Oil and Gas Review

2011 Report

Alberta
Securities
Commission

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Contents

1. Introduction

The Alberta Securities Commission (ASC) is pleased to provide market participants with its eighth annual Oil and Gas Review Report containing staff's observations on the annual public disclosures under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) by reporting issuers (RIs) with oil and gas activities. Our goal in sharing this information is to provide feedback to RIs that they can use in preparing future disclosure of oil and gas activities.

Securities regulation requires issuers to provide true and balanced disclosure to assist investors in making informed investment decisions. Within this framework, NI 51-101 sets out specific disclosure requirements applicable to RIs with oil and gas activities, and, in particular, requires annual disclosure under:

- Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;
- Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*; and
- Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*.

This report contains ASC's observations arising from review of the disclosure RIs provided in these forms. In addition to reporting on recurring disclosure deficiencies, this report contains other information we believe pertinent to RIs with oil and gas activities, including:

- our analysis of technical revisions disclosed;
- an outline of new guidance provided in Revised Canadian Securities Administrators (CSA) Staff Notice 51-327 *Guidance on Oil and Gas Disclosure* (Notice 51-327);
- guidance on new disclosure categories in the System for Electronic Document Analysis and Retrieval (SEDAR) for RIs with oil and gas activities;
- discussion of potential amendments to NI 51-101;
- discussion of anticipated amendments to the Canadian Oil and Gas Evaluation Handbook (COGEH);
- discussion of potential relevant international regulatory developments; and
- a summary of the role and mandate of the ASC's Petroleum Advisory Committee (PAC).

RIs with oil and gas activities represent a significant component of the Canadian capital markets. At December 31, 2011, there were approximately 533 RIs in Canada that reported oil and gas activities under NI 51-101. RIs with oil and gas activities represent approximately 10 per cent of the total number of issuers listed on the Toronto Stock Exchange (TSX) or TSX Venture Exchange (TSXV) and approximately 18 per cent of the aggregate market capitalization of those listed issuers.

RIs with oil and gas activities play an even more significant role in the Alberta capital market. The ASC is the principal regulator for approximately 340 RIs with oil and gas activities. Further, issuers with oil and gas activities based in Alberta represent approximately 42 per cent of the total number and 64 per cent of the aggregate market capitalization of Alberta based RIs listed on the TSX or TSXV.

Given the importance of oil and gas issuers to the capital markets, the ASC maintains a team of specialized oil and gas staff to review the disclosure of oil and gas activities. The reviews include the annual forms required under NI 51-101, referred to above, as well as reserves and resource reports, news releases and corporate presentations. Staff prepare annual oil and gas review reports to identify recurring deficiencies with the goal of assisting RIs to improve their disclosure. In addition, staff hold annual information sessions and webcasts related to NI 51-101 and continue to seek other opportunities to communicate with RIs.

Executive Summary of Observations and Findings

In most cases, the disclosure of oil and gas activities has been compliant. However, there continue to be areas for improvement. This year the ASC noted recurring deficiencies in the following areas:

- **Contingent and prospective resources** – We continue to have concerns about the disclosure of contingent and prospective resources. Changes in technology have increased activity on unconventional resources and consequently, we have seen increased reporting with respect to these resources. We expect to continue to focus on disclosure of resources that cannot yet be classified as reserves.
- **Properties with no attributed reserves** – Missing disclosure of the description of the properties, including a discussion of significant RI-specific factors and uncertainties for the successful development of properties with no attributed reserves.
- **Reserves reconciliation** –
  - Recurring errors, including use of inappropriate reconciliation categories and the combination of required categories.
  - Disclosing negative volumes in categories which can only be positive such as discoveries, extensions and improved recovery.
- **Undeveloped reserves** – Confusion regarding when proved and probable reserves are "first attributed".
- **Disclosure of well flow test results** – Insufficient or misleading disclosure of test results.
- **After tax values of future net revenue** – Failure to report the conditions under which after-tax NPV is calculated.
- **Disclosure of non-mandatory metrics** – Not in accordance with NI 51-101 or insufficient information regarding how the non-mandatory metric is calculated.
- **Finding and development costs** – Insufficient explanation of how the inputs to the finding and developments costs were calculated.
- **Use of Barrels of Oil Equivalent (BOEs)** – Failure to include adequate cautionary statements regarding gas to oil conversion ratios.

