

FINANCIAL REPORTING

NATIONAL INSTRUMENT 51-101 AMENDMENTS AND RESOURCES OTHER THAN RESERVES GUIDANCE

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With thanks to the Alberta Securities Commission for
presentation material

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DISCLAIMER

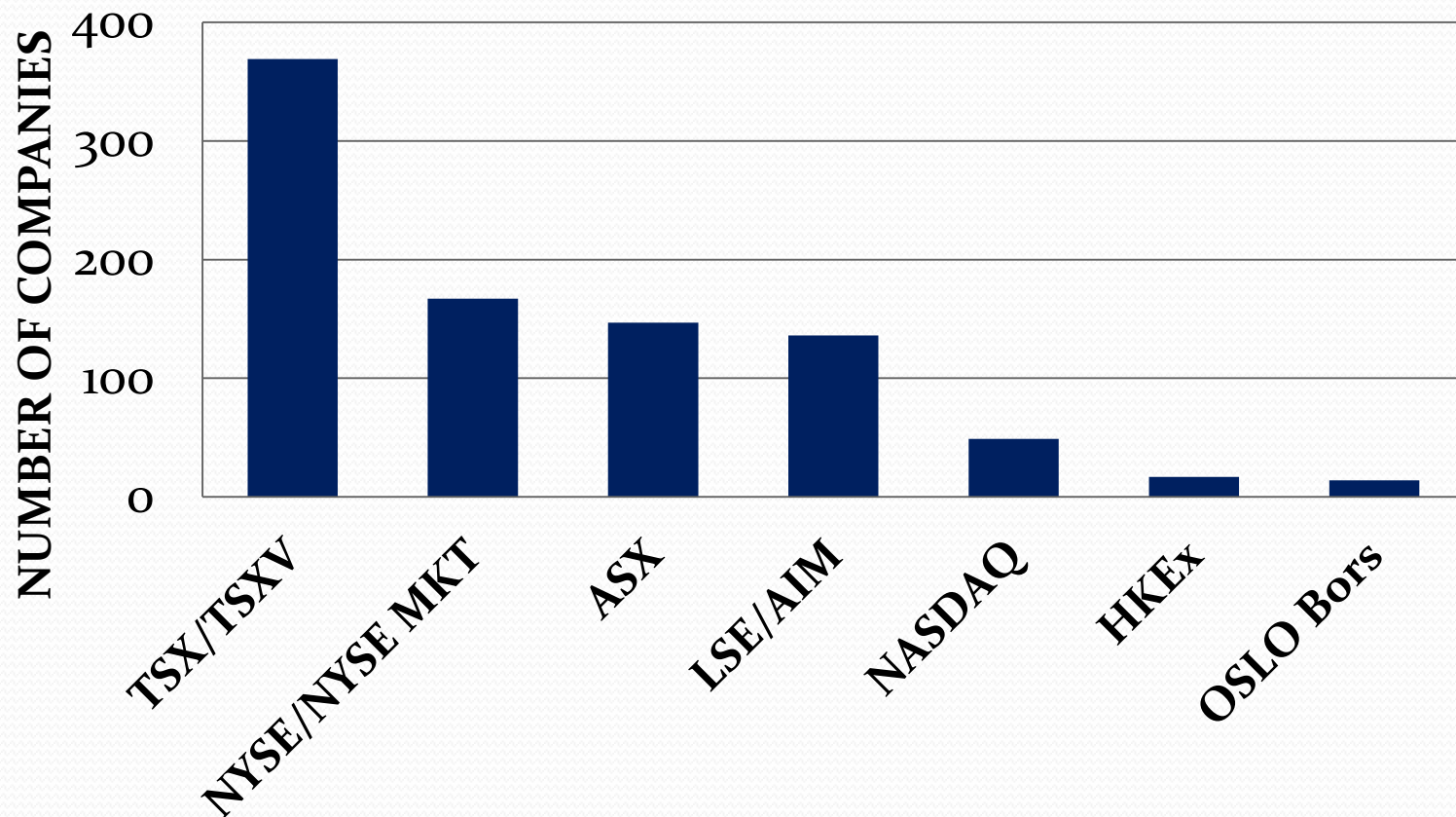
- I retired from the Alberta Securities Commission in 2012 and this talk does not necessarily represent the views of the Commission

