



**WORLDWIDE
ENERGY
CORPORATION**

1979
Annual
Report

HOWARD HARRIS LIBRARY
CO MANAGEMENT
MAY 8 1980
MOBILE UNIVERSITY

Highlights of 1979

	1979	1978*	% Change
FINANCIAL			
Gross Revenue From Operations	\$33,587,000	\$11,723,000	+ 186
Income from Operations Before Provision for Income Tax	\$ 2,555,000	\$ 1,378,000	+ 85
Per Share	45¢	26¢	+ 73
Net Income	\$ 2,705,000	\$ 1,382,000	+ 96
Per Share	48¢	26¢	+ 85
TOTAL ASSETS	\$51,206,000	\$45,186,000	+ 13
AVERAGE SHARES OUTSTANDING	5,667,900	5,228,700	+ 8
OPERATING			
Oil Sales	\$ 7,251,000	\$ 4,754,000	+ 53
Gas Sales	\$ 2,790,000	\$ 2,987,000	- 6
Gas Transmission	\$23,127,000	\$ 3,523,000	+ 556
Funds Generated From Operations	\$ 5,784,000	\$ 3,598,000	+ 58
Per Share	\$ 1.00	69¢	+ 45
Production — Net			
Oil (bbls.)	460,000	399,100	+ 15
Natural Gas (mcf)	3,459,000	3,874,000	- 11
Sales — Net			
Oil (bbls.)	458,600	394,800	+ 16
Natural Gas (mcf)	13,308,100	5,755,300	+ 131
RESERVES — NET			
Oil (bbls.)	4,267,400	3,935,500	+ 8
Natural Gas (mcf)			
— Owned	52,088,000	44,472,000	+ 17
— Committed**	72,335,000	74,075,000	- 2

*Restated

**Gas reserves owned by others and committed to pipeline systems.

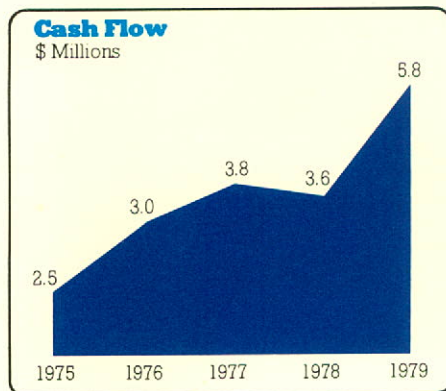
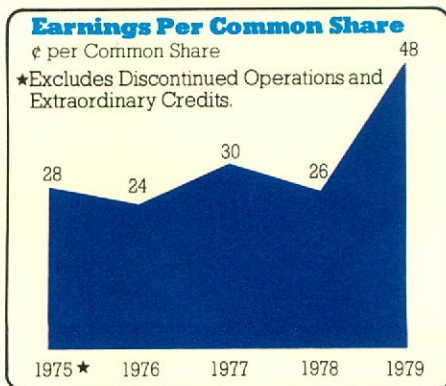
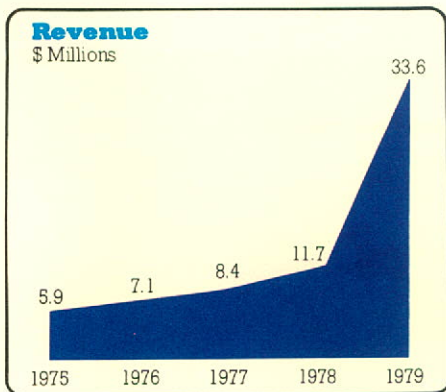
The Company

Worldwide Energy explores for, develops and produces oil and gas from principal petroleum basins of North America, ranging from the Gulf Coast of the United States through the western provinces of Canada. Worldwide has become an important and growing producer of heavy oil in the Cold Lake area of Northeastern Alberta, Canada, with several heavy oil projects undergoing exploration,

development and pilot operations. It owns and operates a 415-mile gas gathering and transmission system in South Central Kansas and an 85-mile gas gathering system in the Cold Lake area of Northeastern Alberta. During 1979 its average production was 1,260 barrels of oil per day and 7.8 million cubic feet of gas per day. The average daily throughput for its gas transmission systems was 36 million cubic feet

per day. During 1979 it participated in 61 (31 net) exploratory and development wells, with 65% and 100% success ratios, respectively. During 1980, with a capital budget of \$16.2 million, it plans to drill between 60 and 70 exploratory and development wells.

COVER: Company employees working on heavy oil project.



To Our Stockholders

Your Company's investments in exploration, development and production of oil and gas and in gas gathering and transmission all contributed to provide 1979's record results and have laid the groundwork for further gains in 1980 and beyond.

With the past year's financial and operating statistics fully detailed and charted throughout this report, it is worth noting some of the important projects that we may expect to contribute to our continued progress. The Company has varying interests in the production and acreage in each of the following prospects and projects, more fully defined in later sections of this report, but each of these projects is deemed a potentially significant contributor to the growth of your Company:

HEAVY OIL — At our Ft. Kent project in Northeastern Alberta, we have completed the Phase II pilot development and expect production to rise to around 1,700 barrels per day by this Summer from the present 1100 plus rate. Suncor, our partner in this venture, assumed operating responsibility at the start of 1980.

- Operations at our Muriel Lake heavy oil project will commence this Summer with a seven well pilot plant operated by Petro-Canada, our major partner in this project.
- Exploration and evaluation of the heavy oil reserves in the Charlotte Lake area, farmed in last year from Buttes Resources Canada, will continue. The first six wells drilled here indicate an estimated 225 million barrels of heavy oil in place.

