



Biography:

Craig Burns

Craig Burns, P.Geo., is Manager, Petroleum, at the Alberta Securities Commission (ASC), which is responsible for administering the province's securities laws and fostering a fair and efficient capital market. Craig leads a group of oil and gas professionals that assess continuous disclosure from reporting issuers engaged in oil and gas activities for compliance with securities legislation, develop and maintain securities legislation and technical guidance and communicate with capital market participants. A graduate of Dalhousie University with a B.Sc. (Hon.) degree in Earth Sciences, Craig has in excess of 20 years of oil and gas-related experience.

Prior to joining the ASC in 2013, Craig worked in the acquisition and divestiture group at a Calgary-based energy investment bank, in energy equity research at a major Canadian bank and at a Calgary-based engineering firm, where he conducted domestic and international evaluations and audits of oil and gas reserves and resources other than reserves.

Craig was a member of the Canadian Securities Administrator's committee responsible for the 2015 amendments to the regulatory standard National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Perspectives on Oil and Gas Securities Regulation in Canada

Perspectives on Oil and Gas Securities Regulation in Canada



Craig Burns, P.Ge.
Manager, Petroleum, Corporate Finance Division
SPEE 2017 Annual Conference
June 13, 2017

1. Introduction
2. Oil and Gas Regulatory Framework
3. Our Capital Markets
4. Oil and Gas Reviews

- Responsible for administering Alberta's securities laws
- Entrusted to foster a fair and efficient capital market and protect investors
- Encourages effective and compliant disclosure, based upon the provision of balanced, authentic, relevant and reliable information
- A member of the Canadian Securities Administrators (**CSA**)
 - Works to improve, coordinate and harmonize regulation
- The CSA's lead oil and gas (**O&G**) regulator

- Corporate Finance Division
- Focused on
 - Helping the ASC achieve its mandate
 - Ensuring the ASC remains the CSA's lead O&G regulator
- Responsibilities include
 - Review O&G disclosure from reporting issuers (**RIs**) engaged in O&G activities (**O&GA**) for compliance with securities legislation
 - Develop and maintain securities legislation and technical guidance
 - Communicate in a responsive manner with capital market participants
 - Provide expertise throughout the ASC

- Staff
 - **Craig Burns**, P.Geo., Manager, Petroleum
 - **Floyd Williams**, P.Eng., Senior Petroleum Evaluation Engineer
 - **Lynddy Garrido**, P.Eng., Petroleum Evaluation Engineer
 - **Ramsey Yuen**, P.Eng., Petroleum Evaluation Engineer
 - **Richard Bush**, C.E.T., Petroleum Analyst

1. Introduction
- 2. Oil and Gas Regulatory Framework**
3. Our Capital Markets
4. Oil and Gas Reviews

- General securities legislation, including *Securities Act* (Alberta)
- National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (**NI 51-101**)
 - General disclosure standards and specific annual disclosure requirements for RIs engaged in O&GA
 - Most recent amendments implemented July 1, 2015
 - Five related forms for filing on SEDAR¹
 - 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*² (**Form 51-101F1**)

¹System for Electronic Document Analysis and Retrieval (SEDAR.com)

²Per section 2.1 of NI 51-101, to be filed with the securities regulatory authority not later than the date required by securities legislation to file audited financial statements for the most recent financial year then ended

- 51-101F2 *Report on [Reserves Data][,] [Contingent Resources Data] [and] [Prospective Resources Data] by Independent Qualified Reserves Evaluator or Auditor*² (**Form 51-101F2**)
 - Signing represents that data have, in all material respects, been determined and are in accordance with the Canadian Oil and Gas Evaluation Handbook (**COGE Handbook**)
- 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure*² (**Form 51-101F3**)
 - Signing represents approval of
 - Content and filing of Form 51-101F1
 - Filing of Form 51-101F2
 - Content and filing of Form 51-101F3

- *51-101F4 Notice of Filing of 51-101F1 Information*
 - For RIs that file the reports required under section 2.1 of NI 51-101 in their annual information form
- *51-101F5 Notice of Ceasing to Engage in Oil and Gas Activities*
 - File within 10 days per section 6.2 of NI 51-101

