

**Policy Name:** Reserves Policy Regarding Estimation & Reporting of Oil and Gas Reserves

**Policy Number:** A107

**Policy Owner:** Executive Vice President & CFO

**Policy Approver:** Reserves Review Committee of the Board of Directors

**Approval Date:** July 13, 2011

## **POLICY STATEMENT:**

Reserves are the Company's most significant asset. Estimates of Reserves and related future net revenues involve numerous uncertainties, many of which are beyond verification and our control. This policy has been developed to set out the policies, procedures and standards by which the Company estimates and discloses its Reserves and related information.

### **1. DEFINITIONS**

Capitalized words and other commonly used terminology are defined in Appendix A.

### **2. OBJECTIVES**

Estimated Reserves quantities and related information are used for several purposes. Amounts are used internally in making investment decisions, including whether to continue to explore in an area, to develop a property, or to hold or sell a property. Reserves are integral to the measurement of the Company's financial performance and the preparation of our published financial statements, particularly as they pertain to the determination of the depletion provision and future recoverability of capitalized costs (ceiling tests). Reserves information is also used by external stakeholders to assist them in assessing the value of our oil and gas activities and predicting future cash flows when they make investment or lending decisions.

In order to ensure the quality and consistency of our Reserves Estimates and Reserves Disclosures, the Company must maintain and comply with a Reserves process that satisfies the following key control objectives:

- estimates are prepared using generally accepted practices and methodologies;
- estimates are prepared objectively and free of bias;
- estimates and changes therein are prepared on a timely basis;
- estimates and changes therein are properly supported and approved; and
- estimates and related disclosures are prepared in accordance with regulatory requirements.

### **3. PERSONS AFFECTED**

Employees involved in the Reserves process are required to comply with the spirit and intent of this policy. Actions that are considered to be in conflict with this policy may result in disciplinary action, including termination. Disciplinary action is determined at the discretion of the employee's supervisor in consultation with Human Resources.

## **4. POLICY**

In light of the importance of Reserves Estimates, it is important that the estimates be objectively prepared by Qualified Individuals using all available information. In addition, Reserves Disclosures must be prepared and reported in accordance with applicable standards as prescribed by regulatory authorities.

### **4A. Responsibility for Reserves Estimates and Disclosures**

Management is responsible for Reserves Estimates and Reserves Disclosures and that they are in accordance with applicable regulatory requirements.

Reserves Estimates must be prepared by Qualified individuals with knowledge of the specific property. Generally, these are individuals who are also involved in the business decisions relating to the properties. This has the potential to create a conflict of interest, in that such individuals have an interest in the measured outcomes of investment decisions pertaining to the property. Despite this potential conflict, we believe such individuals are the most knowledgeable about the technical aspects of the property, and that such knowledge is of significant value to the estimation of its Reserves and the ongoing management of the property.

To compensate for the potential of a conflict of interest, we have established the following:

- consistent processes and standards, and required compliance with this policy;
- a technical review of Reserves Estimates for significant properties by a cross-divisional Reserves Technical Committee comprised of multi-disciplinary experts;
- various levels of review and approval with divisional and executive management;
- appointment of an Internal Qualified Reserve Evaluator (Internal QRE) to assess and provide an opinion whether the Reserves information has, in all material respects, been prepared according to our standards;
- Independent assessment of a substantial portion of the Reserves Estimates performed by Independent Qualified Reserves Evaluators or Auditors to assess the integrity of the estimates; and
- individuals are not financially compensated principally based on the outcome of Reserves Estimates.

### **4B. Reserves Estimation Process**

The Internal QRE is responsible for designing and maintaining the Reserves estimation process in accordance with the preceding objectives and SOX 404 internal control over financial reporting requirements. Internal Reserves Evaluators are responsible for understanding and complying with the prescribed Reserves estimation and disclosure process.

There are various generally accepted methodologies for estimating Reserves including volumetrics, decline analysis, material balance, simulation models and analogies. Estimates may be prepared using either deterministic (single estimate) or probabilistic (range of possible outcomes and probability of occurrence) methods. These methods are described in the Company Reserves Manual. The particular method chosen should be based on the evaluator's professional judgement as being the most appropriate, given the geological nature of the property, the extent of its operating history and the quality of available information. It may be appropriate to employ several methods in reaching an estimate for the property.