1979 RECENT DISCOVERIES

The discovery well at our Sunshine Field in Smith County, Texas, was potentialized at 113 barrels of oil per day, plus 420 mcf of gas per day. The first off-set well on this 2,200 acre prospect is now drilling, with



Robert B. Tenison
President

further development expected throughout the year. Production will commence upon completion of a gas pipeline now under construction.

- Our two gas wells in the Probandt Field in Irion County, Texas, are now on line delivering at a combined rate of 1,700 mcf per day. The field's four oil wells are producing at a combined rate of 350 barrels of oil and 1,300 mcf of gas per day.
- At our Valier and Dry Fork shallow gas prospects in Pondera County, Montana, seven gas wells with a combined production rate of 1,657 mcf per day are awaiting pipeline connection to Montana Power.
- Our Red River oil discovery on the East Reserve prospect in Sheridan County, Montana, had initial production of only 50 barrels per day due to mechanical problems. We anticipate a substantially improved production rate. The first off-set well is now drilling.
- The new Charlotte Lake Area in Northeastern Alberta now has 6 wells delivering a total of 6,000 mcf per day, with more development scheduled. In the same area of Alberta, the Kehiwin Prospect has

two zones which tested at a combined rate of 2,164 mcf per day.

- The Hoselaw-West Bonnyville Area has two wells. The Hoselaw gas well tested at a rate of 2,638 mcf per day. One development well is scheduled for drilling this year. The West Bonnyville well tested 1,290 mcf per day and both wells are awaiting hook-up to the gas pipeline.

GAS TRANSMISSION OPERATIONS — Our Central States Gas division is expected to add 100 new well hook-ups to bring total wells connected to more than 360 by yearend. Our Cold Lake Transmission gas gathering and pipeline system is also scheduled to grow substantially with the addition of more wells, both Company-owned and those of other operators. Throughput and profitability of each system may be expected to rise this year.

1980 CAPITAL BUDGET — A record \$16.2 million capital budget will help us achieve our objectives this year, up 62% from last year's \$10 million capital budget, with over \$12 million dedicated to exploration and development.

1980 EXPLORATION — Plans call for the drilling of 24 exploratory wells in the United States and Canada during the current year, a portion of which we may anticipate as discoveries with development potential. The realization of these various activities will define our further growth this year and prepare us to maintain an upward trend in the years ahead. The achievement of our objectives is directly related to the dedicated

efforts of our staff and the continuing support of our many shareholders. We are truly appreciative of both and look forward to reporting further record progress through 1980.

Earlier this year Arthur Cassel tendered his resignation as a Director and it was regretfully accepted by the Board. Mr. Cassel had served on our Board of Directors since 1968, and prior to an illness several years ago, was Chairman of the Board. We will miss him as a long-time member of the Board and wish him success in his new endeavors.

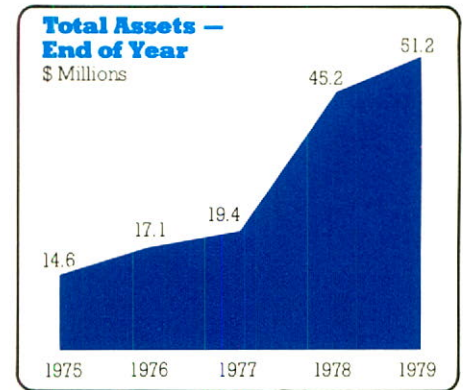
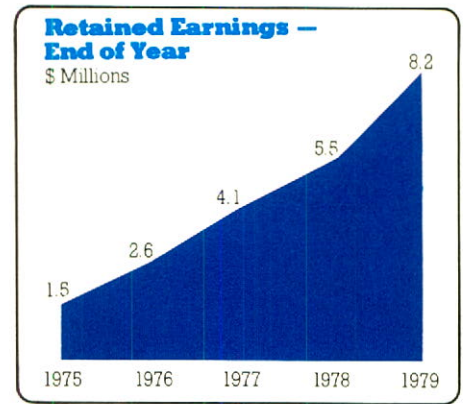
I am pleased to advise you that during the year Mr. William M. Decker and Mr. James B. Owen have joined our Board of Directors. Mr. Decker is a private investor in oil and gas and other industries and resides in Santa Fe, New Mexico. Mr. Owen is directly involved in the oil and gas and cattle industries and resides in Tyler, Texas. Both of these gentlemen have substantial expertise and experience, which will be beneficial in directing the growth of your Company.

Sincerely,



Robert B. Tenison
President

April 3, 1980



Review of Operations:

HEAVY OIL PROJECTS:

Fort Kent — (WWE: 50% interest, 4,960 acres)

Development of our most promising Cold Lake area heavy oil project continued throughout 1979 resulting in the completion of Phase II of the project which consisted of the drilling of 16 wells, the installation of a second 50 million BTU/hour steam generator and enlarged production facilities to handle the increased production. The project is now averaging over 1,100 barrels per day, up from 850 barrels average during 1979. Selling price of the heavy oil was \$10.62 per barrel at yearend, up from \$9.09 per barrel a year earlier, with the Company's net production for 1979 being 137,200 barrels, as compared to a net 46,400 barrels for 1978. We anticipate further price gains and production during 1980.