- Companion Policy 51-101CP *Standards of Disclosure for Oil and Gas Activities* (**51-101CP**)
 - CSA interpretation and application of NI 51-101 and related forms
- Staff notices including
 - CSA Staff Notice 51-324 *Revised Glossary to NI 51-101*
 - CSA Staff Notice 51-327 *Revised Guidance On Oil And Gas Disclosure*
 - CSA Staff Notice 51-345 *Disclosure of Abandonment and Reclamation Costs in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities and Related Forms*
- Annual oil and gas review reports

- COGE Handbook
 - Technical standard for NI 51-101 and required to be followed
 - Maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter)
 - Amended from time to time, per section 1.1 Definitions of NI 51-101
 - Effective on publishing
 - Update underway
 - New structure and revised content
 - Fall 2017 publication goal

1. Introduction
2. Oil and Gas Regulatory Framework
- 3. Our Capital Markets**
4. Oil and Gas Reviews

- RIs engaged in O&GA represent ~20% of Canada's capital market by capitalization
- Alberta represents ~25% of the Canadian capital market by capitalization; second to Ontario
- Principally regulated RIs engaged in O&GA at March 31, 2017
 - Canada 271
 - Alberta 177 (65%)

- The number of RIs actively engaged in O&GA and principally regulated in Canada has been declining

RIs Principally Regulated by Jurisdiction

| | Start of 2016 | Start of 2017 | At March 31, 2017 |
|----------------------------|---------------|---------------|-------------------|
| All Canadian Jurisdictions | 324 | 276 | 271 |
| ASC | 222 | 183 | 177 |

- From the start of 2016 to the start of 2017
 - Net change of (39) RIs principally regulated by the ASC
 - (14) CCAA/receivership/bankruptcy
 - (10) change in industry/acquired by a company in another industry
 - (10) privatized/acquired by company not principally regulated by ASC
 - (9) acquired by a RI principally regulated by the ASC
 - 4 new RIs
 - Net change of (9) RIs principally regulated by all other jurisdictions
- The decline has been led by junior RIs

- The number of receipted prospectuses from RIs with O&GA and principally regulated by the ASC has been declining


O&G Prospectuses Received by the ASC

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 to Date |
|------------|------|------|------|------|------|------|--------------|
| Short Form | 99 | 74 | 41 | 48 | 26 | 36 | 6 |
| Long Form | 18 | 3 | 5 | 6 | 1 | 0 | 1 |
| Base Shelf | 8 | 10 | 11 | 9 | 9 | 7 | 2 |
| | 125 | 87 | 57 | 63 | 36 | 43 | 9 |

- Precipitous decline for long forms (IPO)

1. Introduction
2. Oil and Gas Regulatory Framework
3. Our Capital Markets
4. **Oil and Gas Reviews**

- Reviews are conducted to assess O&G disclosure from RIs engaged in O&GA for compliance with securities legislation
 - Advances the ASC's mandate; recall that the ASC encourages effective and compliant disclosure, based upon the provision of balanced, authentic, relevant and reliable information

- Effective and compliant disclosure can reduce delays when RIs attempt to access capital markets
 - Review outcomes
 - No action taken
 - Advisory comment(s)
 - Amended disclosure, including amended and restated annual filings
 - Issuer placed in default
 - Management cease trade order
 - Cease trade order
 - Referral to ASC Enforcement Division
- 

- Disclosure reviewed and issues raised can vary by review type
 - Screening
 - Review annual filings, including the statement of information specified in Form 51-101F1, and reports in accordance with Form 51-101F2, and Form 51-101F3
 - Continuous Disclosure
 - Review all O&G disclosure, including annual filings, management discussion and analysis, press releases, website, etc.

Oil and Gas Reviews

Review Types

- Press Release
 - Review press release and other O&G disclosure as needed
- Technical
 - Review evaluations of reserves and resources other than reserves (ROTR), and other O&G disclosure as needed
- Notice of intent to qualify to file a short form prospectus
 - Review all O&G disclosure, including annual filings, management discussion and analysis, press releases, website, etc.

