

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2007-6
(Section 149.1, *The Securities Act*)

AMENDMENTS TO NATIONAL INSTRUMENT 51-101
Standards of Disclosure for Oil and Gas Activities

1. *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities is amended by this Instrument.*

2. *The Notes are amended by repealing Note 1 and substituting the following:*

¹For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms, including those defined in this Part, that are printed in italics in this *Instrument, Form 51-101F1, Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.

3. *Part 1 is amended by,*

a. in paragraph 1.1(a), striking out “National Instrument 51-102 Continuous Disclosure Obligations” and substituting “NI 51-102”,

b. after paragraph 1.1(a), adding the following paragraphs:

(a.1) "***analogous information***" means information about an area outside the area in which the *reporting issuer* has an interest or intends to acquire an interest, which is referenced by the *reporting issuer* for the purpose of drawing a comparison or conclusion to an area in which the *reporting issuer* has an interest or intends to acquire an interest, which comparison or conclusion is reasonable, and includes:

(i) historical information concerning *reserves*;

(ii) estimates of the volume or value of *reserves*;

(iii) historical information concerning *resources*;

(iv) estimates of the volume or value of *resources*;

(v) historical *production* amounts;

(vi) *production* estimates; or

(vii) information concerning a *field*, well, basin or *reservoir*;

(a.2) "***anticipated results***" means information that may, in the opinion of a reasonable person, indicate the potential value or quantities of *resources* in respect of the *reporting issuer's resources* or a portion of its *resources* and includes:

- (i) estimates of volume;
- (ii) estimates of value;
- (iii) areal extent;
- (iv) pay thickness;
- (v) flow rates; or
- (vi) hydrocarbon content;

c. repealing paragraph 1.1(d) and substituting the following:

(d) "**CICA Accounting Guideline 16**" means Accounting Guideline AcG-16 "Oil and gas accounting - full cost" included in the *CICA Handbook*, as amended from time to time; ,

d. repealing paragraph 1.1(g),

e. in paragraph 1.1(o), striking out "qualified reserves evaluator or auditor, has the meaning set out in the COGE Handbook" and substituting "person or company, means a relationship between the reporting issuer and that person or company in which there is no circumstance that could, in the opinion of a reasonable person aware of all relevant facts, interfere with that person's or company's exercise of judgment regarding the preparation of information which is used by the reporting issuer",

f. after paragraph 1.1(r), adding the following paragraph:

(r.1) "**NI 51-102**" means National Instrument 51-102 *Continuous Disclosure Obligations*;

g. in subparagraph 1.1(v)(ii),

i. in clause (C) striking out the "or",

ii. in clause (D) striking out the period and substituting a semi-colon, and

iii. after clause (D) adding the following clauses:

(E) shale oil; or

(F) shale gas; ,

h. in subparagraph 1.1(x)(i), adding ", resources" after "reserves data", wherever it occurs;

i. in subparagraph 1.1(y)(i), adding ", resources" after "reserves data", wherever it occurs;

j. after paragraph 1.1(z), adding the following:

(z.1) "**reserves**" means *proved, probable or possible reserves*;

k. *repealing paragraph 1.1(aa) and substituting the following:*

(aa) "**reserves data**" means an estimate of *proved reserves and probable reserves* and related *future net revenue*, estimated using *forecast prices and costs*; and, *and*

l. *in subsection 1.2(2), striking out "shall apply" and substituting "applies"*.

4. *Part 4 is amended by,*

a. *in paragraph 4.1(a), striking out "5" and substituting "16",*

b. *repealing section 4.2 and substituting the following:*

Consistency in dates

4.2 The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements must be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 2.

5. *Part 5 is amended by,*

a. *repealing section 5.2 and substituting the following:*

Disclosure of reserves and other information

5.2 If a *reporting issuer* makes disclosure of *reserves* or other information of a type that is specified in *Form 51-101F1*, the *reporting issuer* must ensure that the disclosure satisfies the following requirements:

(a) estimates of *reserves* or *future net revenue* must

(i) disclose the *effective date* of the estimate;

(ii) have been prepared or audited by a *qualified reserves evaluator or auditor*;

(iii) have been prepared or audited in accordance with the *COGE Handbook*;

(iv) have been made assuming that development of each *property* in respect of which the estimate is made will occur, without regard to the likely availability to the *reporting issuer* of funding required for that development; and

(v) in the case of estimates of *possible reserves* or related *future net revenue* disclosed in writing, also include a cautionary statement that is proximate to the estimate to the following effect:

"Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities

actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.”;

(b) for the purpose of determining whether *reserves* should be attributed to a particular undrilled *property*, reasonably estimated future abandonment and reclamation costs related to the *property* must have been taken into account;

(c) in disclosing aggregate *future net revenue* the disclosure must comply with the requirements for the determination of *future net revenue* specified in *Form 51-101F1*; and

