

ASC clarifies expectations relating to production disclosure by oil and gas issuers

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In its annual [Oil and Gas Review](#) [PDF] published on December 23, 2019, the Alberta Securities Commission (ASC) highlighted concerns related to production disclosure by reporting issuers engaged in oil and gas activities. As our clients head into annual disclosure season, we have summarized certain key guidance points relevant to oil and gas reporting issuers currently readying their continuous disclosure filings, news releases and investor presentations.

Disclosure is required by each product type produced

The ASC reminded reporting issuers that, in order to comply with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, production disclosure must include production based on product type produced, as measured at the first point of sale (i.e., the first point after initial production at which there is a transfer of ownership). If reporting issuers disclose an aggregate production amount using boe/day or a production amount for a by-product (or hydrocarbon component), such as condensate, they will also need to disclose the constituent or related product types that were produced.

This clarification is noteworthy as it rejects the relatively common practice among oil and gas reporting issuers of disclosing an aggregate production amount using boe/day without including the constituent product types produced, and of disclosing by-product or other fluids production (for example, condensate production) without also disclosing the product types produced.

To comply with the ASC's expectations, reporting issuers should ensure that any production disclosure includes each product type and quantity measured at the first point of sale. Product types include conventional natural gas, light crude oil and medium crude oil combined, bitumen, natural gas liquids and shale gas. So, in the case of condensates, it is necessary to also disclose natural gas liquids with which they are associated. Once this "minimum disclosure requirement" is met, reporting issuers can disclose as supplemental disclosure associated by-products and hydrocarbon components at the first point of sale, as well as estimated quantities of product types, by-products and hydrocarbon components expected to be recovered beyond the first point of sale. Accordingly, issuers may not need to significantly change how they are currently disclosing production amounts, so long as the disclosure is expansive enough to include production amounts using product types.

While some reporting issuers may object to the perceived low value of breaking out the overall composition of production by all product types, the ASC cautions that reporting issuers must ensure that disclosure is not misleading where certain product types are excluded – for example, where there are marketable quantities of a particular product type at

the first point of sale, even if that product type is of lower value.

Other areas of improvement:

In the Oil and Gas Review, the ASC also noted the following additional concerns relating to production disclosure:

- quantities measured elsewhere than the first point of sale
- disclosure of product type ratios (for example, by percentages) rather than by quantity of each product type – the quantities of production should be disclosed in the same document in which those ratios are disclosed