

Report of Specifications Task Force
Stakeholder Requirements for Specifications
Application: Financial Needs

**Prepared for First Session, Expert
Group on Resource Classification**

**Presented by Dave Elliott on behalf of
Financial Needs Studies
Working Group
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FINANCIAL NEEDS: SECTORS

- SECURITIES
 - REGULATORS: Disclosure of risks and uncertainties
 - SEC, CSA, Not identical
 - EXCHANGES
 - Listing requirements, ongoing disclosure
- ANALYSTS
 - BANKS: Ability to service debt
 - EQUITY: Comparison to peers at a point in time
 - SEC approach
 - BONDS: Risk of default

FINANCIAL NEEDS: SECTORS

- UNDERWRITERS
 - Due diligence certification
- CONTRACTS
 - Gas purchase contracts
 - Oil ?
- ACCOUNTING
 - Extractive Industries IFRS
 - To serve accounting, not other users

FINANCIAL NEEDS COMMENTS

- SOME INDIVIDUAL
- SOME REPRESENTING A GROUP
- ASC OIL & GAS SECURITIES TASK FORCE 1998 - 2001

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- 27 MEMBERS FROM ACROSS THE UPSTREAM INDUSTRY
 - Evaluators, Producers, Financial analysts, Accountants, Lawyers, etc.
- EXTENSIVE REVIEW OF FINANCIAL INFORMATION NEEDS
- DETAILED REPORT LED TO CURRENT CANADIAN OIL AND GAS DISCLOSURE LEGISLATION

COMMON THEMES

- EVALUATIONS THAT ARE:
 - COMPREHENSIVE
 - CONSISTENT
 - COHERENT
 - WITH MINIMAL AMBIGUITY
 - UNBIASED
 - WITH DOCUMENTED ASSUMPTIONS

OTHER COMMENTS

- NEED FOR QUALIFIED EVALUATOR
- MANAGEMENT RESPONSIBILITY FOR ESTIMATES
- AUDITABILITY
- AGGREGATION ISSUES
- SEPARATION BY PRODUCT TYPES
- OWNERSHIP
- SEPARATION OF MINED AND WELLBORE HYDROCARBONS

PRMS

- ADEQUATE FOR BUSINESS PURPOSES
- NOT ADEQUATE FOR:
 - FINANCIAL PURPOSES (SEC, CSA)
 - RESOURCE STUDIES
 - GOVERNMENT RESOURCE MANAGEMENT
- **COGEH** MORE DEVELOPED, BUT:
 - SIMILAR LIMITATIONS
- NEW ISSUES (E.g., Shale gas) NEED ATTENTION

WHAT IS REQUIRED?

- SPECIFICATIONS
 - REFERENCE POINT
 - EFFECTIVE DATE
- GUIDELINES
 - DETAIL TO PROMOTE CONSISTENCY
 - NEW RESOURCE GUIDANCE
- GOVERNANCE PROCESS
- DISCLOSURE OF ASSUMPTIONS
- DISCLOSURE OF STANDARDS USED