND GAS INFORMATION**

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**FORM 51-101F1  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION**

This is the form referred to in item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

**GENERAL INSTRUCTIONS**

- (1) *Terms for which a meaning is given in NI 51-101 have the same meaning in this Form 51-101F1<sup>1</sup>.*
- (2) *Unless otherwise specified in this Form 51-101F1, information under item 1 of section 2.1 of NI 51-101 must be provided as at the last day of the reporting issuer's most recent financial year or for its financial year then ended.*
- (3) *It is not necessary to include the headings or numbering, or to follow the ordering of Items, in this Form 51-101F1. Information may be provided in tables.*
- (4) *To the extent that any Item or any component of an Item specified in this Form 51-101F1 does not apply to a reporting issuer and its activities and operations, or is not material, no reference need be made to that Item or component. It is not necessary to state that such an Item or component is "not applicable" or "not material". Materiality is discussed in NI 51-101 and Companion Policy 51-101CP.*
- (5) *This Form 51-101F1 sets out minimum requirements. A reporting issuer may provide additional information not required in this Form 51-101F1 provided that it is not misleading and not inconsistent with the requirements of NI 51-101, and provided that material information required to be disclosed is not omitted.*
- (6) *A reporting issuer may satisfy the requirement of this Form 51-101F1 for disclosure of information "by country" by instead providing information by foreign geographic area in respect of countries outside North America as may be appropriate for meaningful disclosure in the circumstances.*
- (7) *A reporting issuer disclosing financial information in a currency other than the Canadian dollar must clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.*
- (8) *The COGE Handbook provides guidance about reporting using units of measurement. Reporting issuers should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.*

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this Form 51-101F1 or in NI 51-101, Form 51-101F2, Form 51-101F3 or Companion Policy 51-101CP.

**PART 1            DATE OF STATEMENT**

**Item 1.1           Relevant Dates**

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

**INSTRUCTIONS**

- (1)        *For the purpose of Part 2 of NI 51-101, and consistent with General Instruction (2) of this Form 51-101F1, the **effective date** to be disclosed under section 2 of Item 1.1 is the last day of the **reporting issuer's** most recent financial year.*
- (2)        *The same effective date applies to **reserves** of each category reported and to related **future net revenue**. References to a change in an item of information, such as changes in **production** or a change in **reserves**, mean changes in respect of that item during the year ended on the **effective date**.*
- (3)        *The **preparation date**, in respect of written disclosure, means the most recent date to which information relating to the period ending on the **effective date** was considered in the preparation of the disclosure. The **preparation date** is a date subsequent to the **effective date** because it takes time after the end of the financial year to assemble the information for that completed year that is needed to prepare the required disclosure as at the end of the financial year.*
- (4)        *Because of the interrelationship between certain of the **reporting issuer's reserves data** and other information referred to in this **Form 51-101F1** and certain of the information included in its financial statements, the **reporting issuer** should ensure that its financial auditor and its **qualified reserves evaluators or auditors** are kept apprised of relevant events and transactions, and should facilitate communication between them.*
- (5)        *If the **reporting issuer** provides information as at a date more recent than the **effective date**, in addition to the information required as at the **effective date**, also disclose the date as at which that additional information is provided. The provision of such additional information does not relieve the **reporting issuer** of the obligation to provide information as at the **effective date**.*

**PART 2            DISCLOSURE OF RESERVES DATA**

**Item 2.1           Reserves Data (Forecast Prices and Costs)**

1.        Breakdown of Reserves (Forecast Case) – Disclose, by country and in the aggregate, *reserves, gross and net*, estimated using *forecast prices and costs*, for each *product type*, in the following categories:
  - (a)        *proved developed producing reserves;*
  - (b)        *proved developed non-producing reserves;*
  - (c)        *proved undeveloped reserves;*
  - (d)        *proved reserves (in total);*
  - (e)        *probable reserves (in total);*
  - (f)        *proved plus probable reserves (in total); and*
  - (g)        if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:
    - (i)        *possible reserves (in total); and*
    - (ii)       *proved plus probable plus possible reserves (in total).*
2.        Net Present Value of Future Net Revenue (Forecast Case) – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit

value basis (e.g., \$/Mcf or \$/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

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

- (a) This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:
  - (i) *proved reserves* (in total);
  - (ii) *proved plus probable reserves* (in total); and
  - (iii) if paragraph 1(g) of this Item applies, *proved plus probable plus possible reserves* (in total).
- (b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *forecast prices and costs* and calculated without discount:
  - (i) revenue;
  - (ii) royalties;
  - (iii) *operating costs*;
  - (iv) *development costs*;
  - (v) abandonment and reclamation costs;
  - (vi) *future net revenue* before deducting *future income tax expenses*;
  - (vii) *future income tax expenses*; and
  - (viii) *future net revenue* after deducting *future income tax expenses*.
- (c) Disclose, by *production group* and on a unit value basis for each *production group* (e.g., \$/Mcf or \$/bbl using *net reserves*), the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent.

**Item 2.2 Supplementary Disclosure (Constant Prices and Costs)**

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing estimates of *reserves*, *resources* other than *reserves*, or both, together with estimates of associated *future net revenue*, determined using constant prices and costs rather than *forecast prices and costs* for each applicable product type.

**INSTRUCTION**

For this purpose,

- (a) a constant price is,
  - (i) if the **reporting issuer** is legally bound to supply the product at a particular price, that price; or
  - (ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and
- (b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.

**Item 2.3 Reserves Disclosure Varies with Accounting**

In determining *reserves* to be disclosed:

- (a) Consolidated Financial Disclosure – if the *reporting issuer* files consolidated financial statements:

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

**Item 2.4 Future Net Revenue Disclosure Varies with Accounting**

1. Consolidated Financial Disclosure – If the *reporting issuer* files consolidated financial statements, and if a significant portion of the *reporting issuer's* economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant non-controlling interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the non-controlling interest.
2. Equity Accounting – If the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *future net revenue* in disclosed *future net revenue* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *future net revenue* separately, by country and in the aggregate.

