# SULPETRO LIMITED
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SULPETRO ANNUAL REPORT 1983

## Annual Meeting — March 23

The Annual Meeting of Shareholders will be held in the auditorium, third floor, Bow Valley Square 2, 205 Fifth Avenue S.W., Calgary, Alberta, on March 23, 1984, at 10:00 a.m.

## Contents

SULPETRO LIMITED

## Corporate Profile

Sulpetro Limited, with headquarters in Calgary, is a Canadian independent energy company which explores for, develops and produces petroleum and natural gas principally in Canada, as well as in the North Sea and other areas of the world. It is the only Canadian producer exporting significant gas volumes to the United States under its own gas export contracts. The Company also engages in the exploration for precious and base minerals across Canada through its wholly-owned subsidiary, Sulpetro Minerals Limited.

## History

Sulpetro was founded in 1966 to acquire petroleum and natural gas rights and to explore for, develop and produce petroleum and natural gas in Canada, with emphasis on natural gas exploration and development in Alberta.

In 1975, following ten years of growth, the majority of Sulpetro's proven reserves together with certain non-producing lands were sold, resulting in a profit of $82 million. The sale enabled the Company to reorganize its share capital, redeem the shareholdings of certain investors and establish voting control in the hands of Canadian shareholders.

Subsequently, a successful acquisition program was undertaken to re-establish Sulpetro's Canadian landholdings. In addition, a policy was initiated in 1977 to obtain sales contracts and regulatory approvals for the direct sale of gas in the export market.

The Company became publicly listed on the Toronto and Alberta Stock Exchanges in 1979 with an $18 million sale of common shares in Canada.

Sulpetro expanded to the United States in 1980 through the acquisition of an oil and gas company with landholdings, reserves and production in seven states. During the same year Sulpetro co-founded the International Energy Development Corporation (IEDC) to explore for oil and gas in developing countries.

By the summer of 1980 the Company's gas marketing efforts were successful. The last of the regulatory approvals necessary had been obtained and Sulpetro started exporting gas to the United States under its own contract.

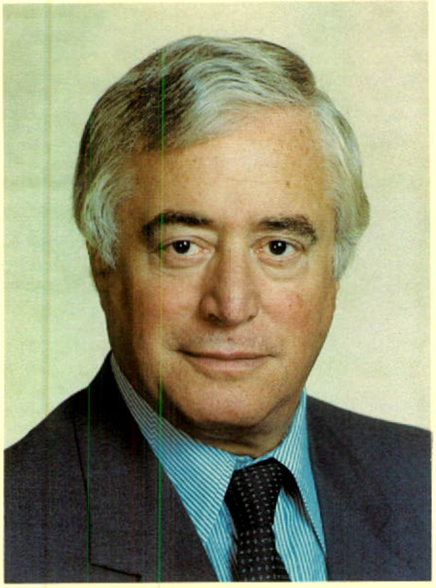
New exploration opportunities in Canada and abroad opened up with the acquisition of CanDel Oil Ltd. (CanDel) in 1981. The purchase more than doubled Sulpetro's petroleum and natural gas reserves, production and operating revenues. The Company's worldwide exposure was substantially increased, and oil production from the United Kingdom sector of the North Sea began.

## Sulpetro Today

In Canada, Sulpetro's petroleum exploration and production are concentrated in Alberta and British Columbia. Exploration is also taking place in the East Coast Offshore region.

Internationally, the Company's petroleum activities have centered on its onshore and offshore holdings in the United Kingdom.

# Corporate Comment



*G. A. Van Wielingen*

*J. P. Saunders*

Sulpetro's performance during 1983 showed an encouraging improvement over that of the previous year, although conditions remain difficult in the oil and gas industry. Continued cost-reduction measures, combined with a substantial reduction in capital expenditures, played an important part in our strategy. A significant decrease in interest expense also contributed to improving our financial results.

The Company's first and foremost priority is to successfully conclude the financial restructuring which began with the issue of Convertible Debentures to its principal banker in February, 1983. Supplementary to the restructuring, certain mature properties not considered strategic to Sulpetro's long-term growth plans are being sold. In 1983, approximately $30 million was realized from asset sales. Sulpetro is also presently engaged in negotiations with a number of parties in order to provide project financing for several key development projects.

To further reduce capital spending obligations, the Company has entered into agreements to convert its present shareholdings in the International Energy Development Corporation (IEDC) group of companies to a net profits interest in the IEDC lands. This agreement will be of particular benefit in that the Company will not be required to participate in any future funding of the IEDC group, but will retain a position in its large spread of oil and gas exploratory properties.

Subsequent to year end an agreement was reached to sell, subject to a 25 percent net profits interest, all of the Company's interests in the Netherlands sector of the North Sea for U.S. $15 million. The sale is awaiting the approval of the Netherlands government.

For the fiscal year ending October 31, 1983, Sulpetro had a net loss of $45.9 million ($3.06 per share), compared to the restated 1982 loss of $60.3 million ($4.03 per share). The improved net results occurred despite the fact that revenue, net of wellhead taxes, decreased nine percent in 1983, to $141.6 million from $156.4 million last year. The decline in revenue was largely the result of lower oil prices in the United Kingdom, decreased oil production worldwide, and decreased natural gas sales volumes in Canada.

Cash flow increased by 62 percent to $15.4 million ($1.03 per share) from $9.5 million ($0.63 per share). This resulted primarily from a 14 percent reduction in interest expense to $91.3 million, from $106.7 million in 1982. The Company's average effective borrowing rate in 1983 declined to 12.9 percent from 16.4 percent.

Capital expenditures decreased significantly to $52.5 million from $112.9 million in 1982. This reduction resulted from the Company's policy to undertake only projects with early revenue flow and favourable payout potential.

Sulpetro's 1983 oil and gas activity was concentrated in Canada and the United Kingdom. The Company participated in the drilling of 269 wells, resulting in 157 oil and 70 gas wells for an overall success rate of 84 percent. Of this total, 56 wells were drilled at no cost to the Company through various joint-venture arrangements.

The 1983 capital program resulted in the addition of 1.8 billion cubic metres (65 billion cubic feet) in new proven natural gas reserves, and 669 thousand cubic metres (4.2 million barrels) in proven crude oil and natural gas liquids (NGL) reserves. Even though capital expenditures were greatly reduced in 1983 and certain mature properties were sold, gross proven reserves at year end, after production, increased fractionally to 6.64 million cubic metres (41.8 million barrels) of crude oil and NGL and 28.4 billion cubic metres (1.01 trillion cubic feet) of natural gas.

## Outlook

To date, the petroleum industry has experienced falling demand, declining energy prices, high interest rates and rising operating costs. In Canada, industry cash flow has continued to be adversely affected by high governmental taxation and royalty measures. Energy policy has resulted in the majority of Canadian crude oil production being priced below the world level while natural gas continues to be priced at artificially determined levels. The problem has been exacerbated by weak markets for natural gas, particularly in the United States. The energy industry outlook for 1984 continues to be tempered by the same set of adversities that prevailed throughout 1983. There are indications, however, that conditions have bottomed out and will improve as the year progresses.

Some positive developments occurred in Canada over the past year, but significant changes in the National Energy Program and federal-provincial energy agreements must yet be made to improve the operating and economic environment of the industry. With particular reference to natural gas exports, it is clear that a coherent and realistic market-oriented strategy must be developed to pursue and maintain the traditional markets for Canadian gas which are presently in danger of further erosion.

The current continuing economic uncertainties dictate that our strategy for 1984 will include a closely-monitored capital-expenditure program. In view of the higher profitability associated with new oil, we intend to explore existing New Oil Reference Price (NORP) prospects in Canada at an aggressive pace. Additional NORP production will be obtained through conventional development opportunities, such as infill drilling at the Irish-Lindbergh heavy oil project and through several Enhanced Oil Recovery (EOR) projects in Alberta. In southern England the 1984 program includes development drilling of the Humbly Grove oilfield, appraisal of the 1983 Horndean oil discovery and the drilling of four exploratory wells. Given the tax efficiencies associated with reinvestment of North Sea cash flows in the United Kingdom sector, these and other onshore properties are expected to provide attractive rates of return on investment in the future. We will also continue to participate in the Scotia Shelf program offshore eastern Canada, where Sulpetro's share of costs for up to a maximum of ten wells have been assumed by another company.

Several other important projects are either in progress or planned for 1984. The expansion of Sulpetro's Wapiti gas processing plant for recovery of ethane and heavier hydrocarbons will generate substantial operating profits. The Company will participate in the implementation of a cycling scheme to recover gas liquids from the Wembley field and in the installation of propane and butane recovery facilities at Minnehik-Buck Lake, both in Alberta. Sulpetro will also be a participant in the ongoing expansion of EOR programs for the Irish-Lindbergh heavy oil project. Of course, the Company will continue with the development of lands necessary to supply existing natural gas sales contracts.

Generally, we view 1984 with cautious optimism in contrast to the difficult past two years. Notwithstanding the adversities we had to cope with, we are proud to report that we managed not only to stabilize our financial position, but also successfully continued to build upon our strong asset base. We believe that these are the two most important prerequisites in support of our ongoing efforts to restore the financial vitality of our company.

**G. A. Van Wielingen**
Chairman of the Board and
Chief Executive Officer

**J. P. Saunders**
President and
Chief Operating Officer

# Financial and Operations Overview

## Financial

| | 1983 | 1982 |
|---|---|---|
| | (thousands of dollars) | |
| | | (Restated) |
| Oil and Gas Sales | $ 183,139 | $ 194,354 |
| Cash Flow from Operations | 15,413 | 9,497 |
| Per Share (in dollars) | 1.03 | 0.63 |
| Capital Expenditures | 52,466 | 112,884 |
| Net Loss | (45,891) | (60,336) |
| Per Share (in dollars) | (3.06) | (4.03) |

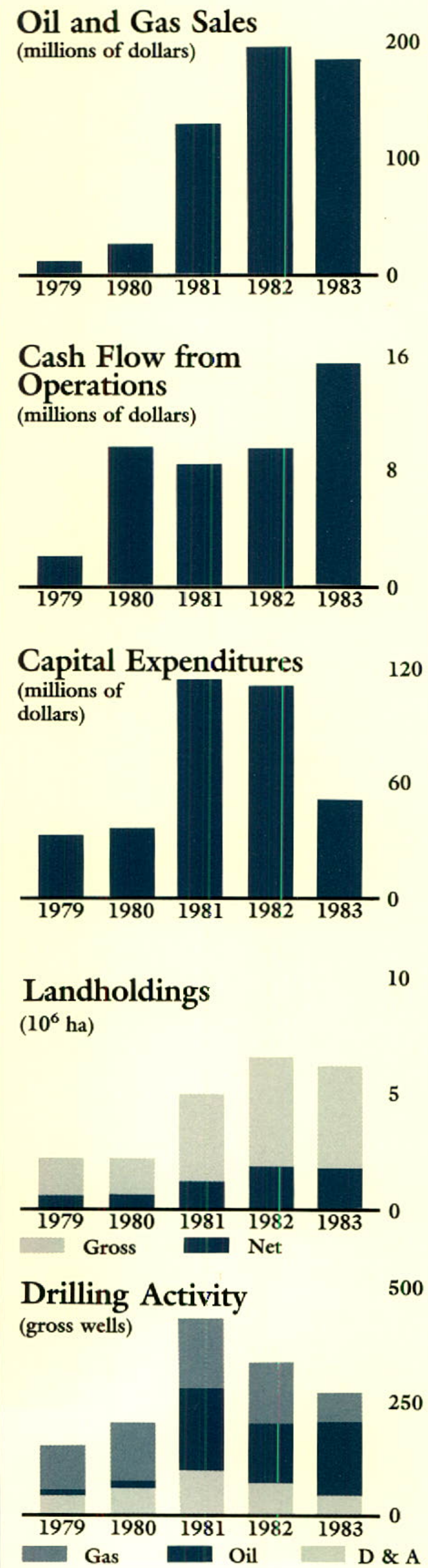
## Operations

### Land

| | 1983 | 1982 |
|---|---|---|
| **Total Working Interest** | | |
| Gross Hectares | 6 068 867 | 6 503 035 |
| Gross Acres | 15,035,834 | 16,141,995 |
| Net Hectares | 1 742 367 | 1 763 434 |
| Net Acres | 4,319,790 | 4,374,739 |

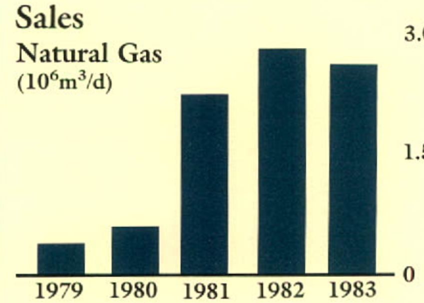
### Drilling

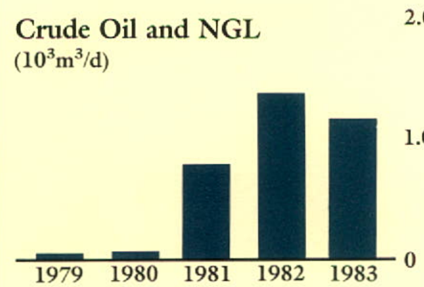
| | 1983 | 1982 |
|---|---|---|
| **Working and Royalty Interest** | | |
| Gas Wells | 70 | 144 |
| Oil Wells | 157 | 124 |
| Dry and Abandoned | 42 | 67 |
| **Total** | 269 | 335 |



## Sales

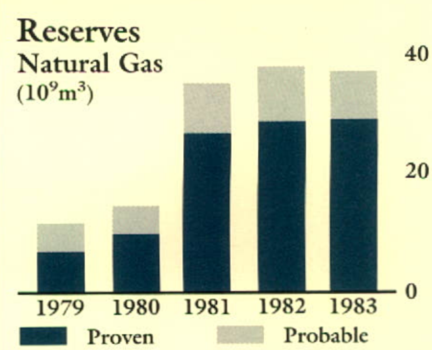
| | 1983 | 1982 |
|---|---|---|
| Natural Gas — ($10^3m^3/d$) | **2 609** | 2 786 |
| — (mmcfd) | **92.6** | 98.9 |
| Crude Oil and NGL — ($m^3/d$) | **1 138** | 1 284 |
| — (bbls/d) | **7,161** | 8,080 |

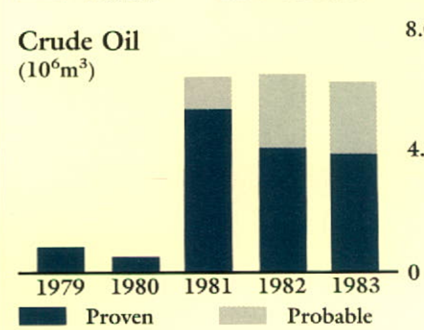


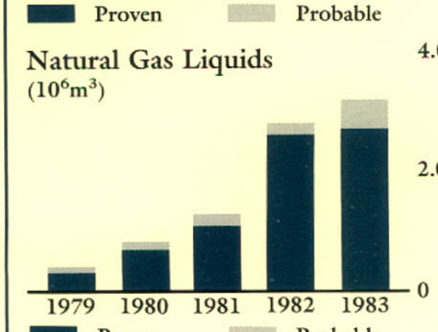




## Reserves

| | 1983 | 1982 |
|---|---|---|
| **Natural Gas** | | |
| Proven Remaining — ($10^6m^3$) | **28 426** | 28 337 |
| — (bcf) | **1,008.9** | 1,005.8 |
| Probable Additional — ($10^6m^3$) | **8 147** | 9 018 |
| — (bcf) | **289.2** | 320.1 |
| **Total Proven Remaining and Probable Additional — ($10^6m^3$)** | **36 573** | 37 355 |
| **— (bcf)** | **1,298.1** | 1,325.9 |
| **Crude Oil** | | |
| Proven Remaining — ($10^3m^3$) | **3 905.3** | 4 081.8 |
| — (mbbls) | **24,575.9** | 25,686.6 |
| Probable Additional — ($10^3m^3$) | **2 403.2** | 2 476.5 |
| — (mbbls) | **15,123.2** | 15,584.5 |
| **Total Proven Remaining and Probable Additional — ($10^3m^3$)** | **6 308.5** | 6 558.3 |
| **— (mbbls)** | **39,699.1** | 41,271.0 |
| **Natural Gas Liquids (NGL)** | | |
| Proven Remaining — ($10^3m^3$) | **2 737.0** | 2 555.2 |
| — (mbbls) | **17,223.8** | 16,079.7 |
| Probable Additional — ($10^3m^3$) | **574.6** | 210.3 |
| — (mbbls) | **3,615.9** | 1,323.4 |
| **Total Proven Remaining and Probable Additional — ($10^3m^3$)** | **3 311.6** | 2 765.5 |
| **— (mbbls)** | **20,839.7** | 17,403.0 |



