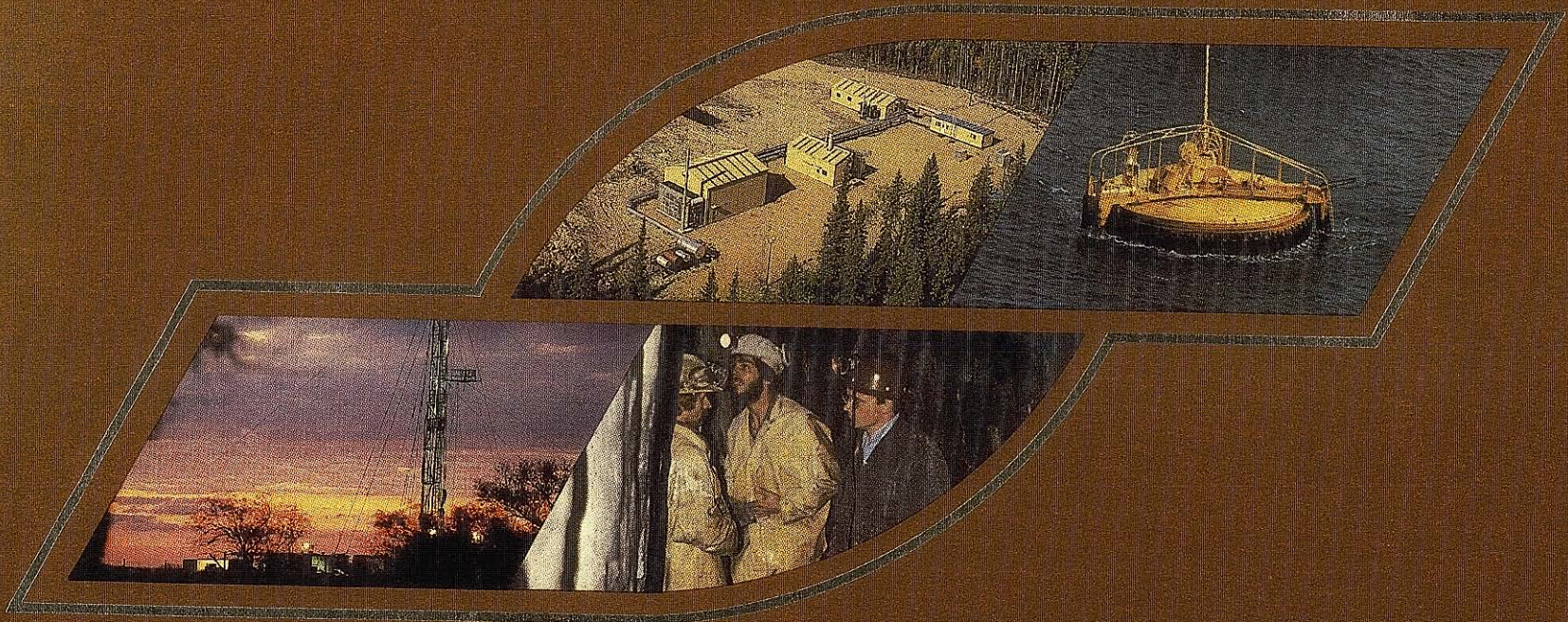


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SULPETRO LIMITED  
ANNUAL REPORT  
1981

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# TABLE OF CONTENTS

	PAGE
REPORT TO SHAREHOLDERS	1
SULPETRO AT A GLANCE	2
CANADIAN OIL AND GAS DIVISION	4
INTERNATIONAL DIVISION	16
UNITED STATES DIVISION	22
MINING AND MINERALS DIVISION	26
FIVE YEAR SUMMARY	28
FINANCIAL REVIEW	29
FINANCIAL STATEMENTS	31
NOTES TO FINANCIAL STATEMENTS	34
CORPORATE DIRECTORY	43
SULPETRO PEOPLE	45
CORPORATE INFORMATION	46
NOTICE OF MEETING	IBC



## SULPETRO LIMITED —

ENERGY IN ACTION: FROM A SUCCESSFUL PAST,  
A DYNAMIC FUTURE.

Sulpetro is a growth-oriented, Canadian independent energy  
company, active in Canada, the United States and overseas.







## SULPETRO LIMITED

**Once again, we are pleased to report a year of significant growth for your Company. The highlight of the year was the acquisition of all the issued shares of CanDel Oil Ltd. (CanDel) at a total cost of \$600 million of which \$596 million was financed by a ten-year floating rate bank term loan. The two companies were amalgamated on November 2, 1981, and Sulpetro Limited is the continuing entity.**

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## SULPETRO LIMITED



Once again, we are pleased to report a year of significant growth for your Company. The highlight of the year was the acquisition of all the issued shares of Candel Oil Ltd. (Candel) at a total cost of \$600 million of which \$290 million was financed by a ten-year floating-rate bank term loan. The two companies were amalgamated on November 2, 1981, and Sulpetro Limited is the continuing entity.

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# C O R P O R A T E M E S S A G E



*G.A. Van Wielingen, Chairman of the Board and Chief Executive Officer, and J.P. Saunders, President and Chief Operating Officer*

**A**t the time a bid was submitted for the majority shares of CanDel, the Company was fully cognizant that short-term problems, both operational and financial, might arise if we were successful. Our strategy, however, to position ourselves in a significant way in the Canadian and international oil and gas business, required that a substantial acquisition be made. CanDel's mix of assets met our criteria and we have just completed a successful amalgamation of the two companies.

In order to accomplish the amalgamation, it was necessary to acquire the remaining eight percent of the CanDel shares held by the public and this was completed in August. At the same time, and in order to streamline the share structure for future financings, the Company's Series A Convertible First Preferred Shares in the amount of \$25 million were called for redemption. Over 90 percent of these shares were converted by holders into the Company's Class B Common Shares and the remainder were redeemed. We are now addressing all our efforts to the refinancing of the bank loan incurred in the acquisition of CanDel. In this regard, proposals have been reviewed in depth with a number of leading Canadian and United States investment houses. These proposals are in the process of being implemented.

In addition to the impact on the financial position of Sulpetro, the acquisition of CanDel has had several major operating effects. Petroleum and natural gas reserves and production have more than doubled. The Canadian properties of CanDel provide new exploration prospects and its foreign holdings present a broader exposure to international oil and gas exploration and development. CanDel's oil production complements Sulpetro's natural gas sales, while its mining and minerals subsidiary provides the Company with an entry into the Canadian mining industry.

At October 31, 1981, total consolidated revenue was \$115.5 million, an increase of 489 percent over that reported in 1980. Cash flow amounted to \$8.4 million compared to \$9.6 million in 1980. A net loss of \$31.0 million was incurred for the 1981 fiscal year, compared to a \$2.6 million profit in 1980. The loss is mainly attributable to higher interest costs incurred to acquire CanDel, increased depletion charges associated with the acquisition, and to the new Canadian Federal Petroleum and Gas Revenue Tax.

The Company invested \$116.2 million in continued petroleum and natural gas exploration and development and mining activities, in addition to the amount expended on the CanDel acquisition. During the year, estimated grants pursuant to the new Canadian Petroleum Incentives Program totalling \$6.9 million have been recognized as a reduction of capital expenditures.

During 1981, the Company participated in the drilling of 246 working interest wells, including 198 in Canada, 43 in the United States and 5 internationally, resulting in 122 gas wells, 54 oil wells and 70

abandonments for an average success ratio of 71 percent. In addition, the Company retained a royalty interest in 183 wells drilled in Canada by others, of which 124 were oil wells and 33 were gas wells.

Total consolidated proven natural gas reserves were 26 405 million cubic metres (937 billion cubic feet) at year-end, an increase of 168 percent over that reported in 1980. Proven reserves of crude oil and natural gas liquids increased 604 percent from 759 thousand cubic metres (4.8 million barrels) to 5 374 thousand cubic metres (33.8 million barrels). Excluding the reserves acquired from CanDel, the Company's 1981 exploration and development program resulted in an increase of 4 500 million cubic metres (160 billion cubic feet) of proven gas reserves before deducting sales of 806 million cubic metres (28.6 billion cubic feet). Similarly, proven reserves of crude oil and natural gas liquids increased by 509 thousand cubic metres (3.2 million barrels) as a result of the program.

Natural gas sales increased by 266 percent over the previous year to an average of 2 208 thousand cubic metres (78.4 million cubic feet) per day. Oil and natural gas liquids sales averaged 771 cubic metres (4,852 barrels) per day, an increase of 3,575 percent over 1980. These rates include seven months CanDel sales from April 3, 1981.

As a result of the CanDel acquisition, the Company has been restructured with the formation of four operating divisions or profit centers. N.E. Frost, formerly Executive Vice-President of the Company, has been appointed President of the Canadian Oil and Gas Division and M.A. Williams, formerly President of CanDel, has been made President of the International Division. R.M. Ginn has been appointed President of our mining and minerals subsidiary, Sulpetro Minerals Limited, and J.W. Fox, currently President of our United States oil and gas subsidiary, Sulpetro Resources, Inc., will continue to serve in that capacity.

Capital expenditures for fiscal 1982 are estimated to be \$100 million, with 60 percent of these funds to be spent in Canada, 20 percent internationally and 20 percent in the United States. An additional \$104 million will be expended by others on exploration and production on the Company's Canadian oil and gas properties under the provisions of several joint-venture agreements.

While governments in Canada have severely interfered with the orderly exploration and development of new hydrocarbon reserves, substantial new reserves can be found and developed, provided the industry is given the necessary incentive. Sulpetro shares industry views that the recent energy agreements concluded between the producing provinces and the Federal government do not provide sufficient netbacks to producers. Modifications to existing oil and gas policies, particularly in the area of gas exports, must be implemented immediately to restore confidence in the industry. The immense size of the current gas surplus requires further sales to the United States, which would not only help maintain cash flow for the producers, but assist Canada's balance of payments which have been seriously affected by the costly burden of imported foreign oil.

Sulpetro will continue to maintain and seek growth in its substantial Canadian assets, but increasing emphasis will be placed on our United States and international operations. The Company is particularly pleased with the progress made by its affiliate company, International Energy Development Corporation IEDC S.A., in developing quality exploration projects throughout the world. IEDC holds exploration rights on approximately 55 million gross hectares (137 million gross acres) in eight different countries, including extensive holdings in the promising Canning Basin of Western Australia.

On behalf of the Board of Directors,

Handwritten signature of G.A. Van Wielingen in dark ink.

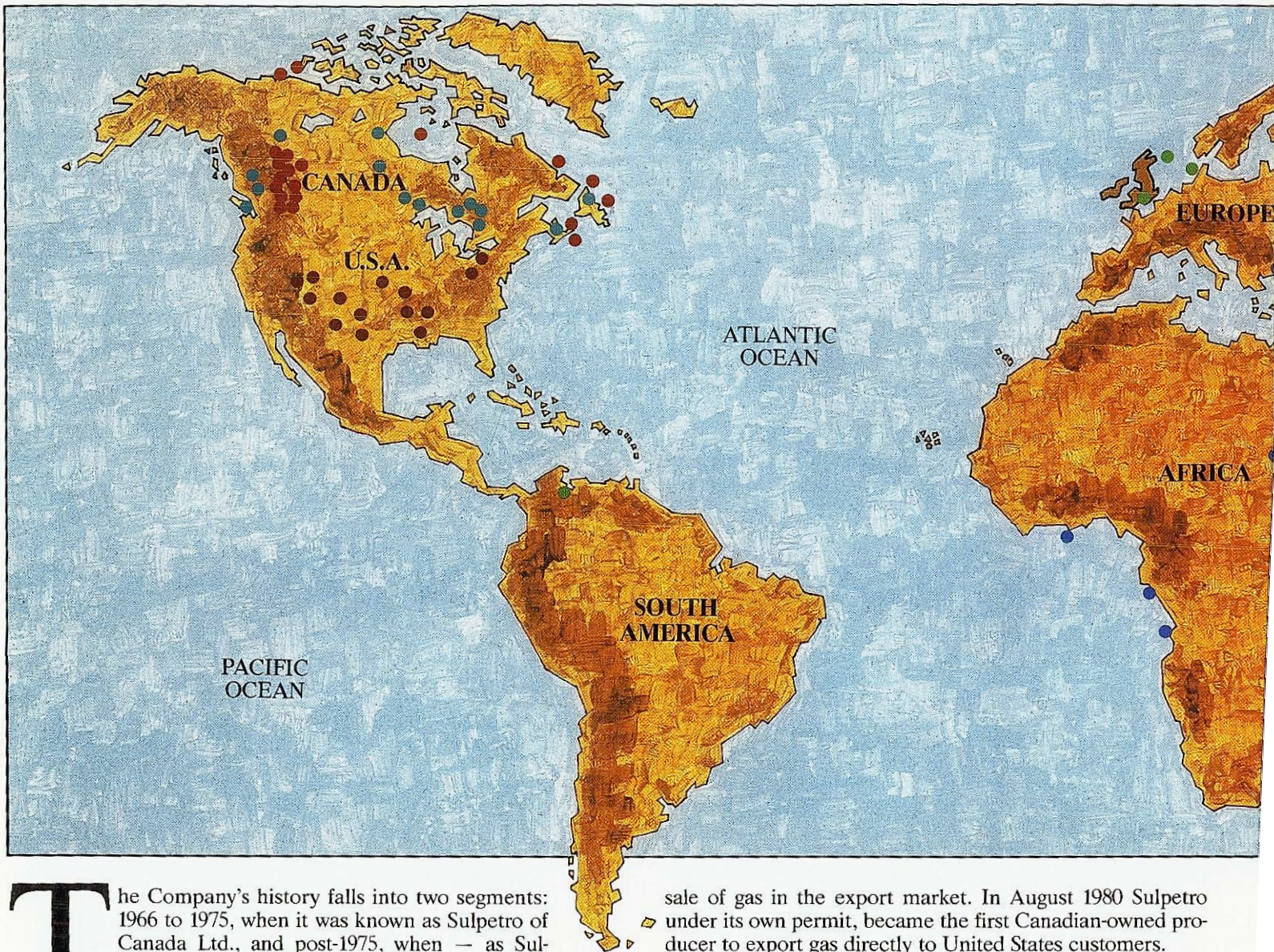
*Chairman of the Board  
and Chief Executive Officer*

Handwritten signature of J.P. Saunders in dark ink.

*President and  
Chief Operating Officer*

February 22, 1982 Calgary, Alberta





**T**he Company's history falls into two segments: 1966 to 1975, when it was known as Sulpetro of Canada Ltd., and post-1975, when — as Sulpetro Limited — capital obtained by the sale of 75 percent of its assets enabled it to enter into many new ventures.

Starting as a private company with initial capital of \$250,000 in 1966, Sulpetro was organized to acquire the rights to explore for, develop and produce petroleum and natural gas in Canada, with an emphasis on exploration for natural gas in Alberta. In December 1975, following ten years of growth, it sold the majority of its proven reserves together with certain non-producing properties for a profit of \$82 million. This sale enabled Sulpetro to redeem shares held by certain foreign investors and to reorganize its share capital and establish voting control among Canadian shareholders.

In 1976, the Company embarked upon an aggressive program of acquiring undeveloped acreage to re-establish its Canadian landholdings. The successful result of this program enabled Sulpetro to participate in most of the major exploration plays in Alberta, including the prolific Elmworth-Wapiti region.

Commencing in 1978, Sulpetro initiated a program to obtain export sales contracts and regulatory approvals for the direct

sale of gas in the export market. In August 1980 Sulpetro under its own permit, became the first Canadian-owned producer to export gas directly to United States customers.

Sulpetro became a public company in February 1979 with a fully subscribed offering of 1,646,000 Class B Common Shares at \$11 per share. Further financing involved the successful issue in 1980, at \$20 per share, of 1.25 million 7% Cumulative Redeemable Convertible First Preferred Shares.

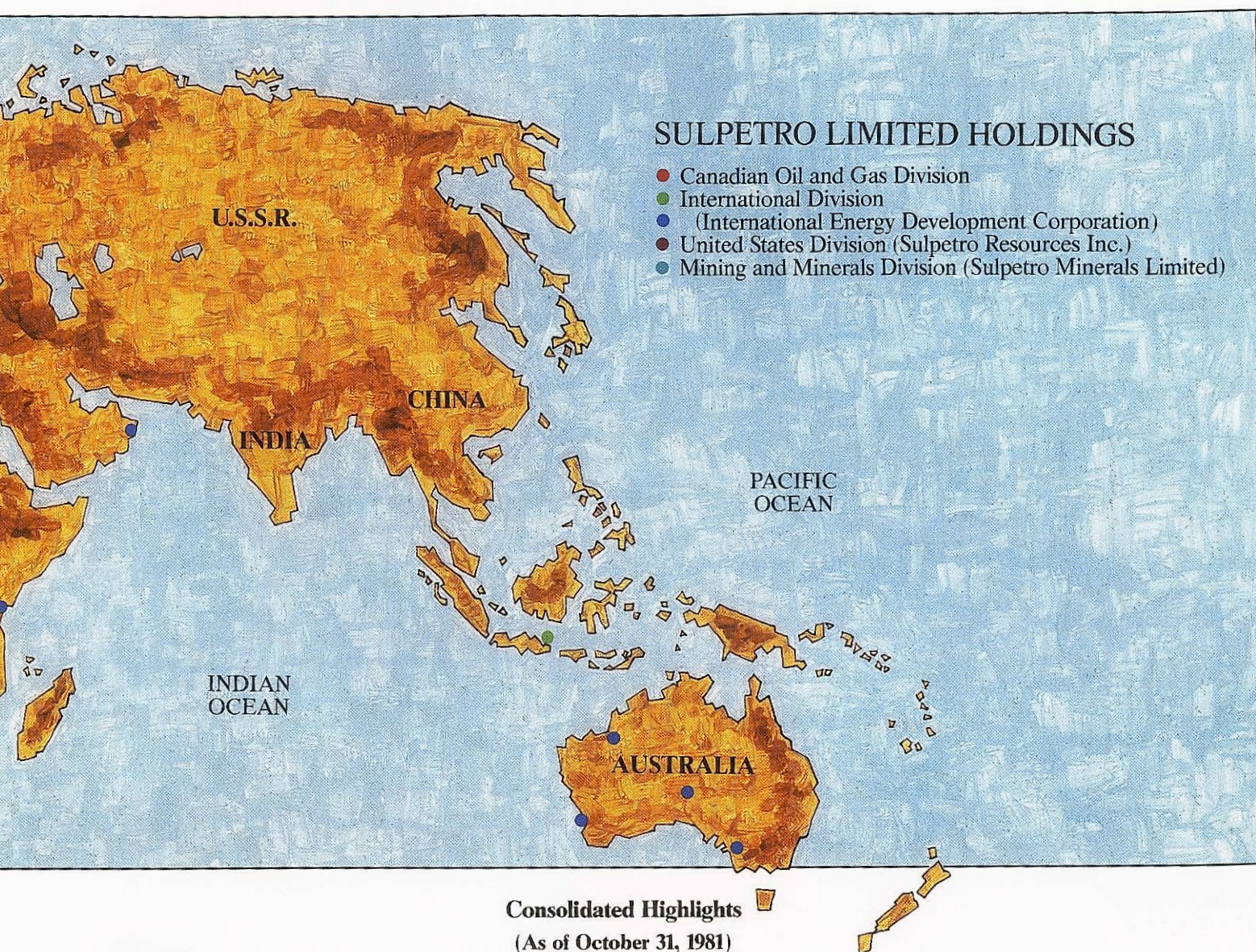
The Company extended its operations to the United States through the acquisition of Petrosil Resources Inc. (now Sulpetro Resources, Inc.) in 1980. This company conducts oil and gas exploration, production and oil field service activities in eleven states.

In 1979 Sulpetro expanded into international petroleum activities by acquiring an equity interest in the International Energy Development Corporation IEDC S.A. ("IEDC S.A.").

In April 1981, Sulpetro acquired ownership of 92 percent of CanDel Oil Ltd. (CanDel). Since that time all the minority shares have been obtained and the companies have amalgamated. The operations of CanDel, a medium-sized natural resource company with extensive Canadian and foreign petroleum interests, as well as domestic mineral holdings, are complementary to Sulpetro's activities.