**INSTRUCTIONS**

- (1) Do not include, in **reserves, oil or gas** that is subject to purchase under a long-term supply, purchase or similar agreement. However, if the **reporting issuer** is a party to such an agreement with a government or governmental authority, and participates in the operation of the **properties** in which the **oil or gas** is situated or otherwise serves as "producer" of the **reserves** (in contrast to being an independent purchaser, broker, dealer or importer), disclose separately the **reporting issuer's** interest in the **reserves** that are subject to such agreements at the **effective date** and the **net quantity of oil or gas** received by the **reporting issuer** under the agreement during the year ended on the **effective date**.
- (2) **Future net revenue** includes the portion attributable to the **reporting issuer's** interest under an agreement referred to in Instruction (1).
- (3) **repealed**.

**PART 3 PRICING ASSUMPTIONS**

**Item 3.1 Constant Prices Used in Supplementary Estimates**

If supplementary disclosure under Item 2.2 is made, the *reporting issuer* must disclose, for each *product type*, the constant price used.

**Item 3.2 Forecast Prices Used in Estimates**

1. For each *product type*, disclose:
  - (a) the pricing assumptions used in estimating *reserves data* disclosed in response to Item 2.1:
    - (i) for each of at least the following five financial years; and
    - (ii) generally, for subsequent periods; and
  - (b) the *reporting issuer's* weighted average historical prices for the most recent financial year.
2. The disclosure in response to section 1 must include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.
3. If the pricing assumptions specified in response to section 1 were provided by a *qualified reserves evaluator or auditor* who is *independent* of the *reporting issuer*, disclose that fact and identify the *qualified reserves evaluator or auditor*.

INSTRUCTIONS

- (1) *Benchmark reference prices may be obtained from sources such as public product trading exchanges or prices posted by purchasers.*
- (2) *The defined term "forecast prices and costs" includes any 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. In effect, such contractually committed prices override benchmark reference prices for the purpose of estimating reserves data. To ensure that disclosure under this Part is not misleading, the disclosure should reflect such contractually committed prices.*
- (3) *Under subsection 5.7(1) of NI 51-101, the reporting issuer must obtain the written consent of the qualified reserves evaluator or auditor to disclose his or her identity in response to section 3 of this Item.*

**PART 4 RECONCILIATION OF CHANGES IN RESERVES**

**Item 4.1 Reserves Reconciliation**

1. Provide the information specified in section 2 of this Item in respect of the following reserves categories:
  - (a) *gross proved reserves* (in total);
  - (b) *gross probable reserves* (in total); and
  - (c) *gross proved plus probable reserves* (in total).
2. Disclose changes between the reserves estimates made as at the *effective date* and the corresponding estimates ("prior-year estimates") made as at the last day of the preceding financial year of the *reporting issuer*.
  - (a) by country;
  - (b) for each of the following:
    - (i) *light and medium crude oil* (combined);
    - (ii) *heavy oil*;
    - (iii) *associated gas and non-associated gas* (combined);
    - (iv) *synthetic oil*;
    - (v) *bitumen*;
    - (vi) *coal bed methane*;
    - (vii) *hydrates*;
    - (viii) *shale oil*; and
    - (ix) *shale gas*;
  - (c) separately identifying and explaining:
    - (i) *extensions and improved recovery*;
    - (ii) *technical revisions*;
    - (iii) *discoveries*;
    - (iv) *acquisitions*;
    - (v) *dispositions*;
    - (vi) *economic factors*; and
    - (vii) *production*.

INSTRUCTIONS

- (1) *The reconciliation required under this Item 4.1 must be provided in respect of **reserves** estimated using **forecast prices and costs**, with the price and cost case indicated in the disclosure.*
- (2) *For the purpose of this Item 4.1, it is sufficient to provide the information in respect of the products specified in paragraph 2(b), excluding **solution gas, natural gas liquids** and other associated by-products.*
- (3) *The **COGE Handbook** provides guidance on the preparation of the reconciliation required under this Item 4.1.*
- (4) ***Reporting issuers** must not include infill drilling **reserves** in the category of technical revisions specified in clause 2(c)(ii). **Reserves** additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").*
- (5) *If the **reporting issuer** first became engaged in **oil and gas activities** only after the last day of its preceding financial year and no evaluation report in respect of its **reserves** as at that date is available to the **reporting issuer**, so that there is no opening data to be reconciled, the **reporting issuer** need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence.*

**PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA**

**Item 5.1 Undeveloped Reserves**

1. For *proved undeveloped reserves*:
  - (a) disclose for each *product type* the volumes of *proved undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and
  - (b) discuss generally the basis on which the *reporting issuer* attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.
2. For *probable undeveloped reserves*:
  - (a) disclose for each *product type* the volumes of *probable undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and
  - (b) discuss generally the basis on which the *reporting issuer* attributes *probable undeveloped reserves*, its plans (including timing) for developing the *probable undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *probable undeveloped reserves* during the following two years.

**Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data**

1. Identify and discuss significant economic factors or significant uncertainties that affect particular components of the *reserves data*.
2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

INSTRUCTION

*Examples of information that could warrant disclosure under this Item 5.2 include 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.*

**Item 5.3 Future Development Costs**

1. (a) Provide the information specified in paragraph 1(b) in respect of *development costs* deducted in the estimation of *future net revenue* attributable to each of the following *reserves* categories:
  - (i) *proved reserves* (in total) estimated using *forecast prices and costs*; and
  - (ii) *proved plus probable reserves* (in total) estimated using *forecast prices and costs*.