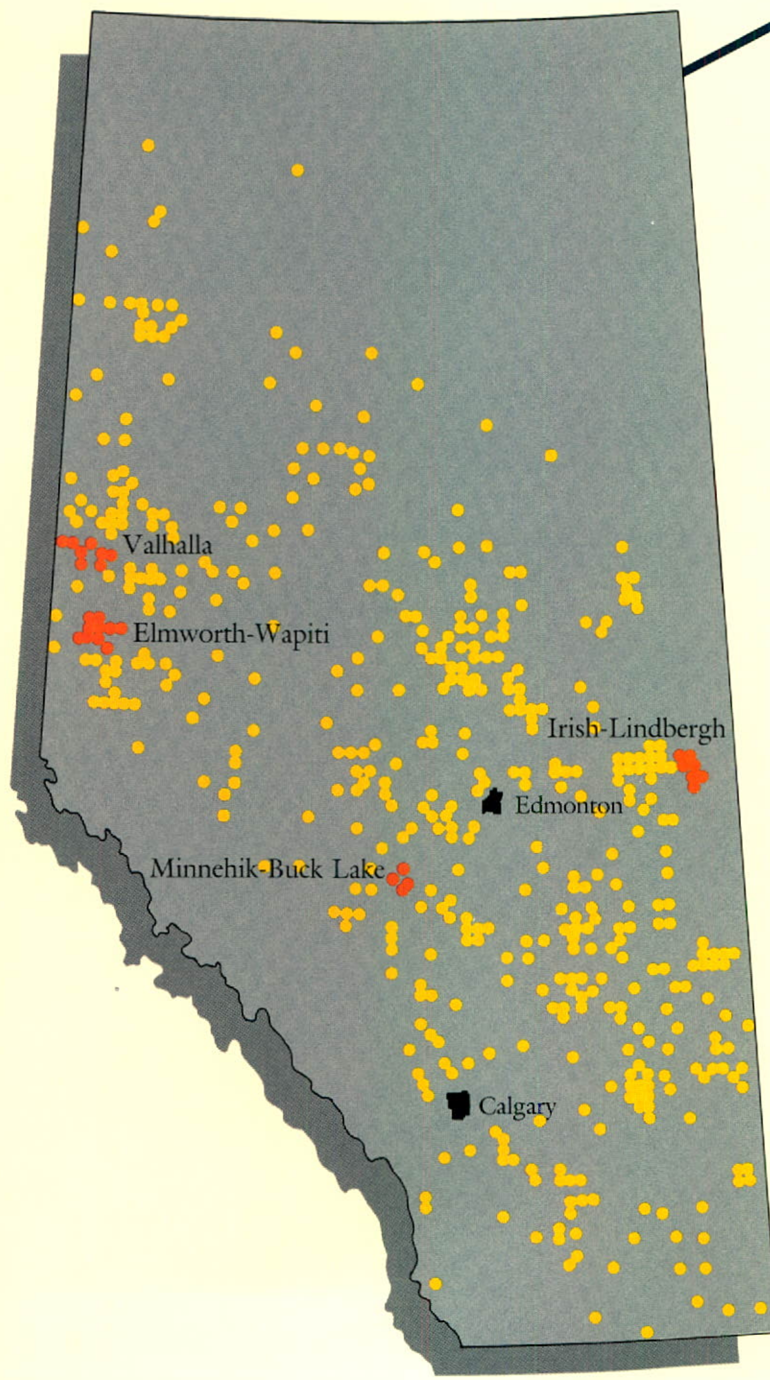



# Areas of Activity

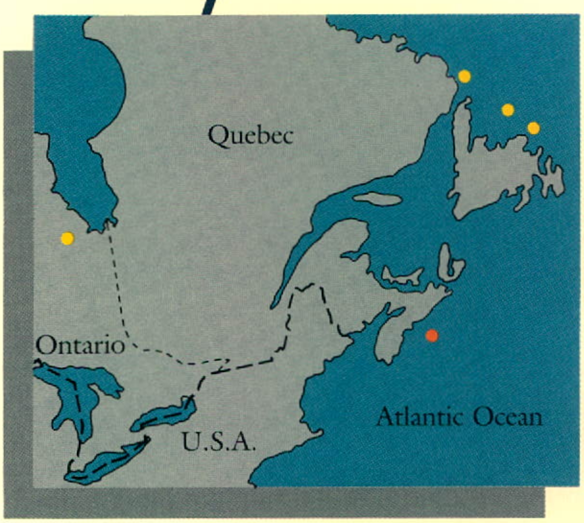
Sulpetro Limited is engaged in the exploration, development and production of petroleum and natural gas throughout the world. Areas where activity was concentrated in 1983 included Alberta, the Scotian Shelf and the United Kingdom Onshore. The Company also engages in the exploration for precious and base minerals across Canada.

## Legend

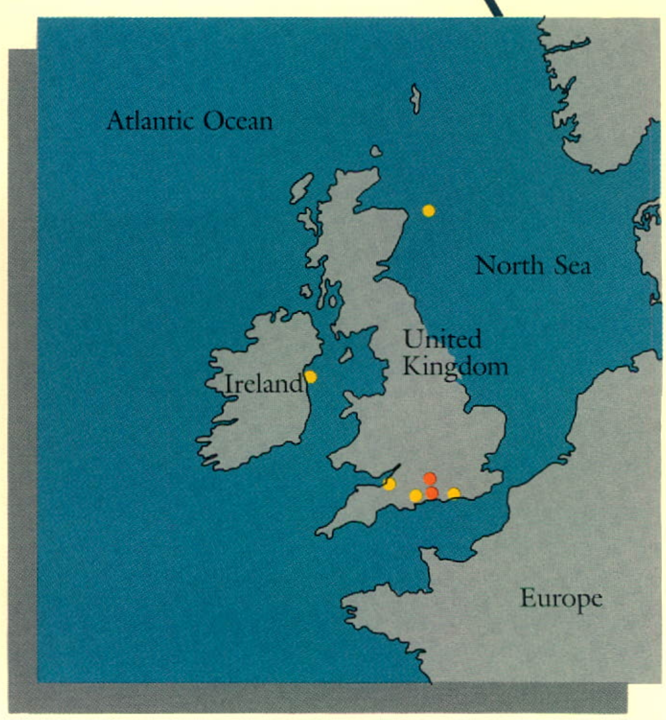
- Sulpetro's worldwide areas of activity
- Detailed map highlighting area to follow in report




Alberta

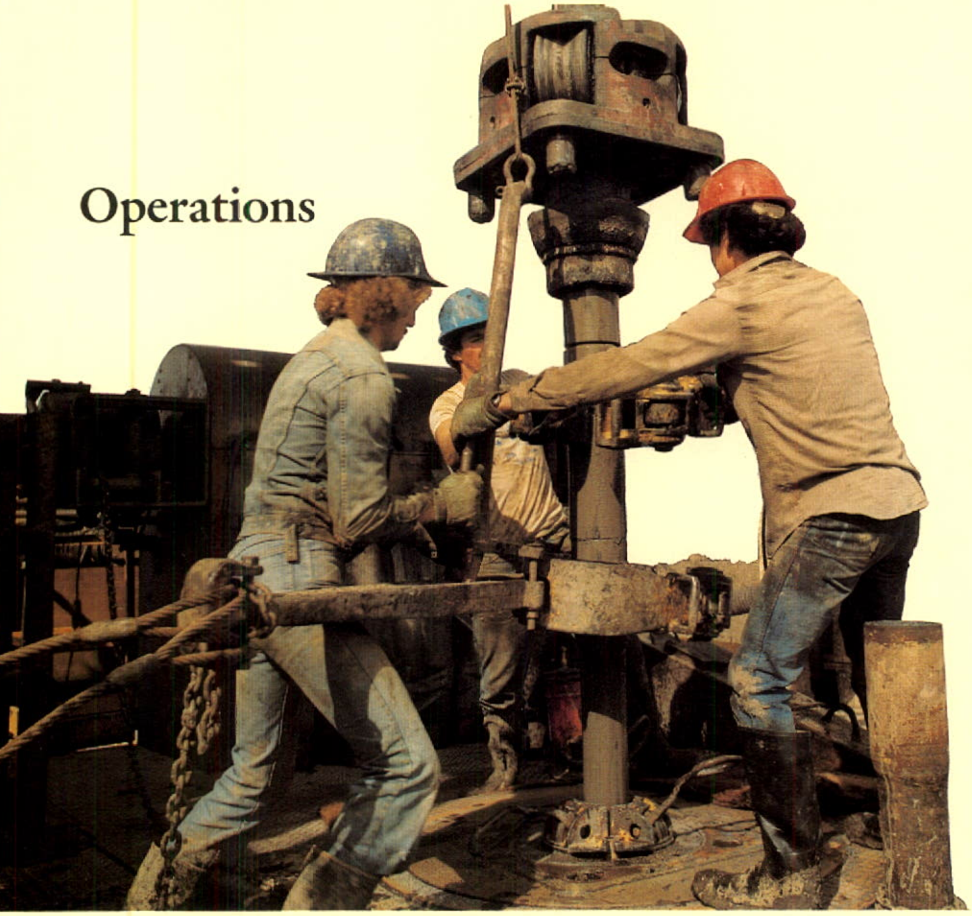



**Scotian Shelf**



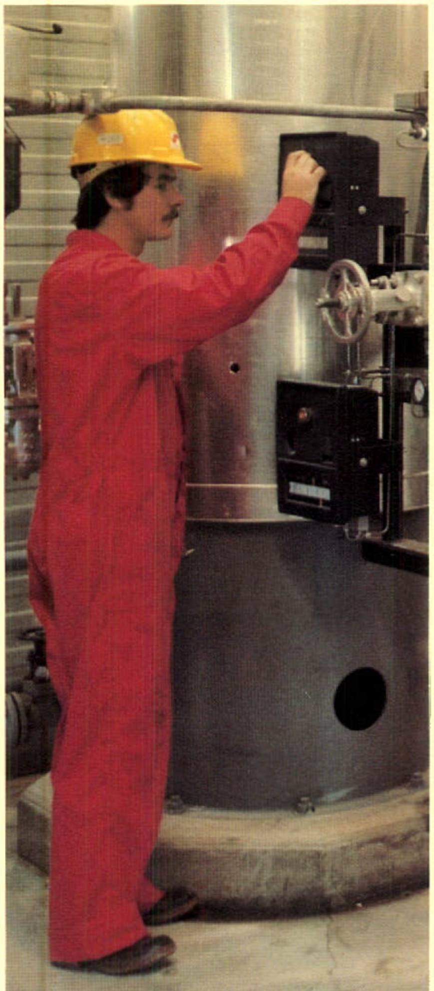

**United Kingdom**

# Operations



*Irish-Lindbergh*

*Buchan*



*Elmworth-Wapiti*

# Overview

*Humbly Grove*

Sulpetro's 1983 activity was concentrated in Canada and the United Kingdom. The Company participated in the drilling of 269 wells in 1983, resulting in 157 oil wells and 70 gas wells for an overall success rate of 84.4 percent. Of this total, 56 wells were drilled at no cost to the Company through various joint-venture arrangements. Activity in Canada accounted for 256 of the total wells drilled in 1983 of which 150 were oil wells and 68 were gas wells. In addition, five oil wells were drilled in the United States, two oil wells were drilled in southern England and two gas wells were drilled in the Netherlands.

The most significant successes were located at Ferrier, Garrington, Gordondale, Irish-Lindbergh, Minnehik-Buck Lake and Valhalla in Alberta; at Glenelg on the Scotian Shelf, offshore eastern Canada; and at Horndean, onshore in southern England.

As part of Sulpetro's operating strategy for 1983, increased emphasis was placed on oil properties located in Alberta. All of the successful oil wells drilled during 1983 received the New Oil Reference Price (NORP) — the highest price currently being paid for crude oil. The Company maintained activity on its gas properties during 1983, concentrating on prime prospects on contracted lands nearing lease expiry deadlines.

As in 1982, a significant portion of Sulpetro's drilling in Canada was funded by Sulbath Exploration Ltd., an affiliate jointly owned with Consolidated-Bathurst Inc. Sulbath qualifies for maximum Petroleum Incentive Payment (PIP) grants. In 1983, Sulbath programs accounted for 34 percent of the Company's total Canadian drilling activity.

## Petroleum and Natural Gas Drilling Statistics
**(For the years ended October 31)**

| | Gas Wells | | Oil Wells | | Dry and Abandoned | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| **Canada** | 39 | 14.05 | 141 | 31.90 | 25 | 7.17 | 205 | 53.12 |
| **International** (1) | 2 | 0.08 | 2 | 0.30 | 3 | 0.46 | 7 | 0.84 |
| **United States** | — | — | 5 | 2.08 | 1 | 0.75 | 6 | 2.83 |
| **Total Working Interest — 1983** | **41** | **14.13** | **148** | **34.28** | **29** | **8.38** | **218** | **56.79** |
| **Total Royalty Interest — 1983** | **29** | | **9** | | **13** | | **51** | |
| **Total Working and Royalty Interest** | | | | | | | | |
| **— 1983** | **70** | **14.13** | **157** | **34.28** | **42** | **8.38** | **269** | **56.79** |
| — 1982 | 144 | 37.96 | 124 | 11.97 | 67 | 14.34 | 335 | 64.27 |

(1) Excludes wells drilled by the IEDC group of companies.

Worldwide landholdings during 1983 decreased slightly as certain low priority lands were allowed to expire or were farmed out. Holdings in prime oil prone areas and in areas under natural gas sales contracts in western Canada were maintained or increased by selective acquisitions or farm-ins.

Gross proven reserves at year end increased fractionally to 6.64 million cubic metres (41.8 million barrels) of crude oil and natural gas liquids (NGL) and 28.4 billion cubic metres (1.01 trillion cubic feet) of natural gas. Sulpetro's reserve life index based on the 1983 sales rate is 10.7 years for crude oil and 29.8 years for natural gas.

It is considered significant that in a year of reduced exploratory activity, the additions to proven reserves resulting from drilling and enhanced recovery programs more than offset the decreases due to production and the sale of certain mature properties.

Natural gas sales of 2.609 million cubic metres (92.6 million cubic feet) per day from working interest properties decreased by 6.4 percent from the previous year. Ninety-four percent of natural gas production came from fields in Alberta, the most significant of which are Elmworth-Wapiti, Cessford, Roseglen, Valhalla, Minnehik-Buck Lake, Irish-Lindbergh and Chinchaga. The decrease in sales was due to reduced nominations by most natural gas purchasers. However, in Sulpetro's largest gas field, Elmworth-Wapiti, production was increased to meet the requirements of TransCanada PipeLines Limited (TransCanada), and the Company's export project which delivers gas to the northeastern United States. Sulpetro's percentage of contracted volumes of natural gas delivered under its export project during 1983 was 72 percent, the highest of all western Canadian exporters. In comparison, other natural gas exporters sold an average of 55 percent of contracted volumes during the year.

## Petroleum and Natural Gas Properties
**(For the years ended October 31)**

| | Sulpetro Interest Lands | |
|---|---|---|
| **Working-Interest Lands** | Gross Hectares | Net Hectares |
| **Canada** (1, 2) | | |
| Alberta | 1 363 011 | 496 377 |
| British Columbia | 49 873 | 11 830 |
| Eastcoast Offshore (3) | 1 962 130 | 96 207 |
| Northwest Territories (4) | 478 628 | 93 898 |
| Saskatchewan | 518 | 129 |
| **Total Canada — Hectares** | **3 854 160** | **698 441** |
| **— Acres** | **9,563,296** | **1,740,251** |
| **International** (5) | | |
| Australia | 1 053 500 | 834 020 |
| Ireland | 49 500 | 12 380 |
| Netherlands | 195 100 | 9 870 |
| New Zealand | 249 100 | 24 310 |
| United Kingdom — Offshore | 23 070 | 3 190 |
| — Onshore | 546 520 | 74 490 |
| **Total International — Hectares** | **2 116 790** | **958 260** |
| **— Acres** | **5,230,588** | **2,367,860** |
| **Total United States — Hectares** | **97 917** | **85 666** |
| **— Acres** | **241,950** | **211,679** |
| **Total Working-Interest Lands** | | |
| **— 1983 — Hectares** | **6 068 867** | **1 742 367** |
| **— Acres** | **15,035,834** | **4,319,790** |
| — 1982 — Hectares | 6 503 035 | 1 763 434 |
| — Acres | 16,141,995 | 4,374,739 |
| **Total Royalty-Interest Lands** | | |
| **— 1983 — Hectares** | **136 343** | — |
| **— Acres** | **339,746** | — |
| — 1982 — Hectares | 123 853 | — |
| — Acres | 309,106 | — |

(1) Excludes 6 789 057 gross hectares (16,777,739 gross acres); 56 316 net hectares (139,232 net acres) in which Sulpetro has the right to earn pursuant to an Agreement with Columbia Gas Development of Canada Ltd.

(2) Includes 2 269 974 gross hectares (5,612,607 gross acres); 201 614 net hectares (499,405 net acres) contributed by Sulpetro under the Sulbath Agreement.

(3) These Eastcoast Offshore lands formed part of the lands contributed by Sulpetro under the Sulbath Agreement and in September 1982, became subject to the Canterra Energy Ltd. Farmout Agreement. No interest has been earned by Canterra as of October 31, 1983.

(4) Northwest Territory figures reflect the anticipated issuance of an Exploration Agreement by the Federal Government and are therefore subject to revision.

(5) In addition, Sulpetro has a 2.54 percent net profits interest in 33 520 000 gross hectares (82,828,000 gross acres); 5 077 000 net hectares (12,545,000 net acres) held by International Energy Development Corporation (IEDC).

Conversion factor: one hectare = 2.471 acres

New or enlarged facilities were placed on stream during the year at South Wapiti, Karr, Irish, Holmberg, Clyde, and Pembina. The Wapiti, Holmberg and Pembina facilities provided for an increase in contracted sales, while the other facilities were required to maintain deliverability. At mid-year a contract for the extraction and sale of the NGL contained in the Sulpetro export stream was concluded, which resulted in increased gas volumes being sold to make up for the heating content removed from the gas.

Crude oil and NGL sales of 1 138 cubic metres (7,161 barrels) per day from working interest properties decreased by 11.4 percent from the previous year. Fifty percent of Sulpetro's 1983 crude oil and NGL sales came from the United Kingdom, (primarily from the Buchan Field), and 43 percent from Alberta, with the remainder from British Columbia and the United States.

The decreases occurred due to: reduced liftings by Sulpetro from the North Sea Buchan field over the past winter; the sale of certain mature small working-interest properties in Alberta; reduced production of NGL resulting from lower natural gas sales; and, normal productivity declines at several older fields. Approximately 78 percent of Sulpetro's crude oil and NGL production is sold at world prices.

## Consolidated Gross Petroleum and Natural Gas Reserves
**(As at October 31, 1983)**

| | Crude Oil and NGL | | Natural Gas | |
|---|---|---|---|---|
| | $10^3m^3$ | MB | $10^9m^3$ | Bcf |
| Proven Reserves October 31, 1982 | 6 638 | 41,773 | 28.3 | 1,006 |
| Additions from drilling and adjustments | 669 | 4,210 | 1.8 | 65 |
| Less: Production | (421) | (2,648) | (0.9) | (33) |
| Less: Sale of Properties | (244) | (1,535) | (0.8) | (29) |
| **Proven Remaining Reserves October 31, 1983** | **6 642** | **41,800** | **28.4** | **1,009** |
| Probable Additional Reserves October 31, 1982 | 2 687 | 16,909 | 9.0 | 320 |
| Additions (Deletions) from drilling and adjustments | 291 | 1,830 | (0.9) | (31) |
| **Probable Additional Reserves October 31, 1983** | **2 978** | **18,739** | **8.1** | **289** |
| **Total Proven Remaining and Probable Additional Reserves October 31, 1983** | **9 620** | **60,539** | **36.5** | **1,298** |

Conversion factor: one $10^3m^3$ = 6.293 thousand barrels of crude oil and NGL
one $10^9m^3$ = 35.494 billion cubic feet of natural gas

The most significant of several new oil wells completed during the year were at Horndean and Herriard in southern England, and at Ferrier, Gordondale, Grande Prairie, Irish-Lindbergh, Pembina and Valhalla in Alberta. The installation of water-flood facilities was completed at Little Bow and will result in an increase in allowable production in early 1984 of 35 cubic metres (220 barrels) per day, net to Sulpetro.

