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September 8, 2008

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-15-08 – Modernization of the Oil and Gas Reporting Requirements

Dear Ms. Morris:

Petro-Canada is pleased to provide comments on the "Modernization of the Oil and Gas Reporting Requirements".

Petro-Canada is one of Canada's largest oil and gas companies. As an integrated oil and gas company, Petro-Canada has a portfolio of businesses spanning both the upstream and downstream sectors of the industry. In the upstream businesses, the Company explores for, develops, produces and markets crude oil, natural gas liquids (NGL) and natural gas in Canada and internationally. The Downstream business refines crude oil and other feedstock, and markets and distributes petroleum products and related goods and services, primarily in Canada.

Petro-Canada's common shares are listed for trading on both the New York Stock Exchange and the Toronto Stock Exchange. Petro-Canada files a Form 40-F with the Securities and Exchange Commission.

We commend the Commission on addressing this issue. We believe that this proposal will substantially improve the reporting of oil and gas activities by helping to clarify reserves disclosures so investors can better evaluate and compare the value of oil and gas companies.

We believe that this proposal addresses and improves upon many of the areas previously identified in the Concept Release. However, the proposal also increases the amount of disclosure required, which we do not feel is necessary or warranted. We have attached our detailed comments to the various questions raised in this proposal (listed by heading and page number in the proposal).

Areas Supported by Petro-Canada

In summary, the areas that Petro-Canada supports in the proposed reporting requirements are as follows:

Use of 12 –month Average Price

The producibility of a company's oil and gas reserves should be based on a 12-month historical average price. This removes "point in time" variability, reduces the extent of year-over-year changes, and avoids seasonal price distortions while preserving "comparability" between issuers.

Inclusion of Bitumen and Other Non-Traditional Resources

The inclusion of bitumen and other resources from continuous accumulations as a part of oil and gas producing activities is consistent with company practice to treat these operations as part of, rather than separate from, the traditional oil and gas producing activities. The investment community also views hydrocarbons produced from such resources as an integral part of the upstream oil and gas production business.

Consistency with Society of Petroleum Engineers' Petroleum Resources Management System (SPE PRMS) and Canadian Securities Administrators' National Instrument 51-101 Standards of Disclosure for Oil & Gas Activities (CSA NI 51-101): Revised Definition of Proved Undeveloped/Use of New Technology/Definitions of Reserves

The rule proposal definitions and use of reliable technology closely align and are consistent with both the SPE PRMS and CSA NI 51-101. This will assist in the acceptance, understanding and implementation of the new rules. Being mostly principle-based in nature, the proposal allows reserves to be estimated using the latest, most reliable technology based on science and experience versus arbitrary rules.

Optional Disclosure of Unproved Reserves – "Probable and Possible"

Although our preference was to mandate minimum disclosure of proved + probable reserves, we fully support this proposal. Providing companies with the option for additional disclosure would allow investors a more complete understanding of a company's overall strategy. We encourage the SEC to consider expanding this optional disclosure to include resources. This would ensure that all disclosure (whether formal or supplemental information – eg. press releases) uses common definitions and all estimates are made by qualified reserves personnel.

No Third Party Reserve Reporting Required

We believe that this should be optional as per the proposal. Qualified internal professional staff are those most familiar with the company's reserve assets and are in a better position to determine the most appropriate technology/interpretation techniques to estimate reserves. If third party reserve reporting was mandated, our concern would be that there would not be enough qualified external personnel to satisfy the industry's needs for the foreseeable future because of labour market supply constraints.

Areas to be Improved – Suggestions by Petro-Canada

In summary, the areas within the proposal that Petro-Canada believes would benefit (provide greater clarity to the investor) from some modification are as follows:

Increased Disclosure Requirements with respect to PUDs and New Technology

The increased disclosure requirements put forth in the proposal appear to be aimed at reducing the potential for misunderstanding and abuse given that the proposal appears to be more principles-based in nature. We believe that the intent of the year-end disclosure is to report a company's reserves and provide the investment community with confidence that these reserves have been determined in compliance with the SEC rules. Given this, we believe that this increased disclosure is not necessary as:

- The internal reserve evaluation staff will be required to have certain minimum educational and reserve related experience (see comments on minimum staff requirements)

- The intent of the formal disclosure is to report reserves, not to report on the detailed reserve studies upon which the reserves were estimated; these will and should be kept in the company's supporting reserve documentation.

- Under the Sarbanes-Oxley Act of 2002, one of a company's duties is to provide a Management Assessment of Internal Controls for Financial Statements which includes the reserve process. This should ensure that reserve processes are in place to provide full, fair, accurate, timely, and understandable reserve disclosure as per the SEC proposed Oil and Gas Reserve definitions including Proved Undeveloped (PUDs) Reserves and the use of new technology.

Separate Reporting of Conventional and Continuous Accumulations

Petro-Canada feels that separate disclosure is not necessary as it will likely be of limited value to investors and may not be possible given that some accumulations of reserves are a mixture of conventional and continuous and are difficult to classify as one specific type. (Examples: commingled coal bed methane (CBM) and conventional gas sands, commingled shale gas and conventional gas sands, etc). Our preference is to disclose reserves according to the final product of oil and gas activities (ie. oil, gas, bitumen, etc).

Use of 12-Month Average Price/Time Period for Calculating 12-Month Average Price

Although we strongly support the use of 12-month average price, we recommend that it be calculated using the average monthly price based on all trading days in a month for the 12-month period versus using the last day of the month as proposed. The price often does fluctuate significantly within a month. Although using the last day of the month calculation methodology is better than the last day of the year, it still ignores daily price fluctuations within a month and will not represent the actual historical average annual price.

We recommend that the SEC use an annual average price for the 12-month period ending at the end of the previous reporting quarter, to be applied to the resources held at the reporting entity's year end. This additional time would improve investors' confidence in the accuracy of the reporting given the significant amount of time required to complete the reserves evaluation process and disclosure of year-end results, all while still preserving the concept of comparability between companies.

Prices used for Accounting Purposes

We strongly recommend that the SEC work with the FASB to ensure that the prices used for SEC reserves and those used for accounting purposes are the same. Anything else will likely amount to dual reporting as companies will have to maintain two sets of reserves (SEC reserves and reserves for accounting purposes), as well as having the strong potential to create confusion for investors . This appears to be inconsistent with the goal of having an effective and transparent reporting model.

Increased Geographic Specificity

We recommend that the proposed rules not be revised to mandate disclosure of greater specificity of oil and gas reserves by "geographic area" as this has the very real potential for creating competitive disadvantage(s) (such as effects on transactions of material assets) for companies. As well, disclosure at this level may be prohibited by laws in other countries.

Companies can best decide the appropriate segmentation for each disclosure item, based on their knowledge of the business and assessment of the data distribution for each disclosure category. If necessary, a company could discuss this in other areas of its disclosure if it is heavily dependent on a particular field or basin.

Preparation of Reserves Estimates or Reserves Audits

The proposal requires disclosures about the objectivity and qualifications of the personnel primarily responsible for each company's reserve estimates. We agree that the establishment of minimum qualifications helps ensure that reserves are calculated based on accepted engineering and evaluation principles. However, some international staff do not have access to licensing bodies. For these individuals, we recommend that they meet the minimum qualification requirements listed in the proposed rule change regarding educational requirements, practical experience in petroleum engineering or petroleum production geology, and experience in estimating and evaluation of reserves.

We do believe, however, the reserve evaluators do not necessarily have to be assigned to an internal-audit group. In fact, the reserve evaluators within the operating groups will be most familiar with the assets and in the best position to utilize professional judgement with respect to the appropriate technologies utilized determining the reserve estimates.

Additionally, the technical person primarily responsible for managing the company's reserve estimates should have the necessary qualifications as proposed, be accountable to senior level management or the board of directors (though not necessarily belong to an internal audit group), and be granted complete and unrestricted freedom to the report.

We recommend disclosing that these requirements, as stated above, have been met, as well as disclosing the company's overall reserve process to provide investors with the confidence that the reserve estimates have been prepared by qualified staff in compliance with the SEC's proposed rules. We do not recommend disclosing the detailed qualifications of all the individuals preparing the estimates other than those for the technical person primarily responsible for managing the company's reserve estimates.