- (b) Disclose, by country, the amount of *development costs* estimated:
  - (i) in total, calculated using no discount; and
  - (ii) by year for each of the first five years estimated.
2. Discuss the *reporting issuer's* expectations as to:
  - (a) the sources (including internally-generated cash flow, debt or equity financing, farm-outs or similar arrangements) and costs of funding for estimated future *development costs*; and
  - (b) the effect of those costs of funding on disclosed *reserves* or *future net revenue*.
3. If the *reporting issuer* expects that the costs of funding referred to in section 2, could make development of a *property* uneconomic for that *reporting issuer*, disclose that expectation and its plans for the *property*.

## **PART 6 OTHER OIL AND GAS INFORMATION**

### **Item 6.1 Oil and Gas Properties and Wells**

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

### **Item 6.2 Properties With No Attributed Reserves**

1. For *unproved properties* disclose:
  - (a) the *gross* area (acres or hectares) in which the *reporting issuer* has an interest;
  - (b) the interest of the reporting issuer therein expressed in terms of net area (acres or hectares);
  - (c) the location, by country; and
  - (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.
2. Disclose, by country, the *net* area (acres or hectares) of *unproved property* for which the *reporting issuer* expects its rights to explore, develop and exploit to expire within one year.

#### **INSTRUCTION**

*If the reporting issuer holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the gross and net area. A general description of the method of calculating the disclosed area will suffice.*

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

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves*.
2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

EXAMPLES

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

**Item 6.3 Forward Contracts**

1. If the *reporting issuer* is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for *oil* or *gas*, describe generally the agreement, discussing dates or time periods and summaries or ranges of volumes and contracted or reasonably estimated values.
2. A *reporting issuer* may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the *effective date*.
3. If the *reporting issuer's* transportation obligations or commitments for future physical deliveries of oil or gas exceed the *reporting issuer's* expected related future *production* from its *proved reserves*, estimated using *forecast prices and costs* and disclosed under Part 2, discuss such excess, giving information about the amount of the excess, dates or time periods, volumes and reasonably estimated value.

**Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs**

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

- (a) how the *reporting issuer* estimates such costs;
- (b) the number of *net* wells for which the *reporting issuer* expects to incur such costs;
- (c) the total amount of such costs, net of estimated salvage value, expected to be incurred, calculated without discount and using a discount rate of 10 percent;
- (d) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that was not deducted as abandonment and reclamation costs in estimating the *future net revenue* disclosed under Part 2; and
- (e) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that the *reporting issuer* expects to pay in the next three financial years, in total.

**INSTRUCTION**

*Item 6.4 supplements the information disclosed in response to clause 3(b)(v) of Item 2.1. The response to paragraph (d) of Item 6.4 should enable a reader of this statement and of the **reporting issuer's** financial statements for the financial year ending on the **effective date** to understand both the **reporting issuer's** estimated total abandonment and reclamation costs, and what portions of that total are, and are not, reflected in the disclosed **reserves data**.*

**Item 6.5 Tax Horizon**

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

**Item 6.6 Costs Incurred**

1. Disclose each of the following, by country, for the most recent financial year (irrespective of whether such costs were capitalized or charged to expense when incurred):
  - (a) *property acquisition costs*, separately for *proved properties* and *unproved properties*;
  - (b) *exploration costs*; and
  - (c) *development costs*.
2. For the purpose of this Item 6.6, if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, disclose by country the *reporting issuer's* share of investees' (i) *property acquisition costs*, (ii) *exploration costs* and (iii) *development costs* incurred in the most recent financial year.

**Item 6.7 Exploration and Development Activities**

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

**Item 6.8 Production Estimates**

1. Disclose, by country, for each *product type*, the volume of *production* estimated for the first year reflected in the estimates of *gross proved reserves* and *gross probable reserves* disclosed under Item 2.1.
2. If one *field* accounts for 20 percent or more of the estimated *production* disclosed under section 1, identify that *field* and disclose the volume of *production* estimated for the *field* for that year.

**Item 6.9 Production History**

1. To the extent not previously disclosed in financial statements filed by the *reporting issuer*, disclose, for each quarter of its most recent financial year, by country for each *product type*:
  - (a) the *reporting issuer's* share of average *gross daily production* volume; and
  - (b) as an average per unit of volume (for example, *\$/bbl* or *\$/Mcf*):
    - (i) the prices received;
    - (ii) royalties paid;
    - (iii) *production costs*; and
    - (iv) the resulting netback.
2. For each important *field*, and in total, disclose the *reporting issuer's production* volumes for the most recent financial year, for each *product type*.

**INSTRUCTION**

*In providing information for each **product type** for the purpose of Item 6.9, it is not necessary to allocate among multiple **product types** attributable to a single well, **reservoir** or other **reserves** entity. It is sufficient to provide the information in respect of the principal **product type** attributable to the well, **reservoir** or other **reserves** entity. Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.*

**FORM 51-101F1  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION**

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**FORM 51-101F1  
STATEMENT OF RESERVES DATA  
AND OTHER OIL AND GAS INFORMATION**

This is the form referred to in item 1 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