On January 1, 1980, Suncor, Inc.,

became the operator having acquired a 50% interest in the project with the payment of 70% of the \$9,100,000 (Cdn.) capital costs of Phase I and Phase II expansions. Suncor may elect to proceed with the Phase III commercial expansion by December, 1981 and will pay 55% of the next \$137 million of capital costs and 50% of all costs thereafter.

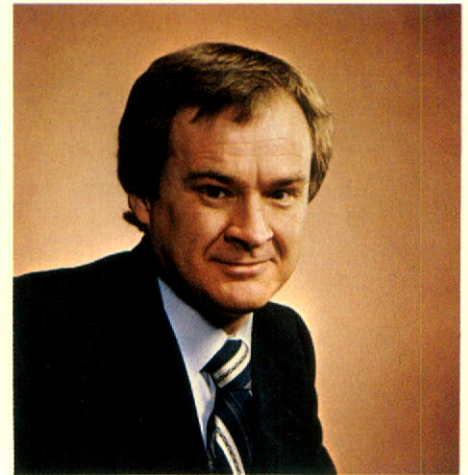
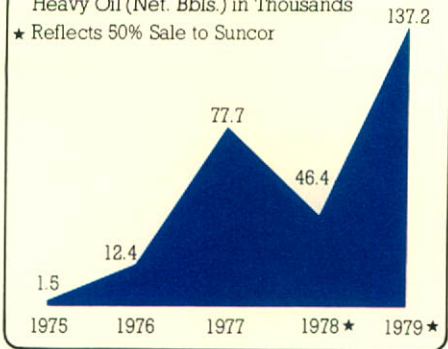
Operating plans for 1980 call for increasing production to between 1,700 and 2,000 barrels per day as a result of the completion of the Phase II expansion in 1979. As previously reported, independent engineering studies estimate exploitable oil in place at 313,000,000 barrels and recoverable reserves of 85,000,000, of which 2,473,000 proven recoverable barrels have been assigned to the Phase I and Phase II portions of the project.

Muriel Lake — (WWE: 41% interest, 7,000 acres) Production from this heavy oil project in the

Heavy Oil Production

Heavy Oil (Net. Bbls.) in Thousands

★ Reflects 50% Sale to Suncor



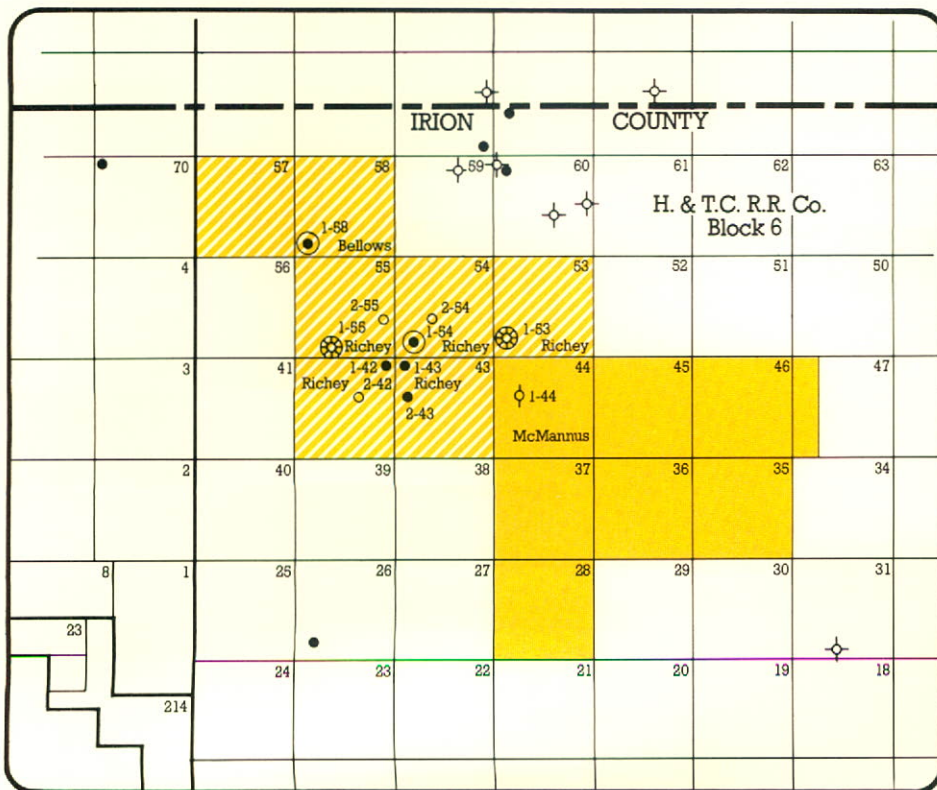
Ronald J. Cargo

Vice President - Operations

Cold Lake area will commence this Summer from a seven well pilot operation. Petro-Canada, which is now operating the project, will earn a 50% interest in the property with the completion of the pilot, with a third party holding a 9% interest. The results of the pilot operation will determine the viability of future expansions. Present engineering calculations indicate there are approximately 500 million barrels of oil in place. Pilot operations should give some indication as to what percentage of the oil in place can be recovered utilizing the steaming process.

Bonnyville Field — (WWE: 100% interest, 1,280 acres)

Evaluation of the Bonnyville Field in the Cold Lake area continues. As previously reported, primary production from this field in the early 1950's yielded around 200,000 barrels of a more viable, higher gravity heavy oil. We are working to resolve a sand production problem



Irion County, Texas

- 25% working interest
- 12 1/2% working interest
- ★
 Wildcat Discovery Well

at present and may consider the installation of a small pilot operation this year.