# AT A GLANCE



## Consolidated Highlights (As of October 31, 1981)

<b>FINANCIAL (thousands of dollars)</b>	<b>1981*</b>	<b>1980</b>	<b>1981*</b>	<b>1980</b>
Gross revenue .....	\$115,451	\$19,618		
Cash flow from operations .....	8,411	9,649		
Per share .....	0.55	0.76		
Capital and exploration expenditures	116,213	37,829		
<b>OPERATING</b>				
Gross natural gas sales —				
<i>thousand cubic metres per day</i> .....		2 208	603	
<i>million cubic feet per day</i> .....		78.4	21.4	
Gross crude oil and natural gas liquids (NGL) sales —				
<i>cubic metres per day</i> .....		771	21	
<i>barrels per day</i> .....		4,852	132	
Gross proven gas reserves —				
<i>million cubic metres</i> .....		26 405	9 850	
<i>billion cubic feet</i> .....		937	350	
Gross proven oil and NGL reserves —				
<i>thousand cubic metres</i> .....		5 374	759	
<i>thousand barrels</i> .....		33,819	4,776	
Working interest wells drilled .....		246	137	
**Gross working interest landholdings —				
<i>hectares</i> .....		4 899 128	2 209 289	
<i>acres</i> .....		12,105,745	5,459,153	
Net working interest landholdings —				
<i>hectares</i> .....		1 093 391	496 854	
<i>acres</i> .....		2,701,769	1,227,726	

\*includes seven months CanDel

\*\*excludes IEDC landholdings





*Gas plant at Clyde*





# CANADIAN OIL AND GAS DIVISION

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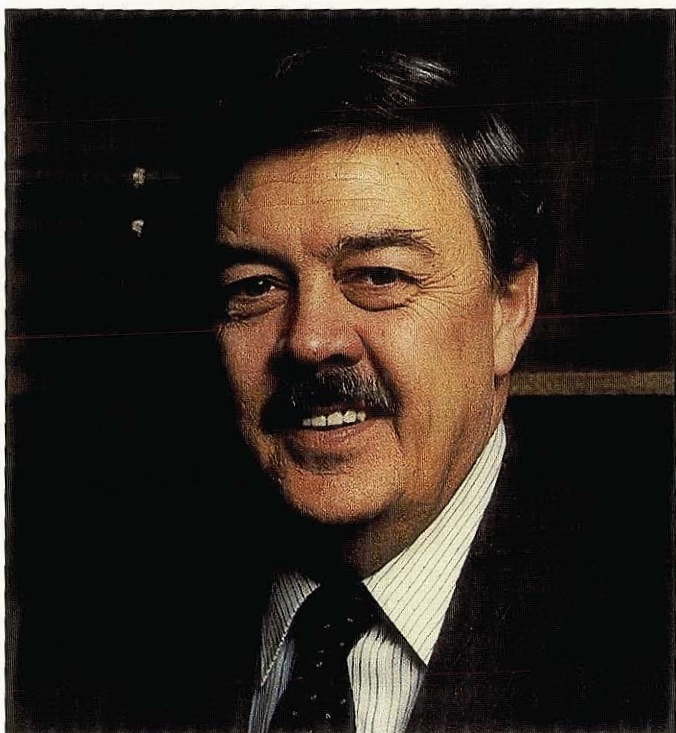
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CANADIAN OIL AND GAS DIVISION





# HIGHLIGHTS

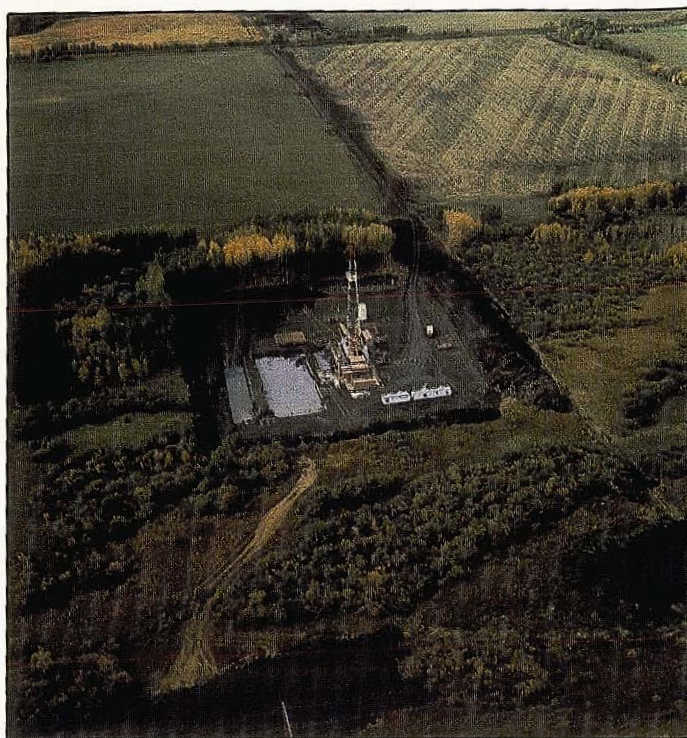


*N.E. Frost, President, Canadian Oil and Gas Division*

**T**he Canadian Oil and Gas Division is a fully-integrated exploration, production and marketing operation with over 190 employees involved in the on-going activities of Sulpetro's oil and gas properties in Canada.

Traditionally, the Company's operations have focused on gas exploration in western Canada. However, in recent years, Sulpetro has expanded its horizons by exploring in the Canadian Arctic and East Coast Offshore; by developing its extensive western Canadian heavy oil reserves; by putting into place its own markets for natural gas in the United States; and by investigating investment opportunities in the petrochemical industry.

The Canadian oil and gas industry's success in finding natural gas has created a large quantity of gas reserves which are surplus to Canada's foreseeable requirements. While the industry in general has been adversely affected by the pricing and taxation provisions of the National Energy Program announced in late 1980, the health of many companies has been even more significantly impaired by the lack of natural gas markets. Although the Company has also been very successful in developing large reserves of gas, the lack of markets has not impacted on Sulpetro to the same extent as other companies. Sulpetro has been able to contract a large portion of its proven natural gas reserves to various purchasers. Since CanDel had also been able to maintain a high percentage of its reserves under contract, the amalgamated company has in excess of 90 percent of its proven gas reserves under contract. This ability to maintain a strong natural gas market position is partly attributable to Sulpetro's success in negotiating contracts with United States customers and obtaining the necessary approvals to permit it to export gas. The Company believes a new export project is now necessary in order to continue to maintain and control its natural gas marketing position, and applications have been filed in this regard.



*Drilling in Elmworth-Wapiti field, Grande Prairie, Alberta*

Sulpetro's high level of drilling activity on its working-interest properties last year was to a large extent directed to maintaining maximum day deliverability and to identifying and developing new natural gas reserves on contracted lands.

Historically, as a result of its exploration success and ability to place newly-discovered reserves on production at the earliest possible date, Sulpetro has been able to enter into joint-venture agreements with other companies to explore its lands. During 1982, the Company will be able to maintain a high level of exploration and development activity through the use of joint-venture funds. This should allow Sulpetro to continue to achieve a significant oil and gas reserves growth.

## HIGHLIGHTS

- Petroleum and natural gas reserves and production more than doubled, and operating revenue increased 242 percent.
- Participated in drilling 198 (48.6 net) exploration and development wells, resulting in 26.8 net gas wells and 11.4 net oil wells, for a success ratio of 78 percent.
- 183 additional wells were drilled on Sulpetro lands by other parties at no cost to the Company.
- At the Irish-Lindbergh heavy oil project 122 wells were drilled at no cost to the Company, resulting in 241 cubic metres (1,517 barrels) per day of new oil production by year-end. The Company currently retains an overriding royalty interest in this project with a right to convert to a 21.25 percent working interest.
- Received all necessary regulatory approvals to extend the Company's first Gas Export Project to October 31, 1983.
- Filed applications with Provincial and Federal authorities to proceed with a second Gas Export Project, commencing November 1, 1983, for an eight-year term.



# EXPLORATION · LAND

**S**ulpetro focused its exploration and land acquisition efforts in a number of areas in 1981, particularly in the Chinchaga, Clyde, Elmworth-Wapiti, Ferrier-Hoadley, Valhalla and East Coast Offshore regions. At Crown sales during the year, the Company paid \$5 million for 34 520 gross hectares (86,300 gross acres) of petroleum and natural gas rights, mainly in Alberta. With the acquisition of CanDel, Sulpetro doubled its working interest in the Elmworth-Wapiti area; obtained a land position in several areas offering potential for new oil plays, most notably Cessford and Pembina; and increased its landholdings in the oil prospective Peace River area.

The Company will participate in three major oil and gas exploration programs under joint venture and other agreements signed during the year. These programs will be operated by Sulpetro on federal and provincial lands held by the Company. Drilling and exploration activities have commenced in all programs.

Sulpetro's Canadian holdings of petroleum and natural gas rights were 2 696 359 gross hectares (6,713,449 gross acres) and 696 958 net hectares (1,739,408 net acres), representing a 50 percent increase by year-end.

In order to realize the potential of these landholdings, the Company's programmed drilling activity for 1982 will be at a historical high of some 250 wells, most of which will be funded by various partners.

## ALBERTA

### ELMWORTH-WAPITI

The multiple geological prospects of the Deep Basin were further evaluated by the Company's 12-well program in 1981. All of these wells were drilled to assess the highly productive Falher sequence within the Wapiti gas contract area, and as all

were successful, the Company's proven gas reserves were substantially increased. In addition to Falher gas, one of the wells in the eastern portion of the area found Triassic oil. Subsequent production testing of this oil zone has been very encouraging as sustained flow rates of over 65 cubic metres (410 barrels) of oil per day have been recorded. A successful follow-up well was completed shortly after year-end.

Matching this exploratory success, the completion results for both current and previously drilled wells have been excellent.

The next gas contract reserves redetermination is scheduled for November 1982, and in anticipation of this a 13-well program is planned.

### CHINCHAGA

This area of northwestern Alberta has been the scene of both land acquisition and exploratory and development drilling during 1981. The main target is the condensate-rich gas in the Devonian Slave Point formation.

Of the five wells drilled this year, four were successful in developing reserves and deliverability in the eastern portion of the Chinchaga lands currently under contract. The fifth well was a major step-out drilled on the western portion of the lands, and proved to be a significant condensate-rich gas discovery. Five wells are planned in 1982 in the highly prospective but relatively unexplored western portions of the project.

### VALHALLA

Of the 11 wells drilled in the Valhalla area during the year, nine were gas wells and two were oil wells. Six additional wells are planned for 1982. Drilling in this region will serve to maintain deliveries under the Company's existing natural gas export contract and develop reserves and deliverability to support Sulpetro's second Gas Export Project.

## CANADIAN LANDHOLDINGS<sup>(1, 2)</sup> As of October 31, 1981

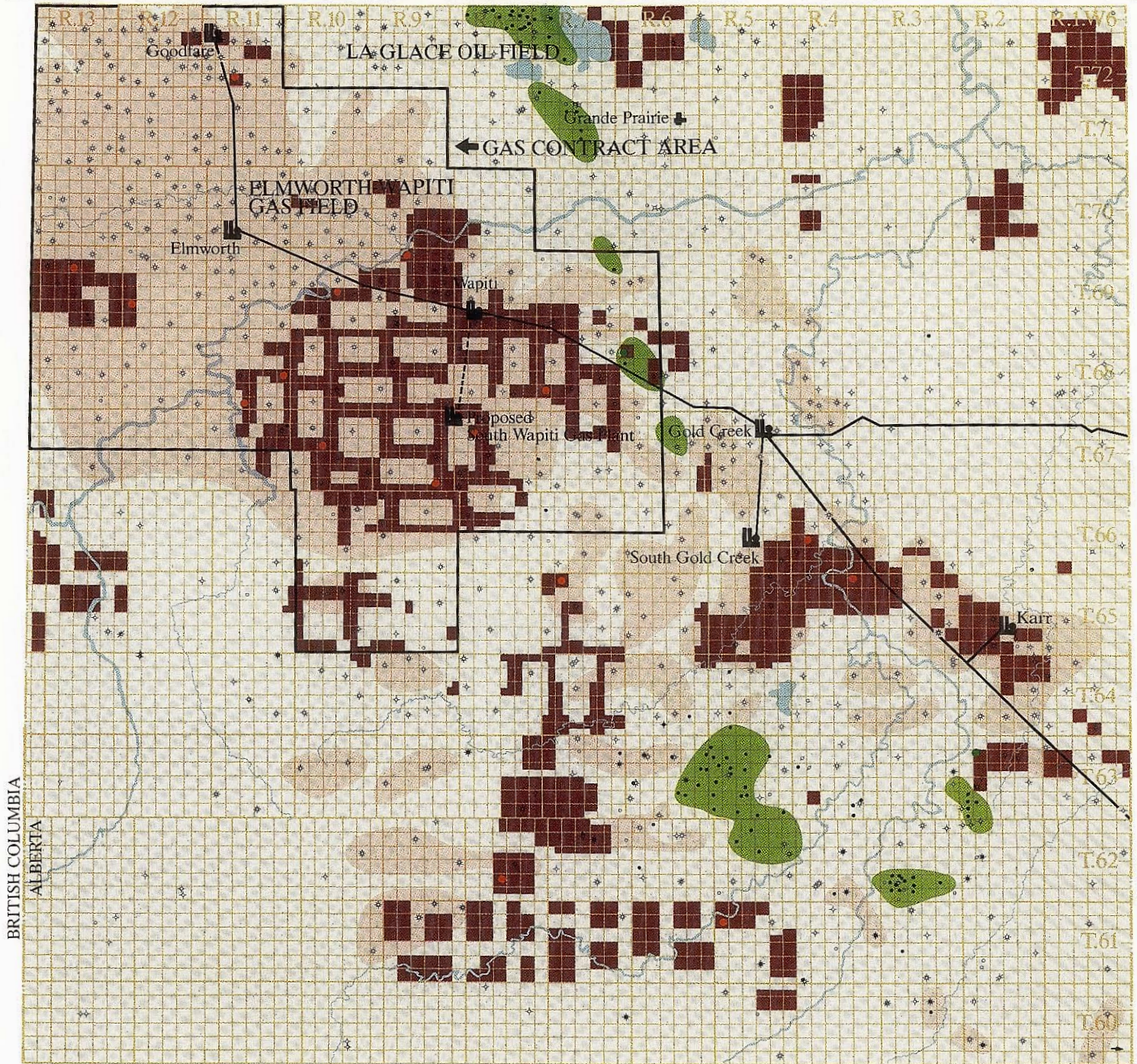
	Working Interest Lands				Royalty Interest Lands	
	Gross		Net		Gross	
	Hectares	Acres	Hectares	Acres	Hectares	Acres
BRITISH COLUMBIA	73 059	180,527	13 838	34,193	18 165	44,887
ALBERTA	1 750 237	4,375,592	593 968	1,484,921	132 929	330,598
SASKATCHEWAN	518	1,279	129	320	—	—
NORTHWEST TERRITORIES	194 082	479,590	45 123	111,502	—	—
HUDSON BAY	115 600	285,644	16 184	39,990	—	—
EASTCOAST OFFSHORE	562 863	1,390,817	27 716	68,482	—	—
<b>TOTAL</b>	<b>2 696 359</b>	<b>6,713,449</b>	<b>696 958</b>	<b>1,739,408</b>	<b>151 094</b>	<b>375,485</b>

(1) Includes 783 474 gross hectares (1,939,321 gross acres); 101 177 net hectares (251,147 net acres) contributed by Sulpetro under an agreement with Consolidated-Bathurst Inc.

(2) Excludes 8 263 575 gross hectares (20,420,085 gross acres); 67 874 net hectares (167,750 net acres) in which Sulpetro has the right to earn pursuant to the Columbia Agreement.

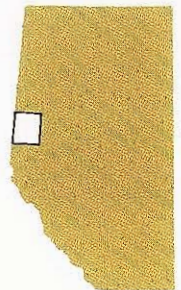
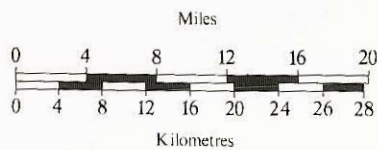


# EXPLORATION · LAND



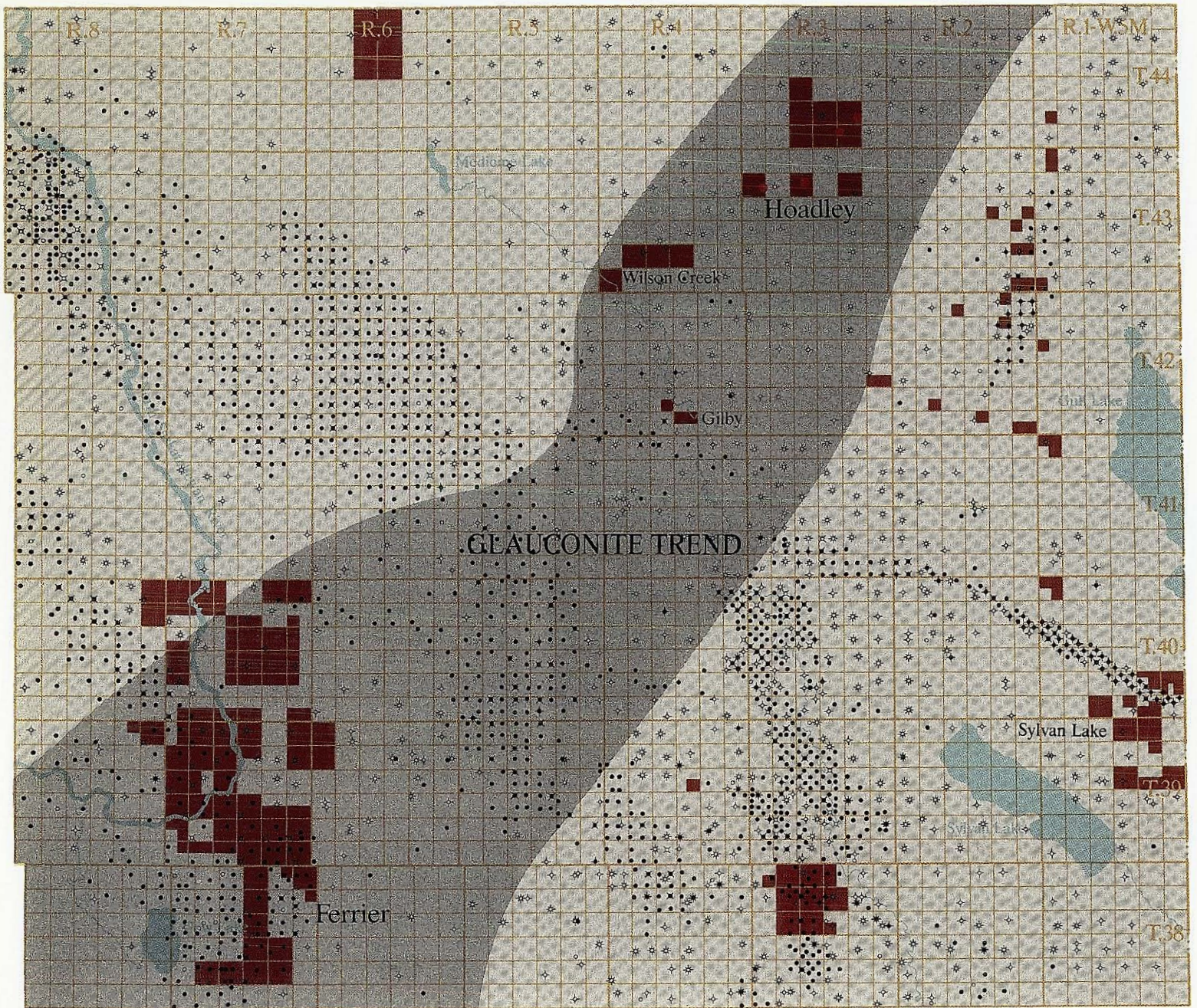
## ELMWORTH-WAPITI

- Sulpetro Landholdings
- Gas Plant
- Gas Pipeline
- Gas Field
- Oil Field
- 1981 Sulpetro Oil Well
- 1981 Sulpetro Gas Well
- Oil Well
- Gas Well
- Suspended
- Location
- Abandoned Well





# EXPLORATION · LAND



## FERRIER-HOADLEY

- Sulpetro Landholdings
- 1981 Sulpetro Gas Well
- Oil Well
- ✱ Gas Well
- ✕ Injection Well
- Location
- ✧ Abandoned Well

\*Ferrier Block Excludes Cardium Rights





# EXPLORATION · LAND

## CLYDE

Sixteen of the 20 wells drilled in 1981 were completed as gas wells. Eleven wells will be drilled in the coming year to develop reserves and deliverability for Sulpetro's second Gas Export Project as well as deliverability under an existing gas sales contract.

## FERRIER-HOADLEY

Sulpetro negotiated a multi-well farm-in and option agreement with several companies in the Ferrier-Hoadley area of west central Alberta in October 1981. Under this agreement, the Company can earn up to a 50 percent working interest in approximately 14 800 gross hectares (37,000 gross acres).

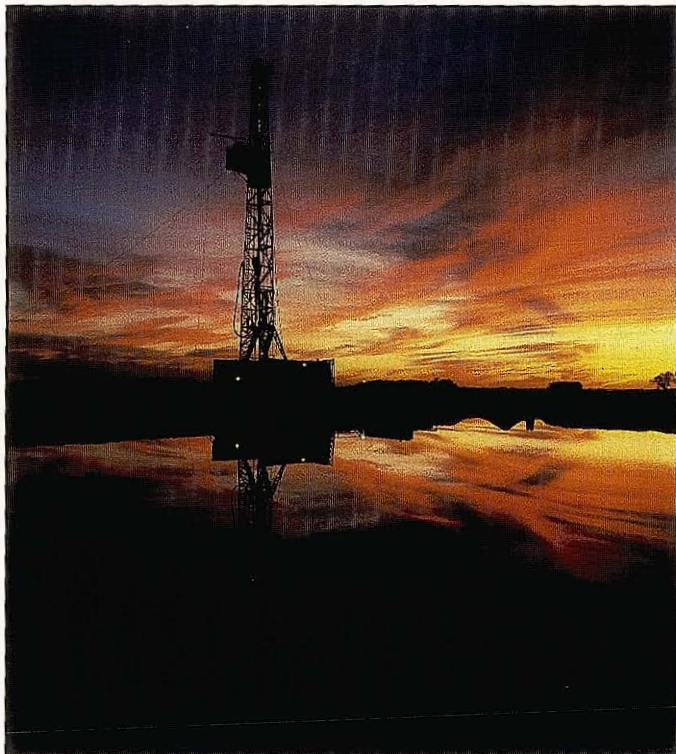
Most of this project is located within a mature Cretaceous oil field in which the deeper rights are virtually unexplored. One of these deep targets is the condensate-rich gas in the Lower Cretaceous Glauconite sandstone. This zone has been encountered by many wells within a broad fairway extending some 40 miles northeast to the Hoadley discovery area, where the Company participated in four gas wells. Other zones have good potential for new oil and condensate-rich gas.

In addition, several wells with both oil and gas potential are planned to be drilled along this fairway in the Gilby-Wilson Creek-Hoadley area.

## EAST COAST OFFSHORE

### SCOTIAN SHELF

The Company has a five percent working interest in the North and South Sable Island blocks where a 2 600 kilometre seismic survey was undertaken. This detailed seismic will be used to better define several features previously mapped, and in 1982 a deep well is scheduled to be drilled.

