

National Instrument 51-101 for Officers and Directors

Alberta Securities Commission

May 1, 2024



Purpose

To review certain information and responsibilities pertinent to officers and members of boards of directors of reporting issuers engaged in oil and gas activities, per National Instrument 51-101 *Standards of Disclosure For Oil and Gas Activities*.

Who will benefit?

Officers and directors with current or anticipated NI 51-101 responsibilities and their advisors.

Agenda

1	Introduction
2	Applicability
3	Annual filing requirements
4	Key responsibilities
5	Material changes
6	Questions

Introduction

Alberta Securities Commission

- Administers Alberta’s securities laws
 - Entrusted to:
 - foster a fair and efficient capital market
 - protect investors
- Member of the Canadian Securities Administrators (**CSA**)
 - Improve, coordinate and harmonize regulation
- CSA’s lead oil and gas (**O&G**) regulator

Introduction

Energy Group

- “All things energy” focus:
 - O&G
 - exploration and production
 - midstream (including pipelines)
 - services
 - helium and hydrogen
 - lithium from brines
 - carbon management
 - energy-related environmental sustainability, including greenhouse gas emissions
 - electrical generation (including renewables), transmission and storage
 - renewable hydrocarbons
 - energy-related environmental liabilities

Introduction

National Instrument 51-101

- *Standards of Disclosure For Oil and Gas Activities (NI 51-101)*
 - Applies to reporting issuers (**RI**s) engaged in O&G activities¹ (**O&GA**)
 - Addresses:
 - general standards
 - specific annual requirements
 - Technical standard: Canadian Oil and Gas Evaluation Handbook² (**COGE Handbook**)
 - Part of a comprehensive securities framework that applies to all RIs.

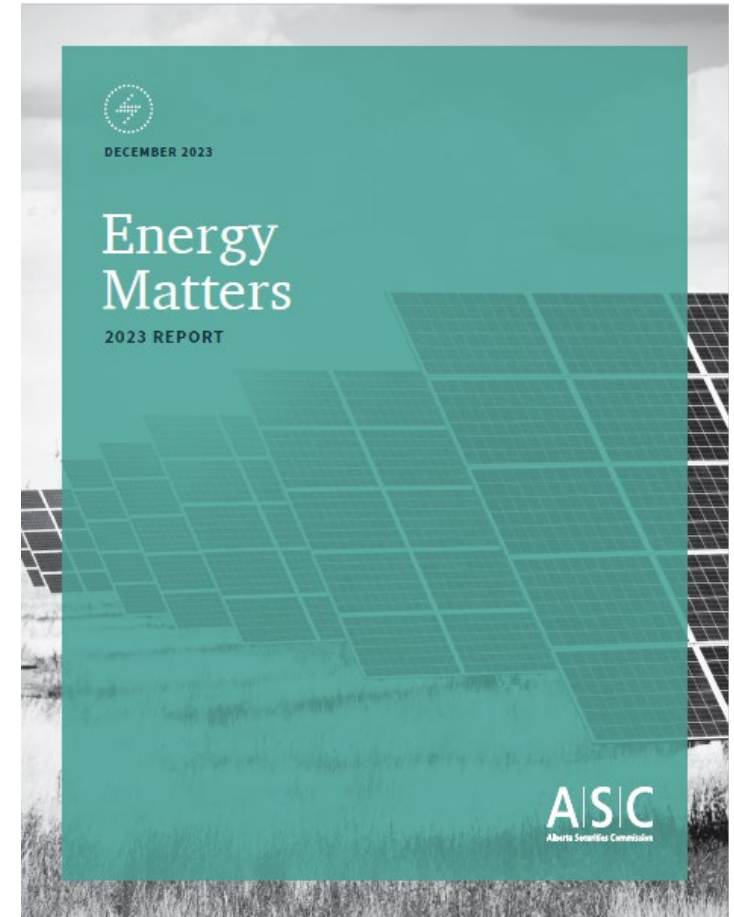
¹Secs.1.1 and 1.3 of NI 51-101

²Available at www.speccanada.org

Introduction

Some other important materials

- Companion Policy 51-101CP *Standards of Disclosure For Oil and Gas Activities* (**51-101CP**)
- CSA Staff Notice 51-324 *Revised Glossary to NI 51-101* (**SN 51-324**)
- Energy Matters Reports³



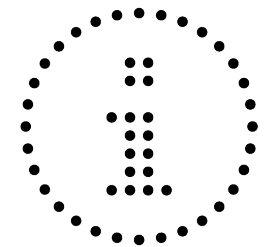
³Available at www.asc.ca

Applicability

Applicability

Introduction

- NI 51-101 applies to:
 - RIs engaged directly or indirectly in O&GA
 - O&GA is broadly defined
 - Material information⁴
- Issuers are considered engaged in O&GA if a document incorporating prospectus requirements is filed with the securities regulatory authority⁵ (**SRA**).



⁴Sec. 1.4(1) of NI-51-101

⁵Sec.1.3 of 51-101CP

Applicability

Key definitions

- Oil and gas activities:
 - [I]ncludes the following:
 - a) searching for a product type in its natural location;
 - b) acquiring property rights or a property for the purpose of exploring for or removing product types from their natural locations;
 - c) any activity necessary to remove product types from their natural locations, including construction, drilling, mining and production, and the acquisition, construction, installation and maintenance of *field* gathering and storage systems including treating, *field* processing and *field* storage;
 - d) producing or manufacturing of *synthetic crude oil* or *synthetic gas*;

Applicability

Key definitions

- but does not include any of the following:
 - e) any activity that occurs after the first point of sale;
 - f) any activity relating to the extraction of a substance other than a product type and their *by-products*;
 - g) extracting *hydrocarbons* as a consequence of the extraction of geothermal steam;⁶

