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### **Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - issuer exempt from certain disclosure requirements of NI 51-101 subject to conditions, that it provide a modified statement of reserves data and other information relating to its oil and gas activities containing the information contemplated by, and consistent with, US Disclosure Requirements and US Disclosure Practice - issuer exempt from requirement of NI 51-101 that reserves evaluator be independent from issuer, subject to conditions

National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* – ss. 2.1, 3.2, 4.2, 5.3, 5.8, 5.15 and 8.1

**IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, YUKON, NORTHWEST TERRITORIES AND NUNAVUT**

**AND**

**IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS**

**AND**

**IN THE MATTER OF SHELL CANADA LIMITED**

### **MRRS DECISION DOCUMENT**

1. WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the Jurisdictions) has received an application from Shell Canada Limited (the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer be exempted from the following requirements contained in the Legislation:
  - 1.1 to disclose information concerning oil and gas activities in accordance with sections 2.1, 4.2(1)(a)(ii) and (iii), 4.2(1)(b) and (c), 5.3, 5.8(a), 5.15(a), 5.15(b)(i) and 5.15(b)(iv) of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) (collectively, the Canadian Disclosure Requirements);

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- 1.2 that the qualified reserves evaluator(s) appointed under section 3.2 of NI 51-101 be independent of the Filer (the Independent Evaluator Requirement); and
  - 1.3 in Québec, to comply with National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* (NP 2-B) until such time as NI 51-101 is implemented in Québec;
2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief applications (the System) the Alberta Securities Commission is the principal regulator for this application;
3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions* or Appendix 1 of Companion Policy 51-101CP;
4. AND WHEREAS the Filer has represented to the Decision Makers that:
  - 4.1 the Filer's head office is in Calgary, Alberta;
  - 4.2 the Filer is an oil and gas issuer that produced an average of more than 100,000 BOEs of oil and gas (converted in the ratio 6 Mcf of gas to 1 bbl of oil) per day in its most recent financial year;
  - 4.3 the Filer is a reporting issuer or equivalent in each of the Jurisdictions;
  - 4.4 the Filer's common shares are listed on the Toronto Stock Exchange;
  - 4.5 a significant portion of the Filer's securities are held, or its beneficial security holders are located, outside of Canada;
  - 4.6 the Filer is an SEC registrant by virtue of its common shares being held by greater than 300 persons resident in the United States and files a report on Form 40-F on an annual basis with the SEC;
  - 4.7 Royal Dutch Petroleum Company, a Netherlands company, and The "Shell" Transport and Trading Company, plc, an English company (together, the Parent Companies), indirectly hold approximately 78% of the common shares and 100% of the preference shares of the Filer;

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- 4.8 each of the Parent Companies has securities listed on the New York Stock Exchange and is subject to SEC reporting requirements;
- 4.9 the Form 20-F, filed annually by each of the Parent Companies, presents reserves disclosure for its worldwide operations (including the operations of the Filer) in accordance with requirements under US securities legislation (US Disclosure Requirements);
- 4.10 for the purpose of this consolidated reporting by the Parent Companies, the Filer must also prepare reserves disclosure in accordance with US Disclosure Requirements, which are different disclosure requirements than under the Legislation, and the Filer includes this supplemental disclosure in its annual information form and Form 40-F;
- 4.11 the Filer's peer group primarily consists of integrated petroleum issuers that report their reserves estimates in accordance with US Disclosure Requirements and accordingly the Filer believes that reporting its reserves disclosure in accordance with US Disclosure Requirements would improve the comparability of its disclosure to their disclosure and would provide clear and consistent disclosure for market participants;
- 4.12 disclosure concerning oil and gas activities routinely provided by issuers in the US (US Disclosure Practices) differs from the Canadian Disclosure Requirements;
- 4.13 compliance in Canada with Canadian Disclosure Requirements, and conformity with US Disclosure Requirements and US Disclosure Practices for the purposes of the consolidated reporting by the Parent Companies, would require that the Filer either
  - 4.13.1 prepare two separate versions of much of its public disclosure with respect to its oil and gas activities; or
  - 4.13.2 file, to the extent that the SEC permits, information that differs from the US Disclosure Requirements and accompany that information with a warning addressed to the US investor;