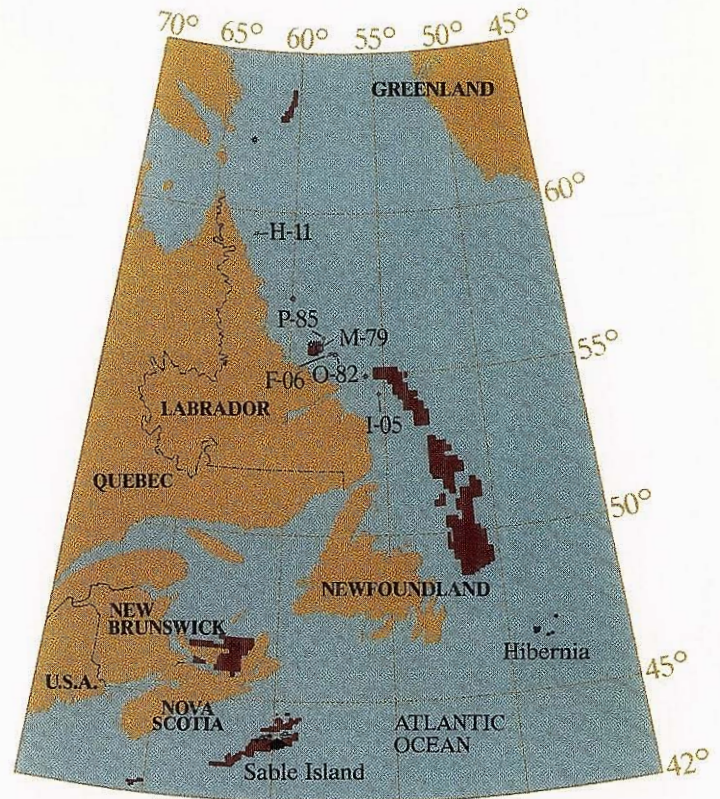


The Division participated in drilling 198 wells

## LABRADOR SHELF

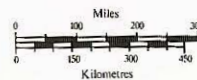
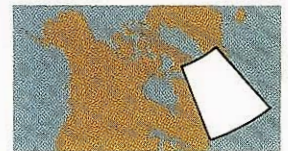
As part of a consortium, Sulpetro participated in an extensive seismic survey totalling 4 700 kilometres on the Labrador Shelf. This survey will be augmented by an additional 5 300 kilometres of seismic in 1982.

Two wells were drilled by others on the Labrador Shelf during the 1981 summer season. These were Rut H-11 and Courte-Real P-85, both of which will be re-entered in the summer of 1982 for evaluation purposes. In addition, three wells drilled in 1980 were evaluated this year. The Bjarni O-82 well tested up to 566 320 cubic metres (20 million cubic feet) of gas per day with condensate at 123 cubic metres (774 barrels) per day from an interval in the Lower Cretaceous sands. North Leif I-05 yielded a non-commercial show, 3.6 cubic metres (22.8 barrels) of oil on test from a zone at 3 100 metres (10,170 feet). The operator has not released any further test information on this well nor the North Bjarni F-06 well.



## EAST COAST OFFSHORE

- Sulpetro Landholdings
- Oil Well
- \* Gas Well
- ♁ Suspended Well
- Location
- ✦ Abandoned Well





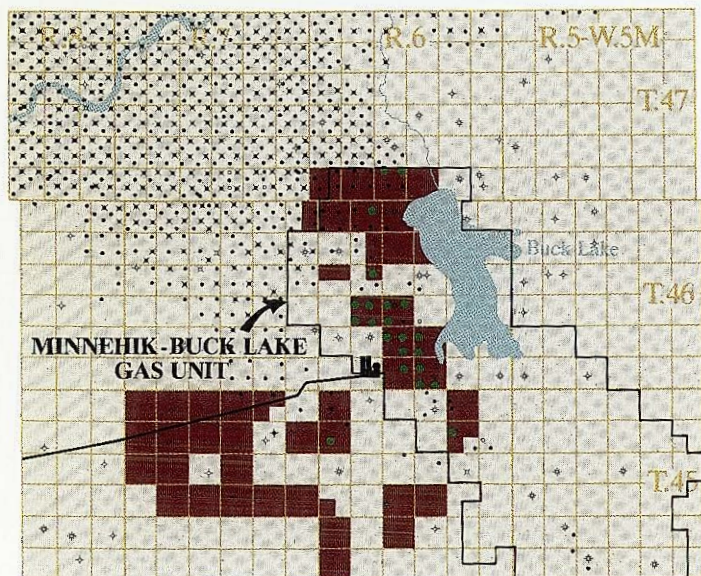
# OPERATIONS · PRODUCTION

**S**ulpetro participated in a record 198 working-interest wells in 1981, achieving a 78 percent success ratio with 119 gas wells and 35 oil wells.

In addition, the Company retained a royalty interest in 183 wells drilled by others, of which 124 were oil wells and 33 were gas wells.

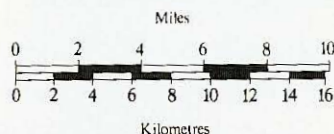
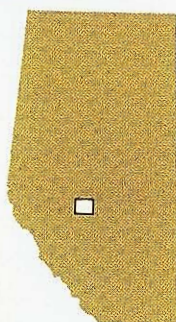
Fourteen additional wells were drilling at year-end.

Drilling successes were concentrated in the Chinchaga, Clyde, Elmworth-Wapiti, Irish, Pembina, and Valhalla areas of Alberta.



## PEMBINA

- Sulpetro Landholdings
- Gas Plant
- Gas Pipeline
- 1981 Sulpetro Oil Well
- Oil Well
- \* Gas Well
- ⊗ Injection Well
- Location
- ⊕ Abandoned Well



## NATURAL GAS

Sulpetro achieved an excellent rate of growth in natural gas sales in 1981 in spite of reduced market demand and the continuing Canadian natural gas surplus.

Natural gas sales from working-interest properties increased by 248 percent during the year to 765 million cubic metres (27.2 billion cubic feet) for an average of 2 097 thousand cubic metres (74.4 million cubic feet) per day. By year-end, daily natural gas sales had reached 2 966 thousand cubic metres (105.3 million cubic feet) per day.

In addition to the contribution from CanDel, major increases in natural gas sales also resulted from the successful conclusion of a contract redetermination with the purchaser at Elmworth-Wapiti, and a full year's sales from properties tied into the Company's gas export project. New properties placed on production during 1981 included Alder Flats, Athabasca, Karr and Mitsue.

Properties scheduled to start-up, or expected to show substantial production increases in the coming year include Clyde, Enchant-Little Bow, Elmworth-Wapiti, Ferrier-Hoadley and Holmberg.

Construction of a new plant and gathering system to serve the south Wapiti area has been approved, with completion scheduled to coincide with the next contract rate redetermination on November 1, 1982. Sulpetro will own net processing capacity in excess of 2 100 thousand cubic metres (75 million cubic feet) daily in the Elmworth-Wapiti area, following completion of the new plant and expansion of the existing Wapiti plant. Plant and gathering system expansions are also scheduled for the Chinchaga, Clyde and Irish areas.

Start-up of newly-contracted-properties through the Pan-Alberta and Progas projects, Sulpetro's own export sales, and reserve growth from drilling in existing contracted areas, will provide continued growth in 1982. In the past year, deliveries from Sulpetro properties were lower than minimum take-or-pay levels, and take-or-pay payments of \$3,963,000 were received.

## CRUDE OIL AND NATURAL GAS LIQUIDS

Crude oil and natural gas liquids sales totalled 145 305 cubic metres (914,000 barrels) during 1981, an average of 398 cubic metres (2,505 barrels) per day. This was an eighteen-fold increase over the previous year. By year-end crude oil and natural gas liquids production had reached 600 cubic metres (3,776 barrels) per day. The increase was primarily due to the acquisition of CanDel, as well as significant natural gas liquids

### 1981 CANADIAN DRILLING ACTIVITY

	Gas		Oil		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>WORKING INTEREST</b>								
Exploration	58	15.8	9	1.3	32	7.2	99	24.3
Development	61	11.0	26	10.1	12	3.2	99	24.3
	<u>119</u>	<u>26.8</u>	<u>35</u>	<u>11.4</u>	<u>44</u>	<u>10.4</u>	<u>198</u>	<u>48.6</u>
<b>ROYALTY INTEREST</b>	33		124		26		183	
<b>TOTAL</b>	<u>152</u>		<u>159</u>		<u>70</u>		<u>381</u>	



# OPERATIONS · PRODUCTION

production from the Chinchaga area. Production increases are expected to occur in 1982 as a result of past success in exploration of the Gold Creek and Pembina areas.

In the Pembina region, following the encouraging step-out success of the past winter drilling season by CanDel and its joint-venture partners, the Company drilled 13 successful Cardium oil wells bringing the total number of productive oil wells drilled in this area to 51.

Major secondary recovery facilities are planned or under construction in the Cessford, Joarcam, Little Bow and Pembina areas of Alberta.

## NATURAL GAS SALES

Daily Average Rate —  
Canadian Working Interest Properties  
Thousand Cubic Metres Per Day — 10<sup>3</sup>m<sup>3</sup>/d

	Nov. 1, 1980, to Oct. 31, 1981 <sup>(1)</sup>	April 3, 1981, to Oct. 31, 1981 <sup>(2)</sup>
ELMWORTH-WAPITI	731	1121
CESSFORD	209	357
ROSEGLLEN	110	188
VALHALLA	194	169
CHINCHAGA	122	112
MINNEHIK-BUCK LAKE	53	91
BIG BEND	49	77
IRISH	77	74
PEMBINA	26	44
MEANOOK-ABEE	78	43
RIGEL	23	39
ATHABASCA	53	36
COUNTESS	19	33
WHITFORD	37	14
OTHERS	316	328
<b>TOTAL — 10<sup>3</sup>m<sup>3</sup>/d</b>	<b>2097</b>	<b>2726</b>
<b>TOTAL — MMCFD</b>	<b>74.4</b>	<b>96.7</b>

## CRUDE OIL AND NATURAL GAS LIQUIDS SALES

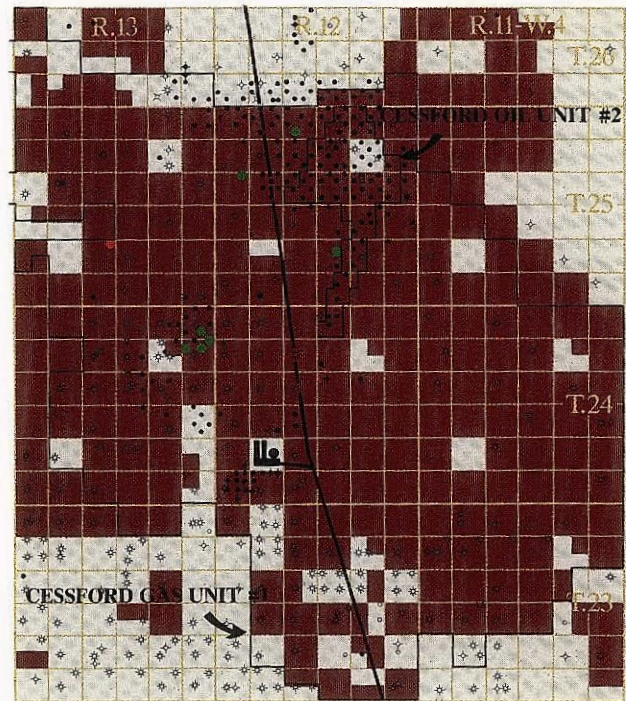
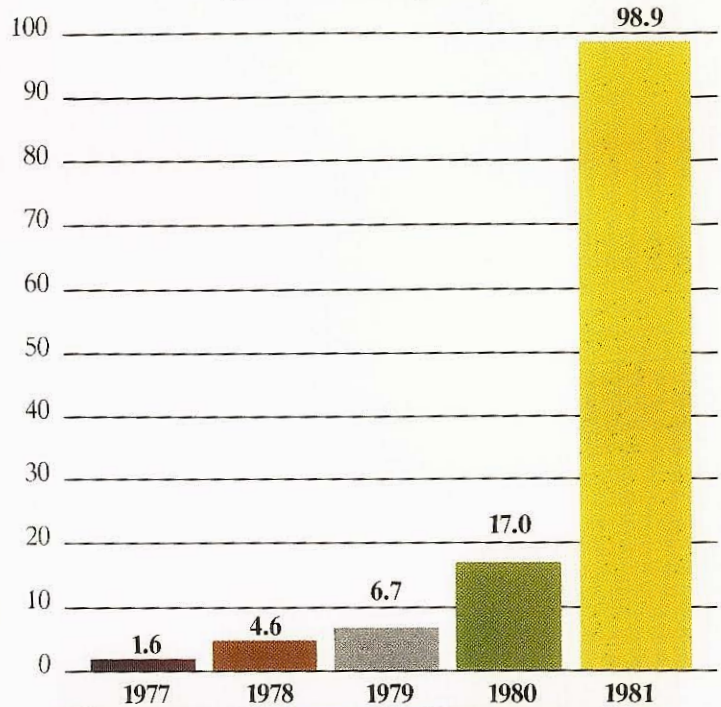
Daily Average Rate —  
Canadian Working Interest Properties  
Cubic Metres Per Day — m<sup>3</sup>/d

	Nov. 1, 1980, to Oct. 31, 1981 <sup>(1)</sup>	April 3, 1981, to Oct. 31, 1981 <sup>(2)</sup>
CESSFORD	128.5	219.2
PEMBINA	44.6	76.0
CHINCHAGA	60.4	53.1
PEEJAY	27.3	46.6
BIG LAKE-ST. ALBERT	21.7	37.0
ELMWORTH-WAPITI	20.7	29.0
STETTTLER	10.5	17.9
JOFFRE	10.0	17.0
SWAN HILLS	9.8	16.8
LEDUC	8.8	15.1
WEASEL	8.8	15.0
OTHERS	47.0	66.0
<b>TOTAL — m<sup>3</sup>/d</b>	<b>398.1</b>	<b>608.7</b>
<b>TOTAL — Barrels per day</b>	<b>2,505</b>	<b>3,831</b>

<sup>(1)</sup> Sulpetro Limited 12 months and CanDel Oil Ltd. seven months ended October 31, 1981.

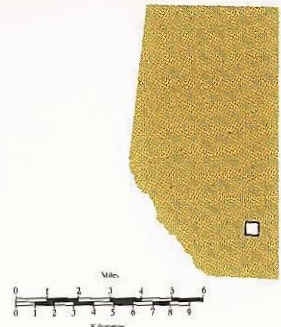
<sup>(2)</sup> Sulpetro Limited and CanDel Oil Ltd. combined for seven months ended October 31, 1981.

## REVENUE FROM OIL AND GAS SALES (After Royalties) (millions of dollars)



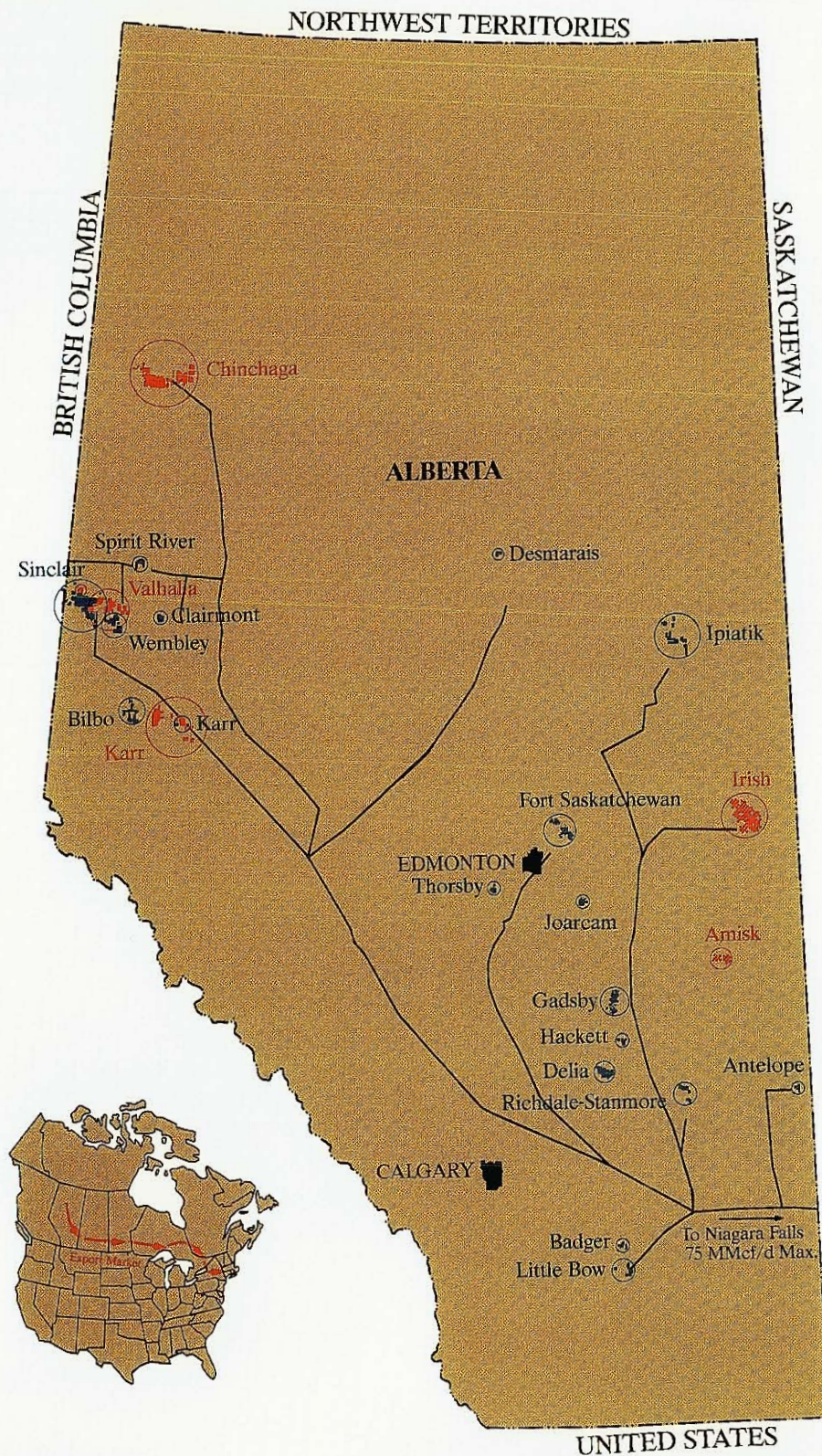
## CESSFORD

- Sulpetro Landholdings
- Ⓜ Gas Plant
- Gas Pipeline
- 1981 Sulpetro Oil Well
- 1981 Sulpetro Gas Well
- Oil Well
- \* Gas Well
- ⊕ Suspended Well
- Location
- ⊕ Abandoned Well



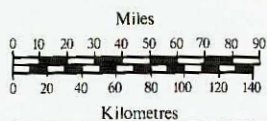


# PLANNING · DEVELOPMENT



## SOURCES OF GAS SUPPLY

- Sulpetro Gas Export #1 Supply Areas
- Sulpetro Gas Export #2 Supply Areas
- Gas Pipeline





# PLANNING · DEVELOPMENT

**D**uring 1981, the Company's Canadian oil and gas reserves increased substantially as a result of exploration and development drilling, favorable reservoir performance, and the acquisition of CanDel.

At October 31, 1981, proven remaining gas reserves were 25 879 million cubic metres (918.5 billion cubic feet), an increase of 268 percent for the 12-month period. Drilling provided a net increase of 3 660 million cubic metres (129.9 billion cubic feet) of proven gas reserves after deducting production. An additional 13 295 million cubic metres (471.9 billion cubic feet) were added through the acquisition.

Sulpetro's probable additional gas reserves at October 31, 1981, were 8 686 million cubic metres (308.2 billion cubic feet) — more than double 1980's probable reserves, even though drilling and reservoir performance converted a substantial amount to the proven category during the year.

Proven remaining reserves of oil and natural gas liquids increased by 595 percent to 4 324 thousand cubic metres (27.2 million barrels). Virtually all of the oil and natural gas liquids reserves added in 1981 were provided by CanDel's petroleum properties.

The year-end probable oil and natural gas liquids reserves increased by 854 percent to 1 309 thousand cubic metres (8.2 million barrels) over the 12-month period.

## MARKETING

Sulpetro's existing Gas Export Project completed a full contract year of operation on October 31, 1981. During this period, 579 million cubic metres (20.6 billion cubic feet) were sold to United States customers, Transcontinental Gas Pipe Line Corporation (Transco) and Tennessee Gas Pipeline Co.

This exceeded the minimum volume the companies were obligated to buy. Sales which began some fifteen months ago have generated \$136.5 million, of which \$65 million was forwarded to the Alberta Petroleum Marketing Commission for distribution pro rata to all Alberta gas producers. Sulpetro received revenues of \$20 million, approximately one third of the revenues received by all the producers who are participating in this Project. During the past year, the Company obtained Canadian approval to extend this Project to October 31, 1983. The extension should ensure that the total authorized volume of 1 838 million cubic metres (66 billion cubic feet) will be sold to United States customers.

Sulpetro has initiated a second Gas Export Project to secure an early market for future gas production, and to provide a maximum degree of control over its newly-discovered reserves. In the development of this Project, Sulpetro has negotiated a sales contract with Transco for an eight-year period commencing November 1, 1983. The contract calls for a maximum daily volume of 2 125 thousand cubic metres (75 million cubic feet) in the initial four years, reducing by 20 percent in each of the final four years. The gas supply for this second project will come from eighteen areas in which Sulpetro has an approximate 30 percent working interest, and will include thirty-four producing companies as working-interest partners in the gas sales.

