

**ALBERTA SECURITIES COMMISSION  
STAFF NOTICE 51-702**

**ESTABLISHING RESERVES ESTIMATES  
IN OIL AND GAS ACCUMULATIONS**

**National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities***

**May 29, 2013**

The certainty levels associated with the estimation and classification of oil and gas reserves and resources are fundamental to the standards in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (COGEH).

COGEH Vol. 1, Section 5.4.1 provides the following criteria for estimating “reserves”:

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- analysis of drilling, geological, geophysical, and engineering data ;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. (*Emphasis added*)

Established technology is defined in Appendix A to COGEH Vol. 1 as “methods that have been proven to be successful in commercial applications.”

COGEH Vol. 1, Sec. 5.3.3 includes the following stipulation:

To be classified as reserves, estimated recoverable quantities must be associated with a project(s) that has demonstrated commercial viability. Under the fiscal conditions applied in the estimation of reserves, the chance of commerciality is effectively 100 percent. (*Emphasis added*)

Based on a plain and ordinary reading of COGEH, reserves can only be booked where there is *established technology* and *demonstrated commercial viability*. Optimising the recovery process and characterising the reservoir using an experimental scheme would be technology under development and would not meet the requirement for established technology.

Staff believe it is inappropriate to book reserves to oil and gas accumulations for which there is not

- an analogy in recovery process or reservoir characteristics, or
- a commercial application and an actual demonstration of commercial viability in the subject reservoir.

Persons or companies that are subject to NI 51-101 and COGEH risk regulatory action by the ASC if such reserves estimates do not comply with NI 51-101 and COGEH. In addition, private companies which make representations that their reserves estimates are made in accordance with NI 51-101 and COGEH risk regulatory action by the ASC if such reserves estimates do not, in fact, comply with NI 51-101 and COGEH.

### **Questions**

Please refer any questions you may have regarding this notice to the following people:

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