An increase in minimum allowables implemented in Alberta in early 1984 will increase production slightly, and improve the economics of NORP prospects having thin pay zones.

Overriding royalty production of 66.1 thousand cubic metres (2.3 million cubic feet) of natural gas per day and 12.8 cubic metres (80.5 barrels) of oil per day, was down from the previous year due to reduced natural gas sales from most Alberta fields and the conversion to a working-interest position in the heavy oil property at Irish-Lindbergh. Royalty income which is primarily from Alberta wells is expected to increase significantly in the future as natural gas markets return to normal.

Exploration activity for 1984 will be concentrated in four major areas: follow up of recent NORP discoveries in Alberta; development of lands critical to supplying existing and future natural gas sales contracts; pursuit of the Scotian Shelf program offshore eastern Canada; and, continuation of drilling activity onshore southern England. Other exploration programs will be conducted in Australia and New Zealand, with the first well offshore New Zealand to be drilled this year. Many of the programs will be funded by joint venture and farmout arrangements.

Several major development projects are either in progress or planned which will have a substantial effect on Sulpetro over the next few years. One of the more significant is the expansion of the Company's Wapiti gas processing plant for the recovery of ethane and heavier hydrocarbons. Sulpetro projects additional operating profits of between $4-6 million per year, based on current price levels, as a result of this expansion.

Other programs planned for 1984 include:

- implementation of a cycling scheme to recover gas liquids from the Wembley field;
- installation of propane and butane recovery facilities at Minnehik-Buck Lake;
- continuation of infill drilling at the Irish-Lindbergh heavy oil area with expansion of thermal recovery programs in this project;

## Natural Gas and Crude Oil Sales Volumes
**(For the years ended October 31)**

### Natural Gas
Thousand cubic metres per day — $10^3m^3/d$

| | 1983 | 1982 |
|---|---|---|
| Elmworth-Wapiti | **942** | 758 |
| Cessford | **260** | 347 |
| Roseglen | **174** | 153 |
| Valhalla | **171** | 168 |
| Minnehik-Buck Lake | **134** | 172 |
| Irish-Lindbergh | **97** | 72 |
| Chinchaga | **78** | 134 |
| Big Bend | **66** | 87 |
| Karr | **41** | 44 |
| Clyde | **35** | 24 |
| Others (including United States) | **611** | 827 |
| **Total Natural Gas Sales** | | |
| **— $10^3m^3/d$** | **2 609** | 2 786 |
| **— mmcfd** | **92.6** | 98.9 |

Conversion factor: one $10^3m^3$ = 35.494 mcf

### Crude Oil and Natural Gas Liquids (NGL)
Cubic metres per day — $m^3/d$

| | 1983 | 1982 |
|---|---|---|
| Buchan | **565** | 634 |
| Cessford | **185** | 207 |
| Elmworth-Wapiti | **50** | 55 |
| Chinchaga | **42** | 57 |
| Irish-Lindbergh | **42** | 8 |
| Pembina | **33** | 38 |
| Peejay | **31** | 36 |
| Gold Creek | **28** | 38 |
| Big Lake - St. Albert | **26** | 27 |
| Weasel | **18** | 20 |
| Others (including United States and United Kingdom — Onshore) | **118** | 164 |
| **Total Crude Oil and NGL Sales** | | |
| **— $m^3/d$** | **1 138** | 1 284 |
| **— barrels/d** | **7,161** | 8,080 |

Conversion factor: one $m^3$ = 6.293 barrels

- implementation of new or enlarged Enhanced Oil Recovery (EOR) programs at Caroline, Cessford, Pembina and Valhalla;
- continuation of infill and development drilling of the Humbly Grove and Horndean oil areas of southern England, as well as at the Cessford, Elmworth-Wapiti, Garrington, Minnehik-Buck Lake and Valhalla areas of Alberta.

The Company has made several moves to reduce its obligations and improve its working capital position, including the sale of certain older Canadian producing properties for approximately $30 million. After the year end, agreements were concluded between Sulpetro, the other shareholders of International Energy Development Corporation (IEDC) and the IEDC group of companies, to convert Sulpetro's present shareholdings to a net profits interest in the IEDC lands. This agreement is beneficial as Sulpetro will not be required to participate in any future funding of the IEDC group, but will retain a position in IEDC's attractive spread of lands. Initially, the Company will have a 2.54 percent net profits interest in all properties held by IEDC at the date Sulpetro ceased to be a shareholder. This interest will decline each time the Company recovers its investment to a final participation of 1.27 percent.

In November 1983, Sulpetro entered into an agreement to sell its Netherlands interests for U.S. $15 million, subject to a retained 25 percent net profits interest. Through this sale, Sulpetro was relieved of a portion of the costs of developing the P/6 gas field and certain exploratory drilling obligations, while retaining an interest in the properties.

## Gross Petroleum and Natural Gas Reserves by Division
**(For the years ended October 31)**

| | Crude Oil ($10^3m^3$) | Natural Gas Liquids ($10^3m^3$) | Natural Gas ($10^6m^3$) |
|---|---|---|---|
| **Proven Remaining Reserves** | | | |
| Canada | 3 134.1 | 2 721.1 | 27 897 |
| International | 745.8 | 15.9 | 346 |
| United States | 25.4 | — | 183 |
| **Total** | **3 905.3** | **2 737.0** | **28 426** |
| **Probable Additional Reserves** | | | |
| Canada | 1 726.7 | 566.7 | 7 879 |
| International | 672.1 | 7.9 | 261 |
| United States | 4.4 | — | 7 |
| **Total** | **2 403.2** | **574.6** | **8 147** |
| **Proven Remaining and Probable Additional Reserves** | | | |
| Canada | 4 860.8 | 3 287.8 | 35 776 |
| International | 1 417.9 | 23.8 | 607 |
| United States | 29.8 | — | 190 |
| **Total** | **6 308.5** | **3 311.6** | **36 573** |
| **Total Proven Remaining and Probable Additional Reserves** | | | |
| **1983 — metric** | **6 308.5** | **3 311.6** | **36 573** |
| **— thousand barrels** | **39,699.1** | **20,839.7** | **—** |
| **— billion cubic feet** | **—** | **—** | **1,298** |
| 1982 — metric | 6 558.3 | 2 765.5 | 37 355 |
| — thousand barrels | 41,271 | 17,403 | — |
| — billion cubic feet | — | — | 1,326 |

Conversion factor: one $10^3m^3$ = 6.293 thousand barrels of oil and NGL
one $10^6m^3$ = 35.494 million cubic feet of gas

# Natural Gas Marketing

Sulpetro's export marketing strategy, implemented in 1977, continued during 1983. This strategy involves the development of gas reserves and deliverability in support of additional export markets, while ensuring that the requirements of the Company's traditional natural gas purchasers are fulfilled.

Sulpetro markets its natural gas through contracts with a number of purchasers, including TransCanada, Pan-Alberta Gas Limited (Pan-Alberta), and Alberta and Southern Gas Company Limited (Alberta and Southern). In addition, Sulpetro's own export contract volumes are purchased by Transcontinental Gas Pipe Line Corporation (Transco) for the American market.

At year end, a total of 1 700 million cubic metres (60 billion cubic feet) of gas had been delivered to Sulpetro's United States customers under the first phase of the Export I Project. The Company is now entering the second phase of this project, under which a total volume of 170 million cubic metres (6.0 billion cubic feet) will eventually be exported.

Deliveries under a second sales contract with Transco will commence in February 1984. This Export II Project, representing a total of 4 654 million cubic metres (164.3 billion cubic feet), with a maximum daily rate of 2 125 thousand cubic metres (75 million cubic feet), has received an eight-year export authorization from the National Energy Board and the U.S. Economic Regulatory Administration. A two-year authorization was issued by the Federal Energy Regulatory Commission. The remaining six years will be finalized after hearings on Transco's proposed pipeline construction south of Niagara Falls are concluded.

Sulpetro and Transco have also entered into an agreement in principle for a third sales contract under which the maximum daily sales volume will increase from 2 125 thousand cubic metres (75.0 million cubic feet) to 2 833 thousand cubic metres (100 million cubic feet) commencing in 1985, and expiring in 1993. The total volume of gas to be delivered under this third sales contract is 4 135 million cubic metres (146 billion cubic feet).

## 1983 Gas Sales

Of the total gas sold during 1983, 62 percent was delivered to TransCanada, 19 percent to Sulpetro's export project, five percent each to Pan-Alberta and Alberta and Southern, and the balance to several domestic and export purchasers. During the past year, except for sales under Sulpetro's own export licence, the level of sales to traditional purchasers was down from the previous year. Retail sales of natural gas were down in 1983 due to a number of limiting factors including: the economic recession; energy conservation practices; significantly warmer weather; and, export market resistance arising out of Canadian gas being too highly priced. Due to the inability of purchasers to take contracted volumes, Sulpetro received take-or-pay payments of $5.1 million in 1983. It is felt that natural gas demand "bottomed-out" during 1983, and a return toward traditional sales volumes will begin in 1984.

Most natural gas purchasers have presented modified take-or-pay proposals which Sulpetro, along with many Alberta producers, has accepted.

Sales to Sulpetro's export customer, Transco, were relatively high during the 1982/83 contract year totalling 439.0 thousand cubic metres (15.5 billion cubic feet) which represents approximately 72 percent of the authorized annual volume. The remaining undelivered volume of 170 million cubic metres (6.0 billion cubic feet) will be exported during the first few months of the 1983/84 contract year through an extension to Sulpetro's export licence. The Company increased its working-interest percentage in the volumes exported during 1982/83 to approximately 42.5 percent from the previous year's level of about 30 percent. A higher share of production is expected to be attained during 1984.

## Outlook for 1984

Natural gas markets for 1984 are expected to start a slow recovery, and Sulpetro, like many other companies, has significant surplus capacity tied in. In view of the uncertain timing of increased sales, arrangements have been made to produce most of the gas required for the Company's export projects from presently tied in fields having surplus deliverability. The remaining fields dedicated to serve Sulpetro's export market will be connected as required to meet contractual obligations.

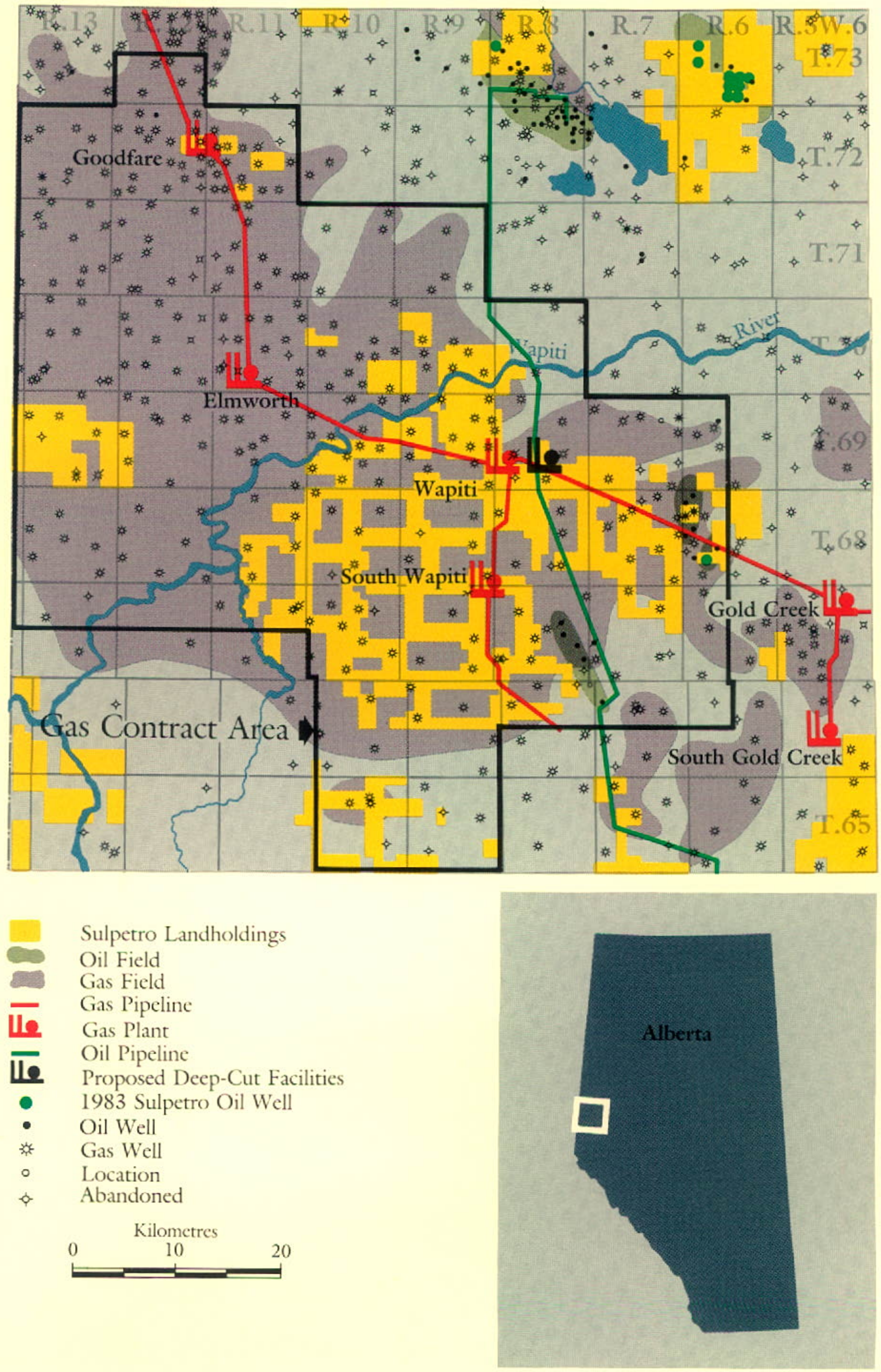
# Property Review

## Canada

### Elmworth-Wapiti

Sulpetro holds interests averaging 42.4 percent on 77 830 hectares (194,575 acres) in the Elmworth-Wapiti area of northwestern Alberta, which are subject to long-term reserve based gas sales contracts with TransCanada. Seventy-one successful wells have been drilled on Company lands and commercial production has been established from seventeen different zones. Twenty-six gas wells are presently tied in to the four plants serving the area, and two oil wells are on production.

Net sales for the past year averaged 942.4 thousand cubic metres (33.4 million cubic feet) per day of natural gas, and 50 cubic metres (315 barrels) per day of crude oil and NGL. More than 87 percent of the sales were made to TransCanada, with the balance to Sulpetro's export contract. For the two-year period ending October 31, 1984, proven reserves attributable to Sulpetro's working interest under the TransCanada contracts were established at 10.8 billion cubic metres (382.5 billion cubic feet). Daily average sales for 1983 fell substantially below the contracted quantity of 1.476 million cubic metres (52.4 million cubic feet) due to decreased demand. Sales from the area to TransCanada and the Company's export contracts are expected to increase significantly in 1984.



Regulatory approval has been received for installation of deep-cut facilities at the Sulpetro-operated Wapiti plant. The new facility, scheduled to come on stream in mid-1985, will cost approximately $30 million and will recover 3 020 cubic metres (19,000 barrels) per day of ethane, propane, butane and pentanes plus at a maximum design capacity of 9.0 million cubic metres (320 million cubic feet). Sulpetro's working interest will be approximately 19 percent in the Wapiti deep-cut plant, which will process gas from the Wapiti and Wapiti south plants. The Company's share of capital costs, estimated to be $6 million, is expected to be paid out within two years. In addition, deep-cut facilities are being installed at Elmworth and NGL will also be recovered from Sulpetro's wells connected to this plant.

A sales agreement has been concluded with a major resource company covering all of Sulpetro's NGL production from the area for the first six years of operation.

## Valhalla

Sulpetro has an average 30 percent interest in the Valhalla area of northwest Alberta, covering approximately 15 926 hectares (39,815 acres). Fifteen wells were drilled in 1983, resulting in 12 NORP oil wells and three gas wells. Three major plays pursued during the year were: Doe Creek oil, Halfway oil and Halfway gas.

### Doe Creek Oil Development

In 1983, Sulpetro participated in the drilling of eight gross oil wells (3.1 net) in the Doe Creek pool, which is found at a depth of about 750 metres (2,500 feet). Fourteen additional wells are planned on the Company's lands in 1984 to define the eastern limit of this reservoir. Successful Doe Creek wells are expected to produce on average 6.3 cubic metres (40 barrels) per day. New drilling in 1983 has added 23 085 cubic metres (145 thousand barrels) of net proven reserves. All reserves are NORP oil. Industry drilling activity in the area has been high during 1983, and discussions are currently under way regarding unitization and possible waterflooding of the pool.