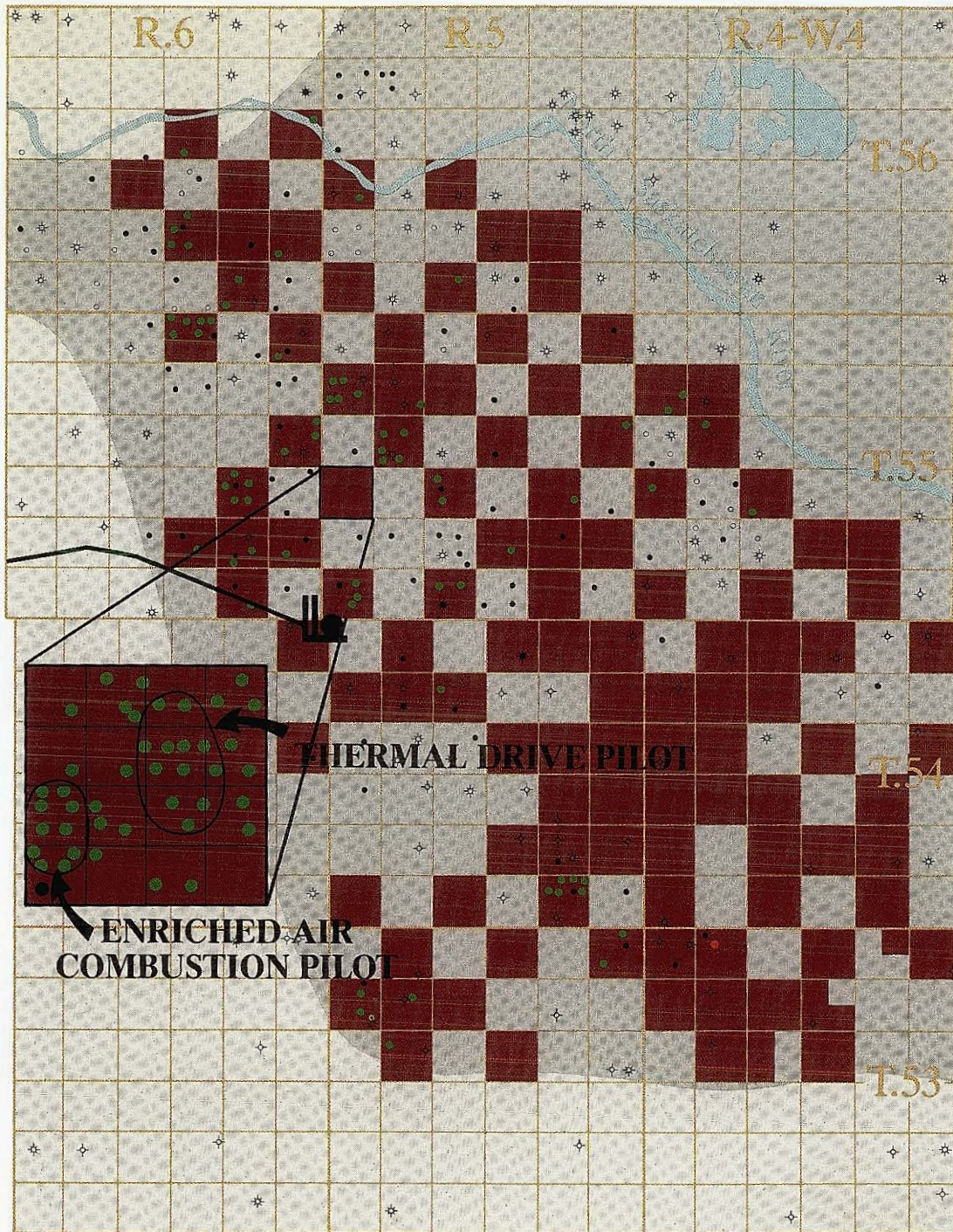
A hearing into the Company's application for a permit to remove a volume of 4 652.9 million cubic metres (165 billion cubic feet) from the Province of Alberta under the second export project was held in December 1981, and a decision is pending. An application to export gas from Canada was filed with the National Energy Board and a hearing will commence in March 1982.

## CANADIAN GROSS PROVEN AND PROBABLE ADDITIONAL RESERVES As of October 31, 1981

	Natural Gas		Crude Oil and NGL	
	10 <sup>9</sup> m <sup>3</sup>	BCF	10 <sup>3</sup> m <sup>3</sup>	MB
Proven Reserves October 31, 1980	9.7	343.9	727	4,574
Plus 1981 Additions				
• from CanDel acquisition	13.3	471.9	3 280	20,642
• from drilling and adjustments	3.7	129.9	462	2,910
Less 1981 Sales	(0.8)	(27.2)	(145)	(914)
<b>Proven Remaining Reserves October 31, 1981</b>	<b><u>25.9</u></b>	<b><u>918.5</u></b>	<b><u>4 324</u></b>	<b><u>27,212</u></b>
Probable Additional Reserves October 31, 1980	4.7	166.8	153	965
Plus 1981 Additions				
• from CanDel acquisition	3.7	130.5	1 156	7,273
• from drilling and adjustments	0.3	10.9	—	—
<b>Probable Additional Reserves October 31, 1981</b>	<b><u>8.7</u></b>	<b><u>308.2</u></b>	<b><u>1 309</u></b>	<b><u>8,238</u></b>
<b>Total Proven Remaining and Probable Additional Reserves October 31, 1981</b>	<b><u>34.6</u></b>	<b><u>1,226.7</u></b>	<b><u>5 633</u></b>	<b><u>35,450</u></b>

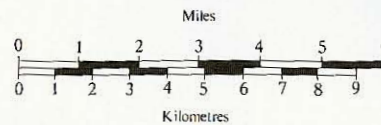
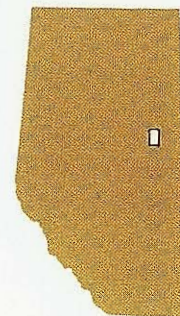


# PLANNING · DEVELOPMENT



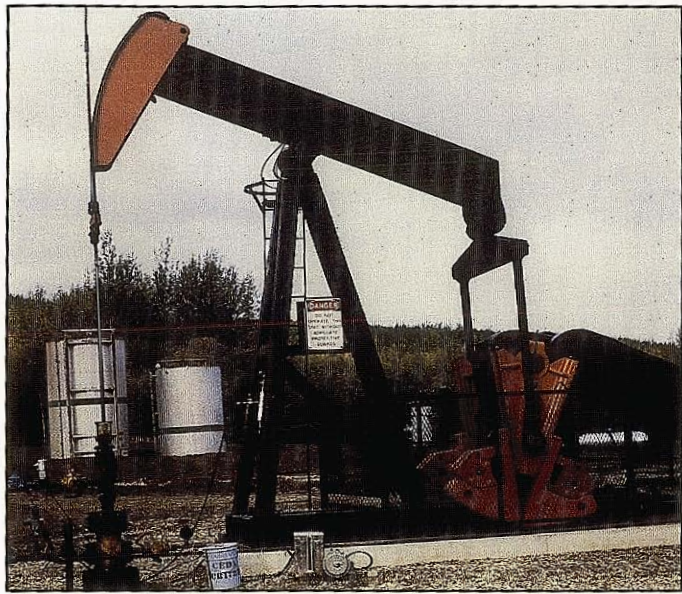
## IRISH-LINDBERGH

- Sulpetro Landholdings
- Gas Plant Site
- Gas Pipeline
- 1981 Sulpetro Oil Well
- 1981 Sulpetro Gas Well
- Oil Well
- Gas Well
- Location
- Abandoned Well
- Cold Lake Oil Sands Deposits





# PLANNING · DEVELOPMENT



*Oil pump jack*

## HEAVY OIL

A high level of activity was maintained in all phases of the Irish-Lindbergh heavy oil development at no cost to Sulpetro. Work commitments under a farm-out agreement with Dome Petroleum Limited (Dome) are progressing ahead of schedule.

By the end of the year, Dome had completed the exploration phase of the agreement by spending \$10 million on drilling and completions.

During the year, 51 exploration and 71 development wells were drilled on Sulpetro's Irish-Lindbergh properties. Of the 144 wells drilled to date, 130 wells have been cased and completed as potential oil producers and two wells were equipped for injection purposes. Most of the successful wells are capable of primary production, and by year-end a total of 70 wells were producing at an average daily rate of 241 cubic

metres (1,517 barrels) of oil. The remaining wells will be placed on production as soon as surface equipment can be installed. The majority of the wells were drilled after January 1, 1981, and approximately 80 percent of the production will qualify for new oil prices. At the current rate of production, Sulpetro will have the right to convert its overriding royalty interest to a 21.25 percent working interest by mid-1983.

An independent consultant estimated Sulpetro's share of proven primary reserves in the Irish-Lindbergh area at 160 thousand cubic metres (1.0 million barrels) with additional potential primary reserves of 672 thousand cubic metres (4.2 million barrels) at year-end.

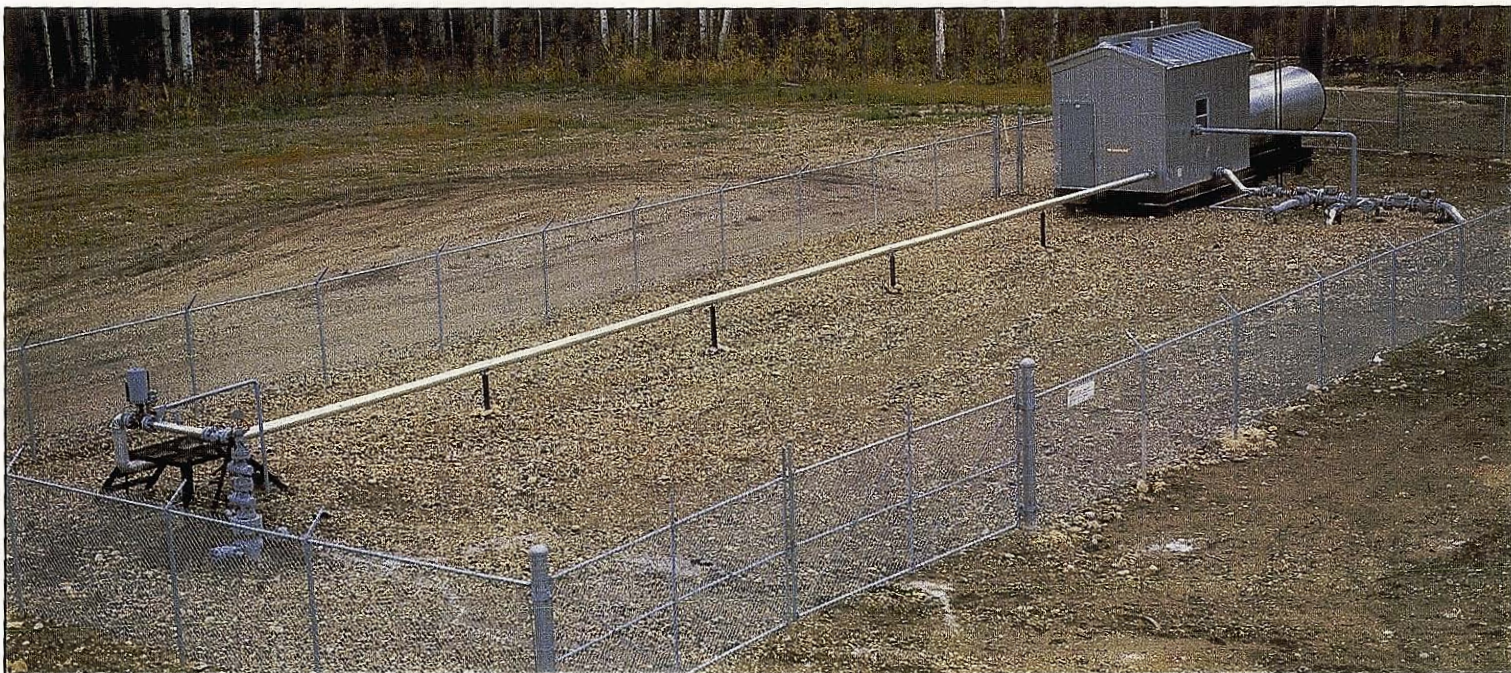
The second phase of the farm-out is under way with two enhanced recovery pilot projects under construction in section 18-55-5 W4M, where the drilling of production and injection wells is in progress. The two projects — a thermal drive pilot and an enriched air combustion pilot — are expected to be operational in 1982 and expanded the following year to encompass larger areas. Dome's estimated capital expenditure for this phase is \$20 million.

## NATURAL GAS LIQUIDS AND PETROCHEMICALS

Sulpetro's natural gas production is rich in natural gas liquids in the Chinchaga, Elsworth-Wapiti, Karr, Pembina and Valhalla areas of Alberta. Studies are being conducted to optimize the economic recovery of these liquids.

The Company intends to retain control of its liquid production as a feedstock for downstream fractionation into ethane, propane and butane. Ethane in particular is the basic feedstock for Alberta's ethylene industry and Sulpetro is considering using its ethane as a means of participating in the production of ethylene.

As part of its overall plan, the Company is participating in engineering and design studies for fractionation and storage of natural gas liquids in Alberta.



*Wapiti well site facility*





*Loading crude oil from the Company's North Sea, Buchan oil field*





**INTERNATIONAL DIVISION**

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INTERNATIONAL DIVISION





# HIGHLIGHTS · OPERATIONS



*M.A. Williams, President, International Division*

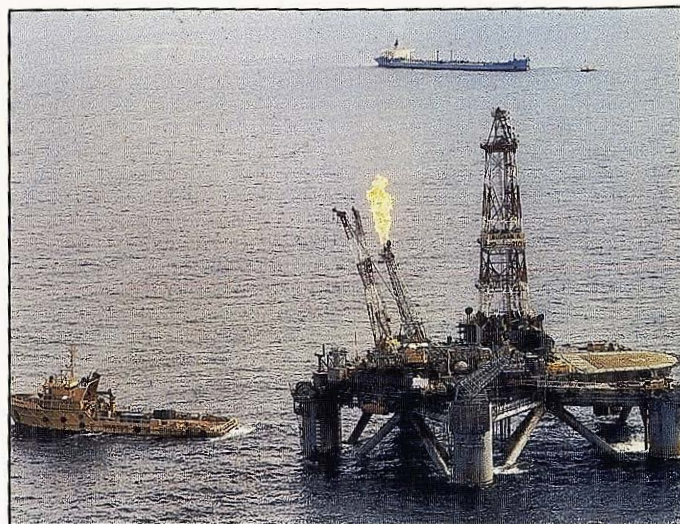
**S**ulpetro International, a Division of Sulpetro Limited, is based in Calgary and is responsible for the Company's oil and gas operations outside North America. Since its formation during the year, the initial efforts of the Division have been to assemble an experienced team and to commence a program of land acquisition. The policy of the Company is to acquire land with good potential in those developed countries with a reasonable fiscal regime.

Sulpetro International presently conducts oil and gas operations in the United Kingdom and Netherlands sectors of the North Sea, southern England, Egypt and Colombia.

In addition, Sulpetro participates in international activities through its 21.25 percent equity interest in International Energy Development Corporation IEDC S.A. IEDC was formed to promote international energy development with special emphasis on the developing and third world nations. To date, IEDC has been financed by capital contributions from its shareholders but plans are under way to broaden its financial base.

## HIGHLIGHTS

- Production commenced from the Buchan oil field located in the United Kingdom sector of the North Sea.
- 607 000 gross hectares (1.5 million gross acres) are held in southern England. The initial well drilled on this acreage discovered the Humbly Grove field which has commenced production.
- Commenced development of a natural gas field in the Netherlands sector of the North Sea.
- 4.9 million gross hectares (12.1 million gross acres) are held by IEDC in Western Australia's Canning Basin, the scene of an important oil discovery in 1981.
- A further 50.4 million gross hectares (124.5 million gross acres) are held internationally directly and through IEDC.



*Drilling in the Buchan oil field*

## UNITED KINGDOM OFFSHORE

Sulpetro has an approximate 12.6 percent working interest in the Buchan oil field in the United Kingdom sector of the North Sea, 150 kilometres northeast of Aberdeen, Scotland.

Independent consultants estimate that the field contains proven remaining recoverable reserves of 6.7 million cubic metres (42 million barrels) of oil and probable remaining reserves of an additional 2.2 million cubic metres (13.7 million barrels).

Production from the field commenced on May 21, 1981, and averaged 6 836 cubic metres (43,000 barrels) per day to the end of October 1981. While the field has shown a capacity in excess of 11 400 cubic metres (72,000 barrels) per day, average annual production is expected to be in the range of 7 600 cubic metres (48,000 barrels) per day. Arrangements have been made with the British National Oil Corporation and British Petroleum Limited for the sale of Sulpetro's production from the Buchan field.

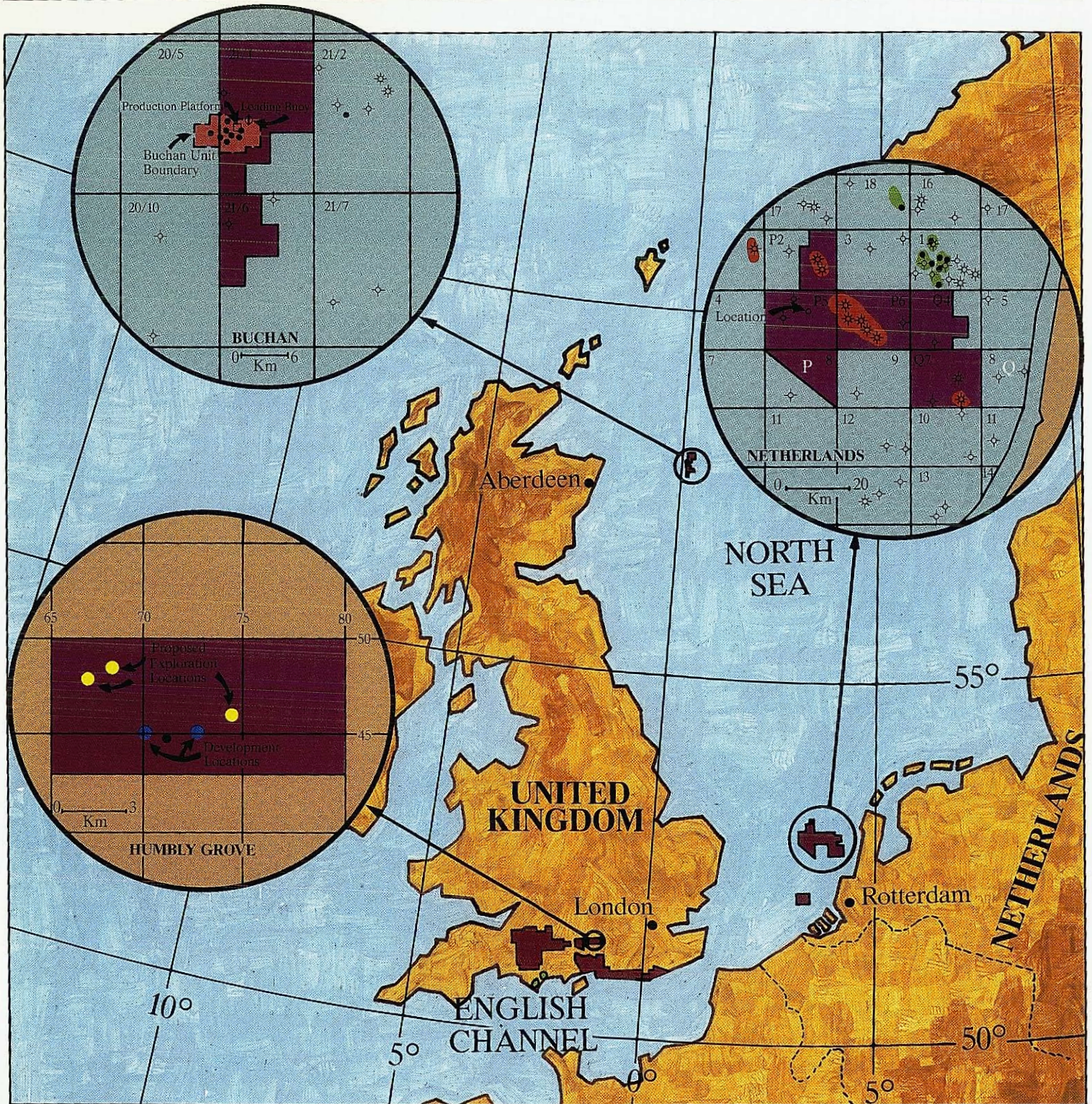
## UNITED KINGDOM ONSHORE

Farm-in rights have been obtained providing an approximate 12.5 percent interest in 607 000 gross hectares (1.5 million gross acres) located in Hampshire and Dorset. The United Kingdom government's approval of the Company's participation in licences covering this acreage is expected shortly.

The first well drilled on this acreage resulted in the discovery of the Humbly Grove field located 72 kilometres southwest of London. Production testing of the discovery well began in late 1980 and averaged 12.4 cubic metres (78 barrels) per day during the ten month test period. Three development wells are planned for 1982, and up to 20 wells will be required to fully develop the field. An independent firm of consultants estimate that the field contains proven and probable reserves of 2.22 million cubic metres (14 million barrels).



# OPERATIONS



## NORTH SEA

- International Landholdings
- Oil Well
- \* Gas Well
- Location
- ✧ Abandoned Well
- Gas Field
- Oil Field



# OPERATIONS

## NETHERLANDS

Sulpetro holds interests varying from 3.125 to 6.25 percent in seven blocks in the Netherlands sector of the North Sea.

The Company presently holds a 6.25 percent working interest in a natural gas field located in Block P/6. Independent consultants have estimated that the field contains proven and probable reserves totalling 16.6 billion cubic metres (590 billion cubic feet). In June 1980, the Netherlands government issued a provisional permit for the development of the field. Arrangements have been made for the transport and sale of gas and final development approval is expected shortly. Dutch State Mines (DSM) has indicated its intention to exercise its right to acquire a 40 percent working interest in the field, and will reimburse the licensees for 40 percent of past expenditures on the P/6 Block. After DSM participation, Sulpetro will have a 3.75 percent working interest.

Initial development plans include the drilling of five wells, and the construction of one production platform and a pipeline. Further development plans may include the drilling of four additional wells and the installation of a second platform. Production from the field is scheduled to commence in 1984.

Sulpetro has a 3.25 percent interest in Block Q/4 which lies immediately south of Q/1, where the Union Oil group has discovered several separate pools in the Vlieland sand containing 26 degree gravity crude oil. Geophysical work has been conducted on Blocks Q/4, P/5, P/6 and Q/7 to determine their potential for similar oil accumulations. Drilling plans for 1982 include wells on P/5, P/6 and Q/7 to test the Vlieland. Some of the Company's other Netherlands holdings may contain similar prospects.