Additional detailed comments are provided in the attachment to the various questions posed in the Modernization of the Oil and Gas Reporting Requirements.

Petro-Canada appreciates the SEC's efforts to revise the current disclosure rules and believes that this effort will result in a significant benefit to both investors and filers by providing more efficient and transparent disclosures. We hope that you will consider our suggestions for improvements as we believe that they will further improve this proposal.

Should you have any questions or concerns with respect to these submissions, please do not hesitate to contact Hugh L. Hooker, Corporate Secretary of Petro-Canada, at (403) 296-7778, or at hhooker@petro-canada.ca.

Yours sincerely,

PETRO-CANADA

"Ken Kerwin"

Ken Kerwin
Manager, Reservoir Engineering

Petro-Canada's Specific Comments

"MODERNIZATION OF THE OIL AND GAS REPORTING REQUIREMENTS

AGENCY: Securities and Exchange Commission."

B. Year-End Pricing

1. 12-month average price

Request for Comment (page 17)

Should the economic producibility of a company's oil and gas reserves be based on a 12-month historical average price? Should we consider an historical average price over a shorter period of time, such as three, six, or nine months? Should we consider a longer period of time, such as two years? If so, why?

The producibility of a company's oil and gas reserves should be based on a 12-month historical average price. This removes "point in time" variability, reduces the extent of year-over-year changes, and avoids seasonal price distortions while preserving "comparability" between issuers. Any shorter period will not be as effective in reducing or eliminating seasonal price distortions.

Should we require a different pricing method? Should we require the use of futures prices instead of historical prices? Is there enough information on futures prices and appropriate differentials for all products in all geographic areas to provide sufficient reporting consistency and comparability?

No. The use of a historical 12-month average price approach maintains the comparability of disclosures between companies and eliminates or reduces the effect of seasonal pricing volatility currently created by the use of a single "last day of year" price.

Should the average price be calculated based on the prices on the last day of each month during the 12-month period, as proposed? Is there another method to calculate the price that would be more representative of the 12-month average, such as prices on the first day of each month? Why would such a method be preferable?

The average price should be calculated using the average monthly price based on all trading days in each month for the 12-month period versus using the last day of the month as proposed.

This data is readily available and would reflect the actual historical 12-month average price, as opposed to approximating the historical average price by limiting the calculation to the last day of each month.

The price can and does fluctuate within a month. Although using the last day of the month calculation methodology is better than the last day of the year, it is still unable to accurately reflect the daily price fluctuations within a month and will not represent the actual historical average annual price.

Should we require, rather than merely permit, disclosure based on several different pricing methods? If so, which different methods should we require?

No. Additional disclosure of price sensitivities (different pricing methods) should be optional.

Should we require a different price, or supplemental disclosure, if circumstances indicate a consistent trend in prices, such as if prices at year-end are materially above or below the average price for that year? If so, should we specify the particular circumstances that would trigger such disclosure, such as a 10%, 20%, or 30% differential between the average price and the year-end price? If so, what circumstances should we specify?

Given our responses to the questions above, no additional or supplemental disclose should be mandated. Additional disclosure should remain optional.

2. Trailing year-end

Request for Comment (page 19)

Should the price used to determine the economic producibility of oil and gas reserves be based on a time period other than the fiscal year, as some commenters have suggested? If so, how would such pricing be useful? Would the use of a pricing period other than the fiscal year be misleading to investors?

Petro-Canada recommends that the SEC use an annual average price for the 12-month period ending at the close of the previous reporting quarter, to be applied to the resources held at the reporting entity's year end. This additional time would improve investors' confidence in the accuracy of the reporting given the significant amount of time required to complete the reserves evaluation process and disclosure of year-end results, all while still preserving the concept of comparability between companies.

Adopting this time lag for price determination would not be misleading to investors as the calculation of the average annual price would be clearly stated.

Is a lag time between the close of the pricing period and the end of the company's fiscal year necessary? If so, should the pricing period close one month, two months, three months, or more before the end of the fiscal year? Explain why a particular lag time is preferable or necessary. Do accelerated filing deadlines for the periodic reports of larger companies justify using a pricing period ending before the fiscal year end?

Although Petro-Canada is recommending a three-month lag time as optimal, a two-month lag time should be considered the minimum time necessary to provide the most accurate reports; thereby allowing sufficient time to review and recheck results with the ultimate goal of minimizing or eliminating any unintentional errors.

Given the accelerated filing deadlines of periodic reports for larger companies, the potential benefits (of increasing investors' confidence in the accuracy of reports by providing additional time to review / recheck results) would more than offset any potential investor misunderstanding by using something other than the fiscal year to calculate the 12-month average price (the calculation of the average annual price should be clearly stated).

A time lag of either two or three months would provide a representative annual price with adequate time to complete the quality technical reserves assessment work and would align with quarterly reporting. Reserves evaluators would have a pricing assumption in advance, no recycle would be necessary, and the quality of reserves disclosures would improve.

3. Prices used for accounting purposes

Request for Comment (page 21)

Petro-Canada follows the successful efforts method of accounting, and some of the questions raised pertain to the full-cost method of accounting, which are outside our area of expertise. Thus, we have chosen not to respond to those questions addressing the full-cost method of accounting.

Should we require companies to use the same prices for accounting purposes as for disclosure outside of the financial statements?

Yes. The primary objectives of the proposed revisions are to improve the clarity and comparability of oil and gas reserves disclosures.

The definition of "proved reserves" has a direct impact on amounts related to oil and gas activities in the financial statements - capitalization, asset classification and depletion accounting measures all depend on a company's proved reserves performance .

Accounting definitions and disclosure definitions should be consistent – disclosures should add value to financials and should be a reflection of the company's financial statements.

Different definitions for the same term will likely result in misunderstandings and different interpretations.

To calculate and disclose reserve tables differently from what the accounting measures use could be misleading and will likely cause confusion amongst investors.

As far as the successful efforts method of accounting is concerned, SFAS 19, paragraph 215 highlights the importance of having consistency in reserves definitions, as stated:

"The Board believes that conformity of the reserve definitions used in filings with the SEC…and in financial statements prepared in conformity with generally accepted accounting principles is desirable".

Is there a basis to continue to treat companies using the full cost accounting method differently from companies using the successful efforts accounting method? For example, should we require, or allow, a company using the successful efforts accounting method to use an average price but require companies using the full cost accounting method to use a single-day, year-end price?

Petro-Canada has chosen not to comment on the full-cost accounting method.

Companies following the successful efforts method of accounting follow SFAS 19, which uses the SEC definition of proved reserves in ASR No. 257 (and its subsequent revisions).

From our interpretation, it appears that the SEC and SFAS 19 definition of "proved reserves" will be consistent in that they will both use the average price if the SEC proposals are adopted (assuming that "subsequent revisions" to ASR No. 257 as stated in SFAS 19 will include the proposed changes to the definition or proved reserves in this SEC release).

In light of this, the SEC should coordinate its efforts with the FASB to ensure that their definitions of "proved reserves" are consistent.

Should we require companies using the full cost accounting method to use a single-day, year-end price to calculate the limitation on capitalized costs under that accounting method, as proposed? If such a company were to use an average price and prices are higher than the average at year end or at the time the company issues its financial statements, should that company be required to record an impairment charge?

Petro-Canada has chosen not to comment on the full-cost accounting method.

Should the disclosures required by SFAS 69 be prepared based on different prices than the disclosures required by proposed Section 1200?

No. In order to minimize the misunderstandings and potential for abuse that could occur with different definitions, every effort should be made by the SEC and the FASB to ensure consistency in their reserve definitions and pricing.

If the accounting definition of reserves does not end up being consistent with that of the SEC disclosure rules, then the result will likely be two different sets of reserves disclosures – one according to the SEC (Section 1200) and one according to the FASB (SFAS 69).

It is our hope that the SEC will coordinate its efforts with the FASB to ensure a consistent set of reserves definitions, and thus a single set of reserves disclosures so that the reserves disclosures are a direct reflection of the related accounting measures (ie. capitalization, asset classification and depletion).