Italicized terms are defined in NI 51-101 or SN 51-324; underlining is for emphasis

⁶Sec. 1.1 of NI 51-101

Applicability

Key definitions

- Product type:
 - [M]eans any of the following:
 - a) *bitumen*;
 - b) *coal bed methane*;
 - c) *conventional natural gas*;
 - d) *gas hydrates*;
 - e) *heavy crude oil*;
 - f) *light crude oil and medium crude oil combined*;
 - g) *natural gas liquids*;
 - h) *shale gas*;
 - i) *synthetic crude oil*;
 - j) *synthetic gas*;
 - k) *tight oil*;⁷

⁷Sec. 1.1 of NI 51-101

Applicability

Key definitions

- Property:
 - [I]ncludes:
 - a) fee ownership or a *lease*, concession, agreement, permit, licence or other interest representing the right to extract *oil* or *gas* subject to such terms as may be imposed by the conveyance of that interest;
 - b) royalty interests, *production* payments payable in *oil* or *gas*, and other non-operating interests in *properties* operated by others; and
 - c) an agreement with a foreign government or authority under which a *reporting issuer* participates in the operation of *properties* or otherwise serves as “*producer*” of the underlying *reserves* (in contrast to being an *independent* purchaser, broker, dealer or importer) [...]⁸

⁸SN 51-324

Applicability

Key definitions

- First point of sale:
 - [M]eans the first point after initial *production* at which there is a transfer of ownership of a product type;⁹

⁹Sec. 1.1 of NI 51-101

Applicability

Key definitions

- Material:
 - For the purposes of *NI 51-101*, information is *material*, in respect of a *reporting issuer*, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.
 - This meaning differs from the definitions of "material change" and "material fact" in *securities legislation*.¹⁰

¹⁰SN 51-324

Annual filing requirements

Annual filing requirements

Part 2

- An RI must file¹¹ with the SRA on SEDAR+¹²:
 - Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information (F1)*
 - Addresses disclosure of reserves data, contingent resources data¹³, prospective resources data¹³ and other specified information.
 - To the extent that any item or component is inapplicable or not material, it isn't required to be disclosed, but the form must still be filed.

¹¹Per sec. 2.1 of NI 51-101, to be filed no later than the date required to file audited financial statements for the most recent financial year

¹²System for Electronic Analysis and Retrieval (www.sedarplus.ca)

¹³Optional per part 7 of the F1

Annual filing requirements

Part 2

- Form 51-101F2 *Report on [Reserves Data][,] [Contingent Resources Data] [and] [Prospective Resources Data] by Independent Qualified Reserves Evaluator or Auditor (F2)*
 - Executed by one or more independent¹⁴ qualified reserves evaluators (**QREs**) or qualified reserves auditors (**QRAs**).
 - Execution affirms COGE Handbook compliance.
 - Needed if reserves data, contingent resources data or prospective resources data were evaluated or audited.

¹⁴Sec. 1.1 of NI 51-101

Annual filing requirements

Part 2

- Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure (F3)*
 - Executed by:
 - two officers, one being the chief executive officer; and
 - on behalf of the board of directors (**Board**), by two other directors.
 - Execution confirms approval of:
 - content and filing of the F1 and F3; and
 - filing of the F2.

Annual filing requirements

Part 2

- If these are included in an annual information form, file:¹⁵
 - Form 51-101F4 *Notice of Filing of 51-101F1 Information*

¹⁵Per sec. 2.3 of NI 51-101, a notice in accordance with Form 51-101F4 must be filed concurrently with the filing of the Annual Information Form

Key responsibilities

Key responsibilities

Part 3

- An RI must:
 1. Appoint one or more independent QREs or QRAs.
 2. Direct each to report to the Board on the reserves data, contingent resources data and prospective resources data in the F1 prior to filing.
 3. Make all reasonably necessary information available to the QREs and QRAs for them to meet the requirements of the F2.

Key responsibilities

Part 3

- A Board must:
 1. Review, with reasonable frequency, the RI's procedures:
 - for providing information to the independent QREs and QRAs; and
 - relating to the disclosure of information with respect to O&GA.
 2. Review each appointed independent QRE and QRA.
 - If changes are proposed, determine the reasons and whether there have been appointee-management disputes.

Key responsibilities

Part 3

3. Before approving the F1 and F2, meet with management and each independent QRE and QRA, to:
 - determine if restrictions affect the ability of the QREs and QRAs to report without reservation; and
 - review the reserves data, contingent resources data or prospective resources data and the F2.

Key responsibilities

Part 3

4. Review and approve the:
 - content and filing of the F1;
 - filing of the F2; and
 - content and filing of the F3.

Key responsibilities

Part 3

- A Board may delegate 1., 2. and 3. to a committee, if a majority of its members:
 - aren't now nor been in the preceding 12 months:
 - an officer or employee of the RI or an affiliate;
 - a person who beneficially owns $\geq 10\%$ of the RI's outstanding voting securities; or
 - a relative of the above, residing in the same home; and
 - are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement.

Key responsibilities

Part 3

- A Board must not delegate 4., its responsibility to approve the:
 - content and filing of the F1;
 - filing of the F2; and
 - content and filing of the F3.
- A Board that delegates 1., 2. and 3. must solicit the committee's recommendation whether to approve 4.

Material changes

Material changes

Part 6

- In addition to other material change requirements, an RI must:
 - Discuss the reasonable expectation of how it would have impacted the reserves data and other information in its most recent F1, had it occurred on or before its effective date.
- Within 10 days of ceasing to be engaged in O&GA, an RI must file a notice with the SRA in accordance with:
 - Form 51-101F5 *Notice of Ceasing to Engage in Oil and Gas Activities*

Questions

Contact us

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Thank you!