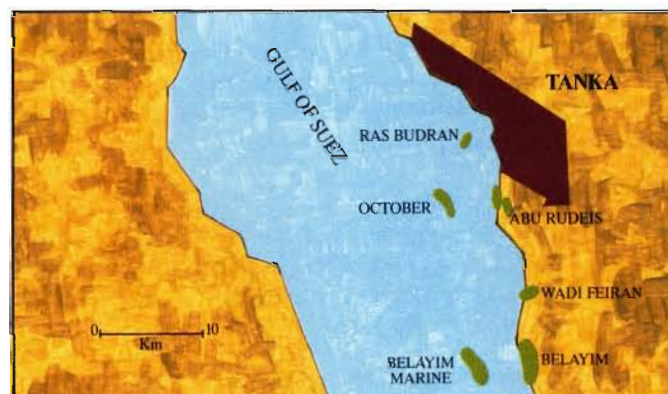
## COLOMBIA

Sulpetro has a 30 percent interest in a 197 000 gross hectares (487,000 gross acres) concession located onshore in the lower Magdalena Valley of Colombia. The first two wells of a three-

well drilling program have been abandoned as non-productive. The third well on the concession is expected to commence drilling in the fall of 1982.

## EGYPT

Sulpetro holds a 50 percent interest in an onshore concession covering 25 000 gross hectares (61,800 gross acres) in the Tanka area of the eastern coast of the Gulf of Suez. Egypt has established reasonable rules covering the sharing of profits from production and has a very favourable geological setting, particularly in the Gulf of Suez area. Seven oil discoveries have been made in 1981 on top of the 12 recorded in 1980, and the country's crude oil production has approached 111 000 cubic metres (700,000 barrels) per day. Sulpetro's holdings are near the Ras Budran and October fields. Production in this area is from the prolific Nubian sandstone. Geophysical work has been completed and drilling targets identified on Sulpetro's holdings with the first of three commitment wells scheduled to commence in mid-1982.



## EGYPT

- International Landholdings
- Oil Field

## INTERNATIONAL LANDHOLDINGS <sup>(1,3)</sup>

As of October 31, 1981

	Gross		Net	
	Hectares	Acres	Hectares	Acres
ANGOLA	— <sup>(2)</sup>	— <sup>(2)</sup>	29 531	72,970
COLOMBIA	196 994	486,782	59 098	146,030
EGYPT	25 010	61,800	12 505	30,900
INDONESIA	997 572	2,465,000	99 757	246,500
NETHERLANDS: North Sea	237 151	586,012	12 626	31,199
UNITED KINGDOM: North Sea	22 060	54,511	3 089	7,632
Onshore	607 003	1,499,935	83 083	205,302
<b>TOTAL</b>	<b>2 085 790</b>	<b>5,154,040</b>	<b>299 689</b>	<b>740,533</b>

<sup>(1)</sup> Lands in which Sulpetro has or is in the process of earning a working interest.

<sup>(2)</sup> Gross holdings in Angola are not shown as they are included in the lands in which IEDC participates.

<sup>(3)</sup> Does not include 2.6 million acre permit in Canning Basin awarded after October 31, 1981, in which Sulpetro will have an 80 percent interest upon confirmation by the government of Western Australia.



# INTERNATIONAL ENERGY

**S**ulpetro, AB Volvo of Sweden, AZL Resources Inc. of the U.S.A., and the Kuwait Petroleum Corporation each own 21.25 percent of International Energy Development Corporation IEDC S.A. ("IEDC S.A."). The remaining 15 percent of the shares are owned by IEDC's management. IEDC S.A. holds 60 percent of the shares of International Energy Development Corporation (IEDC) B.V. ("IEDC B.V.") and 100 percent of International Energy Development Corporation of Australia Pty. Ltd. ("IEDC Australia"). IEDC B.V. is a Netherlands company that holds all exploratory interests of the IEDC group except those in Australia. Sulpetro also holds directly 6.48 percent of IEDC B.V., giving it a total effective ownership of 19.23 percent.

In its second year of operation, IEDC made significant progress towards its objective of playing a leading role in international energy development. It places special emphasis on exploring in developing countries, where the need to determine oil and gas potential is urgent and where little exploration has been done to date.

Normally, IEDC uses its own resources for preliminary exploration and upgrading before reducing its interest by bringing in others to share major expenditures. This allows IEDC to retain a large interest, expand its resources and initiate activity where it is needed.

## AUSTRALIA

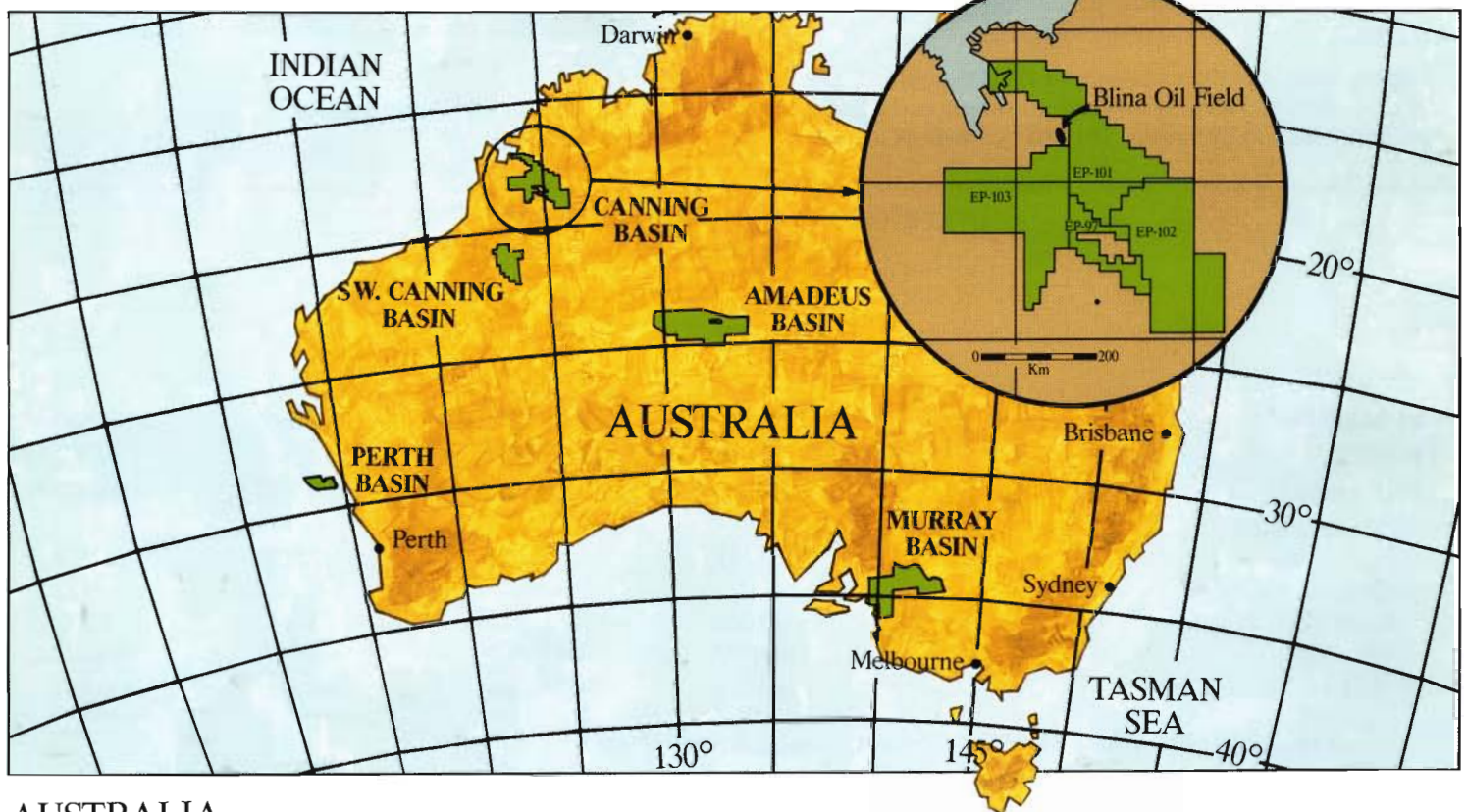
IEDC Australia is earning interests in 15.6 million gross hectares (38.5 million gross acres) in which its net interest averages 33 percent in permits located in the Canning, Murray, Amadeus and offshore Perth basins.

The Australian holdings which currently appear most attractive are in the Canning Basin of Western Australia where IEDC participates in 4.9 million gross hectares (12.1 million gross acres) with an average interest of about 51 percent. Two of the permits are in close proximity to the Home et al Blina #1 Devonian oil discovery of May 1981. The IEDC holdings cover much of the area of the basin having potential for additional Devonian reserves. The 1982 program for this area includes over 4 000 kilometres of seismic and the drilling of four wells.

In the Amadeus Basin, an active program is planned on over 5 million gross hectares (12.5 million gross acres) in which IEDC has a five percent interest. Activities planned for 1982 include the drilling of eleven wells. IEDC is earning an interest in this permit, excluding two existing large gas fields, by incurring ten percent of exploratory costs. Since its entry into this area IEDC has participated in one gas well, Dingo #1, which tested gas at approximately 140 000 cubic metres (5 million cubic feet) per day.

## ANGOLA

In 1980, IEDC signed an agreement for exploration of Block 7, comprising 472 500 gross hectares (1.2 million gross acres) offshore in the Angola Basin. IEDC's interest in the Block is 60 percent, and the intention is to reduce this interest to 36.25 percent by allowing shareholders to participate directly. Sulpetro intends to participate directly for a 6.25 percent interest. The contract provides for an initial three-year exploration period during which 1 000 kilometres of seismic activity and the drilling of four exploratory wells will take place.



## AUSTRALIA

■ IEDC Landholdings



# DEVELOPMENT CORPORATION

## THE CONGO

A protocol covering Marine Permit #1 has recently been signed with Hydro Congo, the National Energy Company of the Republic of the Congo. The permit covers 143 200 gross hectares (354,000 gross acres). IEDC is required to pay 25 percent of exploration costs to earn a net working interest of 12.5 percent. Activity in 1982 will consist of seismic work plus the drilling of one well.

## GHANA

A farm-in agreement has been signed under which IEDC can earn a 100 percent working interest, subject to the farmor either retaining an overriding royalty or converting such royalty to a 30 percent working interest, on a 8 500 gross hectare

(21,000 gross acre) licence offshore Ghana. In 1982, IEDC plans to drill two wildcat wells on this acreage.

## OMAN

IEDC was awarded a 25 percent interest in Block 4 containing 2.9 million gross hectares (7.2 million gross acres) onshore Oman. This Block lies in the eastern part of the main Arabian Sedimentary Basin. The work commitment during the first three-year period requires 2 500 kilometres of seismic work plus the drilling of two wells.

## SUDAN

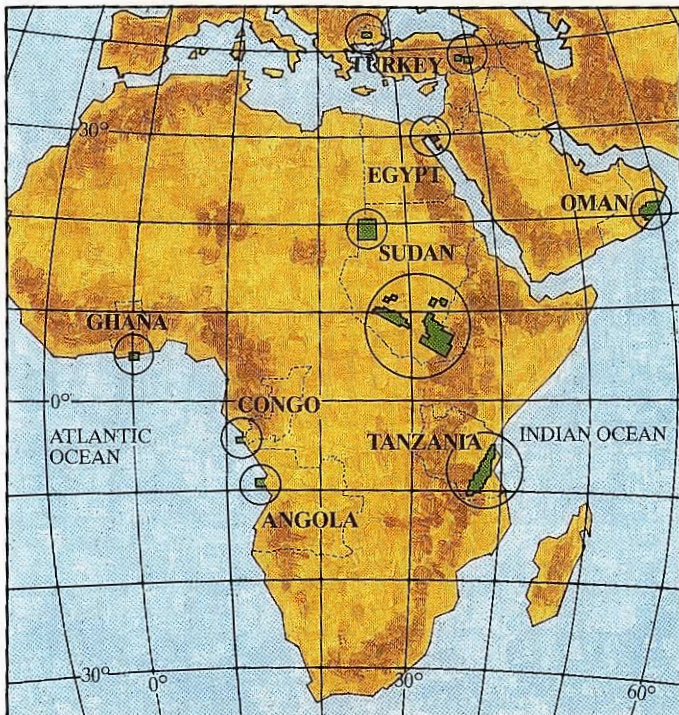
In the Sudan, IEDC holds a 25 percent interest in four exploratory permits covering approximately 27.4 million gross hectares (68 million gross acres) or about 10 percent of the area of the Sudan. The majority of the holdings are in the Muglad area of the southeastern Sudan where Chevron has made three significant oil discoveries. The 1982 exploration program consists of approximately 100 000 kilometres of aeromagnetic and seismic surveys.

## TANZANIA

IEDC is awaiting final signature of a production sharing agreement with the Tanzanian government covering a 100 percent interest in approximately 1.3 million gross hectares (3.1 million gross acres) onshore and offshore in northern Tanzania. In addition, IEDC has arranged to obtain a five percent interest in a 7.3 million gross hectare (18 million gross acre) production sharing contract south of its lands, in return for giving the holder of the interest a 15 percent interest in IEDC's lands. Geological studies and geophysical exploration are planned for 1982.

## TURKEY

IEDC has entered into an agreement, subject to government approval, whereby it will earn a 100 percent interest, subject to a 12.5 percent net-profits interest, in five exploratory licences covering 273 300 gross hectares (675,000 gross acres). One of the permits is in northwestern Turkey and four are in the southeastern part of the country. All permits are in areas where there are producing oil fields, but where relatively little modern exploration has been conducted. IEDC expects to commence seismic and drill one well in the coming year.



## AFRICA-MIDDLE EAST

■ IEDC Landholdings  
■ International Landholdings

### IEDC AUSTRALIA LANDHOLDINGS <sup>(1)</sup> As of October 31, 1981

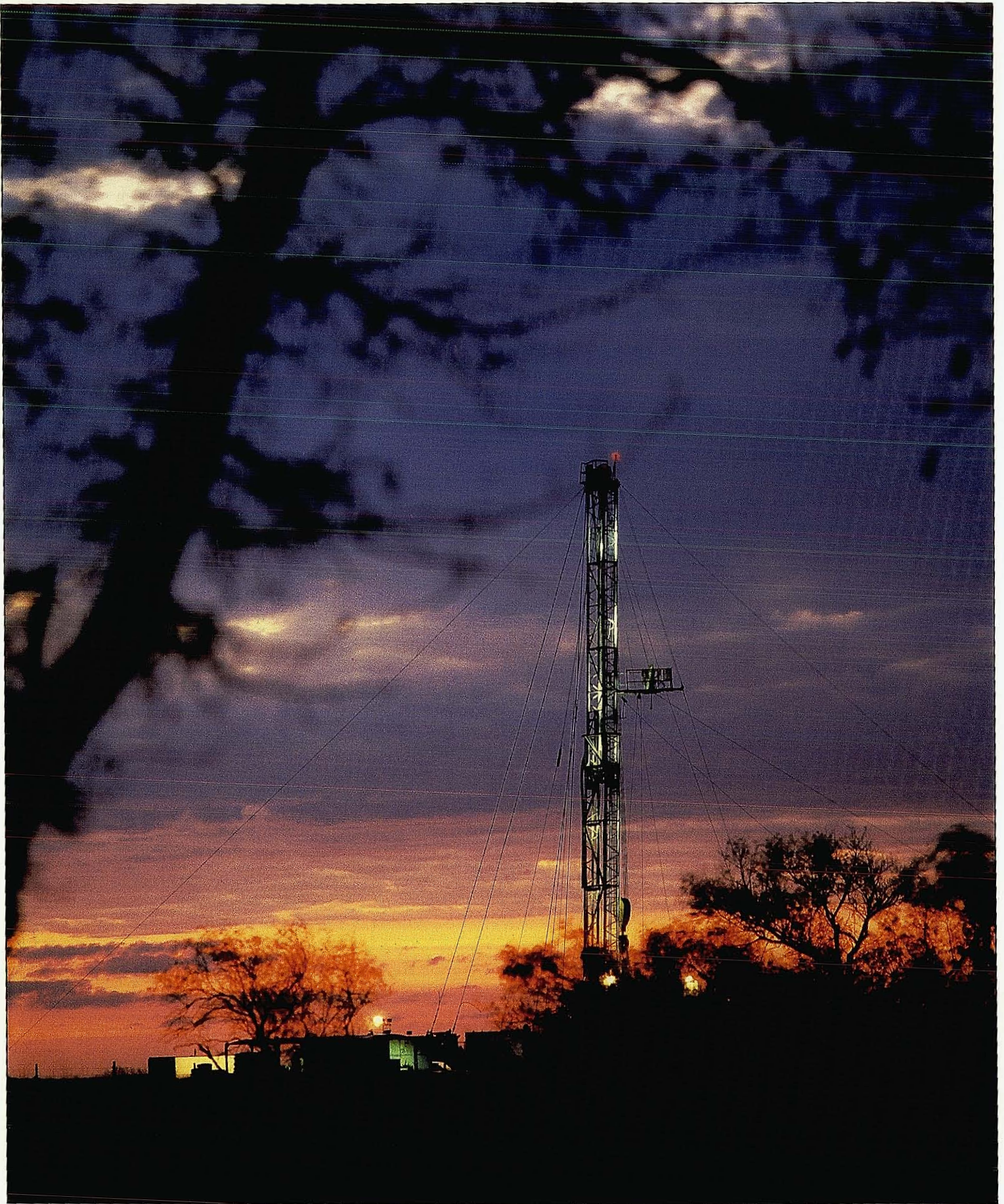
	Gross		Net	
	Hectares	Acres	Hectares	Acres
AMADEUS BASIN	5 077 500	12,546,502	253 875	627,325
CANNING BASIN	4 910 764	12,134,497	2 502 700	6,184,171
S.W. CANNING	1 557 043	3,847,452	778 521	1,923,726
MURRAY BASIN	3 388 000	8,371,749	1 524 600	3,767,287
OFFSHORE PERTH	636 447	1,572,661	79 556	196,583
<b>TOTAL</b>	<b>15 569 754</b>	<b>38,472,861</b>	<b>5 139 252</b>	<b>12,699,092</b>

### IEDC B.V. LANDHOLDINGS <sup>(1)</sup> As of October 31, 1981

	Gross		Net	
	Hectares	Acres	Hectares	Acres
ANGOLA	472 500	1,167,000	171 300	423,000
GHANA	8 500	21,000	8 500	21,000
OMAN	2 897 400	7,159,000	724 300	1,780,000
SUDAN	27 438 000	67,801,000	6 859 400	16,950,000
TANZANIA	8 526 000	21,068,000	1 431 900	3,538,000
THE CONGO	143 200	354,000	17 900	44,000
TURKEY	273 300	675,000	239 100	591,000
<b>TOTAL</b>	<b>39 758 900</b>	<b>98,245,000</b>	<b>9 452 400</b>	<b>23,347,000</b>

<sup>(1)</sup> Lands in which IEDC has or is in the process of earning a working interest.





*Drilling in Oklahoma*



# HIGHLIGHTS · EXPLORATION



*J.W. Fox, President, Sulpetro Resources, Inc.*

**S**ulpetro participates in the oil and gas industry in the United States through its wholly-owned subsidiary, Sulpetro Resources, Inc. Based in Dallas, Texas, this company conducts oil and gas exploration, production and oil field service activities in eleven states.

Exploration activities are undertaken on prospects generated by the company on leasehold blocks it has assembled. Sulpetro Resources has acquired a sizeable land position from which to farm-out or joint venture with others. The company presently has the largest and highest-quality inventory of drillable prospects in its history.

The company's newly-formed contract drilling and related services business has shown positive results and further expansion is being evaluated. In 1981, Sulpetro Resources' revenue more than doubled, and its 1982 objective is to increase both proven reserves and net revenue.

## HIGHLIGHTS

- Drilled 17 wells in the Okemah area of central Oklahoma resulting in 12 oil producers.
- Expanded Gold Star Drilling Co. (Gold Star) from one to four rigs.
- Increased exploration landholdings 166 percent to a year-end position of 116 979 gross hectares (289,062 gross acres).



*Working on a derrick in Oklahoma*

Sulpetro Resources conducts exploration operations in the states of Kansas, Louisiana, Nevada, New Mexico, Oklahoma, Texas and Utah. In addition, it has producing interests in California, Colorado, Louisiana, Oklahoma, Pennsylvania, Texas and West Virginia.

From November 1, 1980, to October 31, 1981, the company drilled or participated in the drilling of 43 wells, resulting in 19 oil wells, three gas wells and 21 dry holes.

Twenty-seven of the 43 wells drilled during the year were in the state of Oklahoma where 12 of the 17 wells drilled in the Okemah area were completed as oil producers. Production from the company-operated wells in this area during the month of October reached 38 cubic metres (239 barrels) of oil per day. A substantial portion of this production was brought on stream during the year. Of the ten additional wells drilled elsewhere in Oklahoma, four were completed as oil wells.

Sixteen wells were drilled in other states: five in Kansas, three in California, six in Texas and two in Louisiana. Of those 16, five were completed as oil or gas discoveries.