Estimates must be prepared using all available information. Supporting data, such as working interest, royalties and operating costs, must be maintained and updated when such information changes materially. Evaluators should seek other perspectives on interpretations and judgments, and to determine management's intentions regarding future investment plans for the property.

The Company periodically enters into arrangements (production sharing contracts, risk service contracts, production handling arrangements, etc.) that create uncertainty regarding the Company's ability to recognize Reserves. Corporate Reserves, Corporate Accounting and the Legal Department must be consulted in determining how the related Reserves should be recognized and disclosed with due consideration to regulatory requirements and accounting literature, legal interpretations of the contracts, and general industry practice.

The Proved and Probable Reserves of all properties must be internally Evaluated at least annually in connection with the preparation of the Company's annual disclosures. More frequent Evaluations should be performed on a timely basis whenever performance or investments indicate the potential of a material change (either positive or negative). Significant changes must be communicated to the Internal QRE who, together with the Legal Department, CEO, CFO and the Disclosure Review Committee, will determine if public disclosure is required.

#### **4C. Documentation**

Documentation is a critical component of the preparation process for Reserves Estimates. It provides a record of the work performed including significant interpretations and judgments made in the estimation process. It efficiently supports the assessment of new information and staff transition. It also provides an Audit trail evidencing the completion of responsibilities by all participants in the Reserves estimation process.

The form and extent of documentation depends on the circumstances but must be sufficient to support the technical analysis of the property and the Reserves Estimates approved for the property. Further, memoranda and meeting minutes should be prepared to evidence the successive reviews, and ultimate approval of, the Reserves Estimates and Reserves Disclosures. Documentation must be prepared on a timely basis. For a detailed list of Reserves documentation requirements, refer to the Company Reserves Manual.

#### **4D. Independent Assessment of Reserves**

An Independent assessment of the internally-generated Reserves Estimates is beneficial in ensuring that interpretations and judgments are reasonable, and that the estimates are free of preparer and management bias. The Reserves Review Committee has determined that, for estimates prepared in accordance with NI 51-101, we must have an Independent assessment of the reserve quantities that comprise at least 80% of our Proved Reserves by value performed annually by Independent Qualified Reserves Evaluators. Assessments of Probable and Possible Reserves may also be requested. The assessment should preferably take the form of an Evaluation, although Audits may be performed on some properties.

The appointment of, and subsequent changes in, Independent Qualified Reserves Evaluators must be approved by the Reserves Review Committee. Management is responsible for identifying and recommending approval of an Independent Qualified Reserves Evaluator based on an assessment of the following criteria:

- independence;
- solid reputation;
- competence, experience and capability including familiarity with pool, technical abilities, and compatibility of processes and software;
- continuity of Reserves information;
- location; and
- competitive fees.

Independent Qualified Reserves Evaluators must be provided full access to complete and accurate information pertaining to the property, and to all applicable personnel. Recognizing that Reserves Estimates are based on interpretations and judgments, differences between the Proved Reserves estimates prepared by the Company and an Independent Qualified Reserves Evaluator of 10% or less, in aggregate, are considered to be within the range of reasonable differences. Differences greater than 10% must be resolved.

Independent Qualified Reserves Evaluators may be engaged for other services provided such work does not, or does not appear to, impair their independence. Their independence may be impaired when:

- the year-end assessment or consulting services conducted for Nexen represent a substantial portion of the Evaluator's revenues;
- consulting fees are larger than the fees for the year-end assessment;
- fees are contingent on the outcome of the Reserves Estimates; or
- the Evaluator is required to opine on their own work.

The following services may be acceptable provided they do not conflict with the preceding criteria:

- Independent reports are provided for different purposes such as, resource evaluations purchase/sale of properties, or analysis prior to investment (including bids, drilling, etc.); or
- the Independent Qualified Reserves Evaluator makes some or all of their work available to us, such as reservoir analysis, reservoir simulation models, decline curves, etc.

Since the foregoing situations may involve considerable judgment, the Reserves Review Committee must pre-approve all services proposed to be performed by our appointed Independent Qualified Reserves Evaluators. To ensure proper approvals are obtained, all proposed services must be reported to the Internal QRE prior to engagement. The Internal QRE will ensure that Committee approval is obtained on a timely basis. The Reserves Review Committee may, in its discretion, annually delegate to the Chair the authority to grant pre-approvals, provided that these pre-approvals are presented in writing to the Reserves Review Committee at the next regularly scheduled meeting.