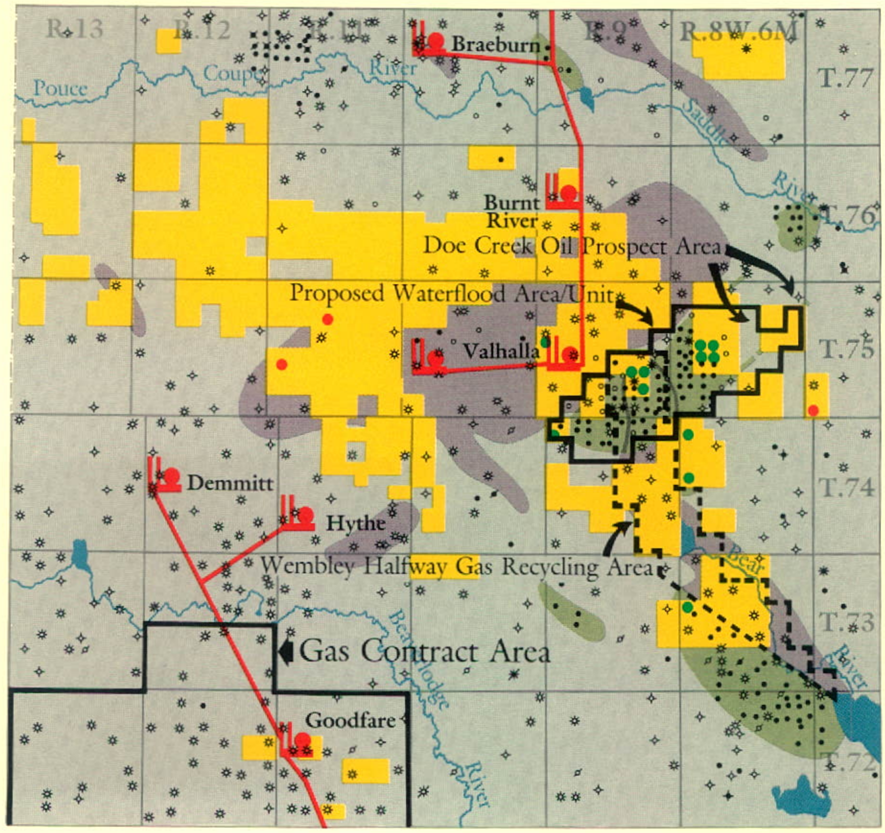
### Halfway Oil Development

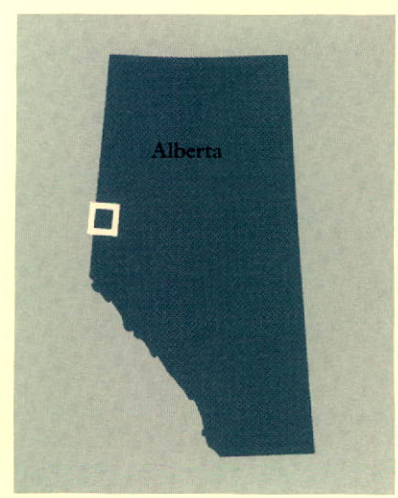
A major farm-in was made through Sulbath to increase its participation in the lands in which an interest was already held. Up to 4 224 net hectares (10,560 net acres) may be earned if all options are exercised. To year end, four earning wells had been drilled, resulting in three oil wells and one gas well.

One earning well, Valhalla 6-19-74-8W6M, is a NORP oil discovery in the Triassic Halfway formation. The Company has a 50 percent working interest in this well which produced at initial rates of 80 cubic metres (503 barrels) per day from 21 metres (69 feet) of net pay. Net Sulpetro reserves in this well are estimated to be 63 423 cubic metres (400,000 barrels). Drilling is planned in 1984 to further delineate and develop this NORP oil pool.

**Halfway Gas Development**

A second significant earning well, Valhalla 14-11-75-9W6M, extended the known gas cap of the Wembley Halfway oil and gas reservoir 2.4 kilometres (1.5 miles) to the northwest, and increased net reserves by 197 million cubic metres (7.0 billion cubic feet) of natural gas. On test, the well flowed 310 thousand cubic metres (10.9 million cubic feet) per day from six metres (19.7 feet) of net pay. The Company will have a 50 percent working interest in this well after payout. The extension will bring more Sulpetro interest lands into the pool outlines, which in turn will increase its working interest in the proposed Halfway gas unit. Unitization plans call for producing the NGL rich gas cap at rates of up to 1.7 million cubic metres (60 million cubic feet) per day and recycling lean gas to maintain reservoir pressure and maximize oil and NGL production. Sulpetro's overall interest in this scheme would be approximately 15 percent.



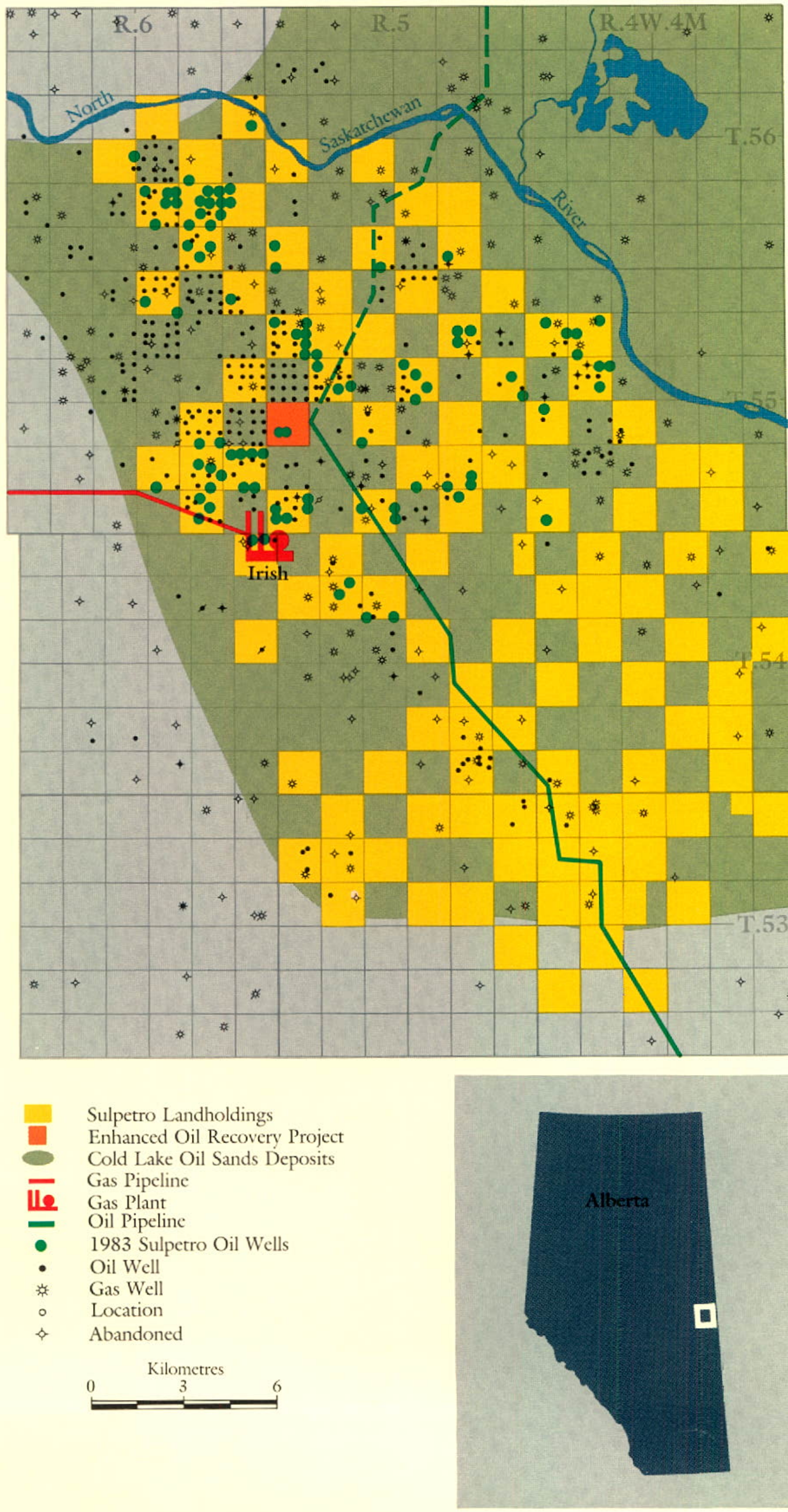
## Irish-Lindbergh

Development continued on Sulpetro's 27 000 hectare (67,500 acre) Irish-Lindbergh heavy oil properties located in east-central Alberta. The Company has a 21.25 percent working interest in these lands. Under the terms of the farmout agreement, Dome Petroleum Limited (Dome) has spent $78.5 million on exploration, development and installation of a tertiary recovery pilot. Dome is entitled to retain 65 percent of the net revenue from Sulpetro's share of production until it recovers a total $12 million carried-interest account of which a balance of approximately $10 million remained to be recovered at October 31, 1983. A total of 303 wells have been drilled under this program at no cost to the Company. A further 11 additional wells were drilled prior to year end in which Sulpetro paid its 21.25 percent share of costs.

There were 90 gross wells (19.1 net) drilled in 1983 on the farmout lands, bringing the total wells drilled to date to 314 (66.7 net), of which 298 wells (63.3 net) are cased and completed as potential oil producers. By year end a total of 209 wells (44.4 net) were producing at an average gross daily rate of 600 cubic metres (3,775 barrels) of oil per day. All of this production is considered to be primary, as the beneficial effect of the in-situ combustion is not expected to occur before the end of 1984.

Air injection continued in three out of twelve patterns in the two thermal recovery pilot projects in Section 18-55-5W4M, consisting of a Combination Thermal Drive Pilot and an Enriched Air Combustion Pilot (oxygen injection), drilled on four hectare (ten acre) and two hectare (five acre) spacings respectively. Air injection will be extended to the other nine patterns during 1984.

Regulatory approval has been obtained for the development of a second EOR project in Section 24-55-6W4M. Construction of facilities in the area and the drilling of wells has started.

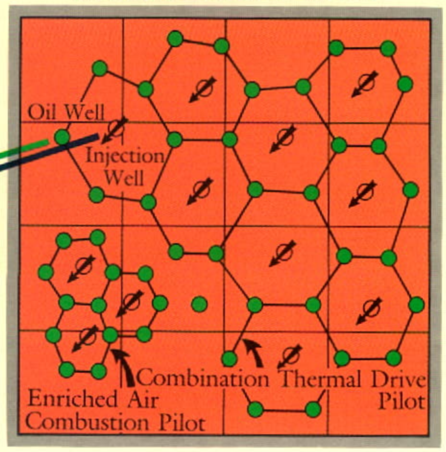


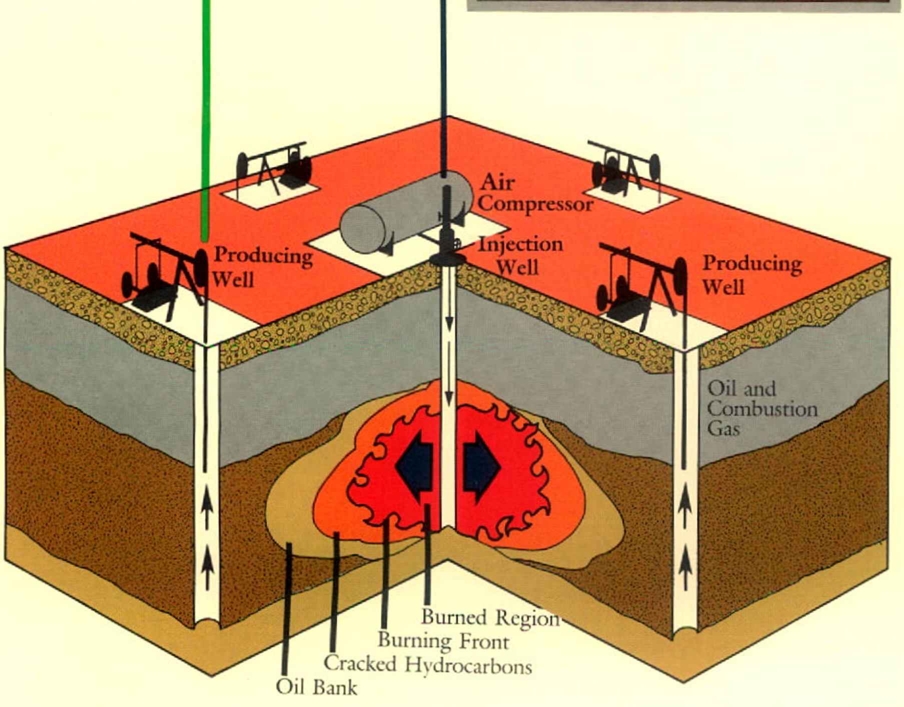
Approximately 100 wells (21.2 net) will be drilled during 1984, including the development of the second EOR project. Based on favourable primary production and expected high recovery under tertiary conditions, additional EOR projects will be installed at a frequency of one section per year, increasing total daily production to a target of approximately 2 385 cubic metres (15,000 barrels) by 1988, resulting in 507 cubic metres (3,190 barrels) net to Sulpetro.

The Company's share of proven primary heavy oil reserves, as estimated by an independent consultant, is 397 000 cubic metres (2.5 million barrels). Additional potential primary reserves are estimated at 220 thousand cubic metres (1.38 million barrels), based on an overall primary recovery factor of 2.6 percent. Sulpetro believes that under tertiary recovery methods, a recovery factor in excess of 30 percent can be achieved on EOR projects. Under this scenario, the Company's overall share of recoverable reserves could increase ten-fold.

**Enhanced Oil Recovery Project**
**In-situ Combustion**

Section 18-55-5 W4M




## Cessford

Sulpetro has interests averaging 45.2 percent in 100 gas and 122 oil wells on production on its 63 450 gross hectare (158,625 acre) land-holdings in the Cessford field in southeastern Alberta. Production has been established over an extensive area and is obtained from many horizons of Cretaceous age. Daily average production for the year was 260 thousand cubic metres (9.24 million cubic feet) of natural gas and 185 cubic metres (1,167 barrels) of crude oil and NGL.

Natural gas sales are expected to increase in 1984 through a combination of higher sales to Trans-Canada and sales to Sulpetro's export contracts. A decline in crude oil production is expected to be arrested as the reservoir responds to the waterflood initiated in 1981 on the unitized Basal Colorado pool, and as additional Mannville pools are placed under waterflood.

A tertiary recovery caustic flood has been started in a portion of the Basal Colorado pool presently under conventional waterflood. If successful this experimental project, which has been partially funded by Provincial government research grants, will have a significant effect on the overall recovery and profitability of the Cessford area.

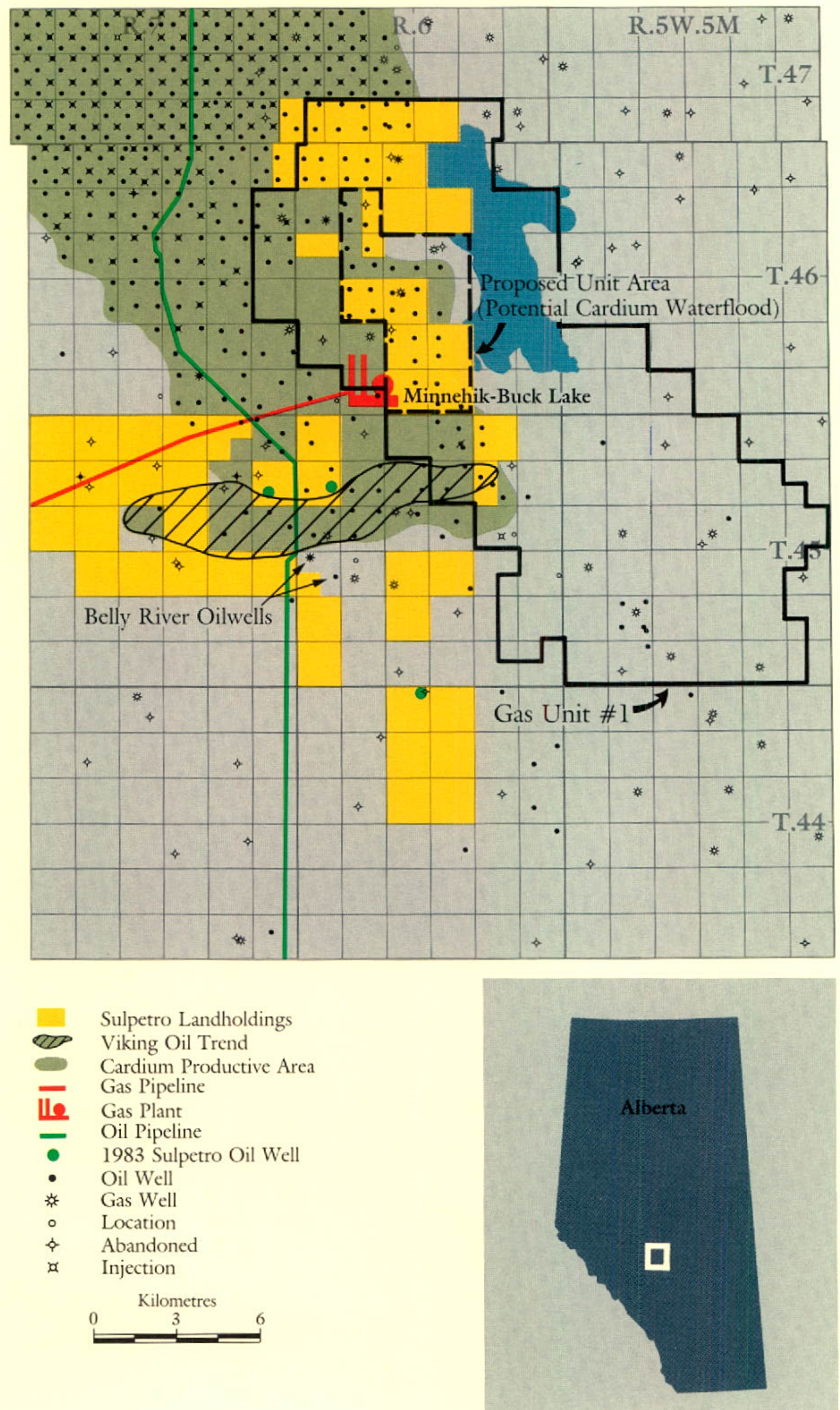
Several wells which will qualify for NORP prices are scheduled for drilling during 1984.

## Minnehik-Buck Lake

In central Alberta, Sulpetro holds a 10.6 percent interest in the 23 050 hectare (57,625 acre) Minnehik Pekisko Gas Unit and an average of 44.9 percent in additional petroleum and natural gas rights in the area totalling 12 170 hectares (30,425 acres). The Company is operator of the 3.1 million cubic metre (110 million cubic feet) per day sour gas processing plant owned by the gas unit, and operates 54 oil wells and 15 gas wells in the area. Production was 134.0 thousand cubic metres (4.8 million cubic feet) of natural gas per day and 38 cubic metres (239 barrels) of crude oil and NGL per day. Natural gas sales are made primarily to Alberta and Southern, with the balance being sold to Alberta utilities.