**GENERAL INSTRUCTIONS**

- ~~(1)~~ **(1)** Terms for which a meaning is given in **NI 51-101** have the same meaning in this **Form 51-101F1**<sup>1</sup>.
- ~~(2)~~ **(2)** Unless otherwise specified in this **Form 51-101F1**, information under item 1 of section 2.1 of **NI 51-101** must be provided as at the last day of the **reporting issuer's** most recent financial year or for its financial year then ended.
- ~~(3)~~ **(3)** ~~It is not necessary to include the headings or~~ numbering, ~~headings and/or to follow the~~ ordering of ~~items included~~Items, in this **Form 51-101F1** ~~are guidelines only.~~1. Information may be provided in tables.
- ~~(4)~~ **(4)** To the extent that any Item or any component of an Item specified in this **Form 51-101F1** does not apply to a **reporting issuer** and its activities and operations, or is not **material**, no reference need be made to that Item or component. It is not necessary to state that such an Item or component is "not applicable" or "not material". Materiality is discussed in **NI 51-101** and Companion Policy 51-101CP.
- ~~(5)~~ **(5)** This **Form 51-101F1** sets out minimum requirements. A **reporting issuer** may provide additional information not required in this **Form 51-101F1** provided that it is not misleading and not inconsistent with the requirements of **NI 51-101**, and provided that material information required to be disclosed is not omitted.
- ~~(6)~~ **(6)** A **reporting issuer** may satisfy the requirement of this **Form 51-101F1** for disclosure of information "by country" by instead providing information by **foreign geographic area** in respect of countries outside North America as may be appropriate for meaningful disclosure in the circumstances.
- ~~(7)~~ **(7)** ~~If a~~ **reporting issuer** ~~discloses~~disclosing financial information in a currency other than the Canadian dollar, must clearly, and as frequently as is ~~appropriate~~necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.
- ~~(8)~~ Reporting Issuers should refer to the
- (8)** The COGE Handbook ~~for~~provides guidance about ~~the proper reporting of~~using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.

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<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this **Form 51-101F1** or in **NI 51-101**, **Form 51-101F2**, **Form 51-101F3** or Companion Policy 51-101CP.

**PART 1 ~~PART 1~~ DATE OF STATEMENT**

**Item 1.1 ~~Item 1.1~~ Relevant Dates**

1. ~~1.~~ Date the statement.
2. ~~2.~~ Disclose the *effective date* of the information being provided.
3. ~~3.~~ Disclose the *preparation date* of the information being provided.

**INSTRUCTIONS**

- (1) ~~(1)~~ For the purpose of Part 2 of **NI 51-101**, and consistent with ~~the definition of reserves data~~ and General Instruction (2) of this **Form 51-101F1**, the **effective date** to be disclosed under section 2 of Item 1.1 is the last day of the **reporting issuer's** most recent financial year.
- (2) ~~(2)~~ The same effective date applies to **reserves** of each category reported and to related **future net revenue**. References to a change in an item of information, such as changes in **production** or a change in **reserves**, mean changes in respect of that item during the year ended on the **effective date**.
- (3) ~~(3)~~ The **preparation date**, in respect of written disclosure, means the most recent date to which information relating to the period ending on the **effective date** was considered in the preparation of the disclosure. The **preparation date** is a date subsequent to the **effective date** because it takes time after the end of the financial year to assemble the information for that completed year that is needed to prepare the required disclosure as at the end of the financial year.
- (4) ~~(4)~~ Because of the interrelationship between certain of the **reporting issuer's reserves data** and other information referred to in this **Form 51-101F1** and certain of the information included in its financial statements, the **reporting issuer** should ensure that its financial auditor and its **qualified reserves evaluators or auditors** are kept apprised of relevant events and transactions, and should facilitate communication between them.
- (5) ~~(5)~~ If the **reporting issuer** provides information as at a date more recent than the **effective date**, in addition to the information required as at the **effective date**, also disclose the date as at which that additional information is provided. The provision of such additional information does not relieve the **reporting issuer** of the obligation to provide information as at the **effective date**.

**Part 2 ~~PART 2~~ DISCLOSURE OF RESERVES DATA**

**Item 2.1 ~~Item 2.1~~ Reserves Data (Forecast Prices and Costs)**

1. ~~1.~~ **Breakdown of Reserves (Forecast Case)** – Disclose, by country and in the aggregate, *reserves, gross and net*, estimated using *forecast prices and costs*, for each *product type*, in the following categories:
- (a) ~~(a)~~ *proved developed producing reserves*;
- (b) ~~(b)~~ *proved developed non-producing reserves*;
- (c) ~~(c)~~ *proved undeveloped reserves*;
- (d) ~~(d)~~ *proved reserves (in total)*;
- (e) ~~(e)~~ *probable reserves (in total)*;
- (f) ~~(f)~~ *proved plus probable reserves (in total)*; and
- (g) ~~(g)~~ if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:
- (i) ~~(i)~~ *possible reserves (in total)*; and
- (ii) ~~(ii)~~ *proved plus probable plus possible reserves (in total)*.
1. ~~2.~~ **Net Present Value of Future Net Revenue (Forecast Case)** – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and

using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit value basis (e.g., \$/Mcf or \$/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

**2-3. Additional Information Concerning Future Net Revenue (Forecast Case)**

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

~~(i) (i)~~ *proved reserves* (in total);

~~(ii) (ii)~~ *proved plus probable reserves* (in total); and

~~(iii) (iii)~~ if paragraph 1(g) of this Item applies, *proved plus probable plus possible reserves* (in total).

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

~~(i) (i)~~ revenue;

~~(ii) (ii)~~ royalties;

~~(iii) (iii)~~ operating costs;

~~(iv) (iv)~~ development costs;

~~(v) (v)~~ abandonment and reclamation costs;

~~(vi) (vi)~~ *future net revenue* before deducting *future income tax expenses*;

~~(vii) (vii)~~ *future income tax expenses*; and

~~(viii) (viii)~~ *future net revenue* after deducting *future income tax expenses*.

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

**Item 2.2 Supplemental ~~Item 2.2~~ Supplementary Disclosure of Reserves Data (Constant Prices and Costs)**

The reporting issuer may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing the components of Item 2.1, using prices and costs determined in a manner consistent with the relevant *US oil and gas disclosure requirements* estimates of reserves, resources other than reserves, or both, together with estimates of associated future net revenue, determined using constant prices and costs rather than forecast prices and costs for each applicable product type.