If proved reserves, for purposes of disclosure outside of the financial statements, other than supplemental information provided pursuant to SFAS 69, are defined differently from reserves for purposes of determining depreciation, should we require disclosure of that *fact, including quantification of the difference, if the effect on depreciation is material?*

As stated above, for companies following the successful efforts of accounting under SFAS 19, it appears that SEC and SFAS 19 definition of "proved reserves" will be consistent in that they will both use the average price if the SEC proposals are adopted (assuming that "subsequent revisions" to ASR No. 257 as stated in SFAS 19 will include the proposed changes to the definition or proved reserves in this SEC release).

In light of this, the SEC should coordinate its efforts with the FASB to ensure that their definitions of "proved reserves" are consistent.

However, if there end up being different 'accounting' and 'disclosure' definitions of proved reserves, the result will be two sets of reserves – one for disclosure and one for accounting.

If this is the case, we feel it would be in companies' best interests to disclose the fact that the reserve definitions used for accounting purposes versus those as disclosed under the SEC guidelines are different. If the result is a material effect on depreciation, then this effect should also be disclosed.

What concerns would be raised by rules that require the use of different prices for accounting and disclosure purposes? For example, is it consistent to use an average price to estimate the amount of reserves, but then apply a single-day price to calculate the ceiling test under the full cost accounting method? Would companies have sufficient time to prepare separate reserves estimates for purposes of reserves disclosure on one hand, and calculation of depreciation on the other? Would such a requirement impose an unnecessary burden on companies?

The primary concern with the use of different prices for reserve estimates for accounting versus disclosures would be the likely misunderstandings and potential for abuse that could be created.

One of the main objectives of this SEC proposal is to improve the clarity and comparability of reserve disclosures for investors. The use of different prices would likely sacrifice the amount of clarity and comparability.

Capitalization, asset classification and depletion accounting measures depend on the discovery and quantification of proved reserves, so to disclose reserve tables with values that are calculated and presented differently from what these accounting measures use will almost certainly cause confusion amongst investors.

Having two sets of reserves definitions would also create additional costs to companies as they would then have to prepare additional reserve runs based on different pricing conventions in an extremely short period of time between fiscal year-end and the applicable filing date.

Thus, in order to minimize the cost and time burden of preparing the reserve runs for companies, it would be most advantageous to have a consistent set of definitions for reserves as between the SEC and the FASB.

Will our proposed change to the definitions of proved reserves and proved developed reserves for accounting purposes have an impact on current depreciation amounts or net income and to what degree?

Yes. SFAS 19, which addresses the successful efforts method of accounting, currently uses the SEC definition of "proved reserves" with reference to ASR No. 257 (and its subsequent revisions).

Thus, it appears that SEC and SFAS 19 definition of "proved reserves" for successful efforts companies will be consistent in that they will both use the average price if the SEC proposals are adopted (assuming that "subsequent revisions" to ASR No. 257 as stated in SFAS 19 will include the proposed changes to the definition or proved reserves in this SEC release).

As a successful efforts company, Petro-Canada does not anticipate a difference in the definition of "proved reserves" as between the SEC and the FASB, provided the above holds true.

In light of this, the SEC should coordinate its efforts with the FASB to ensure that their definitions of "proved reserves" are consistent.

A definition of "proved reserves" using an average price instead of the currently used year-end price will have some impact on depreciation and net income for successful efforts companies. We cannot comment on the significance of this change as it will be a function of the differences between the average prices for the year and the prices at year end.

Petro-Canada does view the use of an average price in reserve estimates to be favourable as it will likely reduce the volatility in reserve estimates year over year.

If we change the definitions of proved reserves and proved developed reserves to use average pricing for accounting purposes, what would be the impact of that change on current depreciation amounts and on the ceiling test? Would the differences be significant?

See above comments

C. Extraction of Bitumen and Other Non-Traditional Resources

<u>Request for Comment (page 25)</u>

Should we consider the extraction of bitumen from oil sands, extraction of synthetic oil *from oil shales, and production of natural gas and synthetic oil and gas from coalbeds to be considered oil and gas producing activities, as proposed? Are there other non-traditional resources whose extraction should be considered oil and gas producing activities? If so, why?*

We are in agreement with the SEC in that the inclusion of bitumen and other resources from continuous accumulations as part of oil and gas producing activities is consistent with company practice to treat these operations as part of, rather than separate from, the traditional oil and gas producing activities. The investment community also views hydrocarbons produced from such resources as an integral part of the upstream oil and gas production business.

Most of the proposed technical and definitional changes are consistent with the Society of Petroleum Engineers' (SPE) Petroleum Resources Management System (PRMS). The SPE PRMS' focus is on the nature of what is ultimately produced rather than the recovery method that is used, thereby permitting the inclusion of hydrocarbons from shale, oil sands (tar sands), and coal.

The SPE PRMS not only considers traditional reserves/resources but has a framework for considering non-traditional resources including those that may require further processing. The SPE PRMS has stated that it "intended that the resource definitions, together with the classification system, will be appropriate for all types of petroleum accumulations regardless of their in-place characteristics, extraction method applied, or degree of processing required."

Significantly greater volumes of non-traditional resources, including mined oil sands, are entering or are expected to enter the global oil and gas markets over the coming years. Including the non-traditional resources as oil and gas activities will provide the forward visibility necessary to foresee or predict future levels of oil supply. This will remove the distortion that exists in the current reporting of oil and gas activities and improve oil and gas activity disclosure quality. Continuing ambiguity about the treatment of the current exclusions from oil and gas producing activities does not serve the interests of any stakeholder.

D. Reasonable Certainty and Proved Oil and Gas Reserves

Request for Comment (page 28)

Is the proposed definition of "reasonable certainty" as "much more likely to be achieved than not" a clear standard? Is the standard in the proposed definition appropriate? Would a different standard be more appropriate? Is the proposed 90% threshold appropriate for defining reasonable certainty when probabilistic methods are used? Should we use another percentage value? If so, what value?

The standard in the proposed definition will improve the internal consistency of the guidelines by establishing one threshold (i.e., reasonable certainty) for all categories of proved reserves. It is consistent with the SPE PRMS which was developed by a world-wide recognized professional organization and is well understood within the industry.

1. New technology

Request for Comment (page 30)

Is our proposed definition of "reliable technology" appropriate? Should we change any of its proposed criteria, such as widespread acceptance, consistency, or 90% reliability?

The proposed definition is appropriate. It is principles-based in nature and thus will be both robust and flexible in addressing future industry technology changes.

Is the open-ended type of definition of "reliable technology" that we propose appropriate? Would permitting the company to determine which technologies to use to determine their reserves estimates be subject to abuse? Do investors have the capacity to distinguish whether a particular technology is reasonable for use in a particular situation? What are the risks associated with adoption of such a definition?

Yes – the proposed definition is principles based in nature and is appropriate for determining reserves. It allows for the use of all available data that companies employ for internal investment decisions.

Permitting a company to determine which technologies to use to determine their reserve estimates would not be subject to abuse. Reserve estimates are typically based on the use of multiple technologies, data sources and interpretation methods. Qualified reserve evaluation professionals currently use their professional judgement in determining reserve estimates. These professionals would still have to use their professional judgement to estimate reserves as defined in the proposed SEC rules for Proved reserves including an evaluation of new technology as "reliable technology".

The average investor without professional training in reserve estimates would not be able to distinguish whether a particular technology is reasonable for use in a particular situation. This is no different from the current rules, in that the average investor does not have the knowledge to determine which currently accepted SEC interpretation method, data sources, etc. are applicable for a particular situation.

We see no risk associated with adoption of this definition provided the reserve estimates are done as proposed by qualified reserve evaluation professionals.

Is the proposed disclosure of the technology used to establish the appropriate level of certainty for material properties in a company's first filing with the Commission and for material additions to reserves estimates in subsequent filings appropriate? Should we require disclosure of the technology used for all properties? Should we require companies currently filing reports with the Commission to disclose the technology used to establish appropriate levels of certainty regarding their currently disclosed reserves estimates?

This additional disclosure level is not necessary and is impractical given that reserve estimates are typically based on the use of multiple technologies, data sources and interpretation methods. The disclosure document would become so complex and difficult to understand as to be of little value to the investor.

Our understanding is that the purpose of the disclosure document is not to present reserve studies with all the detailed technical assumptions and data behind the reserve estimates but rather present the reserve estimate results based on the SEC definitions. This being the case, the additional disclosure is not necessary.