INTRODUCTION

CANADIAN REPORTING ISSUERS

- REPORTING ISSUER – sells shares in Canada
- National Instrument 51-101 is the oil and gas securities disclosure legislation
- Refers to Canadian Oil and Gas Evaluation Handbook (COGEH) for standards
- Reporting has been monitored by the Alberta Securities Commission since 2003

NUMBER OF COMPANIES ON EXCHANGES



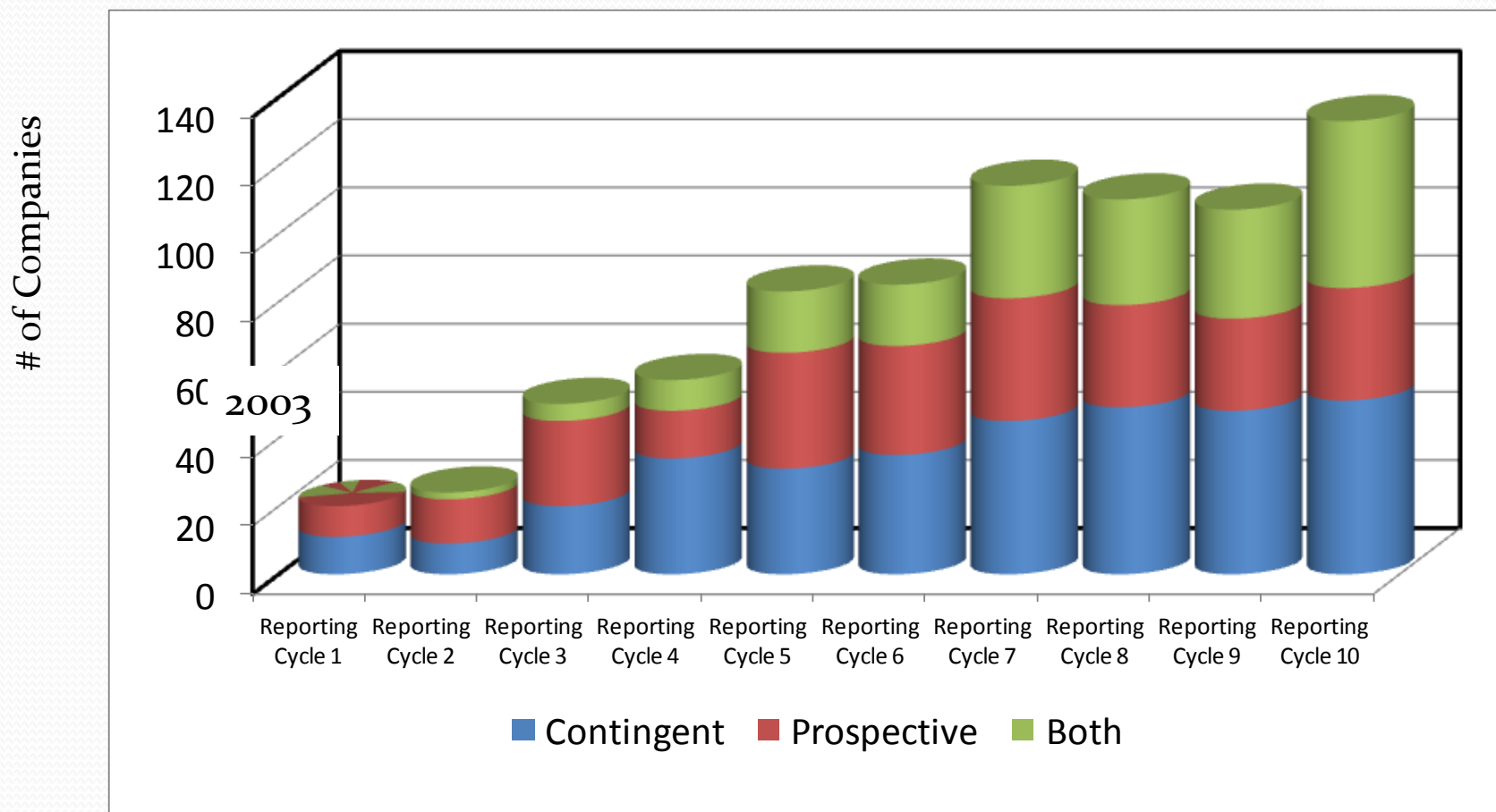
At Dec 2013, from http://tmx.com/en/pdf/OilGas_Sector_Profile.pdf

