

Although this amending instrument amends section headers in National Instrument 51-101, section headers do not form part of the instrument and are inserted for ease of reference only.

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2010-31
(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. Paragraph 1.1(c) is repealed.

3. Paragraph 1.1(d) is repealed.

4. Paragraph 1.1(e) is repealed.

5. Paragraph 1.1(i) is repealed.

6. Section 1.1 is amended

(a) by adding the following paragraph after paragraph (n):

*(n.1) "**Form 51-101F4**" means Form 51-101F4 Notice of Filing of 51-101F1 Information;*

(b) in clause (s)(i)(B), by deleting "further" and by replacing "reservoirs on those properties" with "their natural locations", and

(c) in clause (s)(i)(C), by replacing "reservoirs" with "locations".

7. Item 3 of section 2.1 is amended by repealing paragraph (e) and substituting the following:

(e) is executed

(i) by two officers of the reporting issuer, one of whom is the chief executive officer, and

(ii) on behalf of the board of directors, by

(A) any two directors of the reporting issuer, other than the persons referred to in subparagraph (i) above, or

(B) if the issuer has only three directors, two of whom are the persons referred to in subparagraph (i), all of the directors of the reporting issuer.

8. Section 2.2 is repealed.

9. Section 2.3 is amended by renumbering it as subsection 2.3(1) and by adding the following after subsection (1):

2.3(2) A reporting issuer that adopts the approach described in subsection (1) must, concurrently with filing its *annual information form*, file with the securities regulatory authority a notice of filing in accordance with *Form 51-101F4*.

10. Section 4.1 is repealed.

11. Section 5.3 is replaced with the following:

Classification of reserves and of resources other than reserves

5.3(1) Reserves or resources other than reserves must be disclosed using the applicable terminology and categories set out in the *COGE Handbook* and must be classified in the most specific category of reserves or resources other than reserves in which the reserves or resources other than reserves can be classified.

5.3(2) Despite subsection (1), where the applicable terminology set out in the *COGE Handbook* for the disclosure of resources is *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the reporting issuer may depart from the applicable terminology by substituting, for the word "petroleum", reference to the specific product type of the resource.

12. Section 5.9 is repealed and the following substituted:

Disclosure of resources other than reserves

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.

5.9(2) If disclosure referred to in subsection (1) includes an estimate of a quantity of resources other than reserves 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) have been prepared or audited in accordance with the *COGE Handbook*;
- (c) be classified in the most specific category of resources other than reserves, as required by section 5.3; and

(d) 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 (1)(d) and (e) and subparagraphs (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.

13. Section 5.10 is amended by replacing "5.2, 5.3 and 5.9" wherever it occurs with "5.2, 5.3, 5.9 and 5.16".

14. Part 5 is amended by adding the following sections after section 5.15:

Restricted disclosure: summation of *resource* categories

5.16 (1) A *reporting issuer* must not disclose a summation of an estimated quantity, or estimated value, of two or more of the following:

- (a) *reserves*;
- (b) *contingent resources*;
- (c) *prospective resources*;
- (d) the unrecoverable portion of *discovered petroleum initially-in-place*;
- (e) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
- (f) *discovered petroleum initially-in-place*; and

(g) *undiscovered petroleum initially-in-place*.

5.16(2) Despite subsection (1), a *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* if the *reporting issuer* includes, proximate to that disclosure, an estimate of each of the following, as applicable:

- (a) *reserves*;
- (b) *contingent resources*;
- (c) *prospective resources*;
- (d) the commercial portion of *discovered petroleum initially-in-place*;
- (e) the sub-commercial portion of *discovered petroleum initially-in-place*;
- (f) the unrecoverable portion of *discovered petroleum initially-in-place*;
- (g) the unrecoverable portion of *undiscovered petroleum initially-in-place*;
- (h) *discovered petroleum initially-in-place*; and
- (i) *undiscovered petroleum initially-in-place*.

5.16(3) A *reporting issuer* may disclose an estimate of *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place* as the most specific category that it can assign to its *resources* if, proximate to its disclosure, the *reporting issuer*

(a) explains why *total petroleum initially-in-place*, *discovered petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, as the case may be, is the most specific assignable category; and

(b) includes

(i) in the case of disclosure of *discovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(A), or

(ii) in the case of disclosure of *total petroleum initially-in-place* or *undiscovered petroleum initially-in-place*, the cautionary statement required by clause 5.9(2)(c)(v)(B).

Disclosure of high-case estimates of *reserves* and of *resources* other than *reserves*

5.17(1) If a *reporting issuer* discloses an estimate of *proved plus probable plus possible reserves*, the *reporting issuer* must also disclose the corresponding estimates of *proved* and *proved plus probable reserves* or of *proved* and *probable reserves*.

5.17(2) If a *reporting issuer* discloses a high-case estimate of *resources* other than *reserves*, the reporting issuer must also disclose the corresponding low and best-case estimates.

15. Subsection 8.2(2) is amended by replacing "in accordance with" with "under".

16. Section 9.2 is repealed.

17. The General Instructions of Form 51-101F1 are amended by adding the following subsections after subsection (6):

(7) A reporting issuer disclosing financial information in a currency other than the Canadian dollar must, clearly and as frequently as is necessary to avoid confusing or misleading readers, disclose the currency in which the financial information is disclosed.