(d) the disclosure must be consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 2.1, except to the extent that the statement has been supplemented or superseded by a report of a material change³ filed by the *reporting issuer* with the *securities regulatory authority*.,

b. in section 5.3, striking out “be consistent with” and substituting “apply” and adding “and must relate to the most specific category of reserves or resources in which the reserves or resources can be classified” after “set out in the COGE Handbook”,

c. in section 5.4, adding “the quantities and” after “marketable quantities, reflecting”,

d. in section 5.6, adding “Market” after “Not Fair”,

e. repealing section 5.9 and substituting the following:

Disclosure of resources

5.9(1) If a *reporting issuer* discloses *anticipated results* from *resources* which are not currently classified as *reserves*, the *reporting issuer* must also disclose in writing, in the same document or in a *supporting filing*:

(a) the *reporting issuer’s* interest in the *resources*;

(b) the location of the *resources*;

(c) the *product types* reasonably expected;

(d) the risks and the level of uncertainty associated with recovery of the *resources*; and

(e) in the case of *unproved property*, if its value is disclosed,

(i) the basis of the calculation of its value; and

(ii) whether the value was prepared by an *independent party*.

³ “Material change” has the same meaning ascribed to the term under *securities legislation* of the applicable *jurisdiction*.

5.9(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of *resources* in which the *reporting issuer* has an interest or intends to acquire an interest, or an estimated value attributable to an estimated quantity, the estimate must

- (a) have been prepared or audited by a *qualified reserves evaluator or auditor*;
- (b) relate to the most specific category of *resources* in which the *resources* can be classified, as set out in the *COGE Handbook*, and must identify what portion of the estimate is attributable to each category; and
- (c) be accompanied by the following information:
 - (i) a definition of the *resources* category used for the estimate;
 - (ii) the *effective date* of the estimate;
 - (iii) the significant positive and negative factors relevant to the estimate;
 - (iv) in respect of *contingent resources*, the specific contingencies which prevent the classification of the *resources* as *reserves*; and
 - (v) a cautionary statement that is proximate to the estimate to the effect that:
 - (A) in the case of *discovered resources* or a subcategory of *discovered resources* other than *reserves*:

“There is no certainty that it will be commercially viable to produce any portion of the resources.”; or
 - (B) in the case of *undiscovered resources* or a subcategory of *undiscovered resources*:

“There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.”

5.9(3) Paragraphs 5.9(1)(d) and (e) and subparagraphs 5.9(2)(c)(iii) and (iv) do not apply if:

- (a) the *reporting issuer* includes in the written disclosure a reference to the title and date of a previously filed document that complies with those requirements; and
- (b) the *resources* in the written disclosure, taking into account the specific *properties* and interests reflected in the *resources* estimate or other *anticipated result*, are *materially* the same *resources* addressed in the previously filed document.,

f. repealing section 5.10 and substituting the following:

Analogous information

5.10(1) Sections 5.2, 5.3 and 5.9 do not apply to the disclosure of *analogous information* provided that the *reporting issuer* discloses the following:

- (a) the source and date of the *analogous information*;
- (b) whether the source of the *analogous information* was *independent*;
- (c) if the *reporting issuer* is unable to confirm that the *analogous information* was prepared by a *qualified reserves evaluator or auditor* or in accordance with the *COGE Handbook*, a cautionary statement to that effect proximate to the disclosure of the *analogous information*; and
- (d) the relevance of the *analogous information* to the *reporting issuer's oil and gas activities*.

5.10(2) For greater certainty, if a *reporting issuer* discloses information that is an *anticipated result*, an estimate of a quantity of *reserves* or *resources*, or an estimate of value attributable to an estimated quantity of *reserves* or *resources* for an area in which it has an interest or intends to acquire an interest, that is based on an extrapolation from *analogous information*, sections 5.2, 5.3 and 5.9 apply to the disclosure of the information., and

g. in section 5.13, repealing paragraph (a).

6. Part 6 is amended by, in subsection 6.1(2),

a. striking out “shall” and substituting “must discuss the *reporting issuer's* reasonable expectation of how the material change has affected its *reserves data* or other information.”, and

b. repealing paragraphs (a) and (b).

7. Part 8 is amended by adding the following after section 8.1:

Exemption for certain exchangeable security issuers

8.2(1) An exchangeable security issuer, as defined in subsection 13.3(1) of *NI 51-102*, is exempt from this *Instrument* if all of the requirements of subsection 13.3(2) of *NI 51-102* are satisfied;

8.2(2) For the purposes of subsection (1), the reference to “continuous disclosure documents” in clause 13.3(2)(d)(ii)(A) of *NI 51-102* includes documents filed in accordance with this *Instrument*.

8. With the exception of subsection 1.2(2), all provisions containing the word “shall” are amended by striking out “shall” and substituting “must”.