Charlotte Lake and Soars

Prospects — (WWE: 25% - 50% interest, 16,000 acres) These two acreage blocks in the Cold Lake area were farmed-in from Buttes Resources Canada, Ltd., as exploration acreage, with Worldwide able to earn up to 50% interest in any oil and gas through the drilling of 12 exploratory gas and heavy oil evaluation tests and, if deemed feasible, the construction of a pilot project with six producing heavy oil wells. The first six wells on

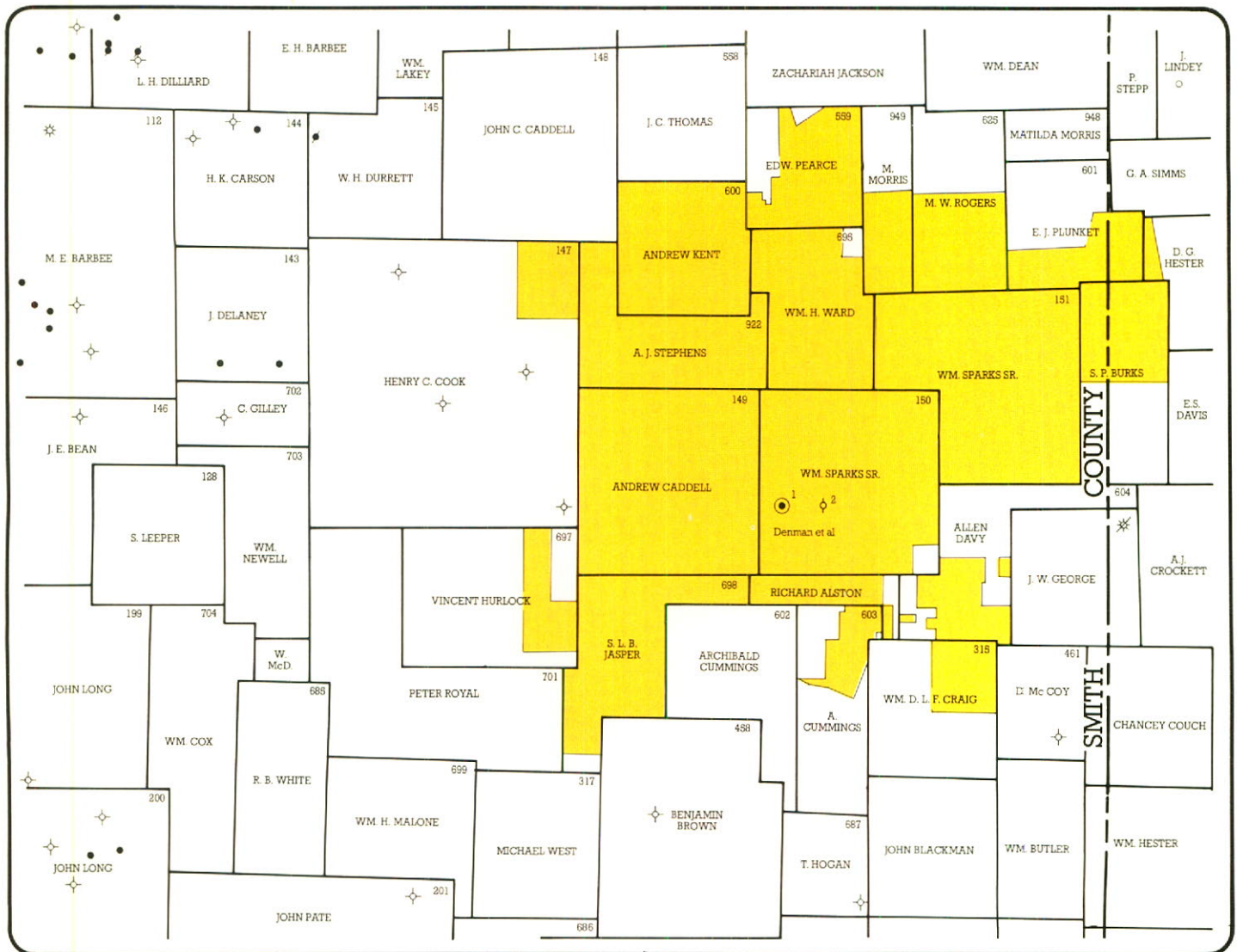
the Charlotte Lake prospect block indicate approximately 225 million barrels of heavy oil in place. Exploration of the southern, or Soars, prospect block has just recently commenced with six exploratory wells scheduled to be drilled during the first half of 1980. See Charlotte Lake area exploration for 100% gas well success.

EXPLORATION AND DEVELOPMENT:

Our 1979 exploration and development programs scored important successes, both in terms of completion ratios and the quality

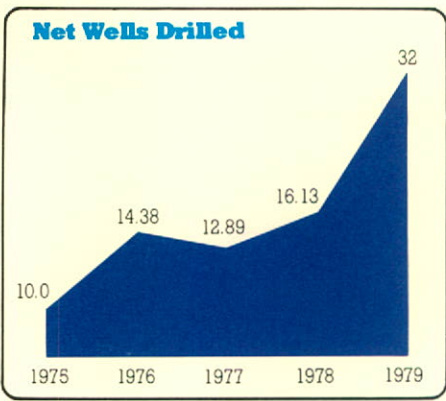


Blaine S. Day
Vice President - Exploration



Smith County, Texas

- Worldwide Leasehold
- Wildcat Discovery Well
- ⊕ Development Well-Drilling



success ratio. In development efforts 43 wells were drilled and completed — a stunning 100% success ratio.