2. Deficiencies in Disclosure and Other Observations

2.1 General

We continue to see increased activity on unconventional resources and disclosure of resources other than reserves. We recognize that technical guidance on the evaluation and classification of unconventional resources and resources other than reserves is still limited. This is being addressed by the Calgary chapter of the Society of Petroleum Evaluation Engineers (SPEE Calgary), the authors of COGEH. In the interim, we refer RIs to Notice 51-327. We also again remind issuers of the broader securities law requirement prohibiting misleading information, including the omission of information that is required to make a statement not misleading.

The comments made in our 2010 Oil and Gas Review Report continue to generally be applicable and we refer readers to them.

2.2 Contingent and Prospective Resources

Disclosure of contingent or prospective resources is not mandatory, but it has become increasingly common, and, if the disclosure is made, it must comply with NI 51-101.

In 2003, the first year disclosure was required under NI 51-101, approximately 6 per cent of RIs made some disclosure of contingent or prospective resources. In the 2011 reporting period that number has grown to approximately 24 per cent of RIs. There has also been a growth in the geographical diversity of these projects having gone from being largely focused in Canada to more than 40 countries. Along with the geographic expansion has been a greater diversity in the types of projects.

As a result, this is an area of focus for ASC staff . Our most recent review indicates that not all disclosure being made by RIs is compliant with Section 5.9 *Disclosure of Resources Other than Reserves* of NI 51-101. For example:

- It is not always clear whether RIs disclosing their interest in a resource are disclosing lease, gross or net volumes and whether they are risked or un-risked. In order for this information to not be misleading this must be disclosed.
- In some cases, the required discussion of significant positive and negative factors affecting an estimate of quantity of resources is missing or insufficiently disclosed.
- Some RIs have disclosed non-standard product types such as "Oil sands", "condensates" or "gas". The product types currently prescribed in section 1.1 (v) of NI 51-101 should also be used for these disclosures.
- It is not always clear what project is being evaluated or how it is intended to progress.
- In some cases, the discussion of risks and uncertainties is missing or inadequate. For example, the discussion contains boilerplate language rather than being tailored to the RI's circumstances.
- Contingencies and the steps required to remove them are often poorly described.

We also noted that some RIs disclosed contingent or prospective resources one year but not the next, without explanation. The ASC requires disclosure to be balanced, including both positive and negative information. Providing disclosure one year but not the next could be misleading, particularly in the absence of a disclosed rationale.

Notice 51-327 contains further guidance on many of these issues.

2.3 Information on Properties with No Attributed Reserves

Item 5.2 of Form 51-101F1 requires RIs to disclose significant factors and uncertainties affecting reserves data. This requirement also applies to properties with no attributed reserves (Item 6.2.1 *Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves* of Form 51-101F1). To comply, an RI needs to discuss work commitments and contingencies associated with ultimately recognizing reserves on these properties where reserves are currently not attributed. RIs that fail to comply may be required to re-file their Form 51-101F1.

2.4 Reserves Reconciliation

Part 4 of Form 51-101F1 requires a reconciliation of reserves estimates for the most recent year to the prior-year estimates. Generally, we find the reconciliation of reserves disclosure is acceptable. However, some RIs continue to make the same errors as previously noted, including creating new reconciliation categories and combining required categories.

We noted this year that some RIs disclosed negative volumes attributed to extensions and improved recovery, discoveries and acquisitions. They appear to be using the terms to report negative revisions to volumes previously reported in these categories. These terms can only properly be used to report positive changes. RIs must record subsequent changes for technical or economic reasons as "technical revisions" or "economic factors".

RIs reporting material negative volumes in these instances may be required to disclose a corrected Form 51-101F1.