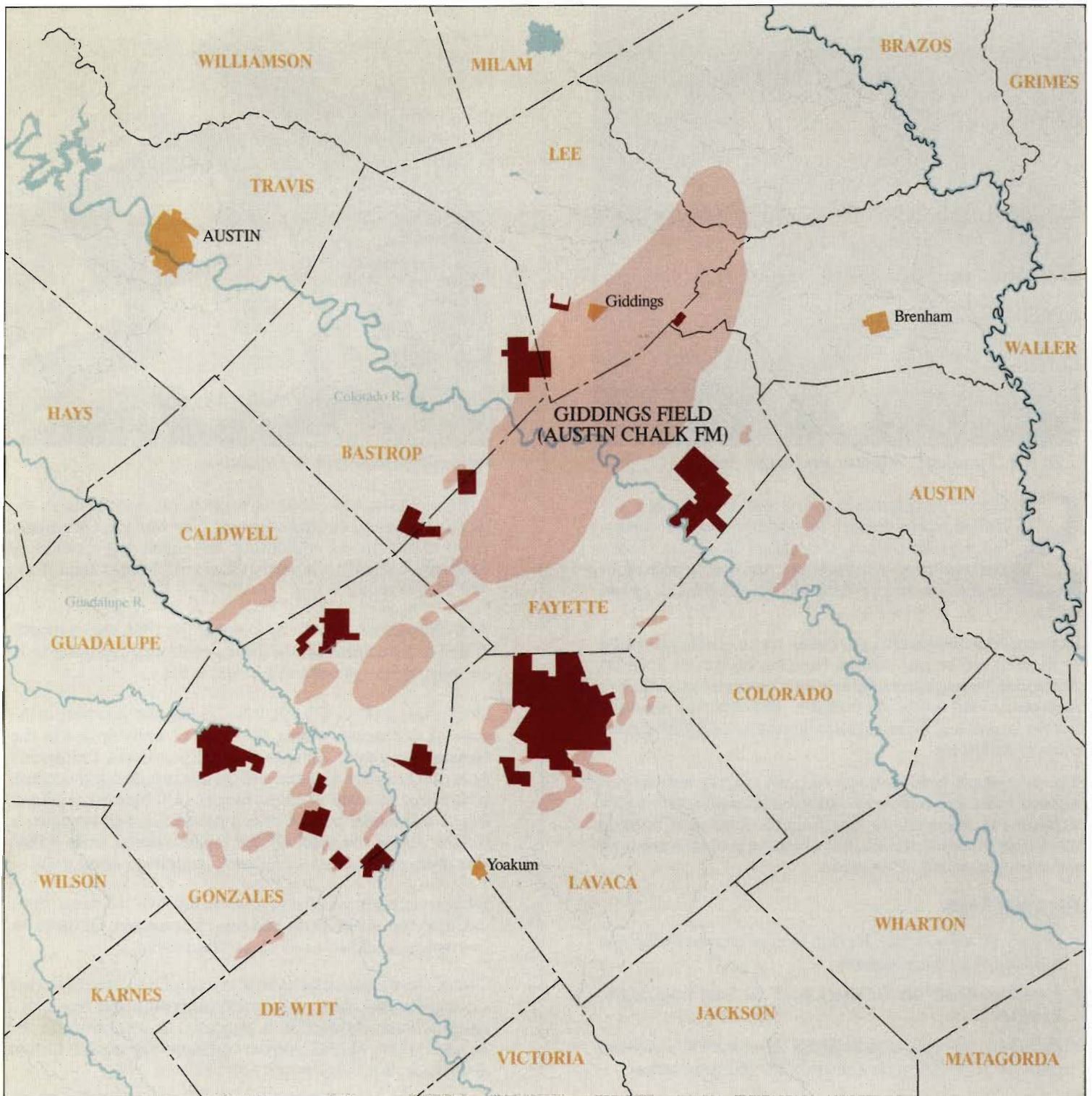
Two of these discoveries were in the Coy Davis area of Barber County, Kansas where negotiations are now under way with a gas purchaser. Production is projected to commence in the second quarter of 1982, and the company will conduct further drilling on its acreage position in this area.

## 1981 UNITED STATES DRILLING ACTIVITY



	Gas		Oil		Dry		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
WORKING INTEREST								
Exploration	0	0	7	2.48	10	4.18	17	6.66
Development	3	1.18	12	5.62	11	4.44	26	11.24
<b>TOTAL</b>	<b>3</b>	<b>1.18</b>	<b>19</b>	<b>8.10</b>	<b>21</b>	<b>8.62</b>	<b>43</b>	<b>17.90</b>

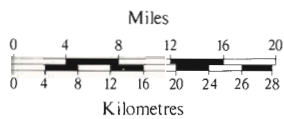


# RESERVES · LANDHOLDINGS



## AUSTIN CHALK TREND SOUTH TEXAS

-  Sulpetro Resources Landholdings
-  Oil and/or Gas Fields







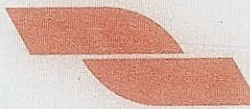
**UNITED STATES DIVISION**  
Represented by Sulpetro Resources, Inc.

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UNITED STATES DIVISION  
Represented by Sulpetro Resources, Inc.





# RESERVES · LANDHOLDINGS



*Relocating a Gold Star rig*

One discovery was drilled in each of Texas, California, and Louisiana. The most promising of these was a natural gas completion in the East Athens area of Claiborne Parish, Louisiana, where further drilling is under way.

Several new areas of Texas, Oklahoma, Kansas, New Mexico and Louisiana will be included in Sulpetro Resources' 1982 drilling program. Prominent among these is the company's sizeable acreage position in the Austin Chalk Trend of south Texas, where a seismic survey program is now nearing conclusion.

## **RESERVES: LANDHOLDINGS**

Proven remaining reserves of oil and natural gas liquids increased by 81 percent to 58 683 cubic metres (369,104 barrels) at October 31, 1981. The company's proven remaining gas reserves were 172 million cubic metres (6.1 billion cubic feet) a decrease of 8.6 million cubic metres (0.3 billion cubic feet) over the previous year. In accordance with United States regulatory requirements, all reserve calculations are net of royalties.

During the year, Sulpetro Resources acquired 100 percent interests in 7 489 hectares (18,539 acres) in the south Texas Austin Chalk play, 44 200 hectares (109,407 acres) in Lincoln County, Nevada, and over 20 200 hectares (50,000 acres) in several other areas.

The company's United States landholdings now total 116 979 gross hectares (289,062 gross acres), and 96 744 net hectares (239,059 net acres).

## **OIL FIELD SERVICES**

Through its wholly-owned subsidiary, Gold Star, Sulpetro Resources entered the oil field contract drilling and related services business in September 1980. Operations commenced with one rig and today, Gold Star operates four rigs, one capable of drilling to 3 000 metres (10,000 feet) and the other three with depth capacities to 2 000 metres (6,500 feet).

While Gold Star has drilled some wells in Sulpetro Resources' exploration program, it operates as an independent profit centre mainly drilling for others in central Oklahoma. By concentrating its activity in and around its Cushing headquarters, Gold Star is able to maximize its operating efficiency. Oklahoma is currently one of the most active drilling areas in the United States with over 800 drilling rigs operating — about 20 percent of the active United States rig fleet.

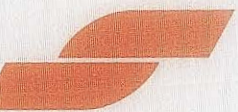
In the summer of 1981, Gold Star entered the drilling mud and chemical service business, and the oil field trucking business. Early results of these low-capital diversifications have been very encouraging and further expansion is being considered for 1982.





*Mining in southeastern Ontario.*





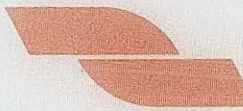
**MINING AND MINERALS DIVISION**  
Represented by Sulpetro Minerals Limited

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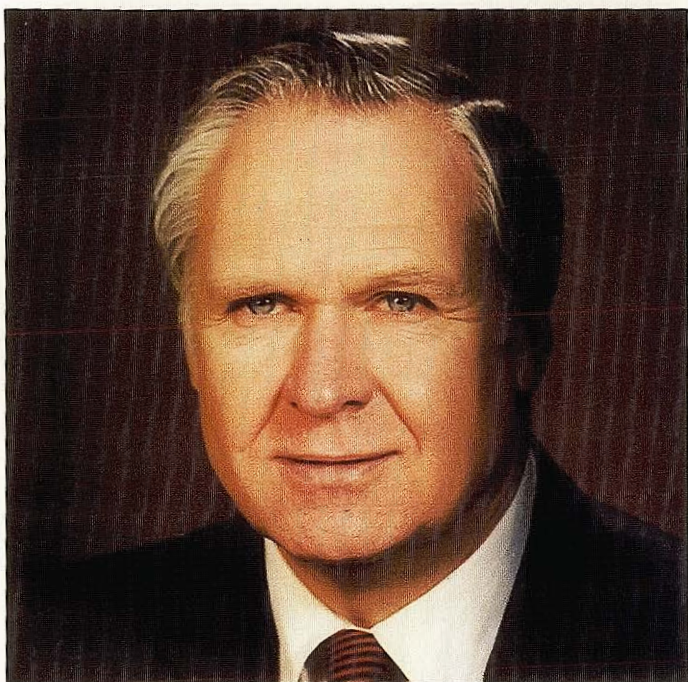
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MINING AND MINERALS DIVISION  
Represented by Sulpetro Minerals Limited





# HIGHLIGHTS · OPERATIONS



R.M. Ginn, President, Sulpetro Minerals Limited

**S**ulpetro's mining and minerals activities are carried on by its wholly-owned subsidiary, Sulpetro Minerals Limited. This company, headquartered in Toronto, Ontario, has been active in property acquisition and exploration since 1970. Currently it holds or has an interest in claims, licences, concessions and leases totalling 162 650 hectares (401,900 acres) in seven provinces of Canada, the Yukon and the Northwest Territories, operates four field exploration offices, and is developing a gold mine in Quebec.

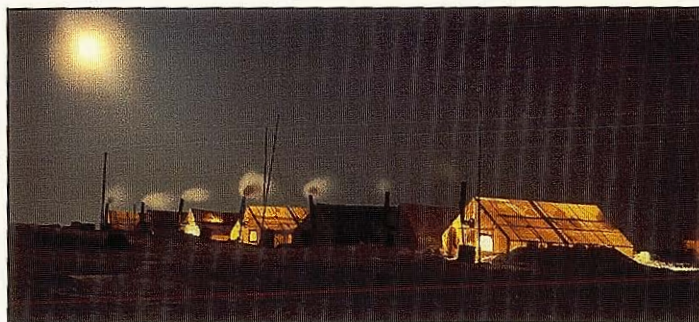
In the near term, Sulpetro Minerals is searching for mineral deposits which can contribute to a sustained, on-going minerals program. The long-term objective of this program is to develop a broad spectrum of precious metals, base metals, ferro-alloy metals, coal and industrial minerals, in order to stabilize earning capability through varying economic cycles. Sulpetro Minerals intends to develop its mining and minerals operations through joint-venture arrangements.

## HIGHLIGHTS

- Deepened the Kewagama Gold Mine shaft in northwestern Quebec to allow 1982 production.
- Completed acquisition of the O'Brien Gold Mine and Mill in northwestern Quebec.
- Acquired the right to earn a majority interest in 15 000 hectares (37,065 acres) of prime potential for gold exploration in northwestern Quebec.
- Drilled a new coal basin northeast of Watson Lake, Yukon.

## GOLD

Sulpetro Minerals' gold exploration and development is mostly located in the Noranda-Malartic district of northwestern Quebec. The Kewagama Gold Mine is being prepared for commencement of production in 1982. The ore will be milled through the recently-acquired facilities on the adjacent O'Brien



The Heninga Lake camp

property. The company is conducting studies aimed at improving the recovery of gold from existing defined ore on the O'Brien property so that it can be milled with the Kewagama ore. Through a joint-venture agreement concluded in 1981, the company has the right to earn a 60 percent interest in the nearby, extensive and highly prospective Darius properties.

Gold deposits at the Rundle property in central Ontario indicate significant potential for development. Sulpetro Minerals plans to commence exploration on the property in early 1982 as part of a program through which it can earn a 50 percent interest in the property.

## BASE METALS

Sulpetro Minerals owns 80 percent of the 3.5 million ton Mobrún massive sulphide deposit north of Noranda, Quebec, containing copper, zinc, silver and gold. In addition, it owns 85 percent of a partially explored sulphide deposit at Heninga Lake, northwest of Churchill, Manitoba. Here, reserves based on drilling to date are estimated at approximately six million tons, grading approximately 1.3 percent copper, 9.0 percent zinc, 2.0 ounces/ton silver and 0.03 ounces/ton gold.

The company holds a 50 percent interest in the Fostung deposit southwest of Sudbury, Ontario. Tungsten mineralization has been the prime target but molybdenum and to a lesser extent, other base metals, are also present. Nine holes were drilled in 1981 to a total of 1 804 metres (5,920 feet) to extend the reserves indicated by earlier programs.

Further testing and evaluation of reserves will occur in 1982. A strong economic climate is required to make these projects viable.

## COAL

Sulpetro Minerals discovered a large coal basin in 1980, in the Yukon Territory near Watson Lake, and holds a 100 percent interest in the licences. Initial drilling completed during the year indicates extensive reserves of thermal coal. Further delineation and economic evaluation will be undertaken in 1982.

## BARITE

In the Mel deposit in southwestern Yukon, Sulpetro Minerals has a 90 percent interest in reserves estimated at 5.3 million tons containing over 52 percent barite. The deposit also contains 5.6 percent zinc and 2.0 percent lead.

A promising high-grade zinc showing, located on the same structure, suggests that additional better-grade mineralization may be defined by drilling.





# SULPETRO LIMITED

## FIVE YEAR FINANCIAL SUMMARY

(thousands of dollars)

	<u>1981*</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u>
<b>REVENUE</b>					
Oil and gas sales .....	\$ 98,903	17,037	6,695	4,641	1,582
Metal sales .....	6,972	—	—	—	—
Contract drilling .....	4,087	—	—	—	—
Interest and other income .....	5,489	2,581	593	592	668
	<u>115,451</u>	<u>19,618</u>	<u>7,288</u>	<u>5,233</u>	<u>2,250</u>
<b>COSTS AND EXPENSES</b>					
Cost of sales					
Oil and gas .....	12,619	1,945	1,160	439	140
Metal .....	8,086	—	—	—	—
Contract drilling .....	3,717	—	—	—	—
General and administrative .....	8,554	2,997	1,896	1,484	1,787
Depletion, depreciation and amortization .....	43,569	5,113	2,696	2,029	923
Loss (gain) on foreign exchange .....	393	(3)	88	1,562	697
Interest .....	65,715	6,022	2,566	2,622	1,111
	<u>142,653</u>	<u>16,074</u>	<u>8,406</u>	<u>8,136</u>	<u>4,658</u>
<b>Earnings (loss) before income and other taxes .....</b>	<b>(27,202)</b>	3,544	(1,118)	(2,903)	(2,408)
<b>Income and Other Taxes</b>					
Federal P.G.R.T. ....	5,745	—	—	—	—
Current (recovery) .....	2,211	(970)	(409)	(304)	34
Deferred (recovery) .....	(4,183)	1,900	(700)	(750)	(775)
	<u>3,773</u>	<u>930</u>	<u>(1,109)</u>	<u>(1,054)</u>	<u>(741)</u>
<b>NET EARNINGS (LOSS) .....</b>	<b>\$ (30,975)</b>	<u>2,614</u>	<u>(9)</u>	<u>(1,849)</u>	<u>(1,667)</u>
<b>FUNDS PROVIDED FROM OPERATIONS .....</b>	<b>\$ 8,411</b>	<u>9,649</u>	<u>1,987</u>	<u>(570)</u>	<u>(1,519)</u>
<b>CAPITAL EXPENDITURES</b>					
Acquisition of subsidiaries .....	\$624,059	20,156	—	—	—
Exploration and development .....	116,213	37,829	33,745	29,319	32,879
	<u>\$740,272</u>	<u>57,985</u>	<u>33,745</u>	<u>29,319</u>	<u>32,879</u>
<b>BALANCE SHEET</b>					
Working capital (deficiency) .....	\$ 34,248	3,896	3,925	(8,341)	(3,391)
Property, plant and equipment — net .....	\$952,134	163,371	106,444	84,938	64,165
Long-term debt .....	\$783,100	56,856	48,720	39,917	41,022
Deferred income taxes .....	\$ 67,836	36,358	35,014	27,814	28,898
Shareholders' equity .....	\$ 87,618	74,794	31,691	15,261	15,898

\* includes seven months CanDel





# SULPETRO LIMITED

## FIVE YEAR OPERATIONS SUMMARY

	1981*	1980	1979	1978	1977
<b>GROSS PRODUCT SALES</b>					
Natural Gas — Thousand cubic metres per day — 10 <sup>3</sup> m <sup>3</sup> /d					
Canadian .....	2 097	603	380	268	99
International .....	—	—	—	—	—
United States .....	111	(1)	—	—	—
Total	2 208	603	380	268	99
— 10 <sup>3</sup> m <sup>3</sup> /d .....	78.4	21.4	13.5	9.5	3.5
— MMCFD .....					
Crude Oil and NGL — Cubic metres per day — m <sup>3</sup> /d					
Canadian .....	398	21	3	6	9
International .....	334	—	—	—	—
United States .....	39	(1)	—	—	—
Total	771	21	3	6	9
— m <sup>3</sup> /d .....	4,852	132	19	38	57
— barrels per day .....					
<b>PROVEN RESERVES</b>					
Natural Gas — Million cubic metres — 10 <sup>6</sup> m <sup>3</sup>					
Canadian .....	25 879	9 670	6 785	5 833	3 694
International .....	354	—	—	—	—
United States (after royalties) .....	172	180	—	—	—
Total	26 405	9 850	6 785	5 833	3 694
— 10 <sup>6</sup> m <sup>3</sup> .....	937	350	241	207	131
— Bcf .....					
Crude Oil and NGL — 10 <sup>3</sup> m <sup>3</sup>					
Canadian .....	4 324	727	395	305	191
International .....	991	—	—	—	—
United States (after royalties) .....	59	32	—	—	—
Total	5 374	759	395	305	191
— 10 <sup>3</sup> m <sup>3</sup> .....	33,819	4,776	2,486	1,919	1,202
— MBbls .....					
<b>WORKING INTEREST LANDHOLDINGS</b>					
Oil and Gas — Hectares — ha					
Canadian					
— Gross .....	2 696 359	2 165 870	2 204 394	3 375 801	3 268 295
— Net .....	696 958	464 049	459 478	669 166	663 128
International					
— Gross .....	2 085 790	—	—	—	—
— Net .....	299 689	—	—	—	—
United States					
— Gross (non-producing) .....	116 979	43 419	—	—	—
— Net (non-producing) .....	96 744	32 805	—	—	—
Total Hectares					
— Gross .....	4 899 128	2 209 289	2 204 394	3 375 801	3 268 295
— Net .....	1 093 391	496 854	459 478	669 166	663 128
Total Acres					
— Gross .....	12,105,745	5,459,153	5,447,171	8,341,779	8,076,126
— Net .....	2,701,769	1,227,726	1,135,394	1,653,544	1,638,624
<b>WORKING INTEREST DRILLING ACTIVITY</b>					
Gas, Oil, D/A (dry and abandoned)					
Canadian .....	119 35 44	101 4 32	67 9 27	73 3 36	92 2 55
International .....	— — 5	— — —	— — —	— — —	— — —
United States .....	3 19 21	(1) (1) (1)	— — —	— — —	— — —
Total	122 54 70	101 4 32	67 9 27	73 3 36	92 2 55

\*includes seven months CanDel Oil Ltd.

(1) 1980 sales and drilling statistics have not been reported for Sulpetro Resources, Inc. as this company was acquired on September 27, 1980.





## FIVE YEAR SUMMARY





# FINANCIAL REVIEW



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FINANCIAL REVIEW





# FINANCIAL REVIEW

**O**n April 3, 1981, Sulpetro purchased 92 percent of the issued common shares of CanDel Oil Ltd. (CanDel) from St. Joe Petroleum Corporation for \$546 million or \$44.55 per share. The acquisition of the remaining minority interest was completed in August and on November 2, 1981, Sulpetro and CanDel were amalgamated. The total cost of the acquisition amounted to \$600 million of which \$596 million was financed by a ten-year floating rate bank term loan, from The Royal Bank of Canada, with principal repayments commencing in May 1983.

On May 29, 1981, the Company reached agreement with Consolidated-Bathurst Inc. (CBI) for the purchase of 2,000,000 Class B Common Shares of Sulpetro Limited for \$23.50 per share. In addition, during 1981 CBI and the Company entered into an agreement whereby CBI shall make payments of \$45 million over three years for shares in a joint exploration corporation (Sulbath Exploration Ltd.) to participate with Sulpetro in a joint oil and gas exploration program on properties contributed by Sulpetro to Sulbath. Under certain conditions CBI could obtain 1,650,000 Class B Common Shares of Sulpetro or, under certain other conditions, Sulpetro could purchase CBI's interest in Sulbath for the same number of shares or for cash equal to the then current market price of the Class B Common Shares of Sulpetro (details note 8 to Financial Statements).

On August 14, 1981, the Company announced its intention to redeem all of the outstanding 7% Cumulative Redeemable Convertible First Preferred Shares, Series A. Approximately 92 percent of the shares were converted under an option into 1,010,976 Class B Common Shares and 8 percent were redeemed.

## REVENUES

Revenues for the year increased 489 percent to \$115.5 million from \$19.6 million last year. The increase was mainly attributable to the inclusion of seven months of revenue from CanDel amounting to \$69.5 million, the revenue for the full year from Sulpetro Resources amounting to \$12.3 million and to 12 months gas sales of \$16.5 million under the Company's existing gas export project compared to \$3.3 million the previous year.

Canadian oil and gas sales after royalties totalled \$60.2 million compared to \$17.0 million representing a year-to-year increase of 254 percent. Buchan field production accounted for revenue of \$29.1 million to October 31, 1981. Oil and gas sales in the United States amounted to \$7.8 million for the year while contract drilling contributed \$4.1 million. Other foreign sales were \$1.8 million after royalties. Metal sales of Sulpetro Minerals for the seven month period since acquisition were \$7.0 million. Overriding royalty income of \$2.0 million and interest income of \$2.8 million were included in other income of \$5.5 million.

## COSTS AND EXPENSES

### Cost of Sales

Oil and gas production expenses increased 549 percent to \$12.6 million from \$1.9 million in 1980. This increase is mainly due to including seven months' expenses from CanDel of \$8.5 million which includes production expenses of \$3.4

million from Buchan, and a full year's production expenses from Sulpetro Resources of \$1.3 million. Higher overall operating costs also contributed to the increase.

The cost of metal sales amounted to \$8.1 million which represents seven months' costs of the mineral operations. Contract drilling operating costs were \$3.7 million for the year.