**INSTRUCTION**

**For this purpose,**

**(a) a constant price is,**

**(i) if the reporting issuer is legally bound to supply the product at a particular price, that price; or**

**(ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and**

**(b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.**

**Item 2.3 ~~Item 2.3~~ Reserves Disclosure Varies with Accounting**

In determining *reserves* to be disclosed:

~~(a)~~ (a) Consolidated Financial Disclosure – if the *reporting issuer* files consolidated financial statements:

~~(i)~~ (i) include 100 percent of *reserves* attributable to the parent company and 100 percent of the *reserves* attributable to its consolidated subsidiaries (whether or not wholly-owned); and

~~(ii)~~ (ii) if a significant portion of *reserves* referred to in clause (i) is attributable to a consolidated subsidiary in which there is a significant non-controlling interest, disclose that fact and the approximate portion of such *reserves* attributable to the non-controlling interest;

~~(b)~~ (b) Proportionate Consolidation – if the *reporting issuer* files financial statements in which investments are proportionately consolidated, the *reporting issuer's* disclosed *reserves* must include the *reporting issuer's* proportionate share of investees' *oil* and *gas reserves*; and

~~(c)~~ (c) Equity Accounting – if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *oil* and *gas reserves* in disclosed *reserves* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *oil* and *gas reserves* separately.

#### ~~Item 2.4~~ Item 2.4 Future Net Revenue Disclosure Varies with Accounting

~~1~~ 1 Consolidated Financial Disclosure – If the *reporting issuer* files consolidated financial statements, and if a significant portion of the *reporting issuer's* economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant non-controlling interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the non-controlling interest.

~~2~~ 2 Equity Accounting – If the *reporting issuer* files financial statements in which investments are accounted for by the equity method, do not include investees' *future net revenue* in disclosed *future net revenue* of the *reporting issuer*, but disclose the *reporting issuer's* share of investees' *future net revenue* separately, by country and in the aggregate.

#### INSTRUCTIONS

~~(1)~~ (1) Do not include, in **reserves, oil or gas** that is subject to purchase under a long-term supply, purchase or similar agreement. However, if the **reporting issuer** is a party to such an agreement with a government or governmental authority, and participates in the operation of the **properties** in which the **oil or gas** is situated or otherwise serves as "producer" of the **reserves** (in contrast to being an independent purchaser, broker, dealer or importer), disclose separately the **reporting issuer's** interest in the **reserves** that are subject to such agreements at the **effective date** and the **net quantity of oil or gas** received by the **reporting issuer** under the agreement during the year ended on the **effective date**.

~~(1)~~ (2) **Future net revenue** includes the portion attributable to the **reporting issuer's** interest under an agreement referred to in Instruction (1).

~~(1)~~ (3) **repealed**.

#### ~~PART 3~~ PART 3 PRICING ASSUMPTIONS

##### ~~Item 3.1~~ Item 3.1 Constant Prices Used in Supplementary Estimates

If supplemental supplementary disclosure under Item 2.2 is made, then the reporting issuer must disclose, for each *product type*, the benchmark reference prices for the countries or regions in which the *reporting issuer* operates as determined in a manner consistent with the relevant *US oil and gas disclosure requirements* constant price used.

##### ~~Item 3.2~~ Item 3.2 Forecast Prices Used in Estimates

~~1~~ 1 For each *product type*, disclose:

~~(a)~~ (a) the pricing assumptions used in estimating *reserves data* disclosed in response to Item 2.1:

~~(i)~~ (i) for each of at least the following five financial years; and

~~(ii)~~ (ii) generally, for subsequent periods; and

~~(b)~~ (b) the *reporting issuer's* weighted average historical prices for the most recent financial year.

~~2~~ 2 The disclosure in response to section 1 must include the benchmark reference pricing schedules for the countries or regions in which the *reporting issuer* operates, and inflation and other forecast factors used.

~~3-3.~~ If the pricing assumptions specified in response to section 1 were provided by a *qualified reserves evaluator or auditor* who is *independent* of the *reporting issuer*, disclose that fact and identify the *qualified reserves evaluator or auditor*.

INSTRUCTIONS

~~(1)-(1)~~ Benchmark reference prices may be obtained from sources such as public product trading exchanges or prices posted by purchasers.

~~(1)-(2)~~ The defined term "**forecast prices and costs**" includes any 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. In effect, such contractually committed prices override benchmark reference prices for the purpose of estimating **reserves data**. To ensure that disclosure under this Part is not misleading, the disclosure should reflect such contractually committed prices.

~~(2)-(3)~~ Under subsection 5.7(1) of **NI 51-101**, the **reporting issuer** must obtain the written consent of the **qualified reserves evaluator or auditor** to disclose his or her identity in response to section 3 of this Item.

**PART 4 PART 4 RECONCILIATION OF CHANGES IN RESERVES**

**Item 4.1 Item 4.1 Reserves Reconciliation**

4-1. Provide the information specified in section 2 of this Item in respect of the following reserves categories:

~~(a)-(a)~~ gross proved reserves (in total);

~~(a)-(b)~~ gross probable reserves (in total); and

~~(b)-(c)~~ gross proved plus probable reserves (in total).

2-2. Disclose changes between the reserves estimates made as at the *effective date* and the corresponding estimates ("prior-year estimates") made as at the last day of the preceding financial year of the *reporting issuer*.

~~(a)-(a)~~ by country;

~~(b)-(b)~~ for each of the following:

~~(i)-(i)~~ light and medium *crude oil* (combined);

~~(ii)-(ii)~~ heavy oil;

~~(iii)-(iii)~~ associated gas and non-associated gas (combined);

~~(iv)-(iv)~~ synthetic oil;

~~(v)-(v)~~ bitumen;

~~(vi)-(vi)~~ coal bed methane;

~~(vii)-(vii)~~ hydrates;

~~(viii)-(viii)~~ shale oil; and

~~(ix)-(ix)~~ shale gas;

~~(c)-(c)~~ separately identifying and explaining:

~~(i)-(i)~~ extensions and improved recovery;

~~(ii)-(ii)~~ technical revisions;

~~(iii)-(iii)~~ discoveries;

~~(iv)-(iv)~~ acquisitions;

- (v) ~~(v)~~ dispositions;
- (vi) ~~(vi)~~ economic factors; and
- (vii) ~~(vii)~~ production.