2.5 Undeveloped Reserves

Item 5.1 of Form 51-101F1 requires RIs to disclose, for each of the three most recent financial years, proved and probable undeveloped reserves when they are first attributed. We frequently receive questions as to the meaning of "first attributed". First attributed refers to the initial booking of an undeveloped volume of oil or gas, whatever the source (acquisitions, extensions, etc.).

RIs are reminded that the purpose of this disclosure is to allow an investor to assess the efforts made by the RI to convert undeveloped reserves to developed reserves. A discussion of plans to develop undeveloped reserves or an explanation as to why they are not being developed is also required. RIs should avoid the use of boilerplate language in this discussion, and describe the RI's specific plans.

2.6 Disclosure of Well Flow Test Results

ASC noted that RIs sometimes disclose well test results in a misleading manner. For instance, disclosing a test rate of 1000 barrels/day without also disclosing that this was a peak rate maintained for only 15 minutes would be misleading. Subsection 3(c) of Notice 51-327 provides guidance on the disclosure of well test results. To avoid making misleading disclosure, RIs need to provide sufficient information for an investor to understand the significance of the test information.

2.7 After Tax Values of Future Net Revenue

Form 51-101F1 requires RIs to disclose estimates of net present values of future net revenue of proved and proved plus probable reserves in the annual statement. RIs may also disclose net present values of future net revenue in other public disclosures or news releases. These estimates are required to be made both before and after deducting income tax. Because RIs report on operations in many countries and under many fiscal regimes, there can be considerable variation in the conditions under which the after-tax net present value is calculated. In order to avoid misleading disclosure it may be necessary for RIs to disclose the principal factors affecting the calculation. Subsection 3(a) of Notice 51-327 provides further guidance on this issue.

2.8 Disclosure of Non-Mandatory Metrics

NI 51-101 allows the use of additional metrics that are not mandatory; however, these metrics may not be familiar to investors. Furthermore, there may be no recognized standard or definition for the metric and, consequently, no consistency in use of the metric among RIs. Some examples of this include:

- Barrels of oil equivalent (BOE) conversions and finding and development costs are allowed, although not mandatory. However, if used, they must conform to requirements specified in NI 51-101. This issue is addressed further below.
- Other metrics (e.g., reserves life index, production replacement ratio) are not addressed in NI 51-101 but may still be used. However, there is no standard or guidance on how to use them and no consistency in how they are calculated.

To avoid misleading disclosure, RIs will generally need to provide sufficient information for an investor to understand how the RI has determined the metric and provide cautions about the lack of a standard definition and inability to use the metric for comparison purposes with other RIs. If an RI changes how it calculates or defines a metric without disclosing that information, that too could be misleading.

2.9 Finding and Development Costs

Section 5.15 of NI 51-101 contains formulae for calculating finding and development costs for proved reserves and for proved plus probable reserves. There is no significant guidance in the Companion Policy 51-101CP, COGEH, or elsewhere regarding how to determine the inputs to these formulae. Calculation of the numerator (cost component) has been further complicated by the transition to International Financial Reporting Standards. RIs do not appear to calculate this measure on a consistent basis to provide reliable comparative information. RIs are reminded that in order to avoid providing misleading disclosure, they generally need to provide sufficient explanation regarding the calculation so that investors can understand the composition and meaning of the finding and development costs disclosed. For example, investors may benefit from disclosure that explains how the cost component compares to balances reported in the RI's financial statements.

2.10 Use of Barrels of Oil Equivalent (BOEs)

If disclosure is made in BOEs, using a gas to oil conversion ratio, Section 5.14 of NI 51-101 currently requires that RIs do the conversion using a ratio of six thousand cubic feet (Mcf) to one barrel (bbl) of oil. Section 5.14 also prescribes the use of a cautionary statement as follows:

> "BOEs [or 'McfGEs' or other applicable units of equivalency] may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl [or 'An McfGE

> conversion ratio of 1 bbl: 6 Mcf'] is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead."