Solution gas handling facilities were debottlenecked during the year and plans are well advanced for the installation of propane and butane recovery facilities at the Minnehik plant. The design capacity of the proposed $5 million expansion will be 285 cubic metres (1,780 barrels) per day, with completion expected during early 1985. The increased value of the additional liquids recovered is expected to pay out Sulpetro's share of the expansion costs within one year.

Two successful Cardium oil wells were drilled on Sulpetro lands during the year and holdings were also enhanced by competitor drilling. Significant NORP oil potential is also indicated for the Viking formation where four successful oil wells have been drilled directly offsetting Company holdings. Plans for 1984 include exploitation of the Viking and Cardium oil potential, as well as initiating pilot waterflood schemes on the Cardium pool.



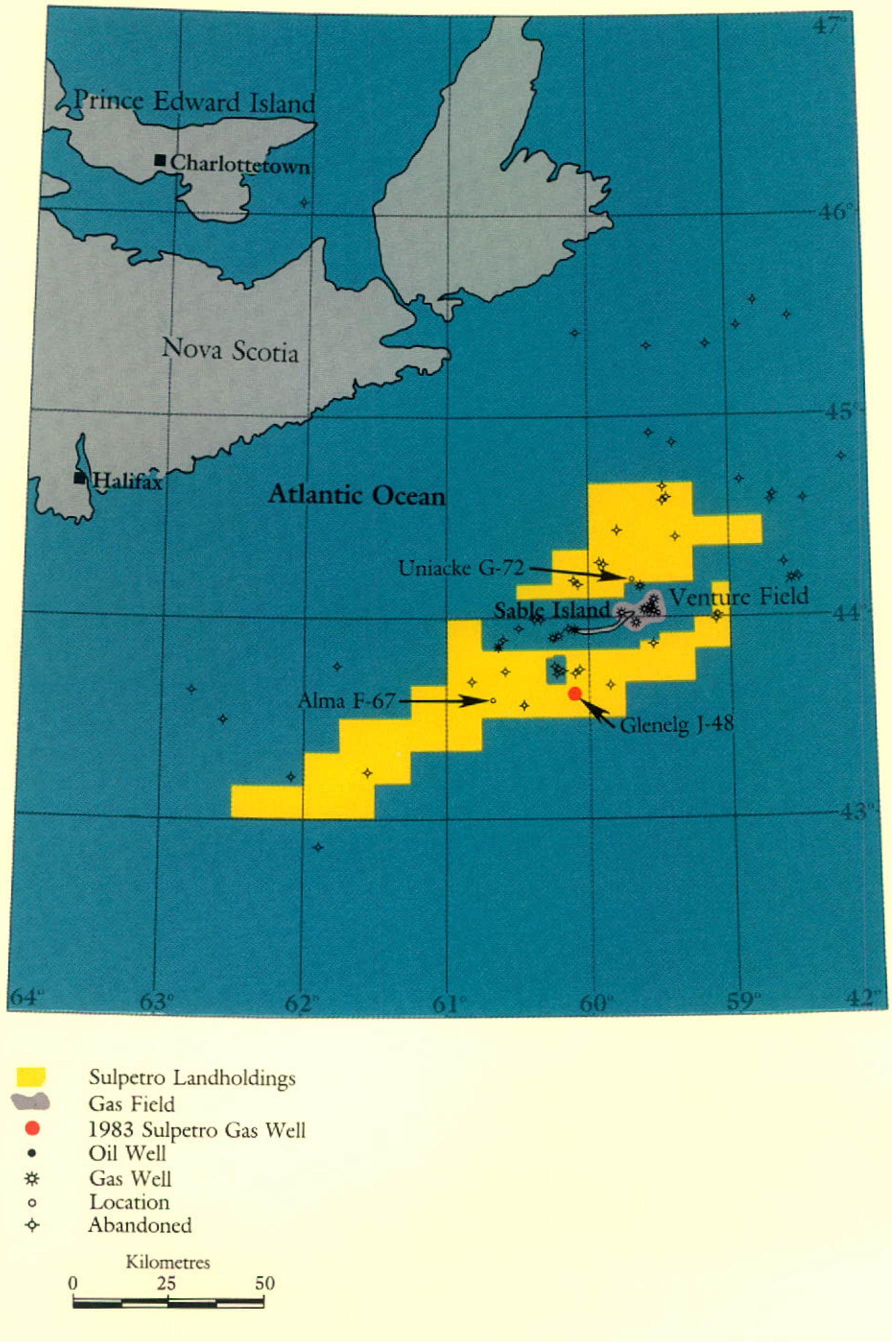
## Scotian Shelf

Sulpetro is a participant in seven exploration agreements with the Federal Government's Canadian Oil and Gas Lands Administration (COGLA), covering 1 962 130 gross hectares (4,848,541 gross acres) off the East Coast of Nova Scotia. Late in 1982 Sulpetro, through Sulbath Exploration Ltd., entered into a farm-out agreement in which Sulbath's costs are paid on a maximum of ten wells. Sulbath will hold a 2.5 percent working interest following completion of this farm-out.

The first well drilled under the agreement, Glenelg J-48 is a significant gas discovery 52 kilometres (32 miles) southwest of the Venture gas field. Six zones tested at rates ranging from 99 000 to 845 000 cubic metres (3.5 to 30 million cubic feet) per day. Independent engineering studies assign gross probable recoverable natural gas reserves of 10.1 billion cubic metres (360 billion cubic feet) to the discovery well. The reserve potential of the Glenelg structure is considered much larger and further drilling is planned. Glenelg is located 300 kilometres (186 miles) from shore in 85 metres (279 feet) of water.

Subsequent to year end, encouraging results were obtained by the program's second well, Uniacke G-72, which lies 20 kilometres (12 miles) north-northwest of Venture. This well is currently testing and results are expected in early March.

Besides delineation drilling at Glenelg, at least three exploratory wells are planned for 1984 on geological structures untested to date. Two of these wells, Alma F-67 and Bonnet P-23, are currently drilling.



# International

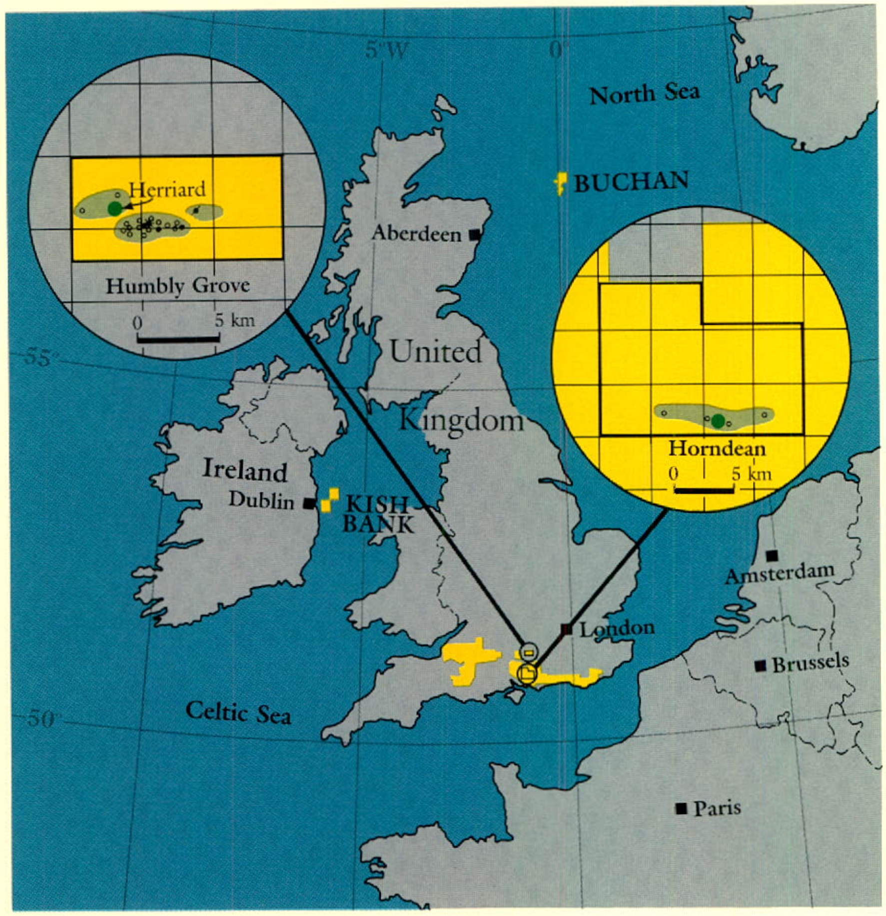
## United Kingdom — Offshore

Sulpetro has a 12.71 percent working interest in the Buchan oil field located in the United Kingdom sector of the North Sea. Eleven wells have been drilled establishing total proven oil reserves of 8.5 million cubic metres (53 million barrels). Production began in 1981, and since that time a total of 4.1 million cubic metres (26 million barrels) of oil has been produced from the field, of which Sulpetro's share has been 523 thousand cubic metres (3.0 million barrels).

Due to weather and operational problems during 1983, the field was shut in for 49 percent of the year. In spite of the abnormal down time, gross production from Buchan increased in 1983 from 1.6 million cubic metres (10 million barrels) to 1.8 million cubic metres (11 million barrels). Average daily gross production of oil for the year was 4 800 cubic metres (30,000 barrels). Sulpetro's 1983 liftings (production transported from the field) averaged 565 cubic metres (3,555 barrels) per day. This was nearly eleven percent less than in 1982, due to Sulpetro's final participation in the expanded unit being established at 12.71 percent, down from 13.28 percent.

Oil production from Buchan is marketed by the British National Oil Corporation (BNOC). During the year, arrangements were made with BNOC for the sale of Sulpetro's share of liftings for the remaining life of the field.

Production from Buchan during 1984 is projected to be 4 160 cubic metres (26,000 barrels) per day of which Sulpetro's share will be 520 cubic metres (3,300 barrels) per day. The expected reduction is due to some decline in productive capacity and scheduled shut down of the




Sulpetro Landholdings
Oil Pool
1983 Oil Well
Oil Well
Suspended oil well
Location

field. In October 1984, the production platform is scheduled to be moved off location for a shallow water inspection and installation of gas-lift facilities. This work is expected to take five months and will be completed during the winter when production is at its lowest level.

The installation of gas lift will enable the wells in the field to continue flowing at maximum rates and is expected to increase the ultimate recovery from the field to 10.5 million cubic metres (66 million barrels) from approximately 8.5 million cubic metres (53 million barrels). The gas-lift system utilizes solution gas produced from the field which is separated and reinjected into the wells to assist the flow of reservoir fluids to the surface.

An area located in the northwest part of the field has been identified for additional development. Drilling of a well is planned for the first half of 1984 with tie-in and production start-up in 1985.

## United Kingdom — Onshore

Sulpetro has an average 14 percent working interest in 20 production and two exploration licences in southern England covering 546 520 gross hectares (1,350,000 gross acres). Activity has been concentrated in the Humbly Grove area of the Weald Basin located 72 kilometres (45 miles) southwest of London, and on the Horndean structure on the south edge of the Weald Basin 24 kilometres (15 miles) from Humbly Grove.

The Company holds a 12.6 percent interest in the Humbly Grove oil field. The discovery well was completed in 1980 and since that time three appraisal wells have confirmed a significant oil reservoir, as well as a small gas accumulation. The wells at Humbly Grove are on long-term production test and produced 2 550 cubic metres (16,000 barrels) of oil in 1983. While production testing will approximate the previous year's level, 1984 will see the commencement of development, with the first phase planned for the 1984-1988 period. It will incorporate a thirteen-well drilling program with provision for two additional wells if required. Production from the field is expected to increase to 145 000 cubic metres (912,000 barrels) per year as a result of this phase of development. Two exploration wells were drilled on structures adjacent to Humbly Grove in 1983. One of the wells, Herriard #1, drilled on a structure northwest of Humbly Grove, exhibited the ability to produce 25 cubic metres (157 barrels) of oil per day on a long-term test. Additional drilling is planned in this area. The other well tested oil in non-commercial quantities, and has been suspended.

Sulpetro has a 17.5 percent interest in the Horndean oil discovery which was drilled in February 1983. This well was placed on a long-term production test in May at an initial rate of 10 cubic metres (63 barrels) per day. Testing of a second zone resulted in a stabilized production rate of 13 cubic metres (81 barrels) per day. Four appraisal wells are scheduled to be drilled on the Horndean structure in 1984.

Four exploratory wells in southern England are planned for 1984. One near the centre of the Weald Basin will test a similar structure adjacent to a wildcat discovery in 1983 by another group. Two other wells on the south flank of the Weald Basin will test features similar to Horndean. A wildcat well to the west will be the first well on four production licences on the Wessex Shelf in which Sulpetro has an approximately 12.6 percent interest.

## New Zealand

A detailed seismic program was completed in 1983 on Petroleum Prospecting Licence 38116 in the Taranaki Basin offshore New Zealand in 1983. A location for the first well has been selected and a 1 600 metre (5,250 feet) well is scheduled to commence drilling in February of 1984. Sulpetro has a 9.76 percent working interest in this licence covering 249 100 hectares (615,526 acres).

# Mining and Minerals

## Exploration

Sulpetro Minerals Limited has holdings in six provinces, the Yukon and Northwest Territories totalling 136 700 gross hectares (337,786 gross acres) and 119 300 net hectares (294,790 net acres). Exploration activity in 1983 was concentrated on four projects.

### Darius

Intensive exploration continued on these gold properties extending from Rouyn to Malartic, Quebec, totalling 15 306 hectares (37,821 acres). Sulpetro will earn a 60 percent interest by conducting further exploration.

### Fostung

Additional mineralization was identified by diamond drilling on this 50 percent owned tungsten property near Espanola, Ontario. Further insight gained from the 1983 program suggests a higher grade underground deposit could be defined by deep drilling.

### Cadieux

The Company's principal zinc deposit near Renfrew, Ontario, was explored by diamond drilling and stripping of overburden to expose the area of richest known mineralization. Assay values were obtained grading as high as 17 percent zinc across a true width of 4.5 metres (15 feet), and increasing in size with depth to over 17 percent across a true width of 10.8 metres (35 feet). Sulpetro will continue its exploration of this 100 percent owned deposit in 1984.

### Rundle

Sulpetro has earned a 50 percent interest in the Rundle Gold Deposit near Foleyet, Ontario. Drilling below the mineralization which had been exposed and sampled by underground workings affirmed its downward continuity. The joint venture will test other targets by drilling in early 1984 to increase the quantity of ore per vertical foot as a necessary step before considering development.

The Company was encouraged by positive results on its several major projects during a period of relative inactivity within the mining industry.

## Production

Underground mining operations at all three of the Company's productive properties remained suspended during the past year. Each of the properties has significant reserves and could quickly be placed into production with higher gold and silver prices.

### Kewagama — Gold

Ore reserves in all categories (proven, probable and possible) amount to 14 100 tonnes grading 7.67 grams per tonne (15,500 tons grading 0.224 ounces per ton). Exploration to increase reserves will be implemented when gold prices are more encouraging.

### O'Brien — Gold

Present ore reserves amount to 577 000 tonnes grading 6.0 grams per tonne (634,500 tons grading 0.175 ounces per ton) in all ore categories. An exploration and development plan has been designed to seek higher grade ore which was typical of the O'Brien mine during its productive period which ended in 1956, and to upgrade ore presently classified as "possible" to the proven and probable categories.

### Canadaka — Silver

Underground workings at the Canadaka Mine were maintained on a stand-by basis pending a substantial increase in the price of silver. The Company has reserves of about 600,000 troy ounces of recoverable silver in tailings piles which can be economically processed at current prices. During 1983, processing of the tailings commenced and a total of 35 470 tonnes (39,088 tons) were milled and 76,500 troy ounces of silver were recovered in three months of operations. Treatment of the tailings will recommence in the spring of 1984.

# Financial Review

## Results of Operations

The net loss for the year ended October 31, 1983, of $45.9 million ($3.06 per share), was 24 percent less than the previous year's restated net loss of $60.3 million ($4.03 per share). Although 1983 net revenues were $14.8 million lower than in 1982 ($141.6 million compared to $156.4 million), costs and expenses declined by $26 million ($177.4 million compared to $203.4 million).

## Revenues

Oil and gas revenues after wellhead taxes were $134.0 million in 1983 compared to $141.3 million in 1982. Canadian crude oil and natural gas liquids sales net of wellhead taxes increased 17.3 percent to $25.1 million in 1983 from $21.4 million reflecting higher average prices whereas natural gas sales declined to $59.5 million from $63.3 million in 1982, due to reduced sales volumes which more than offset price increases. In the United Kingdom oil sales net of wellhead taxes declined 11.8 percent to $44.9 million from $50.9 million in 1982. This decline was due to lower wellhead prices and a reduction in the Company's participating interest in the Buchan field. United States oil and gas revenue net of wellhead taxes declined to $4.5 million in 1983 from $5.7 million, due to reduced prices and production volumes.

Other income in 1983 amounted to $7.6 million compared to $15 million in 1982 and was comprised of the following:

| | 1983 | 1982 |
|---|---|---|
| | (millions of dollars) | |
| Overriding royalty income | **$4.0** | $ 3.2 |
| U.S. contract drilling | **1.3** | 4.2 |
| Metal sales | **0.8** | 2.4 |
| Interest | **1.4** | 4.2 |
| Other | **0.1** | 1.0 |
| | **$7.6** | $15.0 |

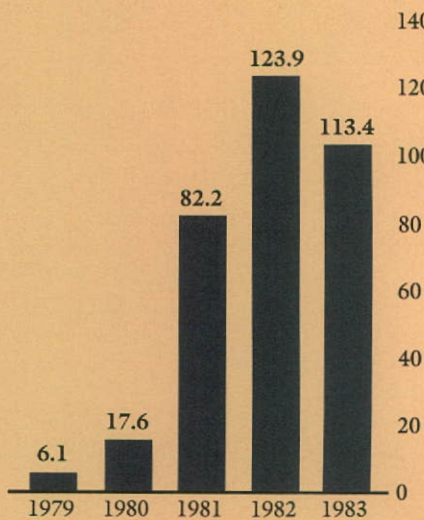
During the year, the Company's U.S. contract drilling operations were suspended due to continued depressed market conditions. The Mining and Mineral Division's principal producing properties were maintained on a standby basis during the year, due to soft gold and silver prices.