## **5. PUBLIC RESERVES DISCLOSURES**

Reserves Disclosures intended for public dissemination must be pre-approved by the Internal QRE in addition to complying with the other requirements of the Company's policy regarding public disclosures. This includes disclosures of Proved, Probable or Possible Reserves, expected resources relating to a prospect, and any other information that is related to or derived from Reserves related information. It includes disclosures made in securities filings, press releases, investor communications and presentations, and any other such communications to interested parties external to the Company. For clarity, it does not apply to information already appropriately disclosed in the public domain.

## **6. NON RETALIATION**

The Company will not allow or pursue retaliation of any kind for such reports, or for assistance or information provided to applicable authorities in connection with an investigation of breaches of applicable securities law, where such are made or provided in good faith. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes fraud, is a violation of this policy, is a violation of the law or presents a substantial and specific danger to the employee's or the public's health and safety.

## **7. ROLES AND RESPONSIBILITIES**

Various participants are involved in the preparation, review and approval of the Reserves Estimates and Reserves Disclosures. Following is an overview of the various participants and their respective roles and responsibilities.

### **7A. Policy Ownership**

The Chief Financial Officer (CFO) and Internal QRE are responsible for establishing and maintaining the practices, procedures and internal controls necessary to implement this policy. Revisions to this policy require the approval of the Reserves Review Committee of the Board of Directors.

Employees involved in the Reserves estimation process in a professional or substantive capacity as determined by the Internal QRE must sign an annual acknowledgement stating that they have read and are in compliance with the spirit and intent of this policy. The Internal QRE is responsible for obtaining a signed Statement of Compliance from each such employee. Such statements are required to be signed by January 31 of each year in connection with the Reserves Estimates for the prior year.

### **7B. Responsibility for Reserves Estimates and Disclosures**

i.) The **Internal Reserves Evaluator** is responsible for preparing the initial Reserves Estimate in compliance with the requirements of this policy and the Company Reserves Manual. The Evaluator must be Qualified, have knowledge of the property being Evaluated and be objective in his or her estimate. Other individuals may be involved in preparing the estimates, but the Evaluator must provide appropriate guidance and supervision. The Evaluator recommends approval of the Reserves Estimate based on his or her knowledge of the property. The Evaluator is not required to sign and stamp the Reserves Estimate since the final determination is based on numerous factors outside of their responsibility, including the impact of aggregation

and the Company's future investment plans. Instead, he or she will be required to sign an annual acknowledgement stating that they have performed their work in compliance with this policy. The Evaluator must remain current regarding Reserves estimation techniques and standards.

ii.) Each division must appoint a **Division Reserves Manager** to be responsible for the Reserves process within the division and to act as a liaison with the Internal QRE and Corporate Reserves.

iii.) The **Reserves Technical Committee (RTC)** is responsible for performing a due diligence review of the Reserves Estimates. This includes making an assessment of whether generally accepted standards have been followed, estimates appear technically reasonable, and whether applications and interpretations are consistent across the Company. The RTC assists the Internal QRE in executing his or her responsibilities. The RTC is also responsible for mentoring and supporting Internal Reserves Evaluators in their estimation processes. The RTC is comprised of technical chiefs from across the Company who possess considerable experience in Reserves estimation and who have knowledge of the type of properties being Evaluated. At a minimum, the RTC shall include the Internal QRE, the Chief Engineer, Chief Geologist and Chief Geophysicist from Technical Services, and at least one Qualified individual from each of the divisions.

iv.) **Divisional management** (including Senior Vice-President of the Division) is responsible for reviewing the division's Reserves Estimates. They must be satisfied that this policy has been followed and that the Reserves Estimates appear reasonable taking into account their knowledge of the properties, future investment plans, and due diligence reviews with the Reserves Evaluators, technical chiefs and RTC. In addition, they must review the Reserves disclosures to ensure that it accurately portrays their oil and gas activities.

v.) The **Internal Qualified Reserves Evaluator (IQRE)** is responsible for ensuring that the Company's Reserves policy and procedures are current and appropriate, and that they were adhered to by the Internal Reserves Evaluators when preparing their Reserves Estimates. This should be validated through participation in the Reserves review process and periodic testing of the processes as he or she determines appropriate. He or she is also responsible to ensure that the Company Reserves Manual is reviewed at least annually and revised when required. The Internal QRE must be consulted on all matters of significant judgment or interpretation. He or she may participate in the estimation process; however caution is required to ensure that his or her objectivity is not impaired. The Internal QRE is responsible for supporting the Internal Reserves Evaluators in their efforts to stay current on industry developments, regulatory changes and Company practices. He or she is also responsible for preparing, or assisting in the preparation of, the Reserves Disclosures. Based on the foregoing, the Internal QRE will be required to sign National Instrument 51-101 Form F2 – Report on Reserves Data by Internal Qualified Reserves Evaluator in a form acceptable to the Alberta Securities Commission.

