

Securities Law Bulletin

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Amended Disclosure Requirement for Oil and Gas Activities

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National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") mandates disclosure requirements for reporting issuers carrying out oil and gas activities. NI 51-101 also establishes certain non-mandatory disclosure that reporting issuers may choose to make regarding their oil and gas activities. Amendments to this instrument have been adopted and will come into force on July 1, 2015 (the "Amendments").

The Amendments represent a shift towards better disclosure of resources other than reserves. The Amendments also seek to harmonize NI 51-101 with proposed changes to the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

Though no consolidated version of the amended instrument is yet available, you can find further information regarding the Amendments in the [CSA's Notice of Amendments](#).

A summary of the changes is as follows:

1. Alternative Resources Evaluation System

Section 5.18 of NI 51-101 has been amended to allow for disclosure from alternative regimes, such as U.S. Securities Exchange Commission Rules. The disclosure under the alternative regime must be accompanied by the disclosure required by the instrument, be made in respect of a regime which is comparable to the COGE Handbook, have a scientific basis and be based on reasonable assumptions. Those estimates must be prepared or audited by a qualified reserves evaluator or auditor.

2. Product Types and Production Group

The Amendments import the product type definitions from the COGE Handbook and refine those definitions for securities disclosure purposes. The concept of production

group is removed. The inclusion of the definitions and removal of the production group concept gives greater emphasis to both the oil and gas sources and recovery processes, and moves away from grouping resources into conventional and unconventional categories.

3. Contingent and Prospective Resources

The Amendments provide clearer guidance for the disclosure of contingent resources data and prospective resources data in the annual filings, including requiring the disclosure of risked net present value of future net revenue within an appendix to the statement. In addition, the Amendments require those resources other than reserves estimates be prepared or audited by an independent qualified reserves evaluator or auditor.

4. Oil and Gas Metrics

The amended section 5.14 of NI 51-101 lists principle-based requirements to describe the standard, methodology and meaning of a publicly-disclosed oil and gas metric. If there is no standard, a reporting issuer must also describe the parameters used in calculating the oil and gas metric and provide a cautionary statement.

5. Marketability of Production and Reserves

The amendments to NI 51-101 clarify the concept of marketability in the reporting of oil and gas volumes. The amended sections 5.4 and 5.5 of NI 51-101 require a reporting issuer to report volumes and values at the first point of sale of the particular product type, unless that point is not relevant, in which case the reporting issuer can select a point of measurement prior to the first point of sale.

6. Abandonment and Reclamation Costs

The Amendments clarify what constitutes abandonment and reclamation costs and require the disclosure of both abandonment costs and reclamation costs in the future net revenue disclosure and in the significant factors or uncertainties disclosure in the statement prepared in accordance with Form 51-101F1.

7. Reserves Presentation

The Amendments point to the COGE Handbook for the purpose of determining ownership and allow for flexibility in the manner of presenting resources for which a reporting issuer does not have control.

8. Other Amendments

The Amendments also clarify areas that have given rise to confusion, such as:

- the requirement to obtain consent of the independent qualified reserves evaluator as it relates to the report prepared in accordance with Item 2 of section 2.1 (the Report of Independent Qualified Reserves Evaluator or Auditor);
- the date on which the independent qualified reserves evaluator or auditor is responsible for changes in the reporting issuer's reserves data; and
- the disclosure required when an issuer has no reserves.

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