ASC REVIEWS

- 435 Reporting issuers in 2013
- 4680 Oil and gas reviews since 2003
- 50 Countries (Canadian RIs)

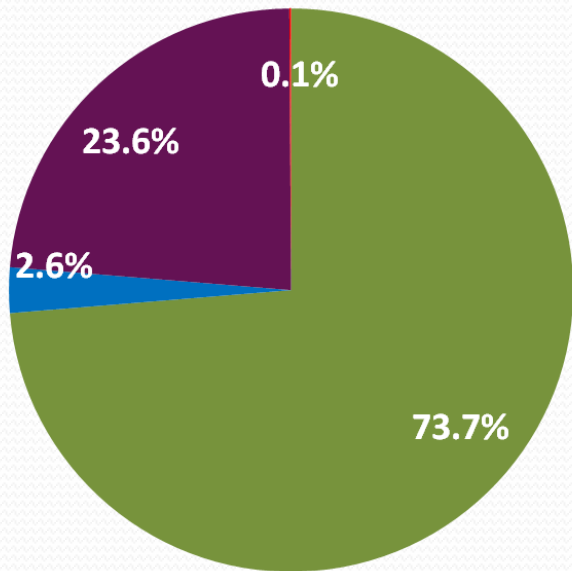
MORE COMPANIES USING OPTION TO DISCLOSE CONTINGENT & PROSPECTIVE RESOURCES

2012

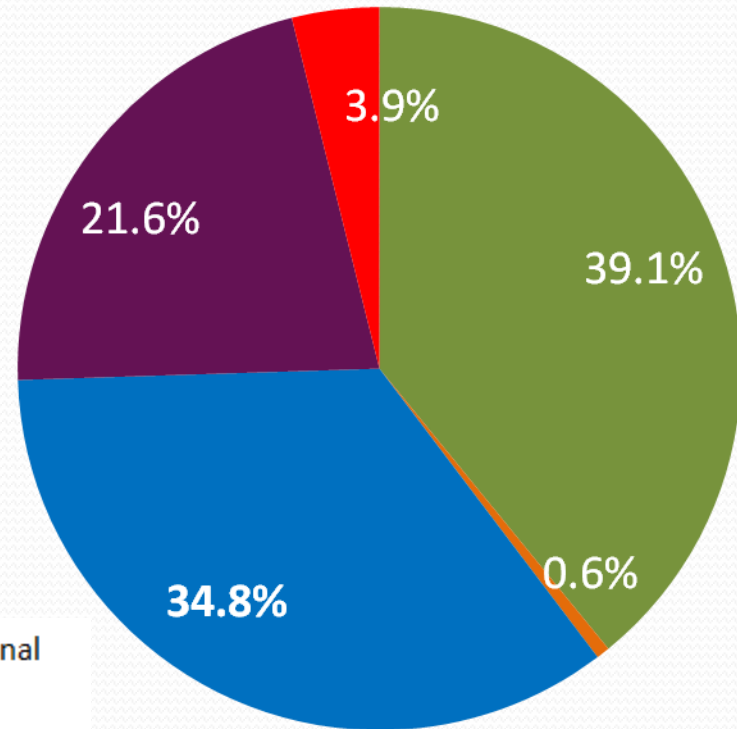


INCREASING UNCONVENTIONAL RESOURCES COMPONENT

YE 2003 (Cycle 1)