(8) **The COGE Handbook** provides guidance about reporting using units of measurement. **Reporting issuers** should not, without compelling reason, switch between imperial units of measure (such as barrels) and Système International (SI) units of measurement (such as tonnes) within or between disclosure documents.

18. Subsection (1) of the Instructions under Item 1.1 of Form 51-101F1 is amended by striking out "the definition of reserves data and" and by striking out "It is the date of the balance sheet for the reporting issuer's most recent financial year (for example, "as at December 31, 20xx") and the ending date of the reporting issuer's most recent annual statement of income (for example, "for the year ended December 31, 20xx")."

19. Item 2.2 of Form 51-101F1 is replaced with the following:

Item 2.2 Supplementary Disclosure (Constant Prices and Costs)

The reporting issuer may supplement its disclosure of reserves data under Item 2.1 by also disclosing estimates of reserves, resources other than reserves, or both, together with estimates of associated future net revenue, determined using constant prices and costs rather than forecast prices and costs for each applicable product type.

INSTRUCTION

For this purpose,

(a) a constant price is,

(i) if the reporting issuer is legally bound to supply the product at a particular price, that price; or

(ii) in every other case, the price that is the unweighted arithmetic average of the first-day-of-the-month price for that product for each of the 12 months preceding the effective date; and

(b) the costs to be used are to be reasonably estimated on the basis of existing economic conditions without escalation or adjustment for inflation.

20. Items 2.3 and 2.4 of Form 51-101F1 are amended by replacing "minority interest" wherever it occurs with "non-controlling interest".

21. Subsection (3) of the Instructions under Item 2.4 of Form 51-101F1 is repealed.

22. Item 3.1 of Form 51-101F1 is replaced with:

Item 3.1 Constant Prices Used in Supplementary Estimates

If supplementary disclosure under Item 2.2 is made, the reporting issuer must disclose, for each product type, the constant price used.

23. Subsection (2) of the Instructions under Item 3.2 of Form 51-101F1 is amended by striking out "term "constant prices and costs" and the" and by replacing "include" with "includes".

24. The Instructions under Item 4.1 of Form 51-101F1 are amended by adding the following after subsection (4):

(5) If the **reporting issuer** first became engaged in **oil and gas activities** only after the last day of its preceding financial year and no evaluation report in respect of its **reserves** as at that date is available to the **reporting issuer**, so that there is no opening data to be reconciled, the **reporting issuer** need not provide the reconciliation otherwise required under this Part but must disclose the reason for its absence.

25. Item 5.2 of Form 51-101F1 is amended

(a) in the title, by adding "Affecting Reserves Data" after "Uncertainties", and

(b) in section 1, by replacing "important" with "significant".

26. The Instruction under Item 5.2 of Form 51-101F1 is amended by striking out "the need to build a major pipeline or other major facility before production of reserves can begin,".

27. Part 6 of Form 51-101F1 is amended by adding the following after section 2 of Item 6.2:

INSTRUCTION

If the **reporting issuer** holds interests in different formations under the same surface area pursuant to separate leases, disclose the method of calculating the **gross** and **net** area. A general description of the method of calculating the disclosed area will suffice.

Item 6.2.1 Significant Factors or Uncertainties Relevant to Properties With No Attributed Reserves

1. Identify and discuss significant economic factors or significant uncertainties that affect the anticipated development or production activities on *properties* with no attributed *reserves*.

2. Section 1 does not apply if the information is disclosed in the *reporting issuer's* financial statements for the financial year ended on the *effective date*.

EXAMPLES

Examples of information that could warrant disclosure under this Item include unusually high expected **development costs** or **operating costs**, or the need to build a major pipeline or other major facility before **production** can begin.

28. Section 2 of Item 6.3 of Form 51-101F1 is replaced with the following:

2. A *reporting issuer* may satisfy the requirement in section 1 by including the information required by that section in its financial statements for the financial year ended on the *effective date*.

29. Paragraph 1(b) of Item 6.7 of Form 51-101F1 is amended by replacing "gas wells and service wells" with "gas wells, service wells and stratigraphic test wells".

30. Paragraph 1(a) of Item 6.9 of Form 51-101F1 is amended by adding "gross" between "average" and "daily" and by striking out ", before deduction of royalties".

31. *Item 5 of Form 51-101F2 is amended by adding ", consistently applied" after "in accordance with the COGE Handbook".*

32. *Section 7 of Form 51-101F2 is amended by striking out "However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery."*

33. *Form 51-101F3 is amended by*

(a) striking out "However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.", and

(b) replacing "a senior officer" with "an officer".

34. *A new form is added after Form 51-101F3 as follows:*

**FORM 51-101F4
NOTICE OF
FILING OF 51-101F1 INFORMATION**

This is the form referred to in section 2.3 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

On [date of SEDAR Filing], [name of reporting issuer] filed its reports under section 2.1 of NI 51-101, which can be found [describe where a copy of the filed information can be found for viewing by electronic means (for example, in the company's *annual information form* under the company's profile on SEDAR at www.sedar.com)].

35. This Instrument comes into force on December 30, 2010.

36. This Instrument may be cited as MSC Rule 2010-31.