2. Probabilistic methods

Request for Comment (page 32)

Are the proposed definitions of "deterministic estimate" and "probabilistic estimate" appropriate? Should we revise either of these definitions in any way? If so, how?

Are the statements regarding the use of deterministic and probabilistic estimates in the proposed definition of "reasonable certainty" appropriate? Should we change them in any way? If so, how?

Should an oil and gas company have the choice of using deterministic or probabilistic methods for reserves estimation, or should we require one method? If we were to require a single method, which one should it be? Why? Would there be greater comparability between companies if only one method was used?

Should we require companies to disclose whether they use deterministic or probabilistic methods for their reserves estimates?

The proposed definitions and statements regarding the use of deterministic and probabilistic estimates are appropriate.

Oil and gas companies should have the choice of using deterministic or probabilistic methods for reserves estimation. This is consistent with both the SPE PRMS and the Canadian Securities Administrators' National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (CSA "NI 51-101").

Companies should not be required to disclose whether they use deterministic or probabilistic estimates as many companies will utilize both estimates and the final estimate could be based on either method depending on the property (judgement of the professional reserve evaluators). Our understanding of the purpose of the disclosure document is that it is not intended to present reserve studies with all the detailed technical assumptions (including the decision on deterministic versus probabilistic) and data behind the reserve estimates, but rather to present the reserve estimate results based on the SEC guidance.

3. Other revisions related to proved oil and gas reserves

<u>Request for Comment (page 34)</u>

Should we permit the use of technologies that do not provide direct information on fluid contacts to establish reservoir fluid contacts, provided that they meet the definition of "reliable technology," as proposed?

Yes. See our comments regarding 'reliable technology' above.

Should there be other requirements to establish that reserves are proved? For example, for a project to be reasonably certain of implementation, is it necessary for the issuer to demonstrate either that it will be able to finance the project from internal cash flow or that it has secured external financing?

Our preference would be to adopt the SPE PRMS definition of commerciality for the various reserve categories.

E. Unproved Reserves—"Probable Reserves" and "Possible Reserves"

<u>Request for Comment (page 37)</u>

Should we permit a company to disclose its probable or possible reserves, as proposed? If so, why?

Should we require, rather than permit, disclosure of probable or possible reserves? If so why?

Should we adopt the proposed definitions of probable reserves and possible reserves? Should we make any revisions to those proposed definitions? If so, how should we revise them?

Are the proposed 50% and 10% probability thresholds appropriate for estimating probable and possible reserves quantities when a company uses probabilistic methods? Should probable reserves have a 60% or 70% probability threshold? Should possible reserves have a 15% or 20% probability threshold? If not, how should we modify them?

Petro-Canada's preference would be to mandate the disclosure of proved and probable reserve reserves categories with optional disclosure of other reserves categories. Providing the option for additional disclosure would allow investors a more complete understanding of a company's overall strategy.

We are in favour of adopting the proposed definitions as they are consistent with both the SPE PRMS and the CSA NI 51-101 definitions. We would recommend against other probability thresholds as they are less aligned with the SPE PRMS and CSA NI 51-101.

We also encourage the SEC to extend the optional disclosure to resources. This would ensure that all disclosure (whether supplemental information – eg. press releases – or formal) uses the same definitions and that all estimates are made by qualified reserve evaluators. This would greatly enhance comparability between companies.

F. Definition of "Proved Developed Oil and Gas Reserves"

Request for Comment (page 38)

Should we revise the definition of proved developed oil and gas reserves, as proposed? Should we make any other revisions to that definition? If so, how should we revise it?

The SEC should revise the definition as proposed as this would be consistent with both SPE PRMS and CSA NI 51-101.

G. Definition of "Proved Undeveloped Reserves" ("PUDs")

1. Proposed replacement of certainty threshold

Request for Comment (page 40)

Are the proposed revisions appropriate? Would the proposed expansion of the PUDs definition create potential for abuses?

Should we replace the current "certainty" threshold for reserves in drilling units beyond immediately adjacent drilling units with a "reasonable certainty" threshold as proposed?

Is it appropriate to prohibit a company from assigning proved status to undrilled locations if the locations are not scheduled to be drilled more than five years, absent unusual circumstances, as proposed? Should the proposed time period be shorter or longer than five years? Should it be three years? Should it be longer, such as seven or ten years?

Should the proposed definition specify the types of unusual circumstances that would justify a development schedule longer than five years for reserves that are classified as proved undeveloped reserves?

The proposed revisions are appropriate and offer significant improvements as they are closely aligned with the SPE PRMS and the CSA NI 51-101. The proposed revisions will encourage more technical and logical results instead of imposing an arbitrary rule of a one spacing unit offset. This will reduce the potential for abuse as the reserve booking judgement will be based on scientific analysis instead of an arbitrary one spacing unit rule.

These revisions will improve the internal consistency of the guidelines by establishing one threshold (i.e. reasonable certainty) for all categories of proved reserves.

It is not appropriate to prohibit a company from assigning proved status to undrilled locations if not scheduled to be drilled more than 5 years. Although the SPE PRMS also recommends the 5 year limit for PUDs, we believe that this should be a more principle based rule – the principle being the company's commitment or intent to develop these PUDs. In many cases 5 years is more than sufficient and in other cases (such as major offshore or oil sands projects) development may occur over a period of 10 years or more and 5 years is too short a limit.

Petro-Canada recommends that the SEC adopt a more principle based rule for the timing of recognizing PUDs. The professional reserve evaluator staff would include this as part of their overall evaluation of PUD reserves and include the company's documentation of reserve evaluation studies.

2. Proposed definitions for continuous and conventional accumulations

<u>Request for Comment (page 42)</u>

Should we provide separate definitions of conventional and continuous accumulations, as proposed? Would separate disclosure of these accumulations be helpful to investors?

Should we revise our proposed definition of "continuous accumulations" in any way? For example, should the proposed definition provide examples of such accumulations? If so, how should we revise it?

Should we revise our proposed definition of "conventional accumulations" in any way? If so, how should we revise it?

Providing the separate definitions of conventional and continuous as proposed (ie. consistent with the SPE PRMS) would be beneficial to investors when there is disclosure or information regarding the development of these accumulations. However, separate disclosure is not necessary as it will likely be of limited value to investors and may not even be possible given that some accumulations or reserves are a mixture of conventional and continuous and are difficult to classify as one specific type. (Examples: commingled CBM & conventional gas sands, commingled shale gas and conventional gas sands, etc). Our preference is to disclose reserves according to the end-product (oil, gas, bitumen, etc).

3. Proposed treatment of improved recovery projects
<u>Request for Comment (page 43)</u>

Should we expand the definition of proved undeveloped reserves to permit the use of *techniques that have been proven effective by actual production from projects in an analogous reservoir in the same geologic formation in the immediate area or by other evidence using reliable technology that establishes reasonable certainty?*

Yes. See our discussion on "reliable technology"

H. Proposed Definition of Reserves

Request for Comment (page 44)

Is the proposed definition of "reserves" appropriate? Should we change it in any way? If so, how?

The proposed definition is appropriate as it is aligned with the SPE PRMS.

I. Other Proposed Definitions and Reorganization of Definitions

Request for Comment (page 45)

Are these additional proposed definitions appropriate? Should we revise them in any way?

Are there other terms that we have used in the proposal that need to be defined? If so, which terms and how should we define them?

Should we alphabetize the definitions, as proposed? Would any undue confusion result from the re-ordering of existing definitions?

These additional proposed definitions are appropriate as they are aligned with the SPE PRMS and the CSA NI 51-101.

III. Proposed Amendments to Codify the Oil and Gas Disclosure Requirements in Regulation S-K

A. Proposed Revisions to Items 102, 801, and 802 of Regulation S-K

Request for Comment (page 48)

Is the proposed amendment to Instruction 3, limiting it to extractive activities other than oil and gas activities, appropriate? Should we simply call them mining activities?

Are there any other aspects of Item 102 that we should revise? If so, what are they and how should they be revised?

We have no comment in response to this item.