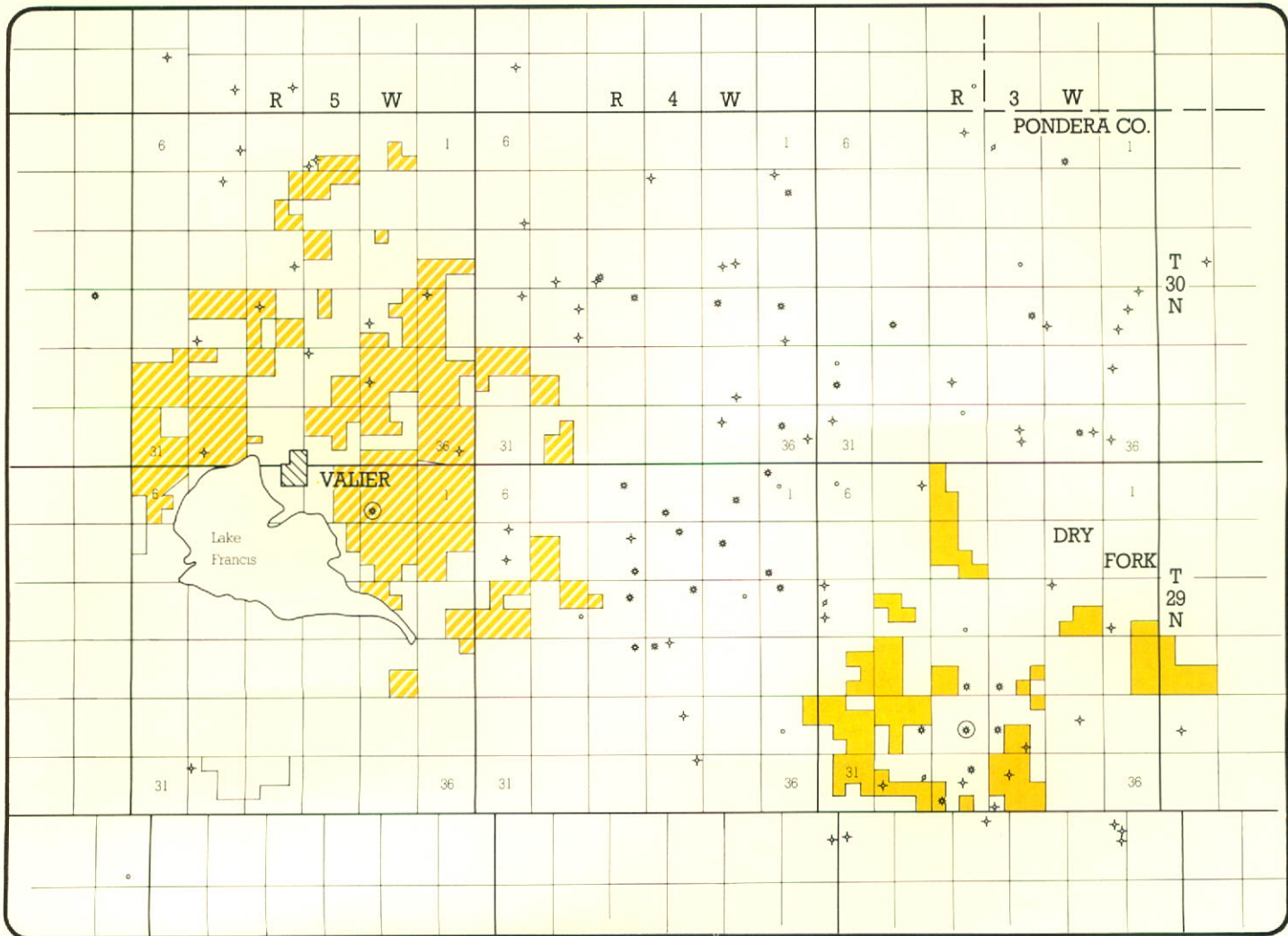
Itemized below are certain of the exploration successes. The adjacent maps will help depict our exploration acreage and interests which we will be pursuing during the current year.

of oil and gas to commence upon completion of the gas line. Our first off-set well to this discovery is now drilling, with additional development drilling planned to continue evaluation of this new field which has been named the Sunshine Field. The nature of this payzone is such that only drilling will determine the size of the field.

DOMESTIC EXPLORATION:
Sunshine Prospect, Smith Co., Texas — (See map, page 4) Our wildcat discovery well on this prospect tested at a rate of 113 barrels of oil and 420 mcf of gas per day on a 24/64" choke. A pipeline is under construction, with production

Probandt Field, Irion Co., Texas — (See map, page 3) The wildcat well on this prospect was an oil zone discovery and extended the Probandt (Canyon) Field. Five additional wells were drilled in five different sections resulting in two new gas discoveries, one new oil discovery and two oil development

of successful discoveries for further development. During the past year your Company drilled 16 exploratory wells, resulting in 10 producing discoveries for a 62%



Pondera County, Montana

- 75% working interest
- 50% working interest
- Wildcat Discovery Well

wells. The two gas wells are delivering 1,700 mcf per day and the four oil wells are delivering 350 barrels of oil per day plus 1,300 mcf of gas per day. In addition, one well has undeveloped gas pay behind pipe and another well has two undeveloped oil pays behind pipe. Eight development wells are budgeted for drilling in 1980.