The Internal QRE is required to periodically report to the Reserves Review Committee his or her findings regarding compliance with the reserves process, findings and observations in connection with the process, significant judgements made, and any other material information regarding the reserves estimates, including when there are methodology differences between Independent Qualified Reserves Evaluators and the Corporation.

vi.) Reserves Disclosures are prepared by **Corporate Accounting and/or Corporate Reserves**, and reviewed by appropriate divisional and corporate personnel. The disclosures are subject to the due diligence review by the Disclosure Review Committee in connection with the disclosure controls and CEO/CFO certification process.

vii.) The **Executive Reserves Committee (ERC)** is responsible for ensuring appropriate processes and controls are in place, and for reviewing and approving the Company's Reserves Estimates and related Reserves Disclosures. It must be satisfied that the Company's Reserves policy has been followed, and that the Reserves Estimates appear reasonable in light of its knowledge of the properties, future investment plans, and due diligence reviews with appropriate divisional personnel. In addition, each member must review the Reserves Disclosure pertaining to their area of responsibility to ensure that it accurately describes oil and gas activities. Based on the foregoing, the CEO and CFO will be required to sign the annual report on Form 40-F and Form 51-101 F3 in a form acceptable to the Alberta Securities Commission.

viii.) The responsibilities of the **Reserves Review Committee and/or Board of Directors** are prescribed by NI 51-101 (as amended by the exemptions received) and the Committee Mandate. A copy of this mandate has been included in Appendix B.

## 8. COMPLIANCE

The Company has securities listed in Canada and the United States, and must generally meet the regulatory reporting requirements in each country. Reserves related requirements in Canada are set out in NI 51-101 and related policies. In the United States, the requirements are prescribed principally by the SEC Regulation S-X, Regulation S-K, and related Staff Accounting Bulletins, and the Financial Accounting Standards Board's (FASB) Financial Accounting Statements including Topic 932.

Nexen is required to disclose Reserves Estimates in accordance with NI 51-101. Nexen has received an exemption from NI 51-101 that permit us to voluntarily also disclose Reserves Estimates in accordance with SEC requirements. Nexen has also received an exemption from NI 51-101 that permits us to forego the requirement to have our Reserves Estimates and related future net revenue Evaluated, Audited or Reviewed by an Independent Qualified Reserves Evaluator or Auditor.

Our future net revenues and Reserves Estimates are based on Internal Evaluations. Due to the extent and expertise of our Internal Reserves Evaluation resources, our staff's familiarity with our properties and the controls applied to the Evaluation process, we believe the reliability of our internally-generated Reserves Estimates is not materially less than would be generated by an Independent Reserves Evaluator.

For internal decision making purposes, we utilize Reserves Estimates prepared using forecast prices and costs as prescribed by Corporate Planning.

For regulatory NI 51-101 reporting purposes we utilize Reserves Estimates prepared using forecast prices and costs determined in accordance with NI 51-101.

For SEC disclosure purposes, we utilize Reserves Estimates prepared using average annual

prices and costs determined in accordance with Regulation S-X.

Documentation will be maintained to support NI 51-101 and SEC Reserves Disclosures.

Reserves information for the SEC price and cost scenario is extracted from the Reserves system under the guidance of the Corporate Reserves group, which is comprised of the Internal QRE and his or her direct reports.

## **9. PROCEDURES FOR ADDRESSING RESERVES RELATED COMPLAINTS**

All Employees are responsible for reporting any concerns regarding questionable Reserves estimation or disclosure practices. Such concerns should be submitted in any of the manners set out in Policy A099, How We Work: Our Integrity Guide.

All questions of interpretation as to whether a particular past or proposed action is in violation of this policy should be directed to the CFO, who will consult with the CLO, the CEO and/or the Chairman of the Reserves Review Committee.

## **10. GUIDING PRINCIPLES/RELATED POLICIES:**

More detailed information on the standards and guidelines referenced in this policy can be found in the Company's Reserves Manual.