B. Proposed New Subpart 1200 to Regulation S-K Codifying Industry Guide 2 Regarding Disclosures by Companies Engaged in Oil and Gas Producing Activities

1. **Overview**
2. **Proposed Item 1201 (General instructions to oil and gas industry-specific disclosures)**

Request for Comment (page 50)

Are the proposed general instructions to Subpart 1200 clear and appropriate? Are there any other general instructions that we should include in this proposed Item?

For disclosure items requiring tabulated information, should we require companies to adhere to a specified tabular format, instead of permitting companies to reorganize, supplement, or combine the tables?

In particular, should we permit a company to disclose reserves estimates from conventional accumulations in the same table as it discloses its reserves estimates from continuous accumulations?

Companies should be permitted to reorganize, supplement, or combine the tables as there may be instances when this would allow them to better represent their strategy with the ultimate goal of providing more clarity to investors.

We have recommended that there be no separate disclosure of conventional versus continuous. However, if this recommendation is not accepted then we recommend that companies be allowed (optional) to disclose reserve estimates from conventional and continuous accumulations in the same table.

3. Proposed Item 1202 (Disclosure of reserves)

i. Oil and gas reserves tables

Request for Comment (page 56)

Should we permit companies to disclose their probable reserves or possible reserves? Is the probable reserves category, the possibly reserves category (or both categories) too uncertain to be included as disclosure in a company's public filing? Should we only *permit disclosure of probably reserves? What are the advantages and disadvantages of permitting disclosure of probably and possible reserves, from the perspective of both an oil and gas company and an investor in an oil and gas company that chooses to provide such disclosure? Would investors be concerned by such disclosure? Would they understand the risks involved with probably or possible reserves?*

As previously mentioned, we believe that the optional additional disclosure of probable or possible reserves is beneficial to both the company and the investor as it more accurately portrays the strategy of the company and provides greater insight to the investor into the decision making process of a company.

We believe that rather than being concerned, investors will understand the meaning of the various categories ("reasonably certain", "are less certain to be recovered but which in sum with the proved reserves, as likely as not to be recovered", "less certain to be recovered than probable reserves") and will welcome this change as an improved description of a company's assets.

Would the proposed disclosure requirements provide sufficient disclosure for investors to understand how companies classified their reserves? Should the proposed Item require more disclosure regarding the technologies used to establish certainty levels and assumptions made to determine the reserves estimates for each classification?

The same comment/rationale for not requiring additional disclosure regarding technologies or methodologies used to estimate proved reserves applies equally to probable and possible reserves. This additional disclosure is not required and in fact is impractical (unwieldy) given that reserve estimates are typically based on use of multiple technologies, data sources and interpretation methods. The disclosure document would become overly complex and cumbersome and the additional disclosure would prove to be of little value to the investor.

Our understanding of the purpose of the disclosure document is not to present reserve studies with all the detailed technical assumptions and data behind the reserve estimates, but rather to present the reserve estimate results based on the SEC definitions. If this is indeed the case, this additional disclosure is not necessary.

Should companies be required to provide risk factor disclosure regarding the relative uncertainty associated with the estimation of probably and possible reserves?

No. However, companies should consider including the definitions of each reserve category within the disclosure document as this would provide more clarity for the investor of the relative uncertainty associated with each category.-.

Should we allow filers to report sums of proved and probable reserves or sums of proved, probable, and possible reserves? Or, to avoid misleading investors, should we allow only disclosure of each category of reserves by itself and not in sum with others, as proposed?

We recommend that, as a minimum, filers be allowed to report the sum of proved and probable reserves. It may be somewhat misleading to the investor to report the sum of proved, probable, and possible given the probability of actually recovering this volume (i.e < 10%).

Should we require disclosure of probable or possible reserves estimates in a company's public filings if that company otherwise discloses such estimates outside of its filings?

Yes.

Should we require all reported reserves to be simple arithmetic sums of all estimates, as proposed? Alternatively, should we allow probabilistic aggregation of reserves estimated probabilistically up to the company level? If we do so, will company reserves estimated and aggregated deterministically be comparable to company reserves estimated and aggregated probabilistically?

We support the proposal that all reported reserves be simple arithmetic sums of all estimates as this preserves the comparability between the various companies and methodologies. This is also the recommended methodology in both the SPE PRMS and CSA NI 51-101.

Should we revise the proposed form and content of the table? If so, how should we revise the table's form or content?

See comments above.

Should we eliminate the current exception regarding the disclosure of estimates of resources in the context of an acquisition, merger, or consolidation if the company previously provided those estimates to a person that is offering to acquire, merge, or consolidate with the company or otherwise to acquire the company's securities? If so, would this create a significant imbalance in the disclosures being made to the possible acquirer, as opposed to the company's shareholders?

We encourage the SEC to extend the optional disclosure to include resources. This would ensure that all disclosure (whether supplemental information (eg. press releases) or formal disclosure) relies on the same definitions and all estimates are made by qualified reserve evaluators. This would significantly enhance comparability between companies. This would also address the SEC concerns regarding imbalance in the disclosure being made to the possible acquirer versus that presented to the company's shareholders. This optional disclosure would also be consistent with the CSA reporting options thereby providing better comparability between Canadian and US disclosures.

ii. Optional reserves sensitivity analysis table

<u>**Request for Comments (page 59)**</u>

Should we adopt such an optional reserves sensitivity analysis table? Would such a table be beneficial to investors? Is such a table necessary or appropriate?

Should we require a sensitivity analysis if there has been a significant decline in prices at the end of the year? If so, should we specify a certain percentage decline that would trigger such disclosure?

Should we revise the proposed form and content of the table? If so, how should we revise the table's form or content?

As noted above in this release, SFAS 69 currently uses single-day, year-end prices to estimate reserves, while the reserves estimates in the proposed tables would be based on 12-month average year-end prices. If the FASB elects not to change its SFAS 69 disclosures to be based on 12-month average year-end prices, should we require reconciliation between the proposed Item 1202 disclosures and the SFAS 69 disclosures? What other means should we adopt to promote comparability between these disclosures?

The optional table format appears satisfactory as is.

However, we strongly recommend that the SEC work with the FASB to change its SFAS 69 disclosures to be based on 12-month average year-end price so that no reconciliation should be necessary.

If the FASB chooses not to amend SFAS 69, there would be no link between Item 1202 and the underlying accounting. This is inconsistent with the goal of having an effective and transparent reporting model. Reporting reserves differently from those used for the accounting measures would only confuse the investor.

In addition, a requirement for dual reporting bases is inconsistent with the intent of paragraph 7 of SFAS 25, "Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies," which requires that the definition of reserves for the application of SFAS 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," be consistent with the definitions adopted by the SEC for its reporting purposes.

iii. Geographic specificity with respect to reserves disclosures
<u>Request for Comment (page 61)</u>

Should we provide the proposed guidance about the level of specificity required when a company discloses its oil and gas reserves by "geographic area"?

Are the proposed 15% and 10% thresholds appropriate? Should either, or both, of these percentages be different? For example, should both be 15%? Should both be 10%? Would 5% or 20% be a more appropriate threshold for either or both?

What would be the impact to investors if companies are permitted to omit disclosures based on the individual field or basin due to concerns related to competitive sensitivities? Would investors be harmed if disclosure based on the individual field or basin is omitted due to concerns related to competitive sensitivities? Is there a better way to provide disclosure that a company heavily dependent on a particular field or basin may be subject to risks related to the concentration of its reserves?

Would greater specificity cause competitive harm? Is so, how can the rules mitigate the risk of harm?

In the event that the FASB does not amend SFAS 69, should we require companies to supplement their SFAS 69 disclosure with greater geographic specificity? If the FASB does not amend SFAS 69, should we require that companies reconcile the differences between the reserves estimates shown in the SFAS 69 disclosure with the estimates presented in the proposed tables?

We recommend that the proposed rules not be revised to mandate disclosure of greater specificity of oil and gas reserves by "geographic area" as this has the very real potential for creating competitive disadvantage(s) (such as effects on transactions of material assets) for companies. As well, disclosure at this level may be prohibited by laws in other countries.