Valier and Dry Fork Prospects, Pondera Co., Montana — (See map, page 5) Exploration on these two shallow gas prospects resulted in the completion of seven gas wells to date. These shallow wells have a combined production rate of 1,657 mcf per day, with their production to be sold to Montana Power Co. upon completion of a pipeline connection. Additional development drilling is scheduled, as is a further seismic survey, for the current year.

East Reserve Prospect, Sheridan Co., Montana — (See map at right) (WWE: 11.73% interest, 2,560 acres) This 11,300 ft. Red River oil discovery, reflecting mechanical problems, had an initial production of only 50 barrels of oil per day. We anticipate that elimination of these problems will result in a substantially improved production rate. Seismic data indicates two more development locations, the first of which is now drilling. In addition, there are shallower zones of interest.

CANADIAN EXPLORATION:

Charlotte Lake Area, Alberta (WWE interest — see discussion under "Heavy Oil" above) Exploratory drilling of this acreage resulted in six new gas wells and the establishment of a new field. Their combined production of 6,000 mcf per day has already been connected to the Cold Lake

Transmission pipeline system. Two or more development wells are scheduled for drilling in 1980.

Kehiwin Prospect, Alberta (WWE: 25% interest, 4,344 acres) This exploratory well resulted in a gas discovery in both the Colony sand and in the Viking sand, with combined drill stem test rates of 2,164 mcf per day. The well is awaiting hook-up to pipeline.

Hoselaw Prospect, Alberta (WWE: 100% interest, 1,920 acres) One gas well tested at a rate of 2,638 mcf per day. This well is now awaiting hook-up to our gas pipeline. One development well is scheduled for drilling this year.

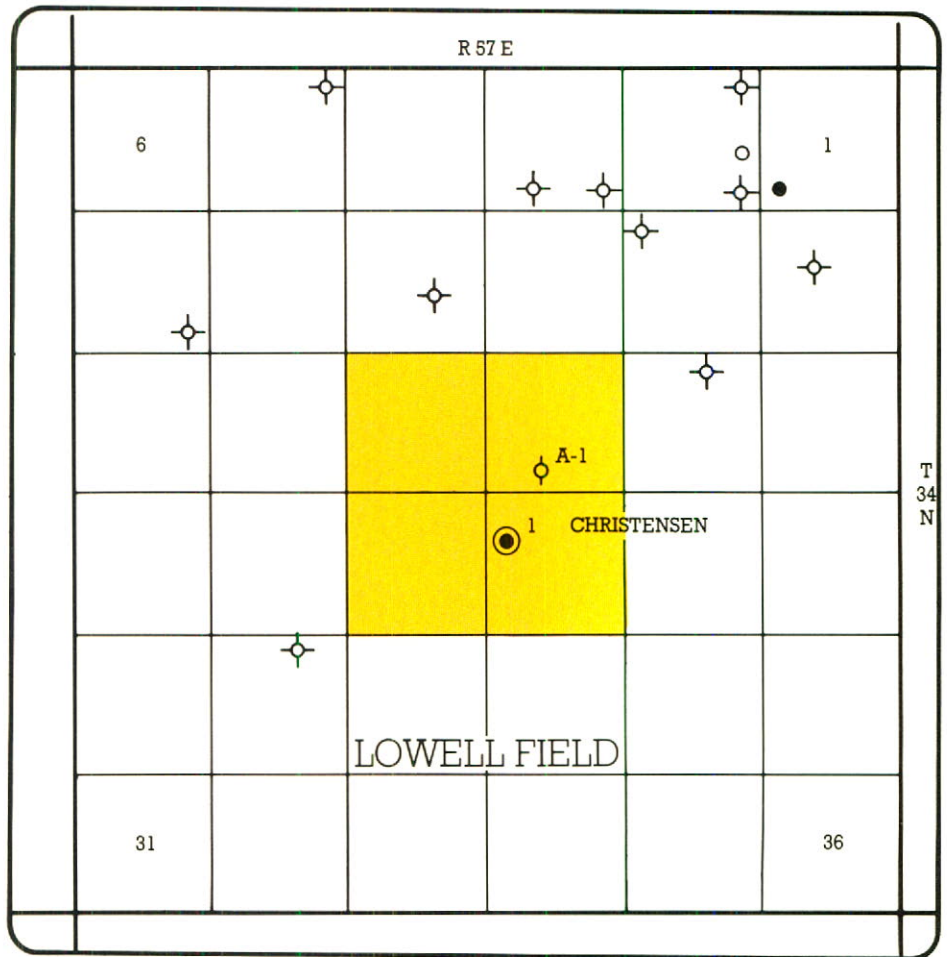
West Bonnyville, Alberta (WWE: 100% interest, 640 acres) This well tested 1,290 mcf per day and is awaiting hook-up to the gas pipeline.

DRILLING RIG PURCHASE

The lack of availability of drilling rigs when needed has motivated your Company to purchase a used drilling rig with a 3,500 ft. capacity, to use on both its own prospects and those of other operators in the Cold Lake area and other areas of Alberta. The rig will employ about sixteen crew members and insure availability of a rig for our accelerating exploratory and development drilling activities in the Cold Lake region.