At the present time, the historic approximate link between the values of oil and gas has been broken and the ratio of the prices of gas to oil is significantly different from the approximate energy ratio of 6 Mcf gas:1 bbl oil. In order to avoid making misleading disclosure, RIs with material gas volumes should strongly consider positioning the required disclaimer prominently and proximately to the disclosure of BOEs. They should also consider whether additional explanatory disclosure is necessary to prevent an investor from having a misleading impression that information presented on the basis of a 6:1 ratio is representative of value.

RIs are allowed to use other conversion ratios but must also provide an explanation and appropriate cautionary language.

3. Analysis of Technical Revisions

Introduction

We continue to collect and analyze technical revisions reported by RIs as a key measure of the quality of reserves evaluations.

"Technical revisions" is a category required to be reported under Part 4 of Form 51-101F1 as part of the reconciliation of prior-year and current year-end reserves estimates. A technical revision is a change in reserves estimates in properties, owned at the start and end of the reconciliation period, as the result of new technical information (including the analysis of production data for the preceding year). It does not include factors that require capital expenditure, such as infill drilling, or the consequences of royalty or ownership changes. Those events fall into the reconciliation categories of extensions and improved recovery, and economic factors, respectively.

In order for reconciliation disclosure to be understandable and not misleading, RIs need to be consistent with the use of product types. RIs are required to disclose their reconciliation using the individual product types as defined in NI 51-101 used in their original breakdown of reserves and not combine the product types. Furthermore, closing balances should agree with the volumes disclosed under Section 2.1.1 of Form 51-101F1.

Provided that RIs have employed appropriate evaluation methodologies, the technical revisions generally expected on various reported reserves categories are as follows:

Reserves Category	Expected Change in Technical Revisions
Proved	Positive
Proved + Probable	Close to zero
Proved + Probable + Possible	Negative

Form 51-101F1 mandates the disclosure of proved and of proved plus probable reserves. Statistical theory indicates that, because these reserves categories are aggregations of a number of individual property estimates, greater proportionate variance of technical revisions (i.e., technical revisions as a percentage of total reserves for a product type) may be expected for RIs with smaller volumes of reserves than for RIs with larger volumes of reserves. This is supported by ASC staff's ongoing analysis. We pay particular attention to this as a measure of the quality of evaluations. RIs whose technical revisions are outliers beyond the usual pattern may be asked for an explanation and are more likely to be selected for a continuous disclosure review of their reserves information.

The results of the analysis of technical revisions for light and medium crude oil, heavy oil and natural gas have been reported in previous years, but caution is required when interpreting trends based on limited data. The technical revisions at the end of 2011 provide eight years of data, but detailed analysis would exclude the data for 2003, which reflects an adjustment to the first year of reporting under NI 51-101.

We continue to compile information on technical revisions and to review it for quality control (e.g., the issue of "negative extensions" discussed above). In recent years we have begun compiling data on other product types, such as bitumen, synthetic oil and coal bed methane. However, because of the limited number of years of data, it is not yet possible to draw conclusions with confidence. Accordingly, we are not reporting, at this time, on the technical revisions for these product types.

3.1 Results of Analysis

The updated results of the analysis of proved and of proved plus probable reserves for light and medium crude oil, heavy oil, and natural gas are shown in Table 1 below and shown graphically in Figures 1 and 2. This table and the figures show total technical revisions as a percentage of the total reserves for number of RIs indicated.

Table 1 and Figures 1 and 2 represent data for all of the RIs in the database. However, estimates by individual RIs show greater variance. To examine this, plots of technical revisions as a percentage of reserves against reserves have been made in which each point is for an RI (because they are similar in nature to those shown in previous years, the latest plots are not included in this year's report). Plotting of these technical revisions shows the general pattern that one would expect from this type of data, i.e., decreased variance as reserves increase (this assumes that the volume of reserves is a function of the number of properties in an RI's aggregate volume). Outliers from this general pattern are selected for further review of their reserves reports as part of our continuous disclosure review program. The first step in such a review is to understand the reason for an outlier. If it can be attributed to bias or error, and depending on the level of materiality, the RI may be required to correct the error or bias in their current disclosure or to note it for correction in future.