General and administrative expenses increased 199 percent to \$8.9 million from \$3.0 million in 1980 due to the inclusion of seven months of the former CanDel operations, increased staff and other costs associated with the growth of the Company.

## INTEREST

The substantial increase in interest expense to \$65.7 million in 1981 from \$6.0 million in 1980 was primarily attributable to interest of \$46.8 million on the loan incurred to finance the acquisition of CanDel in April 1981 and to interest costs of \$6.1 million to finance Buchan. Refinancing is presently under way with a view to reducing the interest costs of the Company.

Total interest costs of \$86.7 million were incurred during the year. The acquisition loan accounted for \$64.9 million of the total interest costs, \$7.8 million was incurred by the Buchan loan and \$14.0 million for other loans. Respectively, the amounts capitalized were \$18.1 million, \$1.7 million and \$1.2 million.

## DEPLETION, DEPRECIATION AND AMORTIZATION

Depletion expense increased 635 percent from \$4.0 million in 1980 to \$29.6 million in 1981. This increase is mainly due to the depletion resulting from the acquisition of CanDel coupled with higher production in 1981 and the increased costs required to find and develop oil and gas reserves. Depletion has been calculated by relating crude oil to natural gas on the basis of approximate energy content where applicable.

Depreciation expense increased 705 percent to \$8.7 million from \$1.1 million in 1980 primarily because of depreciation on Buchan production facilities in 1981 and on Sulpetro Resources drilling and production equipment for the entire year.

Amortization expense was \$5.2 million for the year. This is comprised mainly of the amortization of foreign cost centres of \$2.5 million, and of the mineral division in the amount of \$2.4 million.

## INCOME AND OTHER TAXES

Income and other taxes arising in Canada, net of recoveries, and in the United Kingdom amounted to \$3.8 million. Since the amalgamation of the two companies did not take place until November 2, 1981, income and other taxes amounted to \$15.6 million in the subsidiary company, CanDel (\$6.2 million in the United Kingdom and \$9.4 million in Canada)



# FINANCIAL REVIEW

and income tax recoveries (all in Canada) totalled \$17.5 million in Sulpetro Limited and the mineral subsidiaries. The Petroleum and Gas Revenue Tax (PGRT) totalled \$5.7 million.

Net Canadian taxes recovered were \$2.4 million, comprised of a net income tax recovery of \$8.1 million and the PGRT of \$5.7 million. Taxes in the United Kingdom totalled \$6.2 million, comprised of Supplementary Petroleum Duty (SPD) of \$3.1 million and Corporation and Petroleum Revenue tax totalling \$3.1 million. Current taxes of \$2.2 million are comprised of a Canadian tax recovery of \$0.9 million and SPD of \$3.1 million.

## LOSS

Interest costs and depletion charges associated with the acquisition of CanDel caused a net loss for the year amounting to \$31.0 million (\$2.54 per share) compared to net earnings of \$2.6 million (\$0.12 per share) in 1980.

## CHANGES IN FINANCIAL POSITION

Funds provided from operations were \$8.4 million compared to \$9.6 million in 1980. Before interest of \$46.8 million on the acquisition loan, funds generated amounted to \$55.2 million.

Long-term debt increased by approximately \$690.5 million with the major portion being used to purchase the shares of CanDel for \$600 million. The balance was used to fund continuing capital requirements in Canada and the foreign cost centres in which the Company operates. Approximately \$15.3 million of long-term debt was repaid during the year. The issuance of two million Class B Common Shares, on June 26, 1981, to CBI for \$47.0 million provided additional exploration and development funds.

CBI also subscribed for \$45 million in the capital stock of Sulbath, a joint exploration company 50.1 percent owned

by the Company. Funds provided from subscriptions currently receivable amounted to \$40 million of which \$15 million was remitted in 1981 and \$25 million will be received in 1982.

Proceeds from disposal of property, plant and equipment includes \$2.8 million received for lands contributed to a joint-exploration program operated by the Company.

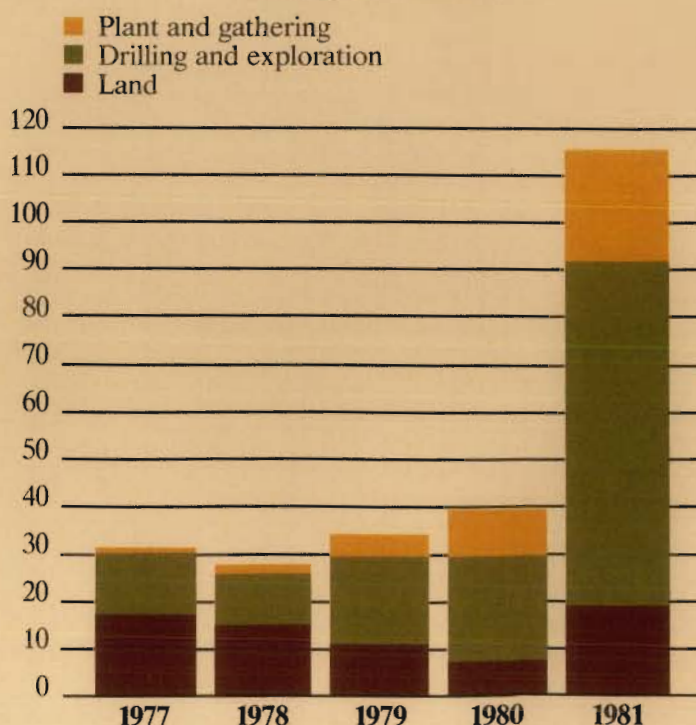
The Company's major gas purchasers made payments of \$4.0 million for contracted volumes not taken. This amount has been recorded as prepayment for future gas production and will be included in earnings when the gas is delivered.

Capital expenditures increased 207 percent to \$116.2 million (including capitalized interest and general and administrative expenses of \$25.8 million) from \$37.8 million in 1980. Exploration expenditures totalled \$58.6 million of which in Canada, \$22.6 million was spent on drilling, \$11.5 million on land acquisitions and seismic and \$3.3 million on mineral exploration. Drilling and land acquisitions in the United States totalled \$12.2 million. Other foreign drilling and land acquisitions amounted to \$9.0 million. Development expenditures totalled \$57.6 million of which \$12.7 million was used toward development of the Buchan Field; \$31.0 million was used for Canadian development drilling and related plant and equipment; \$11.7 million was used for development drilling and equipment in the United States; and \$2.2 million was used in development of mineral properties. Capital expenditures in Canada are net of estimated Petroleum Incentive Payments of \$6.9 million.

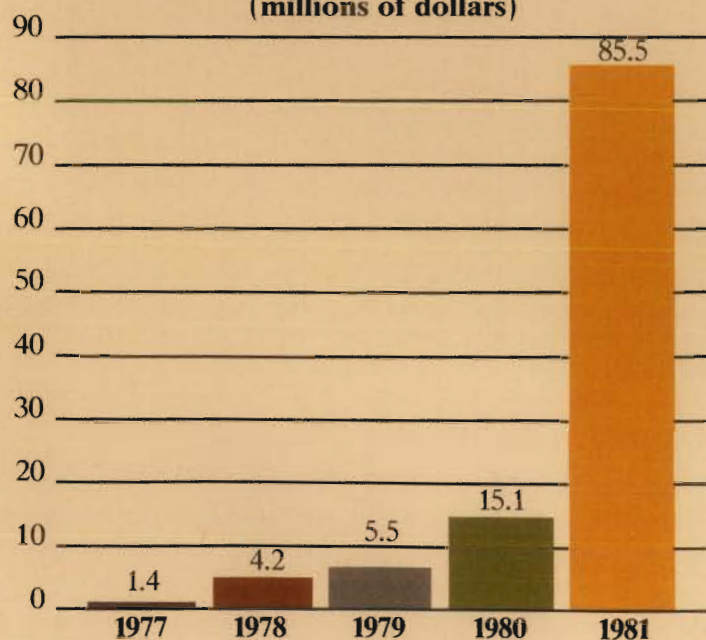
A further equity investment of \$6.6 million was made in IEDC in 1981 compared to \$2.9 million in 1980.

During the year, working capital increased significantly from \$3.9 million to \$34.2 million.

## CAPITAL EXPENDITURES (millions of dollars)



## NET OPERATING REVENUE (millions of dollars)





# FINANCIAL STATEMENTS



**SULPETRO LIMITED**

## CONSOLIDATED BALANCE SHEET

October 31, 1981

(with comparative figures for 1980)

(thousands of dollars)

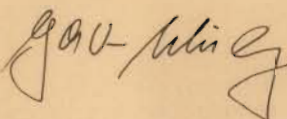
### ASSETS

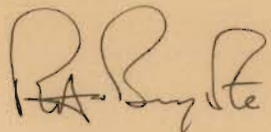
	1981	1980
<b>CURRENT ASSETS</b>		
Cash and term deposits .....	\$ 17,322	\$ 1,422
Accounts receivable .....	44,267	24,559
Inventories (Note 3) .....	5,669	1,160
Notes and other receivables (Notes 4 and 8) .....	26,037	1,441
Other .....	442	81
Total current assets .....	93,737	28,663
NOTES AND OTHER RECEIVABLES (Notes 4 and 8) .....	6,179	2,218
INVESTMENT IN AFFILIATE — At Equity .....	9,550	2,946
PROPERTY, PLANT AND EQUIPMENT (Note 5(a)) — At Cost .....	1,006,727	174,027
Accumulated depletion, depreciation and amortization .....	54,593	10,656
	952,134	163,371
OTHER ASSETS — At Cost .....	1,388	499
	\$1,062,988	\$197,697

### LIABILITIES AND SHAREHOLDERS' EQUITY

<b>CURRENT LIABILITIES</b>		
Due to bank — secured .....	\$ 3,395	\$ —
Accounts payable and accrued liabilities .....	46,000	18,021
Long-term debt — due within one year (Note 6) .....	6,497	6,746
Income and other taxes payable .....	3,597	—
Total current liabilities .....	59,489	24,767
LONG-TERM DEBT (Note 6) .....	783,100	56,856
DEFERRED INCOME TAXES .....	67,836	36,358
PREPAYMENT FOR FUTURE GAS PRODUCTION .....	19,944	4,922
MINORITY INTEREST (Note 8) .....	45,001	—
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Notes 8 and 9) .....	107,461	61,786
Contributed surplus (Note 9) .....	3,501	3,629
	110,962	65,415
(Deficit) retained earnings .....	(23,344)	9,379
	87,618	74,794
	\$1,062,988	\$197,697

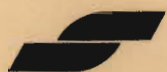
Approved on behalf of the Board:

 Director

 Director



# FINANCIAL STATEMENTS



## SULPETRO LIMITED

### CONSOLIDATED STATEMENT OF EARNINGS

Year ended October 31, 1981  
(with comparative figures for 1980)  
(thousands of dollars)

	<u>1981</u>	<u>1980</u>
<b>REVENUE</b>		
Oil and gas sales .....	\$ 98,903	\$17,037
Metal sales .....	6,972	—
Contract drilling .....	4,087	—
Interest and other income .....	5,489	2,581
	<u>115,451</u>	<u>19,618</u>
<b>EXPENSES</b>		
Cost of sales		
Oil and gas .....	12,619	1,945
Metal .....	8,086	—
Contract drilling .....	3,717	—
General and administrative .....	8,947	2,994
Interest .....	65,715	6,022
Depletion, depreciation and amortization (Note 5(b)) .....	43,569	5,113
	<u>142,653</u>	<u>16,074</u>
(LOSS) EARNINGS BEFORE INCOME AND OTHER TAXES .....	<u>(27,202)</u>	<u>3,544</u>
<b>INCOME AND OTHER TAXES (Note 7)</b>		
Current (recovery) .....	2,211	(970)
Deferred (recovery) .....	(4,183)	1,900
Petroleum and gas revenue tax .....	5,745	—
	<u>3,773</u>	<u>930</u>
NET (LOSS) EARNINGS .....	<u>\$ (30,975)</u>	<u>\$ 2,614</u>
<b>NET (LOSS) EARNINGS PER SHARE</b>		
Basic .....	<u>\$ (2.54)</u>	<u>\$ 0.12</u>
Adjusted basic .....	<u>\$ (2.29)</u>	<u>\$ 0.12</u>

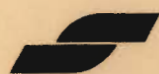
### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended October 31, 1981  
with comparative figures for 1980)  
(thousands of dollars)

	<u>1981</u>	<u>1980</u>
RETAINED EARNINGS AT BEGINNING OF YEAR .....	\$ 9,379	\$ 7,750
NET (LOSS) EARNINGS FOR THE YEAR .....	(30,975)	2,614
	<u>(21,596)</u>	<u>10,364</u>
<b>DEDUCT</b>		
Dividends on convertible preferred shares .....	1,748	985
(DEFICIT) RETAINED EARNINGS AT END OF YEAR .....	<u>\$ (23,344)</u>	<u>\$ 9,379</u>



# FINANCIAL STATEMENTS



## SULPETRO LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended October 31, 1981  
(with comparative figures for 1980)  
(thousands of dollars)

	<u>1981</u>	<u>1980</u>
<b>FUNDS WERE PROVIDED FROM</b>		
Operations .....	\$ 8,411	\$ 9,649
Issuance of long-term debt .....	690,484	2,998
Issuance of share capital .....	47,827	40,918
Share subscription receivable - current .....	40,000	—
Reduction of notes receivable .....	1,039	1,480
Sale of property, plant and equipment .....	5,724	3,863
Prepayment for future gas production .....	3,963	3,757
Other — net .....	(934)	1,160
	<u>796,514</u>	<u>63,825</u>
<b>FUNDS WERE USED FOR</b>		
Acquisition of subsidiaries		
Net assets at attributed values, plus working capital deficiency		
acquired of \$24,116 (1980 — \$3,204) .....	624,059	20,156
Acquisition of property, plant and equipment .....	116,213	37,829
Investment in affiliate .....	6,604	2,946
Reduction of long-term debt .....	15,258	1,888
Redemption of convertible preferred shares .....	2,280	—
Dividends on convertible preferred shares .....	1,748	985
Increase in notes receivable .....	—	50
	<u>766,162</u>	<u>63,854</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	30,352	(29)
WORKING CAPITAL AT BEGINNING OF YEAR .....	3,896	3,925
WORKING CAPITAL AT END OF YEAR .....	<u>\$ 34,248</u>	<u>\$ 3,896</u>

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Sulpetro Limited as at October 31, 1981 and the consolidated statements of earnings, retained earnings 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, 1981 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 on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants

Calgary, Canada  
December 18, 1981



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# NOTES

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SULPETRO LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1981

(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"). The Company's internal controls have been designed 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 CanDel Oil Ltd. ("CanDel"), Sulpetro Resources, Inc., Canusa Oil & Gas Ltd. and Sulpetro Minerals Limited, and its 50.1% 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 oil and gas reserves are capitalized in individual cost centres. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, overhead related to exploration activities as well as interest and applicable foreign exchange gains or losses related to funds borrowed to acquire non-producing properties. The major cost centres which have been established include North America, United Kingdom and the Netherlands.

Costs capitalized in the North American and United Kingdom cost centres are being depleted on the unit-of-production method based on estimated proven reserves, as determined by Company engineers, in each cost centre. For purposes of the depletion calculation, crude oil reserves and production are converted to equivalent volumes of natural gas based on the approximate relative energy content of each product, where applicable.

Costs capitalized in the foreign cost centres generally are amortized over the composite life of the exploratory rights held or until an indicated commercial discovery is made or the rights expire.

#### (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 to be amortized using the unit-of-production method, when production commences.

#### (e) DEPRECIATION

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

Lease and well equipment - 5% to 10%.

Gas plants and related facilities - 4%.

Other - 10% to 30%.

Capital expenditures on 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 mill and smelter facilities used to process minerals is provided on a straight-line basis at rates varying from 10% to 25%.



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# NOTES

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## SULPETRO LIMITED

### (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 basis of accounting for income taxes, whereby deferred income taxes are provided to the extent that current income 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. Adjusted basic earnings per share are calculated as though the conversion of the 7% Cumulative Redeemable Convertible First Preferred Shares, Series A had taken place at the beginning of 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.

## 2. ACQUISITION OF SUBSIDIARY COMPANIES

(a) Effective April 3, 1981, the Company acquired, for cash, 12,254,520 (approximately 92 percent) of the issued and outstanding common shares of CanDel, (an oil and gas exploration, development and production company incorporated under the Canada Business Corporations Act) for a total purchase price of \$545,938,866. Under a subsequent cash offer extended to August 31, 1981, the Company acquired over 90% of the remaining shares of CanDel, and exercised its right under Section 199 of the Canada Business Corporations Act to acquire for cash any remaining shares that had not been tendered under the offer. Details of the acquisition which has been accounted for by the purchase method are as follows:

Book value of acquired assets .....	\$253,265
Book value of assumed liabilities .....	147,289
	<u>105,976</u>
Excess of attributed value over book value of acquired net assets assigned to petroleum and natural gas properties and mineral properties .....	493,967
Cost of acquisition .....	<u>\$599,943</u>
Net assets acquired, at attributed values, consist of:	
Property, plant and equipment .....	\$720,399
Other assets .....	1,398
Long-term debt .....	(51,018)
Deferred revenue .....	(11,059)
Deferred income taxes .....	(35,661)
	<u>624,059</u>
Working capital:	
Current assets .....	25,435
Current liabilities .....	(49,551)
	<u>(24,116)</u>
	<u>\$599,943</u>

(b) Effective September 27, 1980 the Company acquired all of the issued and outstanding shares of Sulpetro Resources, Inc. (an oil and gas exploration and production company incorporated under the laws of the State of Delaware) for a total purchase price of \$16,952,454. The consideration consisted of 826,949 Class B Common Shares of the Company.



# NOTES



## SULPETRO LIMITED

### 3. INVENTORIES

	1981	1980
Materials and supplies at lower of cost and replacement cost .....	\$ 5,282	\$1,160
Metals at lower of cost and net realizable value .....	387	—
	\$ 5,669	\$1,160

### 4. NOTES AND OTHER RECEIVABLES

	1981	1980
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 .....	\$ 2,216	\$3,659
Share subscription receivable (Note 8) .....	30,000	—
	32,216	3,659
Less amounts due within one year .....	26,037	1,441
	\$ 6,179	\$2,218

### 5. (a) PROPERTY, PLANT AND EQUIPMENT

	1981			1980
	Cost	Accumulated Depletion, Depreciation and Amortization	Net	Net
Petroleum and natural gas leases and rights including exploration and development thereon .....	\$ 821,854	\$40,955	\$780,899	\$137,267
Mineral properties, including net exploration, development, and equipment thereon .....	61,500	2,560	58,940	—
Production and other equipment:				
Gas plants and related facilities .....	38,500	2,666	35,834	17,285
Lease and well equipment .....	72,814	6,907	65,907	4,880
Drilling equipment .....	3,796	106	3,690	—
Other, including assets under capital leases at a cost of \$2,773,000 (1980 — \$2,998,000) .....	8,263	1,399	6,864	3,939
	123,373	11,078	112,295	26,104
	\$1,006,727	\$54,593	\$952,134	\$163,371

### (b) DEPLETION, DEPRECIATION AND AMORTIZATION

Components of depletion, depreciation and amortization expense in the consolidated statement of earnings are:

	1981	1980
Depletion .....	\$ 29,594	\$ 4,028
Depreciation .....	8,732	1,085
Amortization .....	5,243	—
	\$ 43,569	\$ 5,113



# NOTES



## SULPETRO LIMITED

### 6. LONG-TERM DEBT

At October 31, 1981 and 1980, the following long-term debt was outstanding:

	1981	1980
Bank loans for the purchase of shares of CanDel of \$454,452,355 U.S. and \$52,474,180 Canadian .....	\$591,455	\$ —
Production bank loans of \$79,783,979 U.S. (1980 — \$26,550,000 U.S.) .....	94,744	30,220
Credit Facility of \$38,400,000 U.S. bearing interest at $\frac{3}{4}$ of 1% above London InterBank Offered Rate ("LIBOR"). \$14,400,000 U.S. is repayable in nine equal semi-annual installments commencing February 28, 1982 and \$24,000,000 U.S. is repayable in ten equal semi-annual installments commencing December 31, 1982. ....	46,199	—
\$25,000,000 U.S. loan with respect to a Credit Agreement providing for loan draw downs to a maximum of \$75,000,000 U.S. with principal payments in quarterly installments over a ten year period commencing July 1, 1986 .....	30,161	—
10 $\frac{5}{8}$ % secured debentures maturing September, 1992. ....	17,000	18,500
U.S. dollar 9% convertible subordinated debentures \$1,875,000 U.S. maturing March 1, 1989 .....	2,196	2,196
U.S. dollar bank loan of \$1,650,000 U.S. bearing interest at U.S. Base Rate plus $\frac{3}{4}$ of 1% repayable in equal monthly installments over seven years commencing November 15, 1981 and secured by the assignment of certain equipment .....	1,986	—
Obligation under capital leases .....	2,360	2,998
Other .....	3,496	—
U.S. dollar bank loan bearing interest at rates varying between 11.625% and 117% of the bank's prime rate plus $\frac{1}{2}$ of 1% .....	—	6,133
U.S. dollar bank loan bearing interest at the bank's prime rate plus 1 $\frac{1}{2}$ % .....	—	3,555
	<u>789,597</u>	<u>63,602</u>
Less amounts due within one year .....	6,497	6,746
	<u>\$783,100</u>	<u>\$56,856</u>

The bank loans for the purchase of the shares of CanDel are secured by an assignment of the shares of CanDel (Note 13) and bear interest at rates to be determined from time to time at LIBOR plus  $\frac{3}{4}$  of 1% or the U.S. Base Rate plus  $\frac{3}{8}$  of 1%. The agreed terms of repayment provide for a payment, at a minimum, equal to draw downs in excess of \$400 million by May 1, 1983, from the proceeds of the sale of assets, long-term fixed rate financing and/or equity issues including convertible debentures. The balance outstanding will be repaid in minimum quarterly installments over a period not exceeding eight years commencing on July 1, 1983.