GAS GATHERING AND TRANSMISSION

Central States Gas — Our intrastate gas gathering system, operating in South Central Kansas, made a major contribution to revenues and its initial contribution to net income in 1979, its first full



Sheridan County, Montana

- Worldwide Leasehold
- Wildcat Discovery Well
- Development Well-Drilling

year as a Company division. During the year capital expenditures to connect additional reserves and increase deliverability were \$1,230,000. Acreage dedicated to the system has 63 billion cubic feet of proven reserves and another 38 billion cubic feet of probable and possible reserves. At 1979 yearend the average daily throughout was 26,477 mcf, with over 90% of deliveries being made to Kansas Power and Light Co., our principal customer. Total deliveries during 1979 amounted to 9,760,000 mcf. Budgeted expansion for 1980 calls for the hook-up of about 100 more wells to the system, raising total wells connected to approximately 360 by the end of 1980.

Cold Lake Transmission — Our gas transmission system in the Cold Lake area of northeastern Alberta grew to 21 connected wells with 85 miles of gathering system. In addition to supplying fuel to fire steam generating equipment at Fort Kent, the system also provides gas to Esso Resources Canada Ltd., for its experimental heavy oil pilot operations at Cold Lake, to the Department of National Defense, and to a local gas utility company. We will continue to expand the system during 1980, both through the drilling and hook-up of more

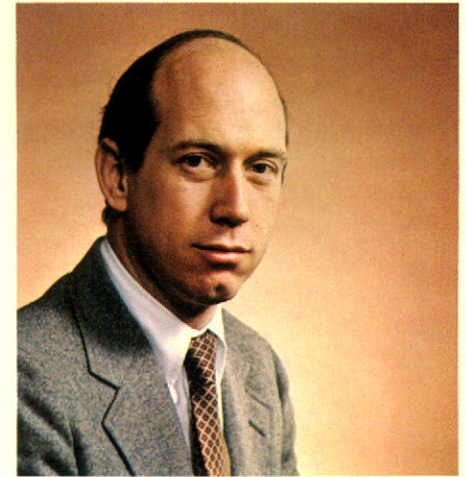
Company-owned wells and contracting to purchase gas from other operators' wells. Our contract with Esso Resources was extended for an additional year, to November 30, 1980, and expanded, effective March 1, 1980, to provide increased deliveries of up to 8,000 mcf per day on an interruptible basis. Total gas sales for the system during 1979 were 2,975,787 mcf. Total proven reserves dedicated to the system at yearend were 42,772,000 mcf, including 35,000,000 mcf owned by the Company. Aiding the planned improvement of the system is the addition of the new gas reserves found on our Charlotte Lake, Hoselaw, West Bonnyville and Kehiwin exploration blocks, referred to earlier.

1980 EXPLORATION PROGRAM:

Our efforts during 1980 will feature our most extensive exploration program to date in the United States and Canada, with over \$8,700,000 budgeted to test some 24 exploration prospects in the two countries. Included in these efforts are Pinnacle Reef tests in the Rainbow Lake region of northern Alberta, an area noted for sizeable oil reserves — Exploration for deep gas reserves in the Rockcastle Anticline in Laurel and Clay Counties, Kentucky, where we have approximately 7,000 acres of leases — Exploration effort on the Soars block of northeastern Alberta, farmed in from Buttes Resources Canada, seeking both gas and heavy oil reserves — Another farm-in involving an oil and gas test in the North Cache Creek area of northeastern British Columbia — Exploration on industry-developed plays in the Gulf Coast, Mid-Continent and Rocky Mountain exploration basins.



Walter V. Pelepchan
Treasurer



John F. Meck
Secretary

WORLDWIDE ENERGY CORPORATION is an oil and gas producer with working interests in 358 producing oil and gas wells in the United States and Canada and undeveloped leaseholds covering 84,000 net acres. The Company owns and operates approximately

415 miles of intrastate gas gathering and transmission facilities in Kansas, as well as a small interstate system in Texas, and an 85 mile system in the Cold Lake area of Northeastern Alberta, Canada. Also the Company holds interests in uranium and other mineral

properties including working interests of approximately 50% in leases and claims on 20,000 acres of uranium mining property in the Ambrosia Lake District of New Mexico.

Summary of Quarterly Earnings (Unaudited)

	1979			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Revenue	\$9,203,111	\$9,110,748	\$8,384,237	\$6,889,057
Operating Expenses	6,168,834	6,165,281	6,135,516	4,951,216
General and administrative	683,803	534,143	485,048	497,133
Depreciation and depletion	291,996	835,607	819,878	858,500
Interest	759,331	639,674	644,742	561,130
Total Expenses	7,903,964	8,174,705	8,085,184	6,867,979
	1,299,147	936,043	299,053	21,078
Provision for income tax	(107,000)	32,000	(34,000)	(41,000)
Net Income	<u>\$1,406,147</u>	<u>\$ 904,043</u>	<u>\$ 333,053</u>	<u>\$ 62,078</u>
Net Income Per Share	<u>\$.25</u>	<u>\$.16</u>	<u>\$.06</u>	<u>\$.01</u>

Market for Worldwide Common Stock

On December 21, 1979 Worldwide's common stock was listed on the American Stock Exchange, symbol WWE. The high and low for the period December 21 through December 31, 1979 were \$21-1/4 and \$18-3/4, respectively. Prior to December 21, 1979, the Company's common stock was traded over the counter and quoted over NASDAQ's national listing, symbol WWEN. The following table sets forth high and low prices for the common stock for each quarterly period of the two-year period ended December 31, 1979 and for the first quarter of 1980.

