

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>
NATIONAL INSTRUMENT 51-101 STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES			
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 (COGEH) 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;

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			<p>expanded commentary in 51-101CP clarifies the CSA view that additional disclosure can be provided, although it must not contravene NI 51-101.</p> <p>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.</p>
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 (PIIP) 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.

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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.

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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.
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

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			<p>summation across categories has the potential to be misleading and is, in most cases, inappropriate in the context of public company disclosure.</p> <p>See new subsections 5.16(2) and (3) for instances where disclosure of summations is permitted, with appropriate safeguards.</p>
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.	<p>We have made changes and clarifications to address the issue raised.</p> <p>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.</p> <p>Section 5.16, as modified, addresses three points: first, the general principle that issuers must not sum estimates of different resource</p>

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			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.
15.	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 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.

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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 51-101F1 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.	<p>We did not make the suggested change.</p> <p>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>.</p> <p>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.</p>
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

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			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.
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

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			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 Reserves Data	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 Properties With No Attributed Reserves	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.

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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> .
GENERAL			
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.