We recommend that the existing rules be left unchanged and disclosures continue to be aggregated by country or region as currently required in SFAS 69

Companies can best decide the appropriate additional segmentation for each disclosure item, based on their knowledge of the business and assessment of the data distribution for each disclosure category. If necessary, a company could choose to discuss this in other sections of their disclosure if they are heavily dependent on a particular field or basin.

iv. Separate disclosure of conventional and continuous accumulations

Request for Comment (page 62)

Should we require separate disclosure of conventional accumulations and continuous accumulations, as proposed?

Petro-Canada does not recommend separate disclosures of conventional and continuous accumulations but rather recommends disclosing the products (oil, gas, bitumen, NGLs) resulting from the oil and gas activities. We do not feel that this additional disclosure is necessary for investor understanding. In addition, some reserves cannot clearly be categorized as one specific type (conventional or continuous) but rather are a blend of the two.

The disclosure of separate conventional and continuous data is not necessary for investor understanding/information. Any company with "continuous" oil and gas activity would be expected to include an appropriate discussion of this in its other disclosure if such information is material to that company. As such, separate reserve tables for conventional and continuous data should not be required.

For some pools with approved commingling, it is difficult if not impossible to determine the percentage of reserves associated with conventional versus continuous accumulations. Examples of this would include CBM production from commingled layers of coal with layers of tight sandstone/silt, or shale gas production from commingled layers of shale and tight sandstone/siltstone. This being the case, it does not add to the investors' understanding to attempt to distinguish or assign percentages of these reserves to conventional and continuous accumulations.

Finally, one stated purpose of the SEC proposal is to shift the focus of the definition of oil and gas producing activities to the final product of such activities, regardless of the extraction technology used. We believe that reporting by final product (as well as discussion of material activity in the other disclosure) will provide the information necessary for investor understanding.

Should we permit combining of columns if the product of the oil and gas producing activity is the same, such as natural gas, regardless of whether the reserves are in conventional or continuous accumulations?

Yes – see comment above.

v. Preparation of reserves estimates or reserves audits

Request for Comments (page 67)

Should we require companies to disclose whether the person primarily responsible for preparing reserves estimates or conducting reserves audits meets the specified qualification standards, as proposed? Should we, instead, simply require companies to disclose such a person's qualifications?

Should we require disclosure regarding a person's objectivity when a company prepares its reserves estimates in-house? Should the proposed disclosures regarding objectivity be required only if a company hires a third party to prepare its reserve estimates or conduct a reserves audit, as proposed?

If a company prepares its reserves estimates in-house, should we require disclosure of any procedures that the company has taken to preserve that person's objectivity? Should we require disclosure of whether the internal person meets specified objectivity criteria? For example, should we apply the some of the same criteria that we propose to apply to third party preparers? If so, which ones?

Consistent with the SPE's auditing guidance regarding internal auditors, should we require companies to disclose whether that person (1) is assigned to an internal-audit group which is (a) accountable to senior level management or the board of directors of the company and (b) separate and independent from the operating and investment decision making process of the company and (2) is granted complete and unrestricted freedom to report, to one or more principal executives or the board of directors, any substantive or procedural irregularities of which that person becomes aware?

Should we require disclosure with other specific independence or objectivity standards and, if so, what?

Should we revise any of the proposed provisions regarding a person's objectivity or technical qualifications? Should the proposal require disclosure of other criteria that would have bearing on determining whether the person is objective or qualified?

Should a company be required to present risk factor disclosure if its reserves estimates were not prepared by a person meeting the objectivity and technical qualifications?

Because of the inherent uncertainty regarding estimates of probable and possible reserves, should we require the proposed disclosure only if a company chooses to disclose probable or possible reserves?

Should we require that a third party prepare reserves estimates or conduct a reserves audit if a company chooses to disclose probable or possible reserves estimates?

Should we require the proposed disclosure only if the company is using technologies other than those which are allowed in our current definitions to establish levels of certainty?

The proposal requires disclosures about the objectivity and qualifications of the personnel primarily responsible for each company's reserve estimates.

We agree that the establishment of minimum qualifications helps ensure that reserves are calculated based on accepted engineering and evaluation principles (though we do recognize that some international staff may not have access to licensing bodies). In cases where international staff do not have access to licensing bodies, we recommend that these staff meet the other minimum requirements listed in the proposed rule change. For example, the educational requirements and the practical experience in petroleum engineering or petroleum production geology as well as the experience in estimating and evaluation of reserves.

We do believe, however, that the reserve evaluators do not necessarily have to be assigned to an internal-audit group. In fact, the reserve evaluators within the Operating Groups will be most familiar with the assets and in the best position to utilize professional judgement with respect to the appropriate technologies used in determining the reserve estimates.

Additionally, the technical person primarily responsible for managing the company's reserve estimates should have the necessary qualifications as proposed, be accountable to senior level management or the board of directors (though not necessarily belong to an internal audit group), and be granted complete and unrestricted freedom to the report.

We recommend disclosing that these requirements have been met. In addition, we recommend disclosing the company's overall reserve process to give the investors confidence that the reserve estimates have been prepared by qualified staff in compliance with the SEC's proposed rules and that the reserve process followed would allow the reserve estimators opportunities to report any substantive or procedural irregularities.

We do not recommend disclosing the detailed qualifications of all the individuals preparing the estimates other than those for the technical person primarily responsible for managing the company's reserve estimates.

vi. Contents of third party preparer and reserves audit reports

Request for Comment (page 72)

Should we require a company to file reports from third party reserves preparers and reserves auditors containing the proposed disclosure when the company represents that a third party prepared its reserves estimates or conducted a reserves audit? As an alternative, should we not require that the third party's report be filed, but that the company must provide a description of the third party's report? If so, should we specify that the company's description of the third party's report should contain the information that we propose to require in the third party's report?

Should we specify the disclosures that need to be included in third party reports? If so, is the disclosure that we have proposed for the reserves estimate preparer's and reserves auditor's reports appropriate? Should these reports contain more or less information? If they should include more information, what other information should they include? If less, what proposed information is not necessary?

In an audit, should we specify the minimum percentage of reserves that should be examined and determined to be reasonable? If so, what should that percentage be? Should it be 50%, 75%, 90% or some other percentage? If so, why?

If the company engages multiple third parties to conduct reserves audits on different portions of its reserves, should the definition of reserves audit be conditioned on each third party evaluating at least 80% of the reserves covered by its reserves audit, as proposed? Is the scope of a reserves audit defined by geographic areas? If so, should the definition of a reserves audit be based on the third party's evaluation of 80% of the reserves located in the geographic areas covered by the reserves audit?

Would disclosure that a company has hired a third party to audit only a portion of its reserves be confusing to investors? Is there a danger that investors will not be able to ascertain the extent of the reserves audit? Should we require that a company could not disclose that it has conducted a reserves audit unless 80% of all of its reserves have been evaluated by a third party or, if the company hires multiple third parties, by all of the third parties collectively?

Is the proposed definition of "reserves audit" appropriate? Should we revise this proposed definition in any way?

We recommend that the SEC adopt the proposed alternative in that there should be no requirement that the third party's report be filed, but that the company must provide a description of the third party's report. The company's description of the third party's report should contain the information that the SEC proposes.

If a company's reserve report is determined wholly by a third party then 80% of the company's reserves should be the minimum evaluated. If the reserve report is determined by internal staff and the company's reserve process includes a quality check (assessment) of a portion of the reserve then the portion assessed (%) as well as type of assessment (review, audit, evaluation as per NI 51-101 or the PRMS definitions) should be identified.

This will serve to add value to the investors' confidence in the overall reserve estimate.

vii. Solicitation of comments on process reviews

Request for Comment (page 75)

Should we require disclosure of whether a company has conducted a process review? Notwithstanding the relative lack of rigor of a process review compared to a reserves audit, would investors find such information useful?

The proposal does not prohibit disclosure of process reviews. Is there a danger that the public may be confused by such disclosure? Should we prohibit disclosure of any type of reserves-related activity other than the preparation of the reserves estimates or a reserves audit?

We believe that this disclosure should be optional. We do not believe that this would create confusion for investors, but may in fact provide additional information that would give investors greater confidence in the reserve estimates.

4. Proposed Item 1203 (Proved undeveloped reserves)

Request for Comment (page 77)

Should we adopt the proposed table? Alternatively, should we simply require companies to reclassify their PUDs after five years?

Should the table require disclosure of other categories of changes to the status of PUDs, such as acquisitions, removals, and production? Should we add any categories?