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exposing the Filer to increased costs, resulting in information that could confuse investors and other market participants, and possibly disadvantaging the Filer in competing for investment capital in the US;

- 4.14 the Filer believes that its internally-generated reserves data are as reliable as independently-generated reserves data for the following reasons:

4.14.1 the Filer has qualified reserves evaluators within the meaning of NI 51-101; and

4.14.2 the Filer has established reserves evaluation processes that are at least as rigorous as would be the case were it to rely upon independent reserves evaluators or auditors; and

- 4.15 the Filer has established processes and related procedures that enable it to estimate its reserves and related future net revenue in accordance with the COGE Handbook (other than with respect to independence) modified to the extent necessary to reflect the definitions and standards under US Disclosure Requirements;

5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the Decision);
6. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
7. THE DECISION of the Decision Makers under the Legislation is that:
- 7.1 the Filer is exempt from the Canadian Disclosure Requirements for so long as:
- 7.1.1 Annual Filings – the Filer files with the securities regulatory authorities the following not later than the date on which it is required by the Legislation to file audited financial statements for its most recent financial year:
- 7.1.1.1 a modified statement of reserves data and other information relating to its oil and gas activities containing the information contemplated by, and

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consistent with, US Disclosure Requirements and US Disclosure Practices, and for this purpose, US Disclosure Requirements or US Disclosure Practices include:

- (i) the information required by the FASB Standard;
- (ii) the information required by SEC Industry Guide 2 *Disclosure of Oil and Gas Operations*, as amended from time to time; and
- (iii) any other information concerning matters addressed in Form 51-101F1 that is required by FASB or by the SEC;

7.1.1.2 a modified report of qualified reserves evaluators in a form acceptable to the regulator; and

7.1.1.3 except in British Columbia, a modified report of management and directors on reserves data and other information in a form acceptable to the regulator;

7.1.2 Use of COGE Handbook – the Filer's estimates of reserves and related future net revenue (or, where applicable, related standardized measure of discounted future net cash flows (the standardized measure)) are prepared or audited in accordance with the standards of the COGE Handbook modified to the extent necessary to reflect the terminology and standards of the US Disclosure Requirements;

7.1.3 Consistent Disclosure – subject to changes in US Disclosure Requirements or US Disclosure Practices, the Filer is consistent in its application of standards relating to oil and gas information and its disclosure of such information, within and between reporting periods;

7.1.4 Non-Conventional Oil and Gas Activities –

7.1.4.1 the Filer may present information about its non-conventional oil and gas activities applying the

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FASB Standard despite any indication to the contrary in the FASB Standard;

7.1.4.2 the Filer may present information about its non-conventional oil and gas activities in a form that is consistent with US Disclosure Practices;

7.1.5 Disclosure of this Decision and Effect – the Filer

7.1.5.1 at least annually, files on SEDAR (either as a separate document or in its annual information form) a statement:

- (i) of the Filer's reliance on this Decision;
- (ii) that explains generally the nature of the information that the Filer has disclosed or intends to disclose in the year in reliance on this Decision and that identifies the standards and the source of the standards being applied (if not otherwise readily apparent); and
- (iii) to the effect that the information that the Filer has disclosed or intends to disclose in the year in reliance on this Decision may differ from the corresponding information prepared in accordance with NI 51-101 standards (if that is the case), and explains the difference (if any); and

7.1.5.2 includes, reasonably proximate to all other written disclosure that the Filer makes in reliance on this Decision, a statement:

- (i) of the Filer's reliance on this Decision;
- (ii) that explains generally the nature of the information being disclosed and identifies the standards and the source of the standards being applied (if it is not otherwise readily apparent);

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- (iii) that the information disclosed may differ from the corresponding information prepared in accordance with NI 51-101 standards; and
- (iv) that reiterates or incorporates by reference the disclosure referred to in paragraph 7.1.5.1(iii);

7.1.6 Voluntary extra disclosure –if the Filer makes public disclosure of a type contemplated in NI 51-101 or Form 51-101F1, but not required by US Disclosure Requirements, and