9. This amendment comes into force December 28, 2007.
10. This Instrument may be cited as MSC Rule 2007-6.

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2007-6
(Section 149.1, *The Securities Act*)

AMENDMENTS TO

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*

1. *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 are amended by this Instrument.*

2. *Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information is amended by,*

(a) repealing note 1 to instruction (1) of the General Instructions and substituting the following:

¹For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this *Form 51-101F1* or in *NI 51-101, Form 51-101F2, Form 51-101F3* or Companion Policy 51-101CP.,

(b) repealing Item 2.1 and substituting the following:

Item 2.1 *Reserves Data (Forecast Prices and Costs)*

1. Breakdown of Reserves (Forecast Case) – Disclose, by country and in the aggregate, reserves, gross and net, estimated using *forecast prices and costs*, for each *product type*, in the following categories:

- (a) proved developed producing reserves;*
- (b) proved developed non-producing reserves;*
- (c) proved undeveloped reserves;*
- (d) proved reserves (in total);*
- (e) probable reserves (in total);*
- (f) proved plus probable reserves (in total); and*

(g) if the *reporting issuer* discloses an estimate of *possible reserves* in the statement:

(i) *possible reserves* (in total); and

(ii) *proved plus probable plus possible reserves* (in total).

2. Net Present Value of *Future Net Revenue* (Forecast Case) – Disclose, by country and in the aggregate, the net present value of *future net revenue* attributable to the *reserves* categories referred to in section 1 of this Item, estimated using *forecast prices and costs*, before and after deducting *future income tax expenses*, calculated without discount and using discount rates of 5 percent, 10 percent, 15 percent and 20 percent. Also disclose the same information on a unit value basis (e.g., \$/Mcf or \$/bbl using *net reserves*) using a discount rate of 10 percent and calculated before deducting *future income tax expenses*. This unit value disclosure requirement may be satisfied by including the unit value disclosure for each category of *proved reserves* and for *probable reserves* in the disclosure referred to in paragraph 3(c) of Item 2.1.

3. Additional Information Concerning *Future Net Revenue* (Forecast Case)

(a) This section 3 applies to *future net revenue* attributable to each of the following *reserves* categories estimated using *forecast prices and costs*:

(i) *proved reserves* (in total);

(ii) *proved plus probable reserves* (in total); and

(iii) if paragraph 1(g) of this Item applies, *proved plus probable plus possible reserves* (in total).

(b) Disclose, by country and in the aggregate, the following elements of *future net revenue* estimated using *forecast prices and costs* and calculated without discount:

(i) revenue;

(ii) royalties;

(iii) *operating costs*;

(iv) *development costs*;

(v) abandonment and reclamation costs;

(vi) *future net revenue* before deducting *future income tax expenses*;

(vii) *future income tax expenses*; and

(viii) *future net revenue* after deducting *future income tax expenses*.

(c) Disclose, by *production group* and on a unit value basis for each production group (e.g., \$/Mcf or \$/bbl using *net reserves*), the net present value of *future net revenue* (before deducting *future income tax expenses*) estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent.,

(c) *repealing Item 2.2 and substituting the following:*

Item 2.2 Supplemental Disclosure of Reserves Data (Constant Prices and Costs)

The *reporting issuer* may supplement its disclosure of *reserves data* under Item 2.1 by also disclosing the components of Item 2.1 in respect of its *proved reserves* or its *proved and probable reserves*, using *constant prices and costs* as at the last day of the *reporting issuer's* most recent financial year.,

(d) *repealing instruction (3) to Part 2 and substituting the following:*

(3) ***Constant prices and costs*** are prices and costs used in an estimate that are:

(a) the ***reporting issuer's*** prices and costs as at the ***effective date*** of the estimation, held constant throughout the estimated lives of the ***properties*** to which the estimate applies;

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the ***reporting issuer*** is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

For the purpose of paragraph (a), the ***reporting issuer's*** prices will be the posted price for oil and the spot price for gas, after historical adjustments for transportation, gravity and other factors.,

(e) *in Item 3.1,*

i. *in the heading, adding "Supplemental" after "Constant Prices Used in",*

ii. *at the beginning of the paragraph, striking out "For" and substituting "If supplemental disclosure under Item 2.2 is made, then disclose, for",*

iii *striking out "disclose" after "each product type", and*

iv. *at the end of the paragraph, striking out "2.1" and substituting "2.2",*

(f) *in paragraph 1.(a) of Item 3.2, striking out "2.2" and substituting "2.1",*

(g) in instruction (2) to Part 3, striking out "defined terms" and substituting "term", and adding "the defined term" after "constant prices and costs" and",

(h) in the heading to Part 4, striking out "RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE" and substituting "RECONCILIATION OF CHANGES IN RESERVES",