YE 2012 (Cycle 10)



- Conventional
- CBM
- Bitumen
- SCO/Shale Oil
- Shale Gas

NI 51-101

NI 51-101

- National Instrument 51-101, 2003
- Guidance
 - Companion Policy 51-101 CP
 - Staff Notices
 - CSA Staff Notice 51-327. Guidance on Oil and Gas Disclosure

NI 5-101

- Governs all oil and gas disclosure
 - Filings, news releases, corporate presentations, etc.
- Mandates Annual filing of:
 - Proved and Probable reserves at Forecast Price
- Allows:
 - Other resource Classes
 - Constant Price case
- Refers to Canadian Oil and Gas Evaluation Handbook (COGEH) for technical standards

PROPOSED AMENDMENTS

- October 17th, 2013 to January 17th 2014. Published for comment
- Amendments being drafted.
- Mid-2014. Publication
- December 30 2014. Implementation

SUPPLEMENTARY DISCLOSURE

- Under another disclosure standard in addition to NI 51-101
 - Securities and Exchange Commission / Financial Accounting Standards Board requirements;
 - Petroleum Resource Management System
- Requirements
 - Must meet certain criteria
 - Discussion of significant differences in estimates and reasons for those differences
 - Estimates provided as at the same effective date

PRODUCT TYPES

- Definitions
 - Heavy crude oil
 - Removed reference to royalties
 - Definitions
 - Light oil
 - Shale gas
- Remove conventional /unconventional distinction
- Remove Production group definition
 - Issues with grouping unconventional resources together for the purpose of determining a unit value

CONTINGENT OR PROSPECTIVE RESOURCES

- If disclosed
 - Evaluated or audited by an independent reserves evaluator or auditor
 - Low, best and high estimates must be provided
 - Net present value of future net revenue provided discounted at 0, 5, 10, 15 and 20%
 - Consideration of a specific form (F5?)