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 bank has agreed to defer principal repayments on the production bank loans until November 1, 1986 at which time the terms of repayment with respect to the principal balance then outstanding will be renegotiated. Interest rates on the production bank loans and Credit Agreement loan are determined from time to time, at LIBOR plus up to 1% and U.S. Base Rate plus up to  $\frac{1}{2}$  of 1%.

The Credit Facility, for the development of the Buchan Field, is secured by two Alberta gas fields and the Buchan Field.

The 10 $\frac{5}{8}$ % secured debentures are secured by certain petroleum and natural gas properties and provide for annual sinking fund payments.

The 9% convertible subordinated debentures are convertible at the option of the holder into Class B Common Shares at a rate of 269.22 shares for each U.S. \$5,000 principal amount of debentures at any time before March 1, 1984. These debentures are unsecured and are subordinated to all other indebtedness of the Company.

The minimum repayment of long-term debt, including the present value of minimum lease payments in each of the next five years (based on exchange rates in existence at October 31, 1981) are: 1982 — \$6.5 million, 1983 — \$228.8 million, 1984 — \$62.2 million, 1985 — \$62.2 million and 1986 — \$61.8 million.



# NOTES



## SULPETRO LIMITED

### 6. LONG-TERM DEBT cont'd

The minimum future payments at October 31, 1981 under capital leases are as follows:

1982 .....	\$ 500
1983 .....	500
1984 .....	500
1985 .....	500
1986 .....	461
Later years .....	<u>1,281</u>
	3,742
Less imputed interest .....	<u>1,382</u>
	<u>\$2,360</u>

Of the total annual payments \$58,000 relates to a lease expiring on February 28, 1986; \$173,000 to a lease expiring on March 31, 1987; and \$269,000 to a lease expiring on April 30, 1991.

In accordance with the full cost method of accounting (Note 1), interest of \$21,025,000 (1980 — \$1,310,000) has been capitalized.

### 7. INCOME AND OTHER TAXES

Total income and other taxes amounted to \$3,773,000 in 1981 and \$930,000 in 1980 and is comprised of the following:

	<u>Canada</u>	<u>United Kingdom</u>	<u>Total</u>
<b>1981</b>			
Corporate income taxes			
Current (recovery) .....	\$ (893)*	\$ —	\$ (893)
Deferred (recovery) .....	(7,276)	1,523	(5,753)
Petroleum and Gas Revenue Tax .....	5,745	—	5,745
U.K. Petroleum Revenue Tax			
Deferred .....	—	1,570	1,570
U.K. Supplementary Petroleum Duty .....	—	3,104	3,104
	<u>\$(2,424)</u>	<u>\$6,197</u>	<u>\$ 3,773</u>
<b>1980</b>			
Corporate income taxes			
Current (recovery) .....	\$ (970)*	—	(970)
Deferred .....	1,900	—	1,900
	<u>\$ 930</u>	<u>\$ —</u>	<u>\$ 930</u>

\*After the deduction of the Alberta Royalty Tax Credit



# NOTES



## SULPETRO LIMITED

	1981		1980	
	Amount	Percent of Pretax Earnings	Amount	Percent of Pretax Earnings
<b>7. INCOME AND OTHER TAXES cont'd</b>				
Computed "expected" tax expense .....	\$(13,329)	(49)%	\$ 1,729	49%
Increase in taxes resulting from:				
Non-deductible royalties, lease rentals and mineral taxes payable to the Crown net of provincial rebates and credits .....	9,333	34	1,836	52
Provincial taxes on capital .....	306	1	—	—
U.K. Petroleum Revenue Tax .....	1,570	6	—	—
U.K. Supplementary Petroleum Duty .....	3,104	11	—	—
Petroleum and Gas Revenue Tax .....	5,745	21	—	—
Amortization of excess of attributed value over book value of assets acquired on purchase of subsidiary companies .....	8,914	33	—	—
Excess of current expected rate of income taxes over average rate of accumulated deferred income taxes drawn down .....	1,788	7	—	—
	17,431	64	3,565	101
Decrease in taxes resulting from:				
Tax depletion on Canadian production income .....	(3,224)	(12)	(409)	(12)
Resource allowance on Canadian production income .....	(8,162)	(30)	(1,776)	(50)
Deduction of U.K. Supplementary Petroleum Duty .....	(1,521)	(5)	—	—
Other .....	(751)	(3)	(450)	(12)
	\$ 3,773	14%	\$ 930	27%

### 8. SULBATH EXPLORATION LTD.

During the year the Company, pursuant to an Agreement with a shareholder, Consolidated Bathurst Inc., ("CBI"), formed a joint exploration company, Sulbath. The Company exchanged certain petroleum and natural gas properties in exchange for 50.1% of the capital stock of Sulbath and CBI subscribed for approximately 49% 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 is payable as to \$15,000,000 in the Company's 1981 fiscal year, \$25,000,000 in 1982 and the balance in 1983 (Note 4). Under the Agreement, CBI is entitled to income tax deductions resulting from those exploration and development activities of Sulbath financed by CBI's cash contributions. The Agreement provides that CBI 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 CBI 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 CBI 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 CBI, the minority interest in Sulbath will be reflected in the consolidated balance sheet at cost which includes the subscription price of \$45,000,000. No provision for minority interest in earnings will be made in the consolidated statement of earnings and retained earnings. Upon exercise of the option, share capital will increase by either the subscription price or cash consideration paid.



# NOTES



## SULPETRO LIMITED

### 9. SHARE CAPITAL

The share capital at October 31, 1981 and 1980 is as follows:

	1981	1980
First Preferred Shares of a par value of \$20 each. Authorized 5,000,000 shares:		
7% Cumulative Redeemable Convertible First Preferred Shares, Series A;		
issued nil (1980 — 1,244,850) .....	\$ —	\$24,897
Class A Common Shares without nominal or par value. Authorized 3,000,000 shares;		
issued 2,751,353 shares (1980 — 2,771,684) .....	2,896	2,766
Class B Common Shares without nominal or par value. Authorized 20,000,000 shares;		
issued 12,194,310 shares (1980 — 9,054,722) .....	104,565	34,123
	\$107,461	\$61,786

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 share transactions occurred:

- (a) 65,331 Class A Common Shares were converted into Class B Common Shares.
- (b) 45,000 Class A Common Shares were issued pursuant to share option agreements for an aggregate cash consideration of \$195,000.
- (c) 2,000,000 Class B Common Shares were issued for a cash consideration of \$47,000,000.
- (d) 63,281 Class B Common Shares were issued pursuant to share option agreements for an aggregate cash consideration of \$633,000.
- (e) 1,138,515 7% Cumulative Redeemable Convertible First Preferred Shares were converted into 1,010,976 Class B Common Shares and a payment of \$26,000 was made for fractional shares.
- (f) The remaining 106,335 7% Cumulative Redeemable Convertible First Preferred Shares were redeemed for a cash consideration of \$2,254,000 and the premium on redemption of \$128,000 was charged to contributed surplus. As a result of this redemption a capital redemption reserve fund in the amount of \$2,126,000 was created and in connection with the amalgamation referred to in Note 13 was cancelled effective November 1, 1981.

### SHARE OPTIONS

The following table summarizes transactions during the year ended October 31, 1981 under the share option agreements:

	Class A Common Shares	Class B Common Shares
Balance at beginning of year .....	45,000	698,085
Granted to directors and employees .....	—	111,045
	45,000	809,130
Cancelled or expired .....	—	24,456
Exercised .....	45,000	63,281
Balance at end of year .....	—	721,393

Options are exercisable, as to Class B Common Shares, at prices ranging from \$3.80 to \$28.57 on varying dates to August 25, 1986.

### 10. RELATED PARTY TRANSACTIONS

In 1977, Orient Oil & Gas Inc., a wholly-owned subsidiary of Sulpetro Resources, Inc., entered into a partnership agreement with Orient Oil & Gas Associates ("Orient Associates"). Subsequent to this agreement, Orient Associates entered into a participation agreement with two related companies, for the exploration of a foreign cost centre.

Certain related parties have entered into sub-participation agreements with the Company whereby they participate in the drilling of certain wells in which the Company has an interest. Costs incurred or revenues received by the Company applicable to the sub-participation interests are recovered from or remitted to the sub-participants.



# NOTES



## SULPETRO LIMITED

### 11. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid to directors and senior officers during the year was \$1,520,000 (1980 — \$1,141,000).

### 12. COMPARATIVE FIGURES

Certain reclassifications have been made to the 1980 comparative figures to conform with the current year's presentation.

### 13. SUBSEQUENT EVENT

Effective November 1, 1981, the Company amalgamated with its wholly-owned subsidiary, CanDel, under the provisions of the Alberta Companies Act. The amalgamated company will continue under the name Sulpetro Limited. The security for bank loans for the purchase of the common shares of CanDel (Note 6) was replaced by an undertaking to assign the Company's interest in certain petroleum and natural gas interests.

### 14. BUSINESS SEGMENT INFORMATION

The Company's operations are divided into three business segments. Oil and gas includes the location, development and production, of petroleum and natural gas reserves. Mining includes the location, development production and smelting, of base and precious metal reserves. Drilling includes rig and related equipment used to perform contracted drilling. The Company operates in various geographic areas.

The following tables summarize, as of October 31, 1981 the Company's capital asset position, capital additions and the operating profit for the year. 1980 information for industries other than oil and gas or geographical areas other than Canada are not significant and therefore have not been presented.

	Oil and Gas Capitalized Costs		Accumulated Depletion, Depreciation and Amortization	Net
	Proved Properties	Unproved Properties		
Canada .....	\$677,432	\$ —	\$31,054	\$646,378
United Kingdom .....	177,224	—	14,377	162,847
United States .....	49,611	—	1,746	47,865
Netherlands .....	6,868	—	—	6,868
Other .....	3,378	26,918	4,750	25,546
Total .....	<u>\$914,513</u>	<u>\$26,918</u>	<u>\$51,927</u>	<u>\$889,504</u>

	Oil and Gas Capital Additions		
	Property Acquisition Costs	Exploration Costs	Devel- opment Costs
Canada .....	\$ 8,698	\$26,130	\$29,863
United Kingdom .....	12	1,769	12,729
United States .....	9,011	3,209	4,749
Other .....	1,284	5,970	356
Total .....	<u>\$19,005</u>	<u>\$37,078</u>	<u>\$47,697</u>



# NOTES



## SULPETRO LIMITED

### 14. BUSINESS SEGMENT INFORMATION cont'd

#### Segment Summary

	Assets	Capital Expenditures	Revenue	Profit Margin	Depletion, Depreciation and Amortization	Operating Profit
Industry						
Oil and gas .....	\$ 996,351	\$103,780	\$101,226	\$88,607	\$40,837	\$ 47,770
Mining .....	61,154	5,515	7,353	(733)	2,625	(3,358)
Contract drilling .....	5,483	6,918	4,087	370	107	263
Interest income .....	—	—	2,785	2,785	—	2,785
	<u>\$1,062,988</u>	<u>\$116,213</u>	<u>\$115,451</u>	<u>\$91,029</u>	<u>\$43,569</u>	<u>47,460</u>
Less corporate expenses:						
Interest .....						65,715
Other .....						8,947
						<u>74,662</u>
Loss before income and other taxes .....						<u>\$(27,202)</u>

#### Segment Summary

	Assets	Capital Expenditures	Revenue	Profit Margin	Depletion, Depreciation and Amortization	Operating Profit
Geographic						
Canada .....	\$ 786,397	\$ 70,206	\$ 72,195	\$56,323	\$23,801	\$ 32,522
United Kingdom .....	170,358	14,510	29,162	25,747	14,661	11,086
United States .....	62,435	23,887	12,306	7,251	1,723	5,528
Netherlands .....	6,868	226	—	—	—	—
Other .....	36,930	7,384	1,788	1,708	3,384	(1,676)
	<u>\$1,062,988</u>	<u>\$116,213</u>	<u>\$115,451</u>	<u>\$91,029</u>	<u>\$43,569</u>	<u>47,460</u>
Less corporate expenses:						
Interest .....						65,715
Other .....						8,947
						<u>74,662</u>
Loss before income and other taxes .....						<u>\$(27,202)</u>

Export sales for the year ended October 31, 1981 total \$16,484,057.





# FINANCIAL STATEMENTS



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# FINANCIAL STATEMENTS







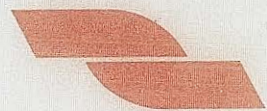
# CORPORATE DIRECTORY

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CORPORATE DIRECTORY





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# DIRECTORS

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**John B. Ballem, Q.C. (4)**  
*Partner*  
Ballem, McDill & MacInnes  
Calgary, Alberta

**Paul G. Desmarais, O.C.**  
*Chairman and Chief Executive Officer*  
Power Corporation of Canada  
Montreal, Quebec

**Rolf A. Merton (1,2)**  
*Vice Chairman of the Board*  
Financial Consultant  
Smith Parish, Bermuda

**Richard A.N. Bonnycastle (2,3,4)**  
*Investor and Financial Consultant*  
Cavendish Investing (1978) Ltd.  
Calgary, Alberta

**Dr. Reinhart Freudenberg**  
*Managing Director*  
Carl Freudenberg  
Heidelberg, West Germany

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

**David J. Butters (2)**  
*Senior Vice President*  
Shearson/American Express Inc.  
New York, N.Y.

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

**James P. Saunders (1)**  
*President and Chief Operating Officer*  
Sulpetro Limited  
Calgary, Alberta

**Simon Chilewich (1,2,3)**  
*Partner*  
Chilewich Sons & Company  
New York, N.Y.

**William C. Leuschner (1)**  
*Advisor, Minerals and Energy*  
Calgary, Alberta

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

**Marshall A. Crowe (3)**  
*President*  
M.A. Crowe Consultants Inc.  
Ottawa, Ontario

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

**Gus A. Van Wielingen (1,2,4)**  
*Chairman of the Board  
and Chief Executive Officer*  
Sulpetro Limited  
Calgary, Alberta

(1) Member of the Executive Committee    (3) Member of the Audit Committee  
(2) Member of the Finance Committee    (4) Member of the Compensation Committee

During the year, the following individuals were appointed to the Board of Directors of the Company:  
*William C. Leuschner, former Chairman and Chief Executive Officer of CanDel; Paul G. Desmarais, O.C., Chairman of the Board and Chief Executive Officer of Power Corporation of Canada; William I.M. Turner, Jr., President and Chief Executive Officer of Consolidated-Bathurst Inc.; and Ross A. MacKimmie, Q.C., Counsel, MacKimmie Matthews.*

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# CORPORATE OFFICERS

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## SULPETRO LIMITED

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

**Richard L. Harrop**  
*Senior Vice President,  
Corporate Development*

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

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

**Robert C. Beattie**  
*Vice President,  
Legal*

**Margaret A. Nazarchuk**  
*Corporate Secretary*

**John G. Fletcher**  
*Senior Vice President,  
Finance and Administration*

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

**Anthea E. Lister**  
*Assistant Treasurer*



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# DIVISION OFFICERS

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## CANADIAN OIL AND GAS DIVISION

**Norman E. Frost**  
*President*

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

**Randall S. Marshall**  
*Vice President,*  
Operations

**Gregory L. Osmond**  
*Vice President,*  
Finance

**Donald J. Boby**  
*Group Vice President,*  
Planning and Development

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

**Morley W. Mychaluk**  
*Vice President,*  
Land

**Russell J. Zaharko**  
*Vice President,*  
Production

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## INTERNATIONAL DIVISION

**Michael A. Williams**  
*President*

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

**Jorgen Karberg**  
*Senior Vice President,*  
Development

**R. James Brown**  
*Vice President,*  
Finance

**Martin W. Stewart**  
*Finance Director,*  
CanDel Petroleum (U.K.) Limited

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## UNITED STATES DIVISION

*Represented by Sulpetro Resources, Inc.*

**James W. Fox**  
*President*

**W. Paul Mounce**  
*Vice President,*  
Exploration

**Mary Lou Matus**  
*Vice President,*  
Administration & Corporate Secretary

**Charles D. McLeod**  
*Treasurer*

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## MINING AND MINERALS DIVISION

*Represented by Sulpetro Minerals Limited*

**Robert M. Ginn**  
*President*

**Graeme M. Gordon**  
*Treasurer*

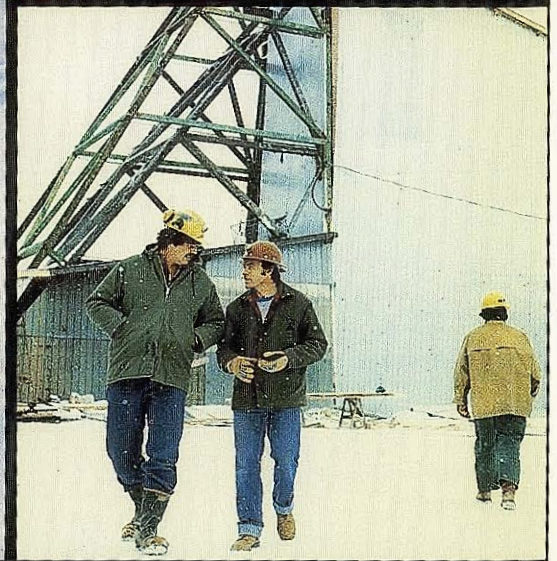
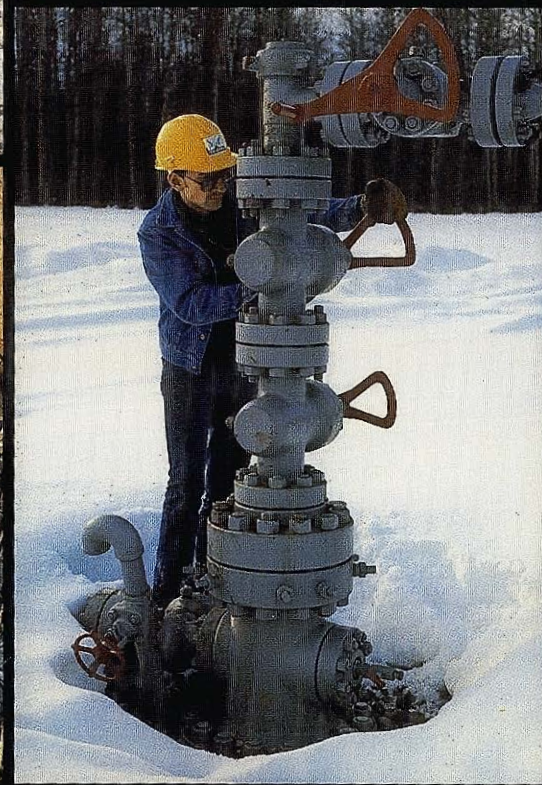
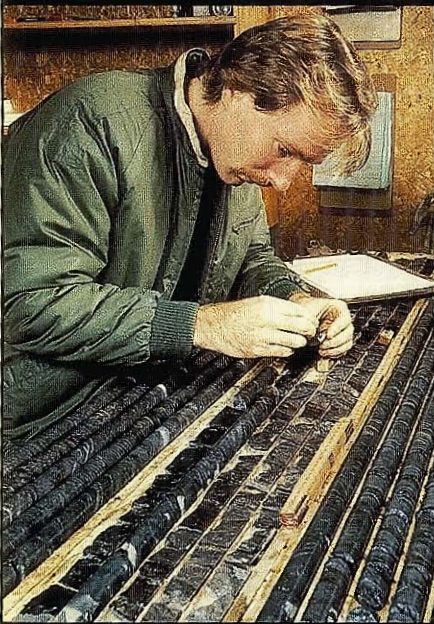
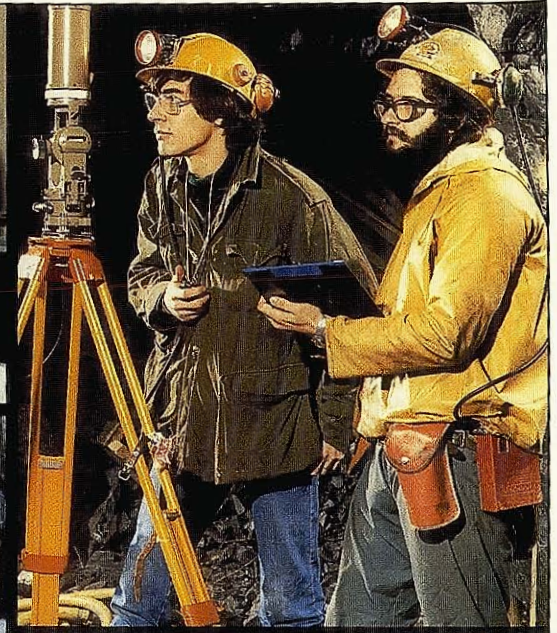
**H. Leo King**  
*Vice President,*  
Exploration

**Joan E. Cattell**  
*Corporate Secretary*

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# SULPETRO PEOPLE





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# C O R P O R A T E I N F O R M A T I O N

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**Sulpetro Limited**  
Head Office  
3200 Bow Valley Square 3  
255 Fifth Avenue S.W.  
Calgary, Alberta, Canada T2P 3G6

## WHOLLY-OWNED SUBSIDIARIES

**CanDel Petroleum (U.K.) Limited**  
No. 5, 55 Park Lane  
London W1Y 3DM, England

**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

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## AFFILIATES

**International Energy Development Corporation IEDC S.A.**  
18 Rue Le Corbusier  
CH - 1208, Geneva, Switzerland

**International Energy Development Corporation (IEDC) B.V.**  
Postbus 5088  
NL - 1007 AB Amsterdam

**International Energy Development Corporation of Australia Pty. Ltd.**  
231 Adelaide Terrace  
Perth W.A. 6000, Australia

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

## 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**



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# NOTICE OF MEETING

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The annual meeting of shareholders will be held at the auditorium, third floor mezzanine at Bow Valley Square 2, 205 Fifth Avenue S.W., Calgary, Alberta, March 17, 1982 at 10:00 a.m.

## ANNUAL REPORT

Copies of the Company's 1981 Annual Report may be obtained by contacting the office of the Director, Public Affairs at Sulpetro Limited, 3200, 255 Fifth Avenue S.W., Calgary, Alberta T2P 3G6.