(i) in paragraph 1.(a) of Item 4.1, striking out "net" and substituting "gross",

(j) in paragraph 1.(b) of Item 4.1, striking out "net" and substituting "gross",

(k) in paragraph 1.(c) of Item 4.1, striking out "net" and substituting "gross",

(l) in paragraph 2.(b) of Item 4.1,

i. at the end of subparagraph (iii), striking out "and",

ii. at the end of subparagraph (iv), striking out "and other products from non-conventional oil and gas activities",

iii. adding the following subparagraphs after subparagraph (iv):

(v) bitumen;

(vi) coal bed methane;

(vii) hydrates;

(viii) shale oil; and

(ix) shale gas,;

(m) in paragraph 2.(c) of Item 4.1,

i. in subparagraph (i), adding "and improved recovery",

ii. repealing subparagraph (ii); and

iii. renumbering subparagraphs (iii),(iv), (v), (vi), (vii), and (viii) as (ii), (iii), (iv), (v), (vi), and (vii), respectively,

(n) in instruction (1) to Item 4.1,

i. striking out "may" and substituting "must"; and

ii. striking out "either constant prices and costs or",

(o) adding the following instruction after instruction (3) to Item 4.1:

*(4) **Reporting issuers** must not include infill drilling **reserves** in the category of technical revisions specified in clause 2(c)(ii). **Reserves** additions from infill drilling must be included in the category of extensions and improved recovery in clause 2(c)(i) (or, alternatively, in an additional separate category under paragraph 2(c) labelled "infill drilling").* ,

(p) repealing Item 4.2,

(q) repealing the instructions to Part 4,

(r) in paragraph 1.(a) of Item 5.1, striking out "five" and substituting "three", and at the end of the paragraph, striking out "or" and substituting "and",

(s) in paragraph 2.(a) of Item 5.1, striking out "five" and substituting "three", and at the end of the paragraph, striking out "or" and substituting "and",

(t) in paragraph 1.(a) of Item 5.3,

i. repealing subparagraph (i), and

ii. renumbering subparagraphs (ii) and (iii) as subparagraphs (i) and (ii), respectively,

(u) in subparagraph 1.(b)(i) of Item 5.3, striking out "and using a discount rate of 10 percent",

(v) in paragraph 2.(a) of Item 6.3, striking out "3860" and substituting "3861",

(w) in the instruction to Item 6.4, striking out of "and clause 3(b)(v) of Item 2.2",

(x) in section 1. of Item 6.8, striking out "future net revenue" and substituting "gross proved reserves and gross probable reserves", and striking out "Items 2.1 and 2.2" and substituting "Item 2.1.", and

(y) at the end of the instruction to Item 6.9, adding "Resulting netbacks may be disclosed on the basis of units of equivalency between oil and gas (e.g. BOE) but if so that must be made clear and disclosure must comply with section 5.14 of NI 51-101."

3. Form 51-101F2 Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor is amended, in the prescribed form "Report on Reserves Data" under section 2, by

(a) repealing note 1 and substituting the following:

¹For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F3* or Companion Policy 51-101CP. ,

(b) in section 1, striking out "consist of the following:" and substituting "are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.",

(c) repealing paragraphs 1(a) and (b),

(d) in note 2, striking out "2.2" and substituting "2.1", and

(e) at the end of section 7, adding the following:

"However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery."

4. Form 51-101F3 Report of Management and Directors on Oil and Gas Disclosure is amended, in the prescribed form "Report of Management and Directors on Oil and Gas Disclosure" under section 2, by

(a) repealing note 1 and substituting the following:

¹For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101, Form 51-101F1, Form 51-101F2* or Companion Policy 51-101CP.,

(b) in the paragraph beginning "Management of [name of reporting issuer]", striking out "consist of the following:" and substituting "are estimates of proved reserves and probable reserves and related future net revenue as at [last day of the reporting issuer's most recently completed financial year], estimated using forecast prices and costs.",

(c) after the paragraph beginning "Management of [name of reporting issuer]", repealing subparagraphs(a) and (b),

(d) after the paragraph beginning "The [Reserves Committee of the] board of directors of the Company has", in subparagraph (b), striking out "because of the" and substituting "in the event of a",

(e) after the paragraph beginning "The [Reserves Committee of the] board of directors has reviewed", in subparagraph (a), striking out "the" after "securities regulatory authorities of" and substituting "Form 51-101F1 containing",

(f) after the paragraph beginning "The [Reserves Committee of the] board of directors has reviewed", in subparagraph (b), adding "Form 51-101F2 which is" after "the filing of", and

(g) at the end of the paragraph beginning "Because the reserves data are based on judgements" adding "However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery."

5. 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 are amended by striking out "shall" and substituting "must" wherever it appears.

6. This amendment comes into force December 28, 2007.

7. This instrument may be cited as MSC Rule 2007-6.