2003-2010	Period of Review	Light & Medium Oil	Heavy Oil	Natural Gas
No. of Companies	Dec 2003-Nov 2004	166	51	206
	Dec 2004-Nov 2005	203	65	232
	Dec 2005-Nov 2006	232	79	251
	Dec 2006-Nov 2007	241	78	275
	Dec 2007-Nov 2008	237	71	285
	Dec 2008-Nov 2009	210	68	261
	Dec 2009-Nov 2010	228	74	239
	Dec 2010-Nov 2011	208	88	215
Proved %	Dec 2003-Nov 2004	1.3	(19.8)	(3.6)
Technical Revisions	Dec 2004-Nov 2005	(3.2)	4.8	5.4
	Dec 2005-Nov 2006	1.5	1.0	2.1
	Dec 2006-Nov 2007	(3.2)	7.0	(2.7)
	Dec 2007-Nov 2008	9.0	5.7	2.9
	Dec 2008-Nov 2009	1.1	13.0	(0.4)
	Dec 2009-Nov 2010	4.3	6.7	(0.9)
	Dec 2010-Nov 2011	7.3	3.9	2.8
Proved + Probable %	Dec 2003-Nov 2004	2.2	(17.9)	(2.7)
Technical Revisions	Dec 2004-Nov 2005	(3.7)	(0.2)	3.6
	Dec 2005-Nov 2006	0.7	(2.4)	0.6
	Dec 2006-Nov 2007	(3.1)	4.3	(3.8)
	Dec 2007-Nov 2008	(1.7)	5.3	(4.6)
	Dec 2008-Nov 2009	(1.8)	(3.2)	(4.6)
	Dec 2009-Nov 2010	4.0	3.4	(1.4)
	Dec 2010-Nov 2011	4.5	(4.6)	(0.1)

Table 1 Technical Revisions by Product Type 2003 - 2011

Notes: This data does not include a small number of RIs with limitations in their reported data, that reported negative technical revisions of more than 100 per cent or positive revisions of more than 500 per cent.