INSTRUCTIONS

- (1) The reconciliation required under this Item 4.1 must be provided in respect of **reserves** estimated using **forecast prices and costs**, with the price and cost case indicated in the disclosure.
- (2) For the purpose of this Item 4.1, it is sufficient to provide the information in respect of the products specified in paragraph 2(b), excluding **solution gas, natural gas liquids** and other associated by-products.
- (3) The **COGE Handbook** provides guidance on the preparation of the reconciliation required under this Item 4.1.
- (4) **Reporting issuers** must not include infill drilling **reserves** in the category of technical revisions specified in clause 2(c)(ii). **Reserves** additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").
- (5) If the reporting issuer first became engaged in oil and gas activities only after the last day of its preceding financial year and no evaluation report in respect of its reserves as at that date is available to the reporting issuer, so that there is no opening data to be reconciled, the reporting issuer need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence.

~~PART 5~~ PART 5 ADDITIONAL INFORMATION RELATING TO RESERVES DATA

~~Item 5.1~~ Item 5.1 Undeveloped Reserves

~~4.1.~~ 4.1. For proved undeveloped reserves:

- (a) ~~(a)~~ (a) disclose for each *product type* the volumes of *proved undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and
- (b) ~~(b)~~ (b) discuss generally the basis on which the *reporting issuer* attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.

~~2.2.~~ 2.2. For probable undeveloped reserves:

- (a) ~~(a)~~ (a) disclose for each *product type* the volumes of *probable undeveloped reserves* that were first attributed in each of the most recent three financial years and, in the aggregate, before that time; and
- (b) ~~(b)~~ (b) discuss generally the basis on which the *reporting issuer* attributes *probable undeveloped reserves*, its plans (including timing) for developing the *probable undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *probable undeveloped reserves* during the following two years.

~~Item 5.2~~ Item 5.2 Significant Factors or Uncertainties Affecting Reserves Data

~~4.1.~~ 4.1. Identify and discuss significant economic factors or significant uncertainties that affect particular components of the *reserves data*.

~~4.2.~~ 4.2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

INSTRUCTION

*Examples of information that could warrant disclosure under this Item 5.2 include 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.*

~~Item 5.3~~ Item 5.3 Future Development Costs

~~4.1.~~ 4.1. (a) Provide the information specified in paragraph 1(b) in respect of *development costs* deducted in the estimation

of *future net revenue* attributable to each of the following *reserves* categories:

- (i) ~~(i)~~ proved reserves (in total) estimated using *forecast prices and costs*; and
- (ii) ~~(ii)~~ proved plus probable reserves (in total) estimated using *forecast prices and costs*.

(b) Disclose, by country, the amount of *development costs* estimated:

- (i) in total, calculated using no discount; and
- (ii) by year for each of the first five years estimated.

~~2-2.~~ Discuss the *reporting issuer's* expectations as to:

~~(a)~~ (a) the sources (including internally-generated cash flow, debt or equity financing, farm-outs or similar arrangements) and costs of funding for estimated future *development costs*; and

~~(a)~~ (b) the effect of those costs of funding on disclosed *reserves* or *future net revenue*.

~~3-3.~~ If the *reporting issuer* expects that the costs of funding referred to in section 2, could make development of a *property* uneconomic for that *reporting issuer*, disclose that expectation and its plans for the *property*.

## ~~PART 6~~ PART 6 OTHER OIL AND GAS INFORMATION

### ~~Item 6.1~~ Item 6.1 Oil and Gas Properties and Wells

~~1-1.~~ Identify and describe generally the *reporting issuer's* important *properties*, plants, facilities and installations:

~~(a)~~ (a) identifying their location (province, territory or state if in Canada or the United States, and country otherwise);

~~(b)~~ (b) indicating whether they are located onshore or offshore;

~~(c)~~ (c) in respect of properties to which reserves have been attributed and which are capable of producing but which are not producing, disclosing how long they have been in that condition and discussing the general proximity of pipelines or other means of transportation; and

~~(d)~~ (d) describing any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.

~~1-2.~~ State, separately for *oil* wells and *gas* wells, the number of the *reporting issuer's* producing wells and non-producing wells, expressed in terms of both *gross* wells and *net* wells, by location (province, territory or state if in Canada or the United States, and country otherwise).

### ~~Item 6.2~~ Item 6.2 Properties With No Attributed Reserves

~~1-1.~~ For *unproved properties* disclose:

~~(a)~~ (a) the *gross* area (acres or hectares) in which the *reporting issuer* has an interest;

~~(b)~~ (b) the interest of the reporting issuer therein expressed in terms of net area (acres or hectares);

~~(c)~~ (c) the location, by country; and

~~(d)~~ (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.

~~2-2.~~ Disclose, by country, the *net* area (acres or hectares) of *unproved property* for which the *reporting issuer* expects its rights to explore, develop and exploit to expire within one year.

## INSTRUCTION

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

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

- 4-1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed reserves.
- 4-2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

***INSTRUCTION* EXAMPLES**

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

**~~Item 6.3~~ Item 6.3 Forward Contracts**

- 4-1. If the *reporting issuer* is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for *oil* or *gas*, describe generally the agreement, discussing dates or time periods and summaries or ranges of volumes and contracted or reasonably estimated values.
2. Section 1 does not apply to agreements specifically disclosed by the 2. A *reporting issuer* may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the *effective date*.
- 4-3. If the *reporting issuer's* transportation obligations or commitments for future physical deliveries of *oil* or *gas* exceed the *reporting issuer's* expected related future *production* from its *proved reserves*, estimated using *forecast prices and costs* and disclosed under Part 2, discuss such excess, giving information about the amount of the excess, dates or time periods, volumes and reasonably estimated value.