In Canada the Company's stock is traded on the Toronto Stock Exchange, symbol WWE.

		High	Low		
1980	1st Quarter	\$24	\$9-3/8		
		Bid	Asked	Bid	Asked
1979	4th Quarter	\$22-1/8	\$22-1/2	\$9-5/8	\$10
	3rd Quarter	12-3/8	12-3/4	8-1/2	8-3/4
	2nd Quarter	9-11/16	9-15/16	6-5/8	6-7/8
	1st Quarter	7-3/4	8	5-1/4	5-1/2
1978	4th Quarter	6-3/4	7	3-13/16	4-1/6
	3rd Quarter	7-5/16	7-9/16	5-1/4	5-1/2
	2nd Quarter	5-3/4	6	4-11/16	4-15/16
	1st Quarter	5-1/16	5-5/16	4-1/4	4-1/2

Five Year Summary of Operations

	1979	1978	1977	1976	1975
OIL AND GAS					
Production — oil (000's bbl.)	460	399	451	407	393
— gas (mmcf)	3,459	3,874	4,095	4,612	4,161
Sales — oil (000's bbl.)	459	395	449	405	392
— gas (mmcf)	13,308	5,755	4,835	5,674	5,364
Net wells owned					
— oil	142	134	120	121	120
— gas	69	58	59	56	53
— service	47	49	54	52	51
— shut-in*	138	122	117	111	107
<i>*Includes wells temporarily shut-in for water flood.</i>					
NET WELLS DRILLED					
— oil	15	8	3	6	3
— gas	14	1	6	2	3
— dry or suspended	3	6	4	5	3
— injection	—	1	—	1	1
RESERVES					
— oil (000's bbl.)	4,267	3,936	3,920	3,977	4,294
— gas (mmcf) — owned	52,088	44,472	42,540	50,949	52,104
— gas (mmcf) — committed	72,335	74,075	4,227	5,119	6,118

Five Year Financial Summary

(Figures for 1978 and prior years are restated.)

	1979	1978	1977	1976	1975
BALANCE SHEET DATA (dollars in thousands)					
Property, plant and equipment	\$41,549	\$34,541	\$15,275	\$13,787	\$12,117
Other assets	9,657	10,645	4,138	3,233	2,539
Total assets	\$51,206	<u>\$45,186</u>	<u>\$19,413</u>	<u>\$17,020</u>	<u>\$14,656</u>
Long-term liabilities	\$22,301	\$20,564	\$ 5,156	\$ 5,406	\$ 4,139
Deferred income taxes	2,055	1,888	1,380	677	104
Shareholders' equity	19,771	16,098	11,254	9,496	8,330
PER SHARE DATA					
Income — continuing operations	\$.48	\$.26	\$.30	\$.24	\$.28
Extraordinary Credit	—	—	—	—	.03
Income — discontinued operations	—	—	—	—	.08
Net income	\$.48	<u>\$.26</u>	<u>\$.30</u>	<u>\$.24</u>	<u>\$.39</u>
Weighted average shares outstanding (000's) ...	5,668	<u>5,289</u>	<u>4,865</u>	<u>4,813</u>	<u>4,820</u>
Dividend — spin-off of subsidiary	—	—	—	—	\$.87
Book value	\$3.42	\$2.88	\$2.32	\$1.98	\$1.73
OTHER DATA					
Stock outstanding — common (000's)	5,788	5,586	4,889	4,813	4,813
Number of shareholders	13,400	11,900	12,300	12,000	7,935
Number of employees	115	114	69	52	46

All real estate operations have been excluded and are included in discontinued operations due to spin-off of real estate net assets as of December 31, 1975

Earning data is presented on page 8.

Directors

Arthur R. Smith, Chairman*°
Vice President
Allarco Developments Ltd.
Calgary, Alberta

J. Kenneth Boyles*
Vice President
The National State Bank
Elizabeth, New Jersey

William M. Decker°
Private investments in oil, gas,
and other industries
Santa Fe, New Mexico

Barron C. Housel†°
Oil and Gas Consultant
Houston, Texas

William C. Jones III*†
Attorney
Tulsa, Oklahoma

James B. Owen*†
Independent oil and gas operator
and cattleman
Tyler, Texas

Robert B. Tenison°
President & CEO
Worldwide Energy Corporation

*Member of Audit Committee

†Member of Compensation Committee

°Member of Executive Committee

Officers

Robert B. Tenison
President & CEO

Ronald J. Cargo
Vice President – Operations

Blaine S. Day
Vice President – Exploration

Walter V. Pelepchan
Treasurer

John F. Meck
Secretary

Mary Evelyn Dickerson
Assistant Secretary

FORM 10-K EXHIBITS

Copies of the exhibits to our Form 10-K as filed with the Securities and Exchange Commission are available upon payment of copying charges by writing to the Company at 1600 Tower Building, 1700 Broadway, Denver, Colorado 80290.

OPERATIONS PERSONNEL

Denver, Colorado

1700 Broadway, Suite 1600

ENGINEERING AND OPERATIONS

Tom Carroll, *Manager – Drilling and Production*

Jon Dull, *Senior Engineer*

Terry Huff, *Staff Engineer*

Spencer Shultz, *Project Engineer*

Jean Muse, *Production Accounting*

EXPLORATION

Albert H. Gillis, *Senior Staff Geologist*

Jan Ilves, *Staff Geologist*

Bob Bonacquisti, *Draftsman*

LAND

Larry D. Van Cleave, *Land Manager – U.S.