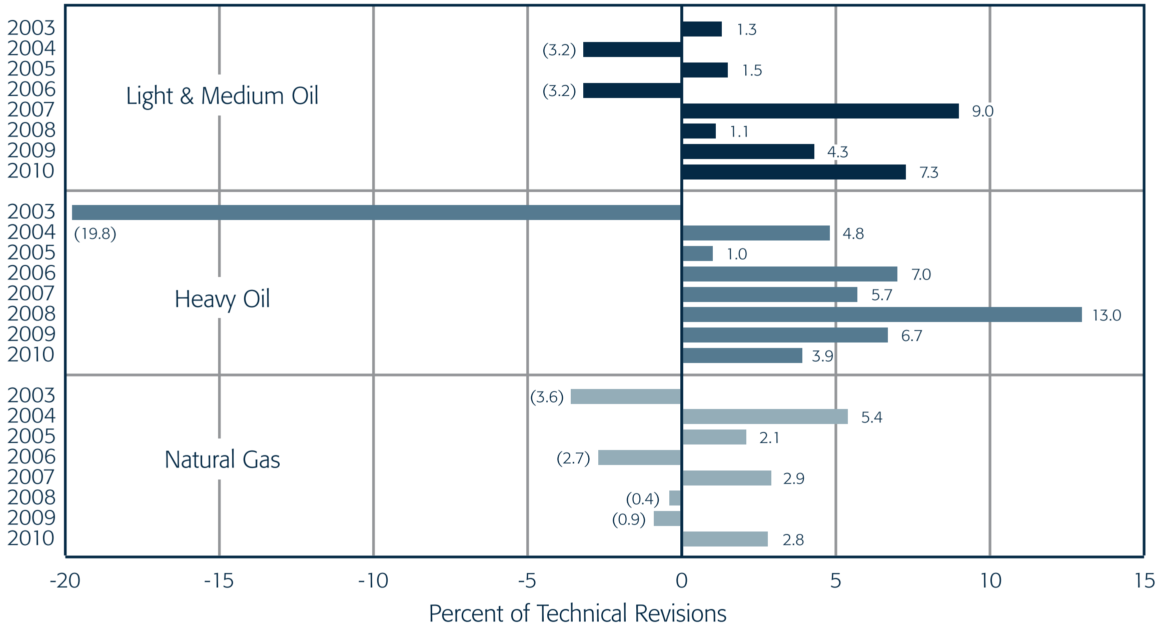

Figure 1 Proved Reserves Technical Revisions 2003 - 2011

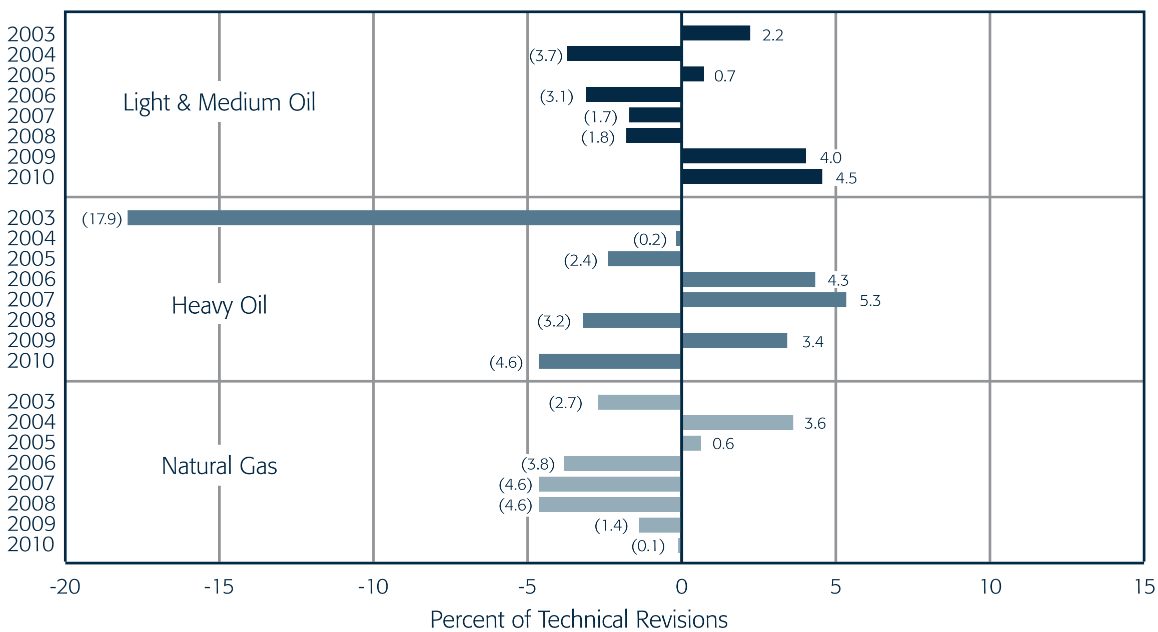

Figure 2 Proved + Probable Reserves Technical Revisions 2003 - 2011

3.2 Conclusions on Quality of Reserves Estimates

The addition of another year of data in respect of technical revisions supports the preliminary conclusions we had previously drawn. The variance for light and medium crude oil and heavy oil is in general agreement with the criteria described above. There may be a small positive bias in natural gas estimates, but at less than five per cent, this is not significant and almost certainly within the limits of measurement error.

This analysis indicates that conventional reserves estimates are generally of a high quality and provide an investor with a reasonable assessment of oil and gas assets for the industry. However, this conclusion does not necessarily apply to individual RIs that have a variance greater than usual expectations.

At this time, we do not have enough data to carry out a similar analysis for other product types, in particular, for unconventional reserves. However, a preliminary examination of the limited data set for bitumen did not reveal any significant anomalies.

4. Disclosure Guidance and Potential Amendments

4.1 Introduction

Based on the information obtained from the numerous reviews conducted, as well as the discussions with and questions from industry, the ASC considers whether changes to legislation or additional guidance would be appropriate to enhance the quality of disclosure by RIs of oil and gas activities.