## Costs and Expenses

Cost of sales declined in 1983 reflecting the overall reduction in production volumes. Total cost of sales in 1983 was $28.2 million, compared to $32.4 in 1982.

Continued cost reduction efforts resulted in an 8.2 percent reduction of general and administrative expenses, before capitalization, to $16.7 million in 1983 compared to $18.2 million in 1982. Net general and administrative expenses declined to $9.3 million in 1983 from $9.6 million.

**Net Operating Revenue***
**(millions of dollars)**




* Revenues less wellhead taxes and cost of sales.

Lower rates reduced total interest incurred in 1983 by 18.8 percent to $109.5 million from $134.8 million. After interest capitalization of $18.2 million (1982 — $28.1 million), interest expense was $91.3 million compared to $106.7 million in 1982. The Company's average effective borrowing rate in 1983 declined to 12.9 percent from 16.4 percent.

Depletion, depreciation and amortization declined to $48.6 million in 1983 from a restated $54.8 million, mainly as a result of lower production volumes.

Canadian and United Kingdom corporate income taxes and U.K. Petroleum Revenue Tax totalled $6.5 million compared to $5.6 million in 1982. Current Canadian taxes recovered decreased slightly to $3.6 million from $4.5 million the previous year. Canadian deferred tax expense amounted to $2.4 million, compared to a recovery of $80,000 in the previous year.

United Kingdom taxes, most of which are deferred, decreased with lower production revenues to $7.6 million from $10.2 million in 1982.

## Changes in Financial Position

Funds provided from operations increased 62 percent to $15.4 million from $9.5 million in 1982.

Long-term debt increased $9.7 million (1982 — $20.5 million) net of repayments of $106.2 million (1982 — $22.6 million). An agreement was reached with the Company's principal banker on January 26, 1983, covering renegotiation of certain terms of the CanDel acquisition loan and the issuance of $100 million floating rate Redeemable Convertible Debentures to the bank. The Convertible Debentures, issued on February 15, 1983, were used to repay $67 million of the acquisition loan, with the balance of $33 million utilized in the retirement of other bank borrowings. The Debentures were issued in two series of $50 million each, convertible into Class B Common Shares at $7.50 per share. The Series B Debentures may be purchased from the proceeds of an issue of common or non-retractable preferred shares for three years following their issue. The revised repayment schedule of the acquisition loan calls for retirement of $50 million on May 1, 1985; $100 million on May 1, 1986; and 16 quarterly installments of $25 million commencing July 1, 1987.

During 1983 the Company sold certain of its producing properties for $30 million and the proceeds have been applied against bank borrowings. The properties sold were mainly older fields with well defined reserves and little upside potential.

Take-or-pay payments received for gas not taken totalled $5.1 million in 1983 compared to $22.7 million in 1982. This decrease reflects the new agreement with TransCanada under which it is only required to make pre-payments for gas not taken when purchases fall below 60 percent of the daily contract quantities. The 1982 amount included $21.9 million for the 1980-81 and 1981-82 contract years when TransCanada's obligation to take gas had been reduced to 80 percent of the contract volumes.

Expenditures on property, plant and equipment during the year totalled $52.5 million compared to $112.9 million in 1982. The Company concentrated its capital spending on the development of Canadian prospects with a potential for early returns. The following table summarizes the capital expenditures for 1983 and 1982:

| | 1983 | 1982 |
|---|---|---|
| | (millions of dollars) | |
| Oil and Gas | | |
| Canada | | |
| Exploration | $ 4.9 | $ 18.3 |
| Development | 10.6 | 34.8 |
| | 15.5 | 53.1 |
| International | | |
| Exploration | 3.3 | 8.8 |
| Development | 5.2 | 3.6 |
| | 8.5 | 12.4 |
| Capitalized interest and administrative expense | 26.1 | 39.1 |
| Mining | 1.1 | 5.9 |
| Other | 1.3 | 2.4 |
| | $52.5* | $112.9 |

* Includes grants under the Petroleum Incentive Payments Program of $7.5 million (1982 — $9.9 million).

During the year the working capital deficiency was reduced to $19.1 million from $25.7 million at October 31, 1982.

## Change in Accounting Policy

During the year, the Company retroactively adopted the accounting policy of maintaining a separate pool for unevaluated properties, currently totalling $146 million. Depletion on each of these properties does not occur until either proven reserves are established or a property is considered to be non-productive. The effect of this change was to reduce the loss before income and other taxes by $4.7 million ($3.9 million net of income taxes) in the current year, and by $7.4 million ($6.5 million net of income taxes) in 1982. As a result of this change, retained earnings as of November 1, 1981, have been increased by $6.0 million. The change in accounting policy is retroactive to December 15, 1975, the date at which Sulpetro sold most of its properties.

## Quarterly Financial Results 1983 (Unaudited)

| | Three Months Ended | | | | Year |
|---|---|---|---|---|---|
| | Jan. 31 | Apr. 30 | July 31 | Oct. 31 | 1983 |
| | (thousands of dollars except per share amounts) | | | | |
| Revenue | $ 31,905 | 43,798 | 43,985 | 21,866 | **141,554** |
| Net (loss) | $ (9,955) | (3,494) | (14,137) | (18,305) | **(45,891)** |
| Net (loss) — per share | $ (0.66) | (0.23) | (0.95) | (1.22) | **(3.06)** |
| Funds (loss) from Operations | $ (3,621) | 15,517 | 13,239 | (9,722) | **15,413** |
| Share Trading Ranges | | | | | |
| Class B Common Shares | | | | | |
| — High | $ 8.00 | 6.50 | 7.75 | 7.13 | **8.00** |
| — Low | $ 4.80 | 4.10 | 4.40 | 6.00 | **4.10** |

## Quarterly Financial Results 1982 (Unaudited) (Restated)

| | Three Months Ended | | | | Year |
|---|---|---|---|---|---|
| | Jan. 31 | Apr. 30 | July 31 | Oct. 31 | 1982 |
| | (thousands of dollars except per share amounts) | | | | |
| Revenue | $ 35,484 | 38,940 | 37,248 | 44,682 | 156,354 |
| Net (loss) | $(11,530) | (11,944) | (25,314) | (11,548) | (60,336) |
| Net (loss) — per share | $ (0.77) | (0.79) | (1.69) | (0.78) | (4.03) |
| Funds from Operations | $ (381) | 1,571 | (5,909) | 14,216 | 9,497 |
| Share Trading Ranges | | | | | |
| Class B Common Shares | | | | | |
| — High | $ 18.88 | 16.50 | 6.25 | 8.25 | 18.88 |
| — Low | $ 13.25 | 6.75 | 4.65 | 5.13 | 4.65 |

**SULPETRO LIMITED**

# Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Sulpetro Limited as at October 31, 1983 and the consolidated statements of earnings, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at October 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for the acquisition costs of petroleum and natural gas properties as explained in Note 1 (j) to the financial statements, on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Calgary, Canada
December 19, 1983

Chartered Accountants

SULPETRO LIMITED

# Consolidated Balance Sheet

October 31, 1983
(with comparative figures for 1982)
(thousands of dollars)

## ASSETS

| | 1983 | 1982 |
|---|---|---|
| | | (Restated) |
| **Current Assets** | | |
| Cash and term deposits | $ 703 | $ 1,968 |
| Accounts receivable | 46,575 | 62,878 |
| Inventories (Note 2) | 1,775 | 3,288 |
| Notes and other receivables (Notes 3 and 8) | 10,008 | 14,882 |
| Other | 261 | 350 |
| Total current assets | 59,322 | 83,366 |
| **Notes and Other Receivables** (Note 3) | 3,997 | 4,081 |
| **Investment in Affiliate** — At cost | 16,795 | 16,022 |
| **Property, Plant and Equipment** (Note 4(a)) — At cost | 1,131,927 | 1,110,834 |
| Accumulated depletion, depreciation and amortization | 140,324 | 92,313 |
| | 991,603 | 1,018,521 |
| **Other Assets** — At cost less amortization | 3,021 | 2,490 |
| | $1,074,738 | $1,124,480 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | 1983 | 1982 |
|---|---|---|
| **Current Liabilities** | | |
| Due to bank — secured (Note 5) | $ 9,612 | $ 26,426 |
| Accounts payable and accrued liabilities | 46,339 | 63,878 |
| Long-term debt — due within one year (Note 6) | 15,173 | 12,660 |
| Income and other taxes payable | 7,342 | 6,105 |
| Total current liabilities | 78,466 | 109,069 |
| **Long-Term Debt** (Note 6) | 821,093 | 809,401 |
| **Deferred Income Taxes** | 89,953 | 80,562 |
| **Prepayment for Future Gas Production** | 47,820 | 42,677 |
| **Minority Interest** (Note 8) | 44,692 | 44,502 |
| **Shareholders' Equity** | | |
| Share capital (Notes 8 and 9) | 109,280 | 108,861 |
| Contributed surplus | 3,245 | 3,244 |
| | 112,525 | 112,105 |
| Deficit | (119,811) | (73,836) |
| | (7,286) | 38,269 |
| | $1,074,738 | $1,124,480 |

Approved on behalf of the Board:

[signature], Director [signature], Director

**SULPETRO LIMITED**

# Consolidated Statement of Earnings

Year ended October 31, 1983
(with comparative figures for 1982)
(thousands of dollars)

| | 1983 | 1982 (Restated) |
|---|---|---|
| **Revenue** | | |
| Oil and gas sales | $183,139 | $194,354 |
| Less: Royalties | 37,041 | 39,749 |
| Petroleum and Gas Revenue Tax | 11,640 | 10,432 |
| Other wellhead taxes | 494 | 2,839 |
| | 49,175 | 53,020 |
| | 133,964 | 141,334 |
| Other income | 7,590 | 15,020 |
| | 141,554 | 156,354 |
| **Expenses** | | |
| Cost of sales | | |
| Oil and gas | 23,915 | 24,981 |
| Other | 4,271 | 7,440 |
| General and administrative | 9,288 | 9,559 |
| Interest (Notes 5 and 6) | 91,349 | 106,708 |
| Depletion, depreciation and amortization (Note 4(b)) | 48,566 | 54,755 |
| | 177,389 | 203,443 |
| Loss before the following | (35,835) | (47,089) |
| Loss on foreign exchange | 2,817 | 6,522 |
| Other | 767 | 1,084 |
| **Loss Before Income and Other Taxes** | (39,419) | (54,695) |
| **Income and Other Taxes** (Note 7) | | |
| Current (recovery) | (2,919) | (4,485) |
| Deferred | 9,391 | 10,126 |
| | 6,472 | 5,641 |
| **Net Loss** | $ (45,891) | $ (60,336) |
| **Net Loss per Share** | $ (3.06) | $ (4.03) |

SULPETRO LIMITED

# Consolidated Statement of Changes in Financial Position

Year ended October 31, 1983
(with comparative figures for 1982)
(thousands of dollars)

| | 1983 | 1982 |
|---|---|---|
| **Funds Were Provided From** | | |
| Operations | $ 15,413 | $ 9,497 |
| Issuance of long-term debt | 115,877 | 43,091 |
| Issuance of share capital | 335 | 1,899 |
| Reduction of notes and other receivables | 84 | 6,106 |
| Sale of property, plant and equipment | 29,936 | 6,792 |
| Prepayment for future gas production | 5,143 | 22,733 |
| Other — net | 144 | (533) |
| | 166,932 | 89,585 |
| **Funds Were Used For** | | |
| Acquisition of property, plant and equipment | 52,466 | 112,884 |
| Investment in affiliate | 773 | 7,199 |
| Reduction of long-term debt | 106,200 | 22,598 |
| Increase in notes and other receivables | — | 4,008 |
| Purchase of Class B Common Shares | — | 757 |
| Refinancing costs | 934 | 2,090 |
| | 160,373 | 149,536 |
| **Increase (Decrease) in Working Capital** | 6,559 | (59,951) |
| **Working Capital (Deficiency) at Beginning of Year** | (25,703) | 34,248 |
| **Working Capital Deficiency at End of Year** | $ (19,144) | $ (25,703) |

SULPETRO LIMITED

# Consolidated Statement of Deficit

Year ended October 31, 1983
(with comparative figures for 1982)
(thousands of dollars)

| | 1983 | 1982 |
|---|---|---|
| **Deficit at beginning of year** | **$ 86,296** | $19,510 |
| Retroactive adoption of a nondepletable pool of undeveloped property in respect of costs capitalized under the full cost method of accounting for oil and gas properties | **(12,460)** | (6,011) |
| As restated | **73,836** | 13,499 |
| Add | | |
| Net Loss | **45,891** | 60,336 |
| Dividends on 14% Stock Dividend Convertible Preferred Shares (Note 9) | **84** | 1 |
| | **45,975** | 60,337 |
| **Deficit at end of year** | **$119,811** | $73,836 |

SULPETRO LIMITED

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 1. Summary of Significant Accounting Policies

The financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Canada ("GAAP") and which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee. The Company's internal controls have been designed and maintained by Management to provide reasonable assurance that assets are safeguarded, and that the financial records are sufficiently reliable to allow preparation of financial statements in accordance with GAAP. Due to the nature of the Company's operations, certain estimates are involved in the preparation of such statements. In the Company's opinion, the financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized below:

### (a) Principles of Consolidation

The consolidated financial statements include, in addition to the accounts of the Company, the accounts of its wholly-owned subsidiaries Sulpetro Resources, Inc., Sulpetro Minerals Limited, and its 50.005 percent owned subsidiary, Sulbath Exploration Ltd. ("Sulbath").

### (b) Full Cost Method of Accounting

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and the development of petroleum and natural gas reserves are capitalized on a worldwide cost centre basis. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and nonproductive wells, overhead related to exploration and development activities, as well as interest and applicable foreign exchange gains or losses related to funds borrowed to acquire nonproducing properties.

Costs capitalized, except unproven property costs, are being depleted on the unit-of-production method based on estimated proven reserves, as determined by Company engineers. Unproven property costs, including capitalized interest, are not depleted until the reserves are proved or impairment of value has occurred for each property. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on the approximate relative energy content of each product.

### (c) Joint Venture Accounting

Substantially all of the Company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

### (d) Mineral Properties

Costs related to the exploration for and development of minerals generally are capitalized as incurred. Costs related to projects abandoned are charged to the consolidated statement of earnings at that time. Property acquisition, capitalized mineral exploration and development costs and pre-production costs relating to mineral development are amortized using the unit-of-production method, when production commences.

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 1. Summary of Significant Accounting Policies cont'd

### (e) Depreciation

Depreciation of North American oil and gas plants and equipment is provided by the diminishing balance method at annual rates to amortize the costs over the estimated useful lives as follows:

Lease and well equipment — 10 percent.
Gas plant and related facilities — 4 percent.
Other — 10 percent to 30 percent.

Production facilities at the Buchan field in the United Kingdom sector of the North Sea are depreciated using the unit-of-production method based on estimated proven reserves as determined by Company engineers.

Depreciation on mining facilities used to process minerals is provided on a straight-line basis at rates varying from 10 percent to 25 percent.

### (f) Translation of Foreign Currencies

The Company follows the current - non-current method of accounting for translation of accounts originating in foreign currencies, whereby current assets and current liabilities are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date and non-current assets and long-term liabilities are translated at applicable historical rates. The items in the consolidated statement of earnings are translated at the average rates of exchange prevailing during the year except for depreciation and depletion, which are translated at the same rate as used for the related assets.

Foreign currency transactions are translated into Canadian dollars using the exchange rate in effect on the transaction date.

### (g) Income Taxes

The Company follows the tax allocation method of accounting for income taxes, whereby deferred taxes are provided to the extent that current taxes have been reduced by claiming capital cost allowances and exploration, development and lease acquisition costs in excess of the related depletion, depreciation and amortization provided in the financial statements.

### (h) Prepayment for Future Gas Production

Amounts due for annual contracted gas volumes not taken by purchasers are recorded as deferred revenue at the end of contract years in which shortfalls occur. These amounts will be reported as revenue upon the subsequent delivery of gas which will depend on marketing conditions.

### (i) Earnings Per Share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The calculation of earnings per common share on a fully diluted basis assumes the conversion of all securities and exercise of all stock options which would have a dilutive effect on earnings per share. However, earnings per share on a fully diluted basis are anti-dilutive and therefore are not presented.

### (j) Change in Accounting Policy

During the year, the Company retroactively adopted the accounting policy of maintaining a separate pool of unevaluated property costs, in the worldwide cost centre, which does not form part of the depletion base. Property costs are transferred to the depletable pool as reserves are proved or impairment of value has occurred. Previously, unproven property costs were depleted using the unit-of-production method. The effect of this change was to reduce the loss before income and other taxes by $4.7 million ($3.9 million net of income taxes) in the current year and by $7.4 million ($6.5 million net of income taxes) in 1982. As a result of this change retained earnings as of November 1, 1981 has been increased by $6.0 million.