Some of the abuse related to PUD disclosure may be related to companies' desire to show proved reserves in light of our prohibition on disclosure of probable reserves. Would the proposed rules permitting disclosure of probable reserves reduce the incentive to categorize reserves as PUDs? If so, is the proposed table necessary?

Should we require disclosure of the reasons for maintaining PUDs that have been classified as PUDs for more than five years, as proposed? If not, why not?

Should we require a company to disclose its plans to develop PUDs and to further develop proved oil and gas reserves, as proposed? If not, why not?

Should we require the company to discuss any material changes to PUDs that are disclosed in the table? If not, why not?

Although the SPE PRMS also recommends the 5 year limit for PUDs, we believe that this should be a more principle based rule – the principle being the company's commitment or intent to develop these PUDs. In many cases, 5 years is more than sufficient, but in other cases (such as major offshore or oil sands projects) development may occur over an extended period of time and 5 years is too short a limit.

Petro-Canada recommends that the SEC adopt a more principle based rule for the timing of PUDs and not require this extensive new disclosure table. We recommend that further disclosure regarding the amount of a company's PUDs, the progress that the company made during the year in converting them to proved reserves, and material changes to PUDs that occurred during the year be left to management's judgment. This would supplement the current multi-year production and proved reserves information included in existing reserves disclosures, which should be sufficient for the investment community to accurately assess a company's success in developing its resources.

We do not believe that this will lead to abuse. The professional reserve evaluation staff (whether internal or third party) would include this as part of their overall evaluation of PUD reserves and include it in the company's documentation of reserve evaluation studies.

This should also apply to all reserve categories disclosed.

5. Proposed Item 1204 (Oil and gas production)
<u>Request for Comments (page 79)</u>

Should we adopt the proposed table?

Should the disclosure be made based on the proposed definition of "geographic area," or should we continue to follow the definition set forth in SFAS 69?

Should we eliminate the instructions listed above, as proposed? If not, which instructions should we retain? Please explain why those instructions continue to be useful.

As stated elsewhere in our comments, we recommend continuing to use the definition as currently set forth in SFAS 69.

6. Proposed Item 1205 (Drilling and other exploratory and development activities)

<u>Request for Comment (page 82)</u>

Should we adopt the proposed table? Should the disclosures be made based on the definition of "geographic area" in proposed Item 1201(d)?

Should we require separate disclosure about the two new proposed categories of wells—extension wells and suspended wells? Does distinguishing these types of wells from exploratory wells and dry wells provide enough clarity regarding the types of exploratory *or development activities?*

We alternatively suggest that the current drilling disclosure requirements be left unchanged. We believe this additional increase in the granularity and complexity of well disclosures is not justified from a cost-benefit perspective, in that it does not provide useful, relevant information for financial statement users.

7. Proposed Item 1206 (Present activities)

Request for Comment (page 83)

Should the disclosure of present activities be made based on the definition of "geographic area" in proposed Item 1201(d)?

Should we adopt any other changes to the disclosures currently set forth in existing Item 7 of Industry Guide 2 that we propose to codify in Item 1206?

See our comments re: proposed Item 1201 (d) regarding "geographic areas".

8. Proposed Item 1207 (Delivery commitments)

Request for Comment (page 83)

Are the proposed revisions appropriate? Do the proposed revisions make any unintended substantive changes to the existing disclosures?

Should we adopt any substantive changes to the disclosures currently set forth in Item 8 of Industry Guide 2 that we propose to codify in Item 1207?

Is this disclosure requirement still necessary? Do oil and gas companies still enter into such delivery commitments? Are they material?

We have no comment in response to this item.

9. Proposed Item 1208 (Oil and gas properties, wells, operations, and acreage)

i. Enhanced description of properties disclosure requirement

Request for Comment (page 85)

Are the proposed disclosure enhancements regarding oil and gas properties appropriate? Would this enhanced disclosure be helpful to investors?

Should the disclosures be made based on the definition of "geographic area" in proposed Item 1201(d)?

Do we need to define any of the terms in the proposed language?

We have no comment in response to this item.

ii. Wells and acreage

<u>Request for Comment (page 86)</u>

Is the proposed table appropriate? Is there a better way to disclose such information?

Should the disclosures be made based on the definition of "geographic area" in proposed Item 1201(d)?

Is it necessary to disclose wells and acreage in conventional accumulations separate from wells and acreage in continuous accumulations, as proposed?

Is this disclosure requirement still necessary? Is disclosure of the number of wells and acreage material? Should we require the disclosures related to wells and acreage only if there is a high concentration of production or reserves attributable to a few wells or limited acreage? If so, should we specify what that concentration would be?

We alternatively suggest that the current well and acreage disclosure requirements be left unchanged. We believe this additional increase in the granularity and complexity of well disclosures is not justified from a cost-benefit perspective, in that it does not provide useful, relevant information for financial statement users.

iii. New proposed disclosures regarding extraction techniques and acreage

<u>Request for Comment (page 88)</u>

Should we require more specific disclosure regarding extraction activities that do not involve wells? Should this proposed item remain open-ended to permit description of unanticipated technologies?

Is the proposed disclosure for unproved properties appropriate? Should the proposed disclosure for unproved properties be set forth in proposed Item 1208? Should we move such disclosure to the reserves table in proposed Item 1202, where reserves are discussed?

We have no comment in response to this item.

10. Proposed Item 1209 (Discussion and analysis for registrants engaged in oil and gas activities)

Request for Comment (page 91)

Proposed Item 1209 is not intended to increase a company's disclosure requirements, but specify disclosures already required generally by MD&A. Is such an item helpful?

Are the proposed topics that an oil and gas company should consider discussing as part of MD&A, whether in the main MD&A section or in conjunction with the relevant table, appropriate? Are there other topics that an oil and gas company should consider discussing?

Should we permit such discussions in conjunction with the relevant table as proposed? Would this aid comparability of the disclosures? Or should we keep MD&A as a self-contained section?

We strongly favour keeping MD&A as a self-contained section with no changes, as investors are accustomed to the current presentation format.

IV. Proposed Conforming Changes to Form 20-F

Request for Comment (page 94)

Should we delete Appendix A and refer to Subpart 1200 with respect to Form 20-F, as proposed? Why? Should we expand the requirements of Form 20-F to require more disclosure than currently required by Appendix A, as proposed? Conversely, should we only update Appendix A to reflect the proposed new definitions and formats for disclosing reserves and production?

Would the proposed reference to Subpart 1200 in Form 20-F significantly change the information currently disclosed by foreign private issuers? If so how? Would such a change be appropriate?

Is the proposed exception for foreign laws that prohibit disclosure about reserves and agreements appropriate? Do such laws affect domestic companies as well? Should Subpart 1200 have a general instruction with respect to such foreign laws?

Are the proposed revisions to Instructions to Item 4.D appropriate with respect to foreign private issuers that have extractive activities other than oil and gas producing activities?

We have no comment in response to this item.

V. Impact of Proposed Amendments on Accounting Literature

A. Consistency with FASB and IASB Rules

Request for Comment (page 96)

Are the proposed changes more properly characterized as a change in accounting principle or a change in estimate under SFAS 154?

The proposed changes are more properly characterized as a change in accounting estimate effected by a change in accounting principle, and should be accounted for prospectively. Furthermore, SFAS 19, paragraph 30, clearly states that revisions to the amortization rate resulting from reserve "revisions" should be accounted for prospectively as changes in accounting estimates.

The changes being made to the definition of "proved reserves" are a direct result of new information and technology being used to estimate reserves. The SEC proposal specifically states (page 1) that "the proposed amendments are designed to modernize and update the oil and gas disclosure requirements to align them with current practices and changes in technology."

Therefore, the change to the definition of "proved reserves" will result in changes in reserve estimates (accounting estimates) effected by the change in the "proved reserves" definition (accounting principle).

Without the large swings in commodity prices and new technology to estimate reserves, there would be no rationale to change the definition of "proved reserves", which supports the position that this is in fact a change in estimate necessitated by the change in accounting principle of "proved reserves".

At the same time, we realize that there may be differing views on whether these changes to the definition of "proved reserves" should be characterized as a change in accounting principle or a change in estimate effected by a change in accounting principle.

