

May 1, 2007

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory
Saskatchewan Financial Services Commission
Securities Commission of Newfoundland and Labrador
Securities Office, Prince Edward Island

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Subject: Proposed Amendments to NI 51-101 Standards of Disclosure for Oil and Gas Activities, 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, Form 51-101F3 Report of management and Directors on Oil and Gas Disclosure and Companion Policy 51-101CP Standards of Disclosure for Oil and Gas Activities

Mr. Stevenson and Madame Beaudoin:

The Canadian Advocacy Council of CFA Institute Canadian Societies (CAC)¹ is pleased to respond to the Request for Comments dated January 19, 2007.

General Comments

The CSA has recognized the need to create additional requirements for a reporting issuer that reports resources that cannot be currently classified as reserves. The goal of this policy initiative is to improve the disclosure of resources and to provide additional guidance to reporting issuers wishing to

¹ The CAC represents the 12 Canadian member societies of the CFA Institute constituting over 11,000 members who are active in Canada's capital markets. Members of the CAC consist of portfolio managers, investment analysts, corporate finance professionals, and other capital markets participants. The CAC's has been charged by Canada's CFA Institute member societies to review Canadian regulatory, legislative and standard setting activities.

make meaningful and understandable disclosure of their oil and gas resources.

The Canadian Advocacy Council agrees with the broad objectives and principles of this initiative, however, we disagree with the removal of certain disclosure that is currently required within NI 51-101 for the Disclosure of Resources (Section 5.9, formerly Disclosure Concerning Prospects). Our comments in regards to this are outlined in the Specific Comments section below.

The CSA has also proposed to remove: 1) the requirement to report reserves and the related future net revenue using constant prices and cost, 2) the requirement to reconcile future net revenue, and 3) the requirement to do a reserves reconciliation using net reserves to doing the reserves reconciliation using gross reserves.

The Canadian Advocacy Council agrees with this proposal. The use of constant pricing and costs set as the effective date of reserve evaluation can create a misleading representation of economic value. This is particularly relevant for heavy oil and bitumen that tend to be priced significantly below full year averages at year-end. We note that one potential issue this may create is comparability between Canadian companies using different forecast prices and costs and also comparability to US peers that are required to use constant prices and costs as per SEC regulations.

The requirement to reconcile future net revenue and the requirement to do a reserves reconciliation using net reserves does not provide significant additional material information.

Specific Comments

NI 51-101: Section 5.9, Disclosure of Resources (formerly Disclosure Concerning Prospects)

The Canadian Advocacy Council does not support the removal of 5.9 (1) c):

"in the case of undeveloped property in which the reporting issuer holds a leasehold interest, the expiry date of that interest."

The disclosure of this information can have a material impact on valuation in certain instances and does not pose significant additional costs.

The Canadian Advocacy Council recommends amending 5.9 (1) l) **from:**

"reasonably expected marketing and transportation arrangements"

to

"whether infrastructure currently exists in the region to transport the resource."

This amendment is less onerous than the current requirement but will provide investors with material information in the evaluation of assets.

NI 51-101: Section 3.2, Reporting Issuer to Appoint Independent Qualified Reserves Evaluator or Auditor and Section 3.4 Certain Responsibilities of Board of Directors

The CSA has posed the question: "Would there be a material enhancement to investor protection if the rule required the board to appoint the independent reserves evaluator or auditor in addition to the existing appointment review requirement?"

The Canadian Advocacy Council does not believe there would be a material enhancement to investor protection by requiring the board to make these appointments. The current requirement of the board to review the appointment is adequate.

Additionally to ensure greater independence, the Board rather than the company management, should appoint the independent evaluator given that reserves represent significant assets for companies in the extractive industry. We think this appointment should be integrated with the overall audit of the financial statements.

Summary

We hope the CSA will take our comments into consideration and review the proposal for NI 51-101.

We thank you for the opportunity to provide the foregoing comments, we welcome any questions you may have and we appreciate the time you are taking to consider our point of view. Please feel welcome to contact us at chair@cfaadvocacy.ca.

Regards,

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