7.1.6.1 if the disclosure is of a nature and subject matter referred to in Part 5 of NI 51-101 (other than in a provision included in the definition of Canadian Disclosure Requirements), and if there are no US Disclosure Requirements specific to that type of disclosure, the disclosure is made in compliance with Part 5 of NI 51-101;

7.1.6.2 if the disclosure includes estimates that are in substance estimates of reserves or related future net revenue in categories not required under US Disclosure Requirements,

- (i) the disclosure
  - (A) applies the relevant categories set out in the COGE Handbook; or
  - (B) sets out the categories being used in enough detail to make them understandable to a reader, identifies the source of those categories, states that those categories differ from the categories set out in the COGE Handbook (if that is the case) and either explains any differences (if any) or incorporates by reference disclosure referred to in paragraph 7.1.5.1(iii) if that disclosure explains the differences;

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- (ii) if the disclosure includes an estimate of future net revenue or standardized measure, it also includes the corresponding estimate of reserves (although disclosure of an estimate of reserves would not have to be accompanied by a corresponding estimate of future net revenue or standardized measure);
- (iii) if the disclosure includes an estimate of reserves for a category other than proved reserves (or proved oil and gas reserve quantities), it also includes an estimate of proved reserves (or proved oil and gas reserve quantities) based on the same price and cost assumptions with the price assumptions disclosed;
- (iv) unless the extra disclosure is made involuntarily (as contemplated in section 8.4(b) of Companion Policy 51-101CP), the Filer includes disclosure of the same type in subsequent annual filings for so long as the information is material; and
- (v) for the purpose of paragraph 7.1.6.2 (iv), if the triggering disclosure was an estimate for a particular property, unless that property is highly material to the Filer, its subsequent annual disclosure of that type of estimate also includes aggregate estimates for the Filer and by country (or, if appropriate and not misleading, by foreign geographic area), not only estimates for that property, for so long as the information is material;

7.2 the Filer is exempt from the Independent Evaluator Requirement for so long as:

7.2.1 Internal Procedures – the Filer maintains internal procedures that will permit preparation of the modified report of qualified reserves evaluators, and preparation of



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the modified report of management and directors on reserves data and other information;

### 7.2.2 Explanatory and Cautionary Disclosure – the Filer discloses

7.2.2.1 at least annually, the Filer's reasons for considering the reliability of internally-generated reserves data to be not materially less than would be afforded by strict adherence to the requirements of NI 51-101, including a discussion of:

- (i) factors supporting the involvement of independent qualified evaluators or auditors and why such factors are not considered compelling in the case of the Filer; and
- (ii) the manner in which the Filer's internally-generated reserves data are determined, reviewed and approved, its relevant disclosure control procedures and the related role, responsibilities and composition of responsible management, the board of directors of the Filer and (if applicable) the reserves committee of the board of directors of the Filer; and

7.2.2.2 in each document that discloses any information derived from internally-generated reserves data and reasonably proximate to that disclosure, the fact that no independent qualified reserves evaluator or auditor was involved in the preparation of the reserves data; and

### 7.2.3 Disclosure of Conflicting Independent Reports – the Filer discloses and updates its public disclosure if, despite this Decision, it obtains a final report on reserves data from an independent qualified reserves evaluator or auditor that contains information that is materially different from the Filer's public disclosure record in respect of such reserves data;

### 7.3 the Filer is exempt from the prospectus and annual information form requirements of the Legislation that require a Filer to disclose

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information in a prospectus or annual information form in accordance with NI 51-101, but only to the extent that the Filer relies on and complies with this Decision; and

- 7.4 in Québec, until NI 51-101 comes into force in Québec, the Filer is exempt from the requirements of NP 2-B and may satisfy requirements under the Legislation of Québec that refer to NP 2-B by complying with the requirements of NI 51-101 as varied by this Decision.
8. This Decision, as it relates to either the Canadian Disclosure Requirements or the Independent Evaluator Requirement, will terminate in a Jurisdiction one year after the effective date in that Jurisdiction of any substantive amendment to the Canadian Disclosure Requirements or the Independent Evaluator Requirement, respectively, unless the Decision Maker otherwise agrees in writing.

DATED this 5<sup>th</sup> day of January, 2004

Glenda A. Campbell, Q.C., Vice-Chair

Stephen R. Murison, Vice-Chair