Most RI's activities and disclosure focus on conventional reserves. However, because of the significant increase in unconventional resource activity and the disclosure of resource classes other than reserves we have focused on providing additional guidance in this principal area.

4.2 Notice 51-327

Notice 51-327 was first issued in 2009 and revised in 2010 and 2011. The notice provides further guidance on the evaluation and classification of unconventional resources and of resource classes other than reserves. Highlights of the guidance in the revised notice include the following:

- new guidance regarding responsibilities of oil and gas RIs and the experts on whom they rely in preparing disclosure of oil and gas information; disclosure of after-tax net present value of future net revenue; use of BOEs; and disclosure of well-flow test results;
- expanded or revised guidance on evaluation, classification and disclosure of unconventional hydrocarbons, including disclosure of contingent resources and classification to the most specific class and category of resource;
- stand-alone possible reserves;
- aggregation of resource estimates for several properties;
- use of the term "best estimate"; and
- prospective resources.

Notice 51-327 can be found on the ASC website.

4.3 Additional SEDAR Disclosure Categories

RIs are reminded that the SEDAR categories for disclosure of NI 51-101 information have been revised to provide additional Filing Subtypes. The additional Filing Subtypes where the associated Document types can be found are as follows:

- Revised Oil and Gas Annual Disclosure Filing - this subtype should be used when an RI's previously disclosed annual disclosure is re-filed;
- Oil and Gas Interim Filing - this subtype should be used when disclosure is provided at a different date than their annual disclosures; and
- Summary of Oil and Gas Report – although voluntary, RIs may file a summary report of their evaluation which may be in the form of the executive summary of their QRE's evaluation or a resource report, disclosed to supplement information in their annual filings. RIs are prohibited by NI 13-101 from disclosing their entire evaluation, and cautioned to not include proprietary information. RIs that wish to make this information public may also do so by posting it to their website. However, RIs are reminded that even if not filed through SEDAR, the report must comply with NI 51-101.

4.4 Potential Amendments to NI 51-101

A Staff Notice, such as Notice 51-327, is an opportunity to provide guidance to RIs on current issues. However, it is not a rule or legislation. The ASC is currently considering potential amendments to NI 51-101 that may also be required.

4.5 ASC Website

The ASC has revised its website so that oil and gas information is easier to find. The revised website pages also contain links to FAQs, Staff Notices, presentations and technical papers. There are also links for users to submit questions to ASC Staff and to subscribe to future publications and notifications for education seminars.

5. Technical Guidance and International Policy Developments

5.1 Technical Guidance

NI 51-101 refers to COGEH as the technical standard to be followed when preparing information for disclosure. COGEH has been used for this purpose since NI 51-101 was implemented in 2003. Although some updates and additions have been made, given the significant changes in the industry, there may be need for further changes.

COGEH is maintained by the SPEE Calgary. Current activity on COGEH includes:

- Guidelines on the evaluation of bitumen resources were completed in draft last year, final editing changes have been made, and it is in the final stages of preparation for publication.
- The SPEE Calgary has established a committee to review guidelines on the evaluation and classification of resources other than reserves, on which COGEH guidelines are currently limited.
- The Calgary Chief Geophysicist's Forum has prepared guidelines on the use of geophysics in the estimation of reserves and has submitted it to SPEE Calgary for inclusion in COGEH.

A Petroleum Resources Management System (PRMS) Applications document was issued last year, containing guidance on the use of PRMS. Although PRMS is not recognized under NI 51-101, this document contains technical guidance on oil and gas evaluation and classification that may be of use in preparing information for disclosure.

Last year the main body of the Society of Petroleum Evaluation Engineers proposed to replace the two evaluation and guidance documents, COGEH and PRMS, with a harmonized and expanded COGEH-PRMS document, which would provide for the needs of all users of oil and gas resource information, not just for business purposes or financial reporting. This proposal is still in its early stages and is currently under consideration by the SPEE Calgary Reserves Definition Committee. The ASC is not directly involved in this issue (except for individual ASC staff members who are also members of the SPEE Calgary), but ASC staff have indicated their support for this initiative on the condition that information resulting from the use of a harmonized system is of the same quality as information generated by the current technical guidance.

