

**ALBERTA SECURITIES COMMISSION
STAFF NOTICE**

**Oil and Gas Reserves and Related Information
Reporting Standards**

September 27, 2002

The Alberta Securities Commission and other members of the Canadian Securities Administrators (CSA) published for comment, on January 25, 2002, proposed National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. NI 51-101 would establish a continuous disclosure regime in respect of oil and gas activities, including disclosure of estimates of reserves and related future net revenue.

In June 2002 the Calgary Chapter of The Society of Petroleum Evaluation Engineers (SPEE) issued Volume 1 of the Canadian Oil and Gas Evaluation Handbook (the Handbook). The Handbook, which can be obtained from www.petsoc.org, sets out reserves classifications and procedures for reserves evaluation. The release of the Handbook is a very welcome development which will serve as an important adjunct to NI 51-101.

SPEE is likely to supplement Volume 1 of the Handbook with additional guidance.

Status of NI 51-101

The January 2002 version of proposed NI 51-101 indicated that reporting in accordance with the new standards would be required commencing for financial years that end on or include December 31, 2002.

The CSA are considering NI 51-101 in light of the public comment received on the proposal. The CSA hope to finalize NI 51-101 later this year and publish the finalized documents soon thereafter.

For that reason, the CSA do not intend to impose NI 51-101 for financial years ending prior to **December 31, 2003**. Earlier compliance after the final instrument is published would, however, be accepted and encouraged.

Use of Handbook Reserves Classifications

With the release of Volume 1 of the Handbook, ASC staff, Ontario Securities Commission staff and, we expect, our counterparts throughout the CSA, will accept, at the option of an issuer, in satisfaction of the requirements of National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators*, reports and disclosure that apply reserves classifications set out in Volume 1 of the Handbook rather than the reserves classifications set out in NP 2-B.

An issuer that wishes to exercise this option should advise us in a covering letter accompanying the preliminary prospectus or other document being filed. Each document in which the new reserves classifications are used should describe the reserves classifications being used and identify their source.

Because the “probable reserves” classification under the Handbook incorporates a targeted probability of recovery, an issuer that uses the Handbook classifications would not be required to further reduce its probable reserves estimates as currently required under NP 2-B. When estimating reserves and related future net revenue using constant prices and costs, an issuer that uses the Handbook classifications should use prices as at the end of the issuer's financial year.

Further Information

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