



December 21, 2009

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

Via e-mail to:

John Stevenson, Secretary
Ontario Securities Commission
jstevenson@osc.gov.on.ca

Anne-Marie Beaudoin, Secrétaire
Autorité des marchés financiers
Consultation-en-cours@lautorite.qc.ca

Dear Sir or Madam:

Connacher Oil and Gas Limited (TSX trading symbol "CLL") is an integrated oil and gas company operating in Alberta, Saskatchewan and Montana. We are writing in response to the invitation for comments on the proposed amendments to National Instrument 52-107 ("NI 52-107") relating to acceptable accounting principles to be used in preparing financial statements for significant acquisitions.

Question 1

Do you agree with the proposal of jurisdictions other than Ontario that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met in accordance with paragraph 3.11(1)(f)? Please give reasons for your response.

Response

We agree with the proposal that acquisition statements should be permitted to

be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met in accordance with paragraph 3.11(1)(f) of NI 52-107.

This proposal strikes an acceptable balance between the information needs of investors and the cost to prepare the information. We believe that acquisition statements prepared under Canadian GAAP for private enterprises would provide sufficient information to meet the needs of investors since GAAP for private enterprises encompasses the majority of the standards in the *CICA Handbook*. The preparation of this information would not place an undue compliance burden on reporting issuers and their auditors.

The current rules require that acquisition financial statements and *pro forma* financial statements which incorporate the financial statements of the acquired or to be acquired business must be filed within 75 days of the acquisition date. We are very concerned that such a short time period is insufficient to identify and quantify all material differences between Canadian GAAP and IFRS, particularly if the financial statements of the acquired business are still in the process of being audited in the period leading up to the filing deadline.

Given that an acquirer and its auditors would not likely be intimately familiar with the acquired business and its accounting policies prior to the acquisition, they may encounter difficulties in identifying all of the differences between Canadian GAAP and IFRS, especially considering the relatively short filing deadline. This could result in the acquisition statements and *pro forma* statements not being fully compliant with IFRS. As a result, those statements would lack comparability and could potentially be misleading.

Additionally, some of the information required to restate historic balances to IFRS may not be available or may never have been obtained in prior years because it was not required for private enterprises reporting under GAAP.

For example, the data necessary to restate historic balances of property, plant and equipment ("PP&E") to meet the standards in IFRS 6 and IAS 16 requiring the separation of exploration and evaluation assets and the depreciation of significant items of PP&E by component may not be available. Similarly, the data required to disaggregate asset balances into cash-generating units for purposes of impairment testing under IAS 36 may not be available. This is more likely to be the case with private enterprises, which are not required to maintain their accounting records and internal controls to the standards required of publicly accountable enterprises. In such circumstances, the financial statements produced would not be in full compliance with IFRS requirements.

Question 2

Do you agree with Ontario's proposal that acquisition statements should be permitted to be prepared only in accordance with a set of accounting principles specified in paragraphs 3.11(1)(a) to (e)? Please give reasons for your response.

Response

We do not agree with Ontario's proposal. We foresee many difficulties similar to those enumerated above with putting Ontario's proposed approach into practice. To require acquisition statements and *pro forma* financial statements to be prepared under either U.S. GAAP or Canadian GAAP applicable to publicly accountable enterprises would present many of the same problems in terms of lack of required historic information to quantify GAAP differences and restate balances under one of the acceptable bases of accounting set out in paragraphs 3.11(1)(a) to (e). Insufficient time to accomplish this task within the filing deadline would also be an issue.

This would lead to inaccurate information and possibly incorrect financial statements being presented to investors and unreasonable timelines for compilation of such information for reporting issuers and their auditors, leading to unfortunate consequences and possible deal terminations, given that CEO's and CFO's would not risk their reputations by signing (NI 52-101) certificates for potentially misleading public documents.

Question 3

Do you think that any other options would better balance the cost and time for issuers to provide acquisition statements and the needs of investors to make investment decisions? For example, one option identified by Ontario would be to permit acquisition statements to be prepared in accordance with Canadian GAAP applicable to private enterprises where they are accompanied by an audited reconciliation quantifying and explaining material differences from Canadian GAAP applicable to private enterprises to IFRS and providing material IFRS disclosures. Please give reasons for your response.

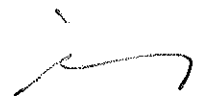
Response

We do not believe that any other options would result in a better balance between the time and cost for issuers to prepare acquisition statements with the needs of investors. We are concerned that the effort and cost required in order to reconcile GAAP applicable to private enterprises to IFRS would not

be any less than the effort required to fully restate the financial statements of an acquired business to IFRS, as both processes would involve identifying and quantifying the differences between the two bases of accounting. This could require substantial time and effort. We note that most companies in Canada have been working on IFRS conversion for over two years, with another fifteen months of effort still required before the first public reporting under IFRS.

The effort required in order to convert an entity's historic accounting to IFRS is substantial, and cannot possibly be accomplished in a 75-day compliance time frame. We are concerned not only about the effort and cost involved, but also the credibility of financial information produced by such a hasty process.

Yours truly,



Richard R. Kines
Vice President, Finance
and Chief Financial Officer