- Prospectus
 - Short Form
 - Review prospectus and other O&G disclosure as needed
 - Long Form (initial public offering)
 - Review prospectus, evaluations, and other O&G disclosure as needed
 - Focus is typically on material issues in
 - Prospectuses themselves
 - Disclosure incorporated by reference into the prospectus

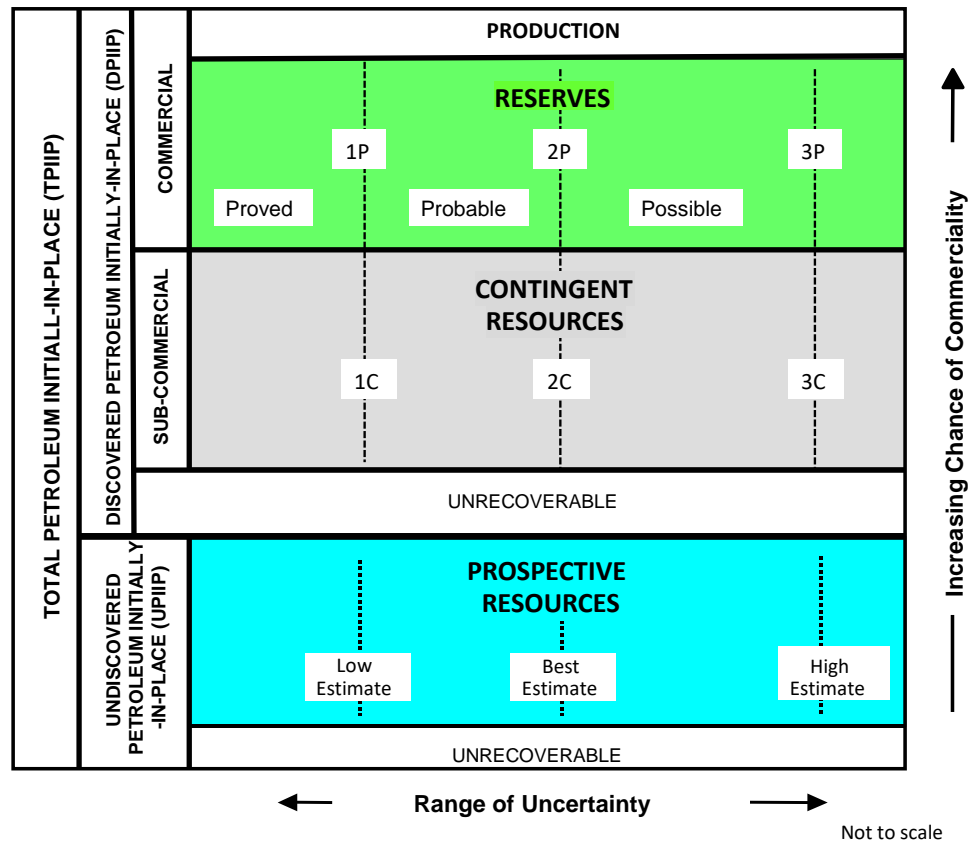
- Current concerns include
 - Inadequate understanding of legislation and guidance
 - RIs
 - Professional service providers
 - Inadequate understanding of responsibilities
 - RIs
 - Qualified reserves evaluators and auditors

- Problematic pro forma presentation of reserves, ROTR, and associated information
 - Effective dates
 - Assumptions, including
 - Price forecasts
 - Capital and operating costs
 - Development plans

- Assignment and disclosure of reserves and ROTR in absence of ownership
 - The COGE Handbook discusses ownership
 - Section 5.5.4a of volume 1 states assignment of reserves requires ownership of mineral rights or the right to exploit and produce
 - Section 5.2 of volume 2 states that evaluators should only assign reserves to lands in which the company has an interest

- Recall
 - Signing Form 51-101F2 represents that data have, in all material respects, been determined and are in accordance with the COGE Handbook
 - Signing Form 51-101F3 represents approval of
 - Content and filing of Form 51-101F1
 - Filing of Form 51-101F2 (if filed)
 - Content and filing of Form 51-101F3

- Inadequate understanding of risk and uncertainty



From section 5 of volume 1 of the COGE Handbook

Contact Information

Craig Burns, P.Geo.
Manager, Petroleum

craig.burns@asc.ca or (403) 355-9029

Floyd Williams, P.Eng.
Senior Petroleum Evaluation Engineer

floyd.williams@asc.ca or (403) 297-4145

Lynddy Garrido, P.Eng.
Petroleum Evaluation Engineer

lynddy.garrido@asc.ca or (403) 297-7954

Ramsey Yuen, P.Eng.
Petroleum Evaluation Engineer

ramsey.yuen@asc.ca or (403) 297-2414

Richard Bush, C.E.T.
Petroleum Analyst

richard.bush@asc.ca or (403) 592-3056

Email

51-101@asc.ca