5.2 International Accounting Standard Board (IASB) Extractive Industries Research Project

In 2010, the IASB published a discussion paper on the development of extractive industries accounting standards and invited comments. The IASB has not yet made a decision on whether to proceed further on this project but if it does, it may involve development of an exposure draft and, eventually, a final accounting standard. This project is likely to take several years if it proceeds. It is not known what impact, if any, there may be on disclosure required under NI 51-101.

5.3 United Nations Framework Classification (UNFC)

The annual meeting of the United Nations Economic Commission for Europe Expert Group on Resource Classification (EGRC) was held in Geneva in April 2011. An ASC staff member who is also the Vice-Chair of the EGRC Bureau attended. Commodity specific specifications and guidelines for use of the UNFC are being supplied by:

- the Society of Petroleum Engineers (SPE) PRMS for oil and gas, and

- the CRIRSCO (Committee for Mineral Reserves International Reporting Standards) template for mining.

An EGRC Specifications Task Force sub-committee was set up to examine the requirements for fundamental specifications that are needed at the level of the UNFC, such as an effective evaluation date or identifying a product custody transfer or sales point. Recommendations were presented to the full EGRC committee in Geneva in May 2012 but this process is still underway.

The EGRC and its sub-committees provide a useful forum for discussion with a wide variety of users on fundamental concepts of classification of oil and gas resources and help promote an international level of consistency for oil and gas evaluation and classification. However, we do not anticipate that we will be able to directly rely on its recommendations as a basis for securities regulation.

5.4 Contacts with Other Securities Regulators

In support of developing consistent international standards, the ASC engages in occasional informal discussions on oil and gas disclosure matters with regulators in other countries, including the U.S. Securities and Exchange Commission, the Israel Securities Authority and the Australian Securities and Investments Commission.

6. Petroleum Advisory Committee

One of the ways that the ASC maintains contact with and solicits feedback from market participants is through the ASC's Petroleum Advisory Committee (PAC). The members are drawn from industry and the mandate of the PAC is to:

- review and provide advice and opinions on issues, trends and current developments relating to oil and gas reserves and resource evaluations;
- provide comment on current and proposed Alberta securities laws and regulatory policies in this area; and
- provide advice to ASC staff on an informal basis.

Members of PAC serve a three-year term and meet formally four times a year. Issues discussed in 2011 include:

- review and comment on the revised draft of Notice 51-327 prior to its issue at the end of 2011;
- disclosure of oil and gas activities under service contracts;
- political risk as a factor in the classification of contingent resources;
- NI 51-101 product-type definitions;
- the inclusion of gas from underground coal gasification as a NI 51-101 product type;
- the use of non-mandatory metrics in NI 51-101 (e.g., BOE conversions and F&D costs);
- disclosure of contingent resources when they are material to an RI even though this is not a mandatory reporting resource class; and
- discovery criteria ("the known accumulation requirement") for unconventional resources.

Any proposed amendments to NI 51-101 will be discussed in the PAC during meetings in 2012 prior to their implementation.

The PAC is a valuable source of advice on oil and gas issues and members will continue to meet on a regular basis. We thank the PAC members for their time and contribution. We also thank the former members, who retired in early 2012 following completion of their three year terms, for their contribution.

7. Acknowledgements and Contact Information

Dr. David Elliott has been the creator of and main contributor to the Oil and Gas Review Report. David has recently retired from the ASC after having been involved with the ASC for 15 years both as a consultant and an employee, most recently as the ASC's Chief Petroleum Advisor. The ASC would like to acknowledge and thank David for his invaluable contribution to the development of the oil and gas review process and this report. Over his 15-year association with the ASC, David has been instrumental in improving the reporting by Alberta issuers and compliance with NI 51-101.

Questions or comments on this report can be submitted to:

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