If this is deemed to be a change in accounting principle, we feel it would be impracticable to require retrospective application. Since the SFAS 19 definition of "proved reserves" is based on the SEC definition, we recommend that the SEC staff coordinate with the FASB in order to provide transitional guidance to allow entities to account for the change prospectively, if in fact it is deemed to be a change in accounting principle.

Would it be appropriate to consider the changes as a change in accounting principle, but specify that no retroactive revision of past years would be required?

See the above rationale supporting the change in accounting estimate.

If we required retroactive revision of past years, would companies have the historical engineering and scientific data to make such revisions? If not, are there alternatives to retroactive revision that we should consider?

See the above rationale supporting the change in accounting estimate.

C. Differing Capitalization Thresholds Between Mining Activities and Oil and Gas Producing Activities
<u>Request for Comment (page 97)</u>

How should we address these inconsistencies between oil and gas accounting rules and mining accounting rules?

Petro-Canada views it oil sands mining activities/ reserves as being fundamentally similar to its 'in-situ' oil sands and offshore oil and gas activities/ reserves, which are both accounted for according to SFAS 19.

Therefore, we recommend that the accounting rules governing oil and gas activities (SFAS 19 for successful efforts companies like Petro-Canada) should also govern oil and gas 'mining'.

The importance of consistency between the accounting rules as put forth by FASB and the SEC disclosure definitions is paramount to providing investors with a more simplified and meaningful understanding of oil and gas reserves.

Should we permit companies that extract, through mining methods, materials from which oil and gas can be produced to continue to capitalize costs under mining rules, or should we require them to capitalize costs based on oil and gas rules? Are there circumstances involved with mining operations, different from oil and gas operations, that justify capitalization of costs of proved plus probable reserves, as opposed to only costs of proved reserves?

Petro-Canada does not see any circumstances involved with oil and gas mining operations that would justify having accounting policies that differ from the current conventional oil and gas accounting policies under SFAS 19 for successful efforts companies.

Accounting rules that are aligned with the reserve definitions will help to eliminate the potential for misunderstandings and abuse that would likely occur if the status quo is maintained (ie. different accounting policies for oil and gas activities vs. oil and gas 'mining' activities).

D. Price Used to Determine Proved Reserves for Purposes of Capitalizing Costs

<u>Request for Comment (page 98)</u>

Would the effect of such changes be material or have a material effect on historical amortization levels?

Would the effect of such changes be material or have a material effect on comparability? Please provide any empirical evidence to support your conclusion.

Would it be appropriate to continue to require the use of the year-end price for purposes of determining reserves for purposes of amortization expense while using a different price for purposes of disclosing reserves estimates in Commission filings? This would result in a different value associated with the use of the term "proved reserves" for purposes of disclosure, as opposed to the use of that term for purposes of accounting. Would this be confusing? Should we use a different term? Should we otherwise clarify the two different *meanings of that term in different contexts?*

There would likely be some impact on amortization levels but at this point the impact is difficult to quantify.

We understand that one of the main objectives of this SEC proposal is to improve the clarity and comparability of reserve disclosures for investors. The use of different prices for reserves disclosures versus accounting measures would likely reduce the amount of clarity and comparability.

The primary concerns with the use of different prices for reserves estimated for accounting versus disclosures would be the likely misunderstandings and potential for abuse that could be created.

Accounting definitions and disclosure definitions should be consistent – disclosures should add value to financials and should be a reflection of the company's financial statements.

It is our hope that the SEC will coordinate its efforts with the FASB to ensure a consistent set of reserves definitions, and thus a single set of reserves disclosures so that the reserves disclosures are a direct reflection of the related accounting measures (ie. capitalization, asset classification and depletion).

However, if the SEC and FASB definitions are not consistent and the result is a material effect on amortization, then this fact should be quantified and disclosed.

VI. Impact of the Proposed Codification of Industry Guide 2 on Other Industry Guides

. **Request for Comment (page 100)**

Is it appropriate to codify Industry Guide 2 separately from the other industry guides? Should we merely amend Industry Guide 2 and codify it with all of the other industry guides when they have been updated?

Would the codification of Industry Guide 2 overrule or otherwise affect any of the disclosures required in the other Industry Guides?

We have no comment in response to this item.

VII. Solicitation of Comment Regarding the Application of Interactive Data Format to Oil and Gas Disclosures

Request for Comment (page 101)

Should we adopt rules that require oil and gas disclosures to be provided in interactive data format? Instead of requiring such formatting, should we only permit the filing of oil and gas disclosures in interactive data format? What are the principal factors that we should consider in making these decisions?

If we require oil and gas disclosures to be filed in interactive data format, should we provide for a voluntary phase-in period to create a well-developed standard list of electronic tags? Without a requirement, would the development of products for using interactive data meet the needs of investors, analysts, and others who seek to use interactive data? Would a large percentage of oil and gas companies provide interactive data voluntarily and follow the same standard, if not required to do so?

Would investors, analysts, and others find presentation of oil and gas disclosures helpful if presented in interactive data format? In what ways would such users of the information find such a format beneficial?

As we note above, there is not currently a well-developed standard list of electronic tags for the oil and gas disclosures. Are there any obstacles to creating a useful standard list of electronic tags for the oil and gas disclosures? Is the type of data presented in the proposed table conducive to interactive data format? Would it be particularly difficult to create standard electronic tags for any of the proposed data? Would there be any obstacles to providing comparable data in interactive format?

Would it be useful for the data in the proposed tables to interact with other data in Commission filings? If so, which data?

If we adopt rules requiring oil and gas disclosures in interactive data format, should we require the use of the eXtensible Business Reporting Language (XBRL) standard? Are any other standards becoming more widely used or otherwise superior to XBRL? What would the advantages of any such other standards be over XBRL?

We have no comment in response to this item.

VIII. Proposed Implementation Date

<u>Request for Comment (page 103)</u>

Should we provide a delayed compliance date, as proposed above? If so, is the proposed date appropriate? Should we provide more or less time for companies to familiarize themselves with the proposed amendments?

If we provide a delayed compliance date, should we permit early adoption by companies?

The delayed compliance date is necessary to provide companies with sufficient time to familiarize themselves with the proposed amendments.

IX. General Request for Comment (page 103)

We request and encourage any interested person to submit comments regarding:

The proposed rule changes and additions that are the subject of this release;

Additional or different changes; or

Other matters that may have an effect on the proposals contained in this release.

We have no comment in response to this item.

X. Paperwork Reduction Act

D. Request for Comment (page 111)
We request comment in order to evaluate the accuracy of our estimate of the burden of the collections of information. Any member of the public may direct to us any comments concerning the accuracy of these burden estimates. Persons who desire to submit comments on the collection of information requirements should direct their comments to the OMB, Attention: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Washington DC 20503, and should send a copy of the comments to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090, with reference to File No. S7-15-08. Requests for materials submitted to the OMB by us with regard to this collection of information should be in writing, refer to File No. S7-15-08, and be submitted to the Securities and Exchange Commission, Records Management Branch, 100 F Street NE, Washington, DC 20549-1110. Because OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication, your comments are best assured of having their full effect if OMB receives them within 30 days of publication.

We have no comment in response to this item.

XI. Cost-Benefit Analysis

E. Request for Comments (page 125)
We request comment on all aspects of the Cost-Benefit Analysis, including identification of any additional costs or benefits of, or suggested alternatives to, the proposed amendments. We also request that those submitting comments provide, to the extent possible, empirical data and other factual support for their views.

We have no comment in response to this item.

XIII. Initial Regulatory Flexibility Analysis

G. Solicitation of Comment (page 133)

We encourage the submission of comments with respect to any aspect of this Initial Regulatory Flexibility Analysis. In particular, we request comments regarding: (i) the number of small entity issuers that may be affected by the proposed revisions; (ii) the existence or nature of the potential impact of the proposed revisions on small entity issuers discussed in the analysis; and (iii) how to quantify the impact of the proposed revisions. Commenters are asked to describe the nature of any impact and provide empirical data supporting the extent of the impact. Such comments will be considered in the preparation of the Final Regulatory Flexibility Analysis, if the proposed revisions are adopted, and will be placed in the same public file as comments on the proposed amendments.

We have no comment in response to this item.