## 2. Inventories

At October 31, inventories were comprised of the following:

| | 1983 | 1982 |
|---|---|---|
| Material and supplies at lower of cost and replacement cost | $1,577 | $3,078 |
| Metals at lower of cost and net realizable value | 198 | 210 |
| | $1,775 | $3,288 |

## 3. Notes and Other Receivables

At October 31, notes and other receivables were comprised of the following:

| | 1983 | 1982 |
|---|---|---|
| From directors, officers and employees — non-interest bearing secured notes as payment for shares and other benefits given under the Company's directors' and employees' benefit plans | $ 3,443 | $ 3,467 |
| Other receivables | 562 | 2,742 |
| Share subscription receivable (Note 8) | 10,000 | 12,754 |
| | 14,005 | 18,963 |
| Less amounts due within one year | 10,008 | 14,882 |
| | $ 3,997 | $ 4,081 |

## 4. (a) Property, Plant and Equipment — At Cost

At October 31, property, plant and equipment were comprised of the following:

| | 1983 | | | 1982 (Restated) |
|---|---|---|---|---|
| | Cost | Accumulated Depletion, Depreciation and Amortization | Net | Net |
| Petroleum and natural gas leases and rights including exploration and development thereon | $ 914,068 | $ 85,852 | $828,216 | $ 838,796 |
| Mineral properties, including net exploration, development, and equipment thereon | 69,197 | 9,228 | 59,969 | 61,463 |
| Production and other equipment: | | | | |
| Gas plants and related facilities | 50,648 | 6,056 | 44,592 | 45,969 |
| Lease and well equipment | 83,855 | 32,975 | 50,880 | 62,484 |
| Drilling equipment | 4,109 | 3,055 | 1,054 | 3,513 |
| Other, including assets under capital leases at a cost of $2,880,000 (1982 — $2,773,000) | 10,050 | 3,158 | 6,892 | 6,296 |
| | 148,662 | 45,244 | 103,418 | 118,262 |
| | $1,131,927 | $140,324 | $991,603 | $1,018,521 |

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 4. (a) Property, Plant and Equipment cont'd

In accordance with the Company's full cost method of accounting, general and administrative costs related to exploration and development activities, as well as interest and applicable foreign exchange gains or losses related to funds borrowed to acquire nonproducing properties, have been capitalized as follows:

| | 1983 | 1982 |
|---|---|---|
| Interest incurred | **$109,525** | $134,841 |
| Expensed | **91,349** | 106,708 |
| Capitalized | **18,176** | 28,133 |
| Foreign exchange losses | **1,365*** | 2,961 |
| Expensed | **802** | 714 |
| Capitalized | **563** | 2,247 |
| General and administrative costs incurred (net of recoveries) | **16,658** | 18,231 |
| Expensed | **9,288** | 9,559 |
| Capitalized | **7,370** | 8,672 |
| Total Capitalized | **$ 26,109** | $ 39,052 |

* An additional foreign exchange loss of $2,015,000 (1982 — $5,808,000) was incurred during the year on the conversion of long-term debt in foreign currencies to Canadian funds.

### (b) Depletion, Depreciation and Amortization

Components of depletion, depreciation and amortization expense in the consolidated statement of earnings for 1983 and 1982 were as follows:

| | 1983 | 1982 (Restated) |
|---|---|---|
| Depletion | **$26,891** | $33,816 |
| Depreciation | **18,541** | 16,454 |
| Amortization | **3,134** | 4,485 |
| | **$48,566** | $54,755 |

## 5. Due to Bank

The amount due to bank of $9,612,000 (1982 — $26,426,000), consists of demand bank loans secured by a general assignment of accounts receivable. Interest expense on the consolidated statement of earnings includes $909,000 (1982 — $1,548,000) related to short-term borrowings.

## 6. Long-Term Debt

At October 31, 1983 and 1982, the following long-term debt was outstanding:

| | 1983 | 1982 |
|---|---|---|
| Bank loans for the purchase of shares of CanDel of $264,000,000 U.S., $169,825,000 Canadian and 69,000,000 Swiss francs. (1982 — $318,000,000 U.S., $177,728,000 Canadian and 69,000,000 Swiss francs) | **$526,184** | $598,131 |
| Production Bank Loans and Credit Agreement of $94,864,000 U.S. and $4,136,000 Canadian (1982 — $99,000,000 U.S.) | **117,773** | 118,122 |
| Redeemable Convertible Debentures | | |
| Series A | **50,000** | — |
| Series B | **50,000** | — |
| Credit Facility of $26,000,000 U.S. (1982 — $35,200,000 U.S.) | **31,516** | 42,532 |
| U.S. Credit Agreement of $32,000,000 (1982 — $32,000,000 U.S.) | **38,743** | 38,692 |
| 10⅝% Secured Debentures | **14,000** | 15,500 |
| 9% Convertible Subordinated Debentures of $1,875,000 U.S. | **2,196** | 2,196 |
| U.S. Dollar Bank Loan of $1,198,000 U.S. (1982 — $1,550,025 U.S.) | **1,448** | 1,873 |
| Obligation under capital leases | **1,966** | 2,139 |
| Other | **2,440** | 2,876 |
| | **836,266** | 822,061 |
| Less amounts due within one year | **15,173** | 12,660 |
| | **$821,093** | $809,401 |

**CanDel Purchase**

The bank loan for the purchase of the shares of CanDel Oil Ltd. ("CanDel") is secured by the Company's interest in certain petroleum and natural gas interests. The agreement with the lender provides for, among other things:

(a) the maximum amounts of the loan to be denominated in foreign currencies are U.S. $318.4 million and Swiss francs 69 million. Future conversions of the loans in foreign currencies must be to Canadian dollars,

(b) interest to be charged at rates to be determined from time to time at the London InterBank Offered Rate ("LIBOR") plus 1 percent, or the U.S. Base Rate plus ⅝ of 1 percent, or the Canadian bank prime rate plus ⅝ of 1 percent,

(c) principal repayments of $50 million on or before May 1, 1985, and a further $100 million on or before May 1, 1986. Should the Canadian dollar equivalent of the outstanding loan at July 1, 1987 exceed $400 million any excess must be repaid on that date. The balance remaining after such repayments is to be repaid in 16 quarterly installments commencing July 1, 1987.

At October 31, 1983, the Company has fixed the maturities and interest rates relating to the $264 million U.S. portion of the loan at rates from 10¼ percent to 17⅛ percent for periods from January 13, 1984 to July 1, 1987. Maturities under the Swiss franc 69 million portion of the loan vary from March 12, 1987 to May 11, 1987, at interest rates from 7⅝ percent to 8$\frac{5}{16}$ percent.

October 31, 1983
(tabular figures in thousands of dollars)

## 6. Long-Term Debt cont'd

### Production Bank Loans

The production bank loans and the Credit Agreement are secured by assignments of certain petroleum and natural gas properties and, in certain circumstances, the production proceeds therefrom. The $34,000,000 U.S. portion of the production bank loan is repayable as follows: $3,060,000 U.S. due May 1, 1985; $6,120,000 U.S. due May 1, 1986; and the balance in 16 equal quarterly installments commencing July 1, 1987. The $65,000,000 Canadian and/or U.S. portion is subject to annual review, with a maximum amortization period of 10 years. Interest rates on the production bank loans and Credit Agreement loan are determined from time to time, at LIBOR plus up to 1½ percent, U.S. Base Rate plus up to 1 percent and Canadian bank prime rate plus ½ of 1 percent.

### Redeemable Convertible Debentures

During the year the Company issued Series A and Series B Redeemable Convertible Debentures, bearing interest at the bank's prime rate plus ½ of 1 percent and plus 1½ percent respectively, in the aggregate amount of $100 million. Proceeds of $67 million were applied against the CanDel acquisition loan and $33 million against demand loans.

The Debentures, which mature February 15, 1993, are secured by a floating charge on all present and future Canadian assets of the Company. The Debentures are redeemable, subject to certain conditions, after March 1, 1988 at a premium of 4.8 percent declining to zero in 1993. Series A Debentures are convertible into Class B Common Shares of the Company at $7.50 per share at any time prior to February 15, 1993. Series B Debentures are not convertible except in the event that certain defined events occur, prior to February 15, 1986, after which date they are convertible into Class B Common Shares of the Company, at the lesser of $7.50 or a defined market price of the Class B Common Shares which cannot be less than $5.00 per share. Prior to February 15, 1986 the Company is permitted to purchase the Series B Debentures from the proceeds of an issue of shares, other than retractable shares, provided none of the defined events have occurred, at prices ranging from par to 124 percent of par. The Debentures place a restriction on the payment of dividends, other than stock dividends, on the common shares of the Company if the shareholders' equity is less than $200 million. In addition, for such time as the Company's bank is the holder of the Debentures no Class A Common Shares may be issued by the Company without the consent of the bank.

### Credit Facility

The Credit Facility for the development of the Buchan field is secured by two Alberta gas fields and the Buchan field and bears interest at ⅞ of 1 percent above LIBOR. U.S. $18 million is repayable in 15 quarterly installments and the balance in five equal semi-annual installments of U.S. $1.6 million, commencing February 28, 1984.

### U.S. Credit Agreement

The U.S. Credit Agreement is secured by certain U.S. oil and gas properties and bears interest at LIBOR plus up to 1½ percent and the U.S. base rate plus up to 1 percent. U.S. $6 million is repayable by dedicating 75 percent of net production proceeds to the amount outstanding. The balance is repayable in equal quarterly installments over a ten-year period commencing July 1, 1986.

### 10⅝% Secured Debentures

The 10⅝% Secured Debentures, maturing September 30, 1992, are secured by certain petroleum and natural gas properties and provide for annual sinking fund payments of $1.5 million.

## 6. Long-Term Debt cont'd

### 9% Convertible Subordinated Debentures

The 9% Convertible Subordinated Debentures, maturing March 1, 1989, are convertible at the option of the holder into Class B Common Shares at a rate of U.S. $18.57 per share until March 1, 1984. These Debentures are unsecured and are subordinated to all other indebtedness of the Company.

### U.S. Dollar Bank Loan

The U.S. Dollar Bank Loan bears interest at the U.S. base rate plus ¾ of 1 percent and is repayable in equal monthly installments of U.S. $20,000 until October 15, 1988. The loan is secured by the assignment of certain equipment.

### Repayments

The minimum repayments of long-term debt, including the present value of minimum lease payments, in each of the next five years are: 1984 — $15.2 million, 1985 — $68.4 million, 1986 — $121.3 million, 1987 — $60.7 million and 1988 — $107.0 million.

The minimum future payments at October 31, 1983, under capital leases are as follows:

| | |
|---|---|
| 1984 | $ 528 |
| 1985 | 528 |
| 1986 | 490 |
| 1987 | 352 |
| 1988 | 269 |
| Later years | 669 |
| | 2,836 |
| Less imputed interest | 870 |
| | $1,966 |

Of the total annual payments $58,000 relates to a lease expiring on February 28, 1986; $201,000 to a lease expiring on March 31, 1987; and $269,000 to a lease expiring on April 30, 1991.

## 7. Income and Other Taxes

Total income and other taxes amounted to $6,472,000 in 1983 (1982 — $5,641,000) and are comprised of the following:

| | Canada | United Kingdom | Total |
|---|---|---|---|
| **1983** | | | |
| Corporate income taxes | | | |
| Current (recovery) | **$(3,599)*** | **$ 680** | **$(2,919)** |
| Deferred | **2,408** | **5,951** | **8,359** |
| U.K. Petroleum Revenue Tax Deferred | **—** | **1,032** | **1,032** |
| | **$(1,191)** | **$ 7,663** | **$ 6,472** |
| **1982** (Restated) | | | |
| Corporate income taxes | | | |
| Current (recovery) | $(4,485)* | $ — | $(4,485) |
| Deferred (recovery) | (80) | 5,554 | 5,474 |
| U.K. Petroleum Revenue Tax Deferred | — | 4,652 | 4,652 |
| | $(4,565) | $10,206 | $ 5,641 |

* After the deduction of the Alberta Royalty Tax Credit.

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 7. Income and Other Taxes cont'd

| | 1983 | | 1982 (Restated) | |
|---|---|---|---|---|
| | Amount | Percent of Pretax Earnings | Amount | Percent of Pretax Earnings |
| Computed "expected" tax expense | $(18,921) | (48) | $(26,801) | (49) |
| Increase in income taxes resulting from: | | | | |
| Nondeductible royalties, lease rentals and mineral taxes payable to the Crown net of provincial rebates and credits and Petroleum and Gas Revenue Tax | 15,512 | 39 | 16,293 | 30 |
| U.K. Corporation Tax | 6,631 | 17 | 5,554 | 10 |
| U.K. Petroleum Revenue Tax — Net | 1,032 | 3 | 4,652 | 9 |
| Amortization of excess of attributed value over book value of assets acquired on purchase of subsidiary companies | 8,252 | 21 | 9,671 | 18 |
| Excess of current expected rate of income taxes over average rate of accumulated deferred income taxes drawn down | — | — | 1,791 | 3 |
| Losses of subsidiary company | 5,937 | 15 | 4,648 | 8 |
| Loss on foreign exchange | 1,352 | 3 | 2,912 | 5 |
| | 19,795 | 50 | 18,720 | 34 |
| Decrease in taxes resulting from: | | | | |
| Tax depletion on Canadian production income | (1,522) | (4) | (937) | (2) |
| Resource allowance on Canadian production income | (11,908) | (30) | (12,173) | (22) |
| Other | 107 | — | 31 | — |
| | $ 6,472 | 16 | $ 5,641 | 10 |

Foreign tax credits available in Canada to October 31, 1983, with respect to the Company's operations in the United Kingdom aggregate $15,000,000. The Company's U.S. subsidiary has net operating losses available, for application against future taxable income, totalling approximately $30,000,000 U.S. as at October 31, 1983. No provision has been made in the accompanying financial statements for the potential benefit which may be derived therefrom.

## 8. Sulbath Exploration Ltd.

The Company, pursuant to an Agreement effective May 29, 1981, with a shareholder, Consolidated-Bathurst Inc. ("Bathurst"), formed a joint exploration company, Sulbath Exploration Ltd. ("Sulbath"). The Company exchanged certain petroleum and natural gas properties for approximately 51 percent of the capital stock of Sulbath and Bathurst subscribed for approximately 49 percent of the capital stock of Sulbath for $45,000,000, which amount is to be expended in exploration and development activities of Sulbath. The subscription was payable as to $15,000,000 in the Company's 1981 fiscal year, $25,000,000 in 1982 and the balance in 1983 or 1984 (Note 3). Under the Agreement, Bathurst is entitled to income tax deductions resulting from those exploration and development activities of Sulbath financed by Bathurst's cash contributions. The Agreement provides that Bathurst may elect to exchange its interest in Sulbath for 1,650,000 Class B Common Shares of the Company during the period January 1, 1984 to January 31, 1985. If Bathurst fails to exercise its right, the Company has, during the period February 1, 1985 to January 31, 1988, the option to purchase the interest of Bathurst in Sulbath for either 1,650,000 Class B Common Shares of the Company, or an amount of cash equivalent to the then current market price of such Class B Common Shares. This option is subject to certain conditions including a condition that the Company must satisfy specified Canadian ownership requirements. Until such time as the option is exercised by either the Company or Bathurst, the minority interest in Sulbath will be reflected in the consolidated balance sheet at cost which includes the subscription price of $45,000,000. In an agreement dated September 14, 1982, the Company, Bathurst and Sulbath agreed that the subscription payable, by Bathurst to Sulbath, would be reduced by Bathurst's subscription to 25,000 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z, of Sulpetro for a cash consideration of $500,000. This amount has been recorded as a reduction of the minority interest in Sulbath. No provision for minority interest in earnings will be made in the consolidated statement of earnings and deficit. Upon exercise of the option to acquire the net 1,631,667 Class B Common Shares of the Company, share capital of the Company will increase by the amount of the subscription price referred to above.

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 9. Share Capital

The share capital at October 31, 1983 and 1982, is as follows:

| | 1983 | 1982 |
|---|---|---|
| 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z with a nominal or par value of $20 per share and convertible into Class B Common Shares at $7.95 per share. Authorized and issued 30,000 shares; (1982 — 30,000 shares) | $ 600 | $ 600 |
| Class A Preferred Shares with a nominal or par value of $20 per share. Authorized 25,000,000 shares; issued — nil | — | — |
| Class B Preferred Shares with a nominal or par value of $20 per share. Authorized 25,000,000 shares; issued — nil | — | — |
| Class A Common Shares without nominal or par value. Authorized 3,000,000; issued 2,648,273 shares (1982 — 2,718,019) | 2,788 | 2,862 |
| Class B Common Shares without nominal or par value. Authorized 100,000,000 shares; issued 12,396,343 shares (1982 — 12,255,012) | 105,892 | 105,399 |
| | $109,280 | $108,861 |

The Class A Common Shares, which are convertible into Class B Common Shares on the basis of one Class B Common Share for each Class A Common Share, have unlimited voting rights while the voting rights of the Class B Common Shares are restricted except in certain circumstances, none of which now exist. The Class A Common Shares rank equally without preference or distinction with respect to the payment of dividends and return of capital with the Class B Common Shares.

During the year, the following transactions occurred:

(a) 69,746 Class A Common Shares were converted into Class B Common Shares;

(b) 56,950 Class B Common Shares were issued pursuant to share option agreements for an aggregate cash consideration of $330,000; and

(c) 14,635 Class B Common Shares were issued as dividends on the 14% Stock Dividend Convertible Retractable Class A Preferred Shares, Series Z.

Share Options

The following table summarizes transactions during the year ended October 31, 1983 under the share option agreements:

| | Class B Common Shares |
|---|---|
| Balance at beginning of year | 973,232 |
| Granted to directors and employees | 152,250 |
| | 1,125,482 |
| Cancelled and/or expired | 216,677 |
| Exercised | 56,950 |
| Balance at end of year | 851,855 |

Options are exercisable, as to Class B Common Shares, at prices ranging from $4.19 to $6.30 on varying dates to August 25, 1986.

## 10. Business Segment Information

The Company's operations are divided into two major business segments. Oil and gas includes the exploration, development and production of petroleum and natural gas reserves. Mining includes the location, development and production of base and precious metal reserves. The Company operates in various geographic areas.

The following tables summarize the business segment information, as at October 31, 1983 and 1982, and for the years then ended.