Employees should also consult the following policies:

- A099 How We Work: Our Integrity Guide
- A151 Conflict of Interest
- A160 External Communications
- A161 Confidential Information

## **11. REVISION HISTORY**

<b>DATE</b>	<b>REVISION #</b>	<b>DESCRIPTION OF CHANGE</b>
July 13, 2011	4 <sup>th</sup> Revision	Update to accommodate both NI 51-101 and SEC disclosures.
December 7, 2009	3 <sup>rd</sup> Revision	Updated to accommodate new SEC regulations (Reserves definitions and disclosures) and internal organizational changes.
December 8, 2008	2 <sup>nd</sup> Revision	Added pre-approval of independent Qualified Evaluator work unrelated to year-end estimates. Aligned wording to be consistent with changes in Exemptive Relief Order.
July 12, 2006	1 <sup>st</sup> Revision	Added approval process for Independent Qualified Evaluator work unrelated to year-end estimates.
July 14, 2004	Policy Creation	New policy created and approved.

## **APPENDIX A – DEFINITIONS USED IN RESERVE POLICY (A107)**

**Audit** - The process whereby an Independent Qualified Reserves Auditor carries out procedures designed to allow the independent Qualified Reserves Auditor to provide reasonable assurance, in the form of an opinion, that the Company's Reserves Data (or specific parts thereof) have, in all material respects, been determined and presented in accordance with prescribed standards and are, therefore, free of material misstatement.

Because of:

- a) the nature of the subject matter (estimates of future results with many uncertainties);
- b) the fact that the Independent Qualified Reserves Auditor assesses the qualifications and experience of the Company's staff, assesses the Company's systems, procedures and controls and relies upon the competence of the staff and the appropriateness of the systems, procedures and controls; and
- c) the fact that tests and samples (involving examination of underlying documentation supporting the determination of Reserves and future net revenue) as opposed to complete Evaluations are involved;

the level of assurance is designed to be high, though not absolute.

The level of assurance cannot be prescribed with numeric precision. It will usually be less than, but reasonably close to, that of an Independent Evaluation and considerably higher than that of a review.

**CEO** - Chief Executive Officer

**CFO** - Chief Financial Officer

**CLO** - Chief Legal Officer

**COGE Handbook** - Refers to the Canadian Oil and Gas Handbook as revised and amended from time to time.

**Employee** - A permanent, temporary or contract employee of the Company or any of its subsidiaries and affiliates; contractors; and any parties who have a non-arm's length association with the Company.

**Evaluation** - The process whereby a Qualified Reserves Evaluator estimates the quantities and values of Reserves by interpreting and assessing all available pertinent data. An economic analysis is made of a property to arrive at an estimate of a range of net present values of the estimated future net revenue resulting from the production of the Reserves associated with the property.

**Executive Reserves Committee** - The committee shall be comprised of the CEO, CFO, CLO, VP – Corporate Planning, senior divisional vice-president of each oil and gas operating division, Corporate Controller, the Internal QRE, and other members as determined necessary by the ERC.

**Independent** - Independent Qualified Reserves Evaluators or Auditors shall satisfy independence and qualification criterion established by the COGE Handbook. Independent Qualified Reserves Evaluators or Auditors may not be engaged for services that may, or may appear to impair their independence as described in the Reserves policy.

**Independent Qualified Reserves Auditor** - An individual or firm engaged to Audit the Company's estimate of Reserves and related information, and who is independent of the Company and Qualified to perform such work.

**Independent Qualified Reserves Evaluator** - An individual engaged to prepare an estimate of Reserves and related information, and who is Independent of the Company and Qualified to perform such work.

**Internal Qualified Reserves Evaluator** - A Reserves Review Committee-appointed Employee responsible for the establishment of, and compliance with, this policy, and performing sufficient work to allow him or her to state whether the Reserves Estimates and Reserves Disclosures have, in all material respects, been prepared according to our Reserves standards.

**Internal Reserves Evaluator** - an Employee who is involved in the preparation of Reserves Estimates.

**NI 51-101** - National Instrument 51-101 (Standards of Disclosure for Oil and Gas Activities) is a standard approved by the securities regulatory authorities in the various provinces of Canada which governs Canadian disclosure for oil and gas or other activities including Reserves Data, as amended from time to time.

**Possible Reserves** - Possible Reserves are those additional Reserves that are less certain to be recovered than Probable Reserves. Generally, when deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding Proved plus Probable plus Possible Reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the Proved plus Probable plus Possible Reserves Estimates. Refer to the Reserves Manual for Company interpretations of NI 51-101 and SEC definitions.