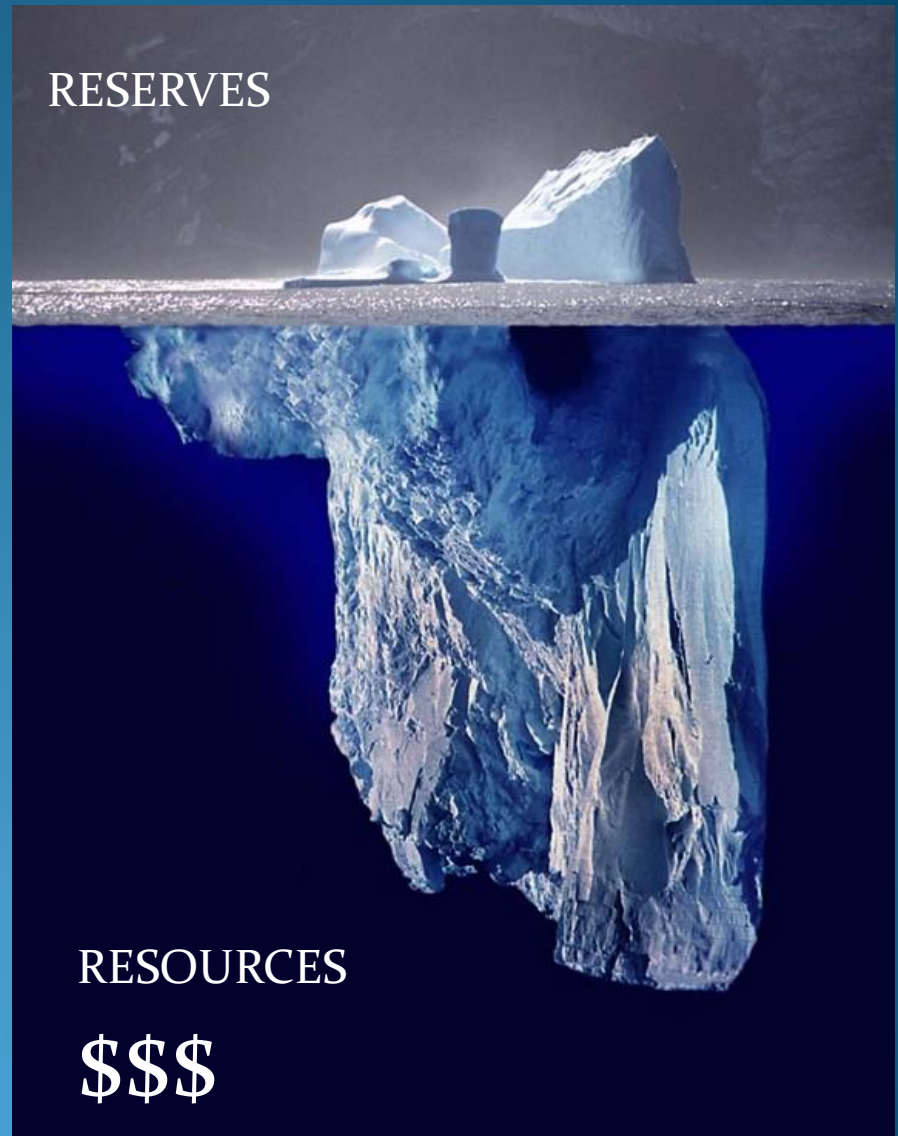
NON-STANDARD METRICS

- No accepted standards for widely used metrics such as:
 - Finding and Development Costs (F&D)
 - Net Asset Value, Net Asset Value per Share
 - Netbacks
- If there is no standard:
 - Say so
 - Explain method of calculation
 - Warn not to use for comparison

ALTERNATE REFERENCE POINT

- Evaluations are to be at First Point of Sale
- May use an Alternate Reference point if products may be marketable at that point

RESOURCES OTHER THAN RESERVES



COGEH RESOURCES OTHER THAN RESERVES (ROTR) GUIDELINES

- 2010 letter ASC to SPEE Calgary
- SPEE Calgary ROTR Sub-committee
- 26th December 2013 TO 21st Feb 2014 Draft 14 issued for comment
- 18 April 2014 Draft 15 to COGEH Standing Committee
- Planned publication end June 2014

DRAFT CONTENTS

1. Introduction
 2. General Requirements for Classification of ROTR
 3. Petroleum Initially-In-Place (PIIP)
 4. Projects
 5. Contingent Resources
 6. Discovered Unrecoverable PIIP
 7. Prospective Resources
 8. Aggregation
- Supplementary Glossary

DEFINITIONS

- CURRENT DEFINITIONS FOR CONVENTIONAL RESERVES
- WHAT IS AN ACCUMULATION, A RESERVOIR?
- DISCOVERY CRITERIA?
 - Known Accumulation: Well, test or logs/cores + good analog
 - We know where it is but don't have a test.
 - May not be a discovery under present guidelines!
 - Green River Shale not yet “discovered”???

PROJECT DESCRIPTIONS

- EVALUATION SCENARIO

- Projects often large

- RECOVERY TECHNOLOGY

- Established technology
- Technology under development
- Experimental projects

- PROJECT STATUS

- Conceptual
- Pre-development studies
- Development studies

- CONTINGENCIES

- PROJECT MATURITY

- Pending
- On Hold
- Unclassified
- Not Viable

CONTINGENCIES

- TECHNICAL
 - Technology under development
- ECONOMIC STATUS
 - Economic (PRMS Marginal)
 - Sub-Economic (PRMS Sub-marginal)
 - Undetermined
- NON-TECHNICAL
 - Legal, Regulatory approval, Access to Markets
 - Political, Social licence?

CONCLUSIONS

- Changing resource types require changes in
- Disclosure legislation
 - Explanatory guidance
 - Companion Policy
 - Staff Notices
- Technical guidance
 - COGEH
 - PRMS