**Oil and Gas Capitalized Costs**

| | 1983 | | | 1982 (Restated) | | |
|---|---|---|---|---|---|---|
| | **Proved Properties** | **Unproved Properties** | **Total** | Proved Properties | Unproved Properties | Total |
| Canada | **$632,993** | **$146,000** | **$ 778,993** | $603,474 | $165,000 | $ 768,474 |
| United Kingdom | **177,620** | **—** | **177,620** | 174,975 | — | 174,975 |
| United States | **56,703** | **—** | **56,703** | 54,845 | — | 54,845 |
| Netherlands | **14,507** | **—** | **14,507** | 10,818 | — | 10,818 |
| Other | **12,696** | **18,099** | **30,795** | — | 29,964 | 29,964 |
| | **$894,519** | **$164,099** | **1,058,618** | $844,112 | $194,964 | 1,039,076 |
| Accumulated depletion, depreciation and amortization | | | **128,041** | | | 85,533 |
| | | | **$ 930,577** | | | $ 953,543 |

**Oil and Gas Capital Additions**

| | 1983 | | | 1982 | | |
|---|---|---|---|---|---|---|
| | **Property Acquisition Costs** | **Exploration Costs** | **Development Costs** | Property Acquisition Costs | Exploration Costs | Development Costs |
| Canada | **$4,264** | **$2,091** | **$35,261** | $4,221 | $25,336 | $62,590 |
| United Kingdom | **13** | **1,370** | **1,261** | 73 | 1,008 | (325) |
| United States | **626** | **572** | **660** | 1,432 | 2,157 | 1,755 |
| Netherlands | **—** | **403** | **3,473** | 8 | 847 | 2,024 |
| Other | **121** | **566** | **145** | 1 | 2,747 | 2,194 |
| | **$5,024** | **$5,002** | **$40,800** | $5,735 | $32,095 | $68,238 |

# Notes to Consolidated Financial Statements

October 31, 1983
(tabular figures in thousands of dollars)

## 10. Business Segment Information — 1983

| | Segment Summary | | | |
|---|---|---|---|---|
| | Assets | Capital Expenditures | Revenue | Operating Profit |
| **Industry** | | | | |
| Oil and gas | $1,012,816 | $50,826 | $137,865 | $ 113,950 |
| Mining | 60,760 | 1,612 | 1,007 | (232) |
| Other | 1,162 | 28 | 2,682 | (350) |
| | $1,074,738 | $52,466 | $141,554 | 113,368 |
| Less: | | | | |
| Depletion, depreciation and amortization | | | | 48,566 |
| Interest | | | | 91,349 |
| Other | | | | 12,872 |
| | | | | 152,787 |
| Loss before income and other taxes | | | | $ (39,419) |
| **Geographic** | | | | |
| Canada | $ 821,664 | $43,228 | $ 90,876 | $ 74,555 |
| United Kingdom | 143,013 | 2,644 | 45,170 | 37,181 |
| United States | 52,268 | 1,886 | 5,508 | 1,632 |
| Netherlands | 13,456 | 3,876 | — | — |
| Other | 44,337 | 832 | — | — |
| | $1,074,738 | $52,466 | $141,554 | 113,368 |
| Less: | | | | |
| Depletion, depreciation and amortization | | | | 48,566 |
| Interest | | | | 91,349 |
| Other | | | | 12,872 |
| | | | | 152,787 |
| Loss before income and other taxes | | | | $ (39,419) |

**Depletion, Depreciation and Amortization Expense**

| Industry | |
|---|---|
| Oil and gas | $44,930 |
| Mining | 3,125 |
| Other | 511 |
| | $48,566 |

| Geographic | |
|---|---|
| Canada | $27,522 |
| United Kingdom | 16,507 |
| United States | 3,104 |
| Netherlands | 360 |
| Other | 1,073 |
| | $48,566 |

Canadian natural gas export sales for the year ended October 31, 1983 total $21,461,000.

## 10. Business Segment Information — 1982 (Restated)

| | Segment Summary | | | |
|---|---|---|---|---|
| | Assets | Capital Expend-itures | Revenue | Operating Profit |
| **Industry** | | | | |
| Oil and gas | $1,058,373 | $106,068 | $145,552 | $ 120,571 |
| Mining | 61,897 | 6,614 | 2,454 | 757 |
| Other | 4,210 | 202 | 8,348 | 2,605 |
| | $1,124,480 | $112,884 | $156,354 | 123,933 |
| Less: | | | | |
| Depletion, depreciation and amortization | | | | 54,755 |
| Interest | | | | 106,708 |
| Other | | | | 17,165 |
| | | | | 178,628 |
| Loss before income and other taxes | | | | $ (54,695) |
| **Geographic** | | | | |
| Canada | $ 853,148 | $ 98,757 | $ 92,726 | $ 77,543 |
| United Kingdom | 156,359 | 751 | 52,949 | 42,694 |
| United States | 60,697 | 5,521 | 10,549 | 3,551 |
| Netherlands | 10,075 | 2,881 | — | — |
| Other | 44,201 | 4,974 | 130 | 145 |
| | $1,124,480 | $112,884 | $156,354 | 123,933 |
| Less: | | | | |
| Depletion, depreciation and amortization | | | | 54,755 |
| Interest | | | | 106,708 |
| Other | | | | 17,165 |
| | | | | 178,628 |
| Loss before income and other taxes | | | | $ (54,695) |

**Depletion, Depreciation and Amortization Expense**

| Industry | | Geographic | |
|---|---|---|---|
| Oil and gas | $50,301 | Canada | $33,094 |
| Mining | 3,967 | United Kingdom | 15,852 |
| Other | 487 | United States | 3,339 |
| | $54,755 | Netherlands | 415 |
| | | Other | 2,055 |
| | | | $54,755 |

Canadian natural gas export sales for the year ended October 31, 1982 total $16,181,000.

**SULPETRO LIMITED**

# Five-Year Operations Summary

| | 1983 | 1982 | 1981 (1) | 1980 | 1979 |
|---|---|---|---|---|---|
| **Gross Product Sales** | | | | | |
| Natural Gas — | | | | | |
| Thousand cubic metres per day — $10^3m^3/d$ | | | | | |
| Canada | 2 537 | 2 685 | 2 097 | 603 | 380 |
| United States | 72 | 101 | 111 | — | — |
| **Total — $10^3m^3/d$** | 2 609 | 2 786 | 2 208 | 603 | 380 |
| **— mmcfd** | 92.6 | 98.9 | 78.4 | 21.4 | 13.5 |
| Crude Oil and NGL — | | | | | |
| Cubic metres per day — $m^3/d$ | | | | | |
| Canada | 545 | 619 | 398 | 21 | 3 |
| International | 573 | 635 | 334 | — | — |
| United States | 20 | 30 | 39 | — | — |
| **Total — $m^3/d$** | 1 138 | 1 284 | 771 | 21 | 3 |
| **— barrels per day** | 7,161 | 8,080 | 4,852 | 132 | 19 |
| **Proven Reserves** | | | | | |
| Natural Gas — | | | | | |
| Million cubic metres — $10^6m^3$ | | | | | |
| Canada | 27 897 | 27 768 | 25 879 | 9 670 | 6 785 |
| International | 346 | 346 | 354 | — | — |
| United States | 183 | 223 | 172 | 180 | — |
| **Total — $10^6m^3$** | 28 426 | 28 337 | 26 405 | 9 850 | 6 785 |
| **Total — bcf** | 1,009 | 1,006 | 937 | 350 | 241 |
| Crude Oil and NGL | | | | | |
| Thousand cubic metres — $10^3m^3$ | | | | | |
| Canada | 5 855.2 | 5 631 | 5 384 | 727 | 395 |
| International | 761.7 | 970 | 991 | — | — |
| United States | 25.4 | 37 | 59 | 32 | — |
| **Total — $10^3m^3$** | 6 642.3 | 6 638 | 6 434 | 759 | 395 |
| **— mbbls** | 41,799.7 | 41,753 | 40,471 | 4,776 | 2,486 |
| **Working Interest Landholdings** | | | | | |
| Oil and Gas — | | | | | |
| Hectares | | | | | |
| Canada | | | | | |
| — Gross | 3 854 160 | 4 171 328 | 2 696 359 | 2 165 870 | 2 204 394 |
| — Net | 698 441 | 683 303 | 696 958 | 464 049 | 459 478 |
| International | | | | | |
| — Gross | 2 116 790 | 2 202 250 | 2 085 790 | — | — |
| — Net | 958 260 | 976 660 | 299 689 | — | — |
| United States | | | | | |
| — Gross | 97 917 | 129 457 | 116 979 | 43 419 | — |
| — Net | 85 666 | 103 471 | 96 744 | 32 805 | — |
| **Total Hectares** | | | | | |
| **— Gross** | 6 068 867 | 6 503 035 | 4 899 128 | 2 209 289 | 2 204 394 |
| **— Net** | 1 742 367 | 1 763 434 | 1 093 391 | 496 854 | 459 478 |
| **Total Acres** | | | | | |
| **— Gross** | 15,035,834 | 16,141,995 | 12,105,745 | 5,459,153 | 5,447,171 |
| **— Net** | 4,319,790 | 4,374,739 | 2,701,769 | 1,227,726 | 1,135,394 |

**Drilling Activity (including royalty-interest wells)**

| | 1983 | | | 1982 | | | 1981 (1) | | | 1980 | | | 1979 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gas | Oil | D/A | Gas | Oil | D/A | Gas | Oil | D/A | Gas | Oil | D/A | Gas | Oil | D/A |
| Canada | 68 | 150 | 38 | 139 | 117 | 62 | 152 | 159 | 70 | 123 | 18 | 59 | 101 | 13 | 39 |
| International | 2 | 2 | 3 | — | 4 | 4 | — | — | 5 | — | — | — | — | — | — |
| United States | — | 5 | 1 | 5 | 3 | 1 | 3 | 19 | 21 | — | — | — | — | — | — |
| Total | 70 | 157 | 42 | 144 | 124 | 67 | 155 | 178 | 96 | 123 | 18 | 59 | 101 | 13 | 39 |

(1) Includes seven months CanDel statistics for sales and drilling activity. Includes proven reserves and landholdings of CanDel at October 31, 1981.

# Five-Year Financial Summary
## (thousands of dollars)

| | 1983 | 1982 (Restated) | 1981 (1) (Restated) | 1980 (Restated) | 1979 (Restated) |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Oil and gas sales | $183,139 | 194,354 | 127,699 | 23,859 | 9,549 |
| Less: | | | | | |
| Royalties | 37,041 | 39,749 | 28,796 | 6,822 | 2,854 |
| Petroleum and Gas Revenue Tax | 11,640 | 10,432 | 5,745 | — | — |
| Other wellhead taxes | 494 | 2,839 | 3,104 | — | — |
| | 49,175 | 53,020 | 37,645 | 6,822 | 2,854 |
| | 133,964 | 141,334 | 90,054 | 17,037 | 6,695 |
| Metal sales | 801 | 2,427 | 6,972 | — | — |
| Contract drilling | 1,263 | 4,173 | 4,087 | — | — |
| Interest and other income | 5,526 | 8,420 | 5,489 | 2,581 | 593 |
| | 141,554 | 156,354 | 106,602 | 19,618 | 7,288 |
| **Costs and Expenses** | | | | | |
| Cost of sales | | | | | |
| Oil and gas | 23,915 | 24,981 | 12,619 | 1,945 | 1,160 |
| Metal | 1,239 | 1,697 | 8,086 | — | — |
| Contract drilling | 3,032 | 5,743 | 3,717 | — | — |
| General and administrative | 9,288 | 9,559 | 8,554 | 2,997 | 1,896 |
| Depletion, depreciation and amortization | 48,566 | 54,755 | 33,083 | 4,578 | 2,111 |
| Loss (gain) on foreign exchange | 2,817 | 6,522 | 393 | (3) | 88 |
| Interest | 91,349 | 106,708 | 65,715 | 6,022 | 2,566 |
| Other | 767 | 1,084 | — | — | — |
| | 180,973 | 211,049 | 132,167 | 15,539 | 7,821 |
| Earnings (loss) before income and other taxes | (39,419) | (54,695) | (25,565) | 4,079 | (533) |
| Income and Other Taxes | | | | | |
| Current (recovery) | (2,919) | (4,485) | (893) | (970) | (409) |
| Deferred (recovery) | 9,391 | 10,126 | (2,283) | 2,091 | (491) |
| | 6,472 | 5,641 | (3,176) | 1,121 | (900) |
| **Net Earnings (Loss)** | $ (45,891) | (60,336) | (22,389) | 2,958 | 367 |
| **Funds Provided from Operations** | $ 15,413 | 9,497 | 8,411 | 9,649 | 1,987 |
| **Capital Expenditures** | | | | | |
| Acquisition of subsidiaries | $ — | — | 624,059 | 20,156 | — |
| Exploration and development | 52,466 | 112,884 | 116,213 | 37,829 | 33,745 |
| | $ 52,466 | 112,884 | 740,272 | 57,985 | 33,745 |
| **Balance Sheet** | | | | | |
| Working capital (deficiency) | $ (19,144) | (25,703) | 34,248 | 3,896 | 3,925 |
| Property, plant and equipment — net | $991,603 | 1,018,521 | 964,579 | 165,331 | 107,868 |
| Long-term debt | $821,093 | 809,401 | 783,100 | 56,856 | 48,720 |
| Deferred income taxes | $ 89,953 | 80,562 | 70,436 | 37,058 | 35,523 |
| Shareholders' equity | $ (7,286) | 38,269 | 97,463 | 76,054 | 32,606 |

(1) Includes seven months of CanDel operations for net earnings, funds and capital expenditures.

# Corporate Directory

## Directors

**John B. Ballem, Q.C.**
Partner
Ballem McDill & MacInnes
Calgary, Alberta

**Richard A. N. Bonnycastle**
Investor and Financial Consultant
Cavendish Investing (1978) Ltd.
Calgary, Alberta

**David J. Butters**
Senior Vice President
Shearson/American Express Inc.
New York, N.Y.

**Simon Chilewich**
Partner
Chilewich Sons & Company
New York, N.Y.

**Marshall A. Crowe**
President
M. A. Crowe Consultants Inc.
Ottawa, Ontario

**Dr. Reinhart Freudenberg**
General Partner
Freudenberg & Co.
Heidelberg, West Germany

**Norman E. Frost**
President
Canadian Oil and Gas Division
Sulpetro Limited
Calgary, Alberta

**William C. Leuschner**
President
Leuschner International Resources Ltd.
Calgary, Alberta

**Ross A. MacKimmie, Q.C.**
Counsel
MacKimmie Matthews
Calgary, Alberta

**Rolf A. Merton**
Vice Chairman of the Board
Financial Consultant
Smith Parish, Bermuda

**John A. Rae**
Vice President
Power Corporation of Canada
Montreal, Quebec

**Donald L. Redman**
Retired Executive
Calgary, Alberta

**James P. Saunders**
President and Chief Operating Officer
Sulpetro Limited
Calgary, Alberta

**William I. M. Turner, Jr.**
Chairman and Chief Executive Officer
Consolidated-Bathurst Inc.
Montreal, Quebec

**Gus A. Van Wielingen**
Chairman of the Board
and Chief Executive Officer
Sulpetro Limited
Calgary, Alberta

**Michael A. Williams**
Executive Vice President
Finance and Administration
Sulpetro Limited
Calgary, Alberta

## Committees

### Executive Committee
Gus A. Van Wielingen, Chairman
Simon Chilewich
William C. Leuschner
Rolf A. Merton
James P. Saunders
William I. M. Turner, Jr.

### Finance Committee
Richard A. N. Bonnycastle, Chairman
David J. Butters
Simon Chilewich
Gus A. Van Wielingen
Michael A. Williams

### Compensation Committee
John B. Ballem, Q.C., Chairman
Richard A. N. Bonnycastle
Gus A. Van Wielingen

### Audit Committee
Marshall A. Crowe, Chairman
Richard A. N. Bonnycastle
Donald L. Redman

## Corporate Officers

**Gus A. Van Wielingen**
Chairman of the Board
and Chief Executive Officer

**James P. Saunders**
President and
Chief Operating Officer

**Michael A. Williams**
Executive Vice President
Finance and Administration

**John G. Fletcher**
Senior Vice President
Finance

**Robert C. Beattie**
Vice President
Legal

**Ardley H. Caldwell**
Vice President
Human Resources

**Wilfred L. Mitzel**
Vice President and Treasurer

**Gregory L. Osmond**
Vice President
Accounting and Control

**Margaret A. Nazarchuk**
Corporate Secretary

**David R. E. Parry**
Controller

**Martin W. Stewart**
Assistant Treasurer

## Canadian Oil and Gas Division

**Norman E. Frost**
President

**Donald J. Bobyn**
Group Vice President
Planning and Development

**Douglas H. Church**
Group Vice President
Production and Operations

**Lloyd S. Manz**
Group Vice President
Exploration and Land

**Denis C. Fonteyne**
Vice President
Marketing

**Randall S. Marshall**
Vice President
Operations

**Kenneth R. Murray**
Vice President
Exploration

**Morley W. Mychaluk**
Vice President
Land and Contracts

**Russell J. Zaharko**
Vice President
Production

## International Division

**Michael A. Williams**
President

**Donald M. Ericson**
Senior Vice President
Exploration

**Martin W. Stewart**
Finance Director
Sulpetro (UK) Limited

## United States Division
### (Represented by Sulpetro Resources, Inc.)

**James W. Fox**
President

**W. Paul Mounce**
Vice President
Exploration

**Mary Lou Matus**
Vice President
Corporate Secretary

**Charles D. McLeod**
Treasurer

## Mining and Minerals Division
### (Represented by Sulpetro Minerals Limited)

**Robert M. Ginn**
President

**H. Leo King**
Vice President
Exploration

**Graeme M. Gordon**
Treasurer/Controller

# Corporate Information

## Sulpetro Limited

Head Office
3200 Bow Valley Square 3
255 Fifth Avenue S.W.
Calgary, Alberta, Canada T2P 3G6
(403) 232-1500

## Subsidiaries

**Sulbath Exploration Ltd.**
3200 Bow Valley Square 3
255 Fifth Avenue S.W.
Calgary, Alberta, Canada T2P 3G6

**Sulpetro Minerals Limited**
Suite 301 - 2161 Yonge Street
Toronto, Ontario, Canada M4S 3A6

**Sulpetro Resources, Inc.**
2100 Two Oaks Plaza
6730 LBJ Freeway
Dallas, Texas, United States 75240

**Sulpetro (UK) Limited**
55 Park Lane
London W1Y 3DM, England

## Bankers

The Royal Bank of Canada
Calgary, Alberta

## Auditors

Peat, Marwick, Mitchell & Co.
Calgary, Alberta

## Solicitors

Ballem, McDill & MacInnes
Calgary, Alberta

## Registrar and Transfer Agent

The Canada Trust Company
Calgary, Alberta

## Stock Exchange Listings

Alberta Stock Exchange
Toronto Stock Exchange

## Annual Report

To obtain copies of the Company's 1983 Annual Report, contact the Public Affairs Department at Sulpetro Limited, 3200 Bow Valley Square 3, 255 Fifth Avenue S.W., Calgary, Alberta T2P 3G6 (403) 232-1500.

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