**Probable Reserves** - Probable Reserves are those additional Reserves that are less certain to be recovered than Proved Reserves but which, together with proved Reserves, are as likely as not to be recovered. Generally, when deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated Proved plus Probable Reserves. When probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated Proved plus Probable Reserves Estimates. Refer to the Reserves Manual for Company interpretations of NI 51-101 and SEC definitions.

**Proved Reserves** - Generally, Proved Reserves are estimated quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible - from a given date forward, from known reservoirs, and under either existing or forecast economic conditions, operating methods, and government regulations depending on whether for external or internal purposes. If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Refer to the Reserves Manual for Company interpretations of NI 51-101 and SEC definitions.

**Qualified** - An individual shall be considered Qualified to estimate Reserves if he or she has sufficient background, training and experience to enable him or her to exercise prudent professional judgement in the estimation of Reserves and other related information. An

individual would normally be considered to be Qualified if he or she (i) has a minimum of three years of practical experience in petroleum engineering, geology, or geophysics, with at least two recent years of such experience in the Evaluation of Reserves and resources, (ii) has obtained, from a college or university of recognized stature, a bachelor's or advanced degree in engineering, geology, geophysics or other discipline of physical science and (iii) in jurisdictions where required, has received and is maintaining in good standing, a registered or certified professional engineering, geological, or geophysical license, or the equivalent thereof, from an appropriate governmental authority or professional organization.

**Reserves** - Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project. Reserves are classified as Proved, Probable and Possible Reserves to denote increasing uncertainty of their economic producibility.

**Reserves Disclosures** - Are Reserves Estimates (including estimates of future net revenue and other reserves related information) determined and discussed in accordance with regulatory requirements, including SEC Regulation S-X, FASB Topic 932, and NI 51-101, as applicable, and which are intended for public disclosure..

**Reserves Estimates** - Are informed estimates of future production and cash flow derived from a Reserves Evaluation of a property completed in accordance with generally accepted industry standards and the Company's Reserve Policy and procedures. Such estimates are based on all available information, are objectively prepared and consider views of all knowledgeable individuals.

**Reserves Manual** - Company generated guidance defining the processes used for the preparation and validation of Reserves Estimates and Reserves Disclosures pursuant to this policy.

**Review** - In relation to the role of a Qualified Reserves Evaluator or Auditor in respect of Reserves Disclosures, steps carried out by the Qualified Reserves Evaluator or Auditor, consisting primarily of enquiry, analytical procedures, analysis, review of historical Reserves performance, and discussion with Reserves management staff related to a reporting issuers Reserves Disclosures, with the limited objective of assessing whether the Reserves Disclosures are plausible in the sense of appearing to be worthy of belief based on the information obtained by the Qualified Reserves Evaluator or Auditor as a result of carrying out such steps. Examination of documentation is not required unless the information does not appear to be plausible.

A Reserves review, due to the limited nature of the investigation involved, does not provide the level of assurance provided by a Reserves Audit. Although Reserves reviews can be done for specific applications, they are not suitable for an Audit.

**SEC** - The United States' Securities and Exchange Commission

**SPE** - The Society of Petroleum Engineers (US Chapters)

## **APPENDIX B – EXERPTS FROM RESERVES REVIEW COMMITTEE MANDATE**

The Reserves Review Committee of the Board of Directors (Reserves Review Committee) primary function is to assist the Audit and Conduct Review Committee and the Board in fulfilling their oversight responsibilities with respect to the annual review of the Company's Reserves and disclosures of related oil and gas activities. Generally, they:

- review the Company's procedures for providing information to the Internal QRE and Independent Qualified Reserves Evaluators;
- review and approve any proposed changes to this policy;
- approve the appointment of and subsequent changes in the Internal QRE and meet with him or her to determine the scope and findings of their work;
- determine the extent of Independent Qualified Reserves Evaluator involvement, approve the appointment of and subsequent changes in such Evaluators, and meet with them to determine the scope and findings of their work;
- review the Company's procedures relating to the disclosure of Reserves and related information;
- review the Reserves and related information with management,
- review and recommend approval of the Reserves Disclosures; and
- approve the Report of the Internal QRE (Form F2) and Report of Management and Directors (Form F3).

The full mandate of the Reserve Review Committee is available on the [Company website](#).