**~~Item 6.4~~ Item 6.4 Additional Information Concerning Abandonment and Reclamation Costs**

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

- (a)-(a) how the *reporting issuer* estimates such costs;
- (b)-(b) the number of *net wells* for which the *reporting issuer* expects to incur such costs;
- (c)-(c) the total amount of such costs, net of estimated salvage value, expected to be incurred, calculated without discount and using a discount rate of 10 percent;
- (d)-(d) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that was not deducted as abandonment and reclamation costs in estimating the *future net revenue* disclosed under Part 2; and
- (e)-(e) the portion, if any, of the amounts disclosed under paragraph (c) of this Item 6.4 that the *reporting issuer* expects to pay in the next three financial years, in total.

***INSTRUCTION***

*Item 6.4 supplements the information disclosed in response to clause 3(b)(v) of Item 2.1. The response to paragraph (d) of Item 6.4 should enable a reader of this statement and of the reporting issuer's financial statements for the financial year ending on the effective date to understand both the reporting issuer's estimated total abandonment and reclamation costs, and what portions of that total are, and are not, reflected in the disclosed reserves data.*

**~~Item 6.5~~ Item 6.5 Tax Horizon**

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

**~~Item 6.6~~ Item 6.6 Costs Incurred**

- 4-1. Disclose each of the following, by country, for the most recent financial year (irrespective of whether such costs were capitalized or charged to expense when incurred):
- (a)-(a) property acquisition costs, separately for *proved properties* and *unproved properties*;

~~(b)-(b)~~ exploration costs; and

~~(e)-(c)~~ development costs.

~~2-2.~~ For the purpose of this Item 6.6, if the *reporting issuer* files financial statements in which investments are accounted for by the equity method, disclose by country the *reporting issuer's* share of investees' (i) *property acquisition costs*, (ii) *exploration costs* and (iii) *development costs* incurred in the most recent financial year.

**~~Item 6.7~~ Item 6.7 Exploration and Development Activities**

~~4-1.~~ Disclose, by country and separately for *exploratory wells* and *development wells*:

(a) ~~(a)~~ the number of *gross wells* and *net wells* completed in the *reporting issuer's* most recent financial year; and

(b) ~~(b)~~ for each category of wells for which information is disclosed under paragraph (a), the number completed as *oil wells*, *gas wells*, *service wells* and *stratigraphic test wells* and the number that were dry holes.

~~2-2.~~ Describe generally the *reporting issuer's* most important current and likely exploration and development activities, by country.

**~~Item 6.8~~ Item 6.8 Production Estimates**

~~4-1.~~ Disclose, by country, for each *product type*, the volume of *production* estimated for the first year reflected in the estimates of *gross proved reserves* and *gross probable reserves* disclosed under Item 2.1.

~~2-2.~~ If one *field* accounts for 20 percent or more of the estimated *production* disclosed under section 1, identify that *field* and disclose the volume of *production* estimated for the *field* for that year.

**~~Item 6.9~~ Item 6.9 Production History**

~~4-1.~~ To the extent not previously disclosed in financial statements filed by the *reporting issuer*, disclose, for each quarter of its most recent financial year, by country for each *product type*:

(a) ~~(a)~~ the *reporting issuer's* share of average *gross daily production* volume; and

(b) ~~(b)~~ as an average per unit of volume (for example,  $\$/bbl$  or  $\$/Mcf$ ):

(i) ~~(i)~~ the prices received;

(ii) ~~(ii)~~ royalties paid;

(iii) ~~(iii)~~ *production costs*; and

(iv) ~~(iv)~~ the resulting netback.

~~2-2.~~ For each important *field*, and in total, disclose the *reporting issuer's production* volumes for the most recent financial year, for each *product type*.

**INSTRUCTION**

*In providing information for each **product type** for the purpose of Item 6.9, it is not necessary to allocate among multiple **product types** attributable to a single well, **reservoir** or other **reserves** entity. It is sufficient to provide the information in respect of the principal **product type** attributable to the well, **reservoir** or other **reserves** entity. Resulting netbacks may be disclosed on the basis of units of equivalency between **oil** and **gas** (e.g. **BOE**) but if so that must be made clear and disclosure must comply with section 5.14 of **NI 51-101**.*

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

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report on *reserves data* referred to in item 2 of section 2.1 of *NI 51-101*, to be executed by one or more *qualified reserves evaluators or auditors independent of the reporting issuer*, must in all material respects be as follows:

**Report on Reserves Data**

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

1. We have [audited] [evaluated] [and reviewed] the Company's reserves data as at [last day of the reporting issuer's most recently completed financial year]. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our [audit] [evaluation] [and review].

We carried out our [audit] [evaluation] [and review] in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company [audited] [evaluated] [and reviewed] by us for the year ended xxx xx, 20xx, and identifies the respective portions thereof that we have [audited] [evaluated] [and reviewed] and reported on to the Company's [management/board of directors]:

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of [Audit/ Evaluation/ Review] Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxxx	\$xxx	\$xxx	\$xxx	\$xxx
Evaluator B	xxx xx, 20xx	xxxx	xxx	xxx	xxx	xxx
Totals			<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx</u>	<u>\$xxx<sup>2</sup></u>

5. In our opinion, the reserves data respectively [audited] [evaluated] by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F3* or Companion Policy 51-101CP.

<sup>2</sup> This amount should be the amount disclosed by the *reporting issuer* in its statement of *reserves data* filed under item 1 of section 2.1 of *NI 51-101*, as its *future net revenue* (before deducting *future income tax expenses*) attributable to *proved plus probable reserves*, estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent (required by section 2 of Item 2.1 of *Form 51-101F1*).

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

Executed as to our report referred to above:

Evaluator A, City, Province or State / Country, Execution Date

\_\_\_\_\_  
[signed]

Evaluator B, City, Province or State / Country, Execution Date

\_\_\_\_\_  
[signed]

**FORM 51-101F3  
REPORT OF  
MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities ("NI 51-101")*.

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.<sup>1</sup>
2. The report referred to in item 3 of section 2.1 of *NI 51-101* must in all material respects be as follows:

**Report of Management and Directors  
on Reserves Data and Other Information**

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

[An] independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [has / have] [audited] [evaluated] [and reviewed] the Company's reserves data. The report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has

- (a) reviewed the Company's procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];
- (b) met with the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to determine whether any restrictions affected the ability of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to report without reservation [and, in the event of a proposal to change the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]], to inquire whether there had been disputes between the previous independent [qualified reserves evaluator[s] or qualified reserves auditor[s] and management]; and
- (c) reviewed the reserves data with management and the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]].

The [Reserves Committee of the] board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and
- (c) the content and filing of this report.

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

\_\_\_\_\_  
[signature, name and title of chief executive officer]

<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F2* or Companion Policy 51-101CP.

\_\_\_\_\_  
[signature, name and title of an officer other than the chief executive officer]

\_\_\_\_\_  
[signature, name of a director]

\_\_\_\_\_  
[signature, name of a director]

[Date]

**FORM 51-101F3  
REPORT OF  
MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE**

This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

4-1 Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.<sup>1</sup>

2-2 The report referred to in item 3 of section 2.1 of NI 51-101 must in all material respects be as follows:

**Report of Management and Directors  
on Reserves Data and Other Information**

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

[An] independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [has / have] [audited] [evaluated] [and reviewed] the Company's reserves data. The report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] [is presented below / will be filed with securities regulatory authorities concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has

(a) (a) reviewed the Company's procedures for providing information to the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]];

(b) (b) met with the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to determine whether any restrictions affected the ability of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] to report without reservation [and, in the event of a proposal to change the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]], to inquire whether there had been disputes between the previous independent [qualified reserves evaluator[s] or qualified reserves auditor[s] and management]; and

(c) (c) reviewed the reserves data with management and the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]].

The [Reserves Committee of the] board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved

(a) (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(a) (b) the filing of Form 51-101F2 which is the report of the independent [qualified reserves evaluator[s] or qualified reserves auditor[s]] on the reserves data; and

(b) (c) the content and filing of this report.

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

\_\_\_\_\_  
[signature, name and title of chief executive officer]

\_\_\_\_\_  
[signature, name and title of an ~~executive~~ officer other than the chief executive officer]

<sup>1</sup> For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in NI 51-101, Form 51-101F1, Form 51-101F2 or Companion Policy 51-101CP.

\_\_\_\_\_  
[signature, name of a director]

\_\_\_\_\_  
[signature, name of a director]

[Date]

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

**This is the form referred to in section 2.3 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).**

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of NI 51-101, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company’s *annual information form* under the company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com))].

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

This is the form referred to in section 2.3 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”).

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of NI 51-101, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company’s annual information form under the company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com))].

**Amendments to  
National Instrument 41-101 General Prospectus Requirements**

- 1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.**
- 2. Item 5.5 of Form 41-101F1 Information Required in a Prospectus is replaced with the following:**
  - 5.5(1)** If the issuer is engaged in oil and gas activities as defined in NI 51-101 and any of the oil and gas information is material as contemplated under NI 51-101 in respect of the issuer, disclose that information in accordance with Form 51-101F1
    - (a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,
    - (b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or
    - (c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.
  - (2)** Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).
  - (3)** Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).
  - (4)** To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

**INSTRUCTION**

*Disclosure in a prospectus must be consistent with NI 51-101 if the issuer is engaged in oil and gas activities as defined in NI 51-101..*

- 3. This Instrument comes into force on December 30, 2010.**

**Item 5.5 of Form 41-101F1 Information Required in a Prospectus**

- 5.5(1)** If the issuer is engaged in oil and gas activities as defined in NI 51-101 and any of the oil and gas information is material as contemplated under NI 51-101 in respect of the issuer, disclose that information in accordance with Form 51-101F1
- (a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,
  - (b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or
  - (c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.
- (2)** Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).
- (3)** Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).
- (4)** To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

**INSTRUCTION**

*Disclosure in a prospectus must be consistent with NI 51-101 if the issuer is engaged in oil and gas activities as defined in NI 51-101.*

**Item 5.5 of Form 41-101F1 Information Required in a Prospectus**

- 5.5(1)** If the issuer is engaged in oil and gas activities as defined in NI 51-101 and any of the oil and gas information is material as contemplated under NI 51-101 in respect of the issuer, disclose that information in accordance with Form 51-101F1
- (a) as at the end of, and for, the most recent financial year for which the prospectus includes an audited balance sheet of the issuer,
  - (b) in the absence of a completed financial year referred to in paragraph (a), as at the most recent date for which the prospectus includes an audited balance sheet of the issuer, and for the most recent financial period for which the prospectus includes an audited income statement of the issuer, or
  - (c) if the issuer was not engaged in oil and gas activities at the date set out in paragraphs (a) or (b), as of a date subsequent to the date the issuer first engaged in oil and gas activities as defined in NI 51-101 and prior to the date of the preliminary prospectus.
- (2) Include with the disclosure under subsection (1) a report in the form of Form 51-101F2, on the reserves data included in the disclosure required under subsection (1).
- (3) Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 that refers to the information disclosed under subsection (1).
- (4) To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of NI 51-101 in respect of material changes that occurred after the applicable balance sheet referred to in subsection (1).

**INSTRUCTION**

**Disclosure in a prospectus must be consistent with NI 51-101 if the issuer is engaged in oil and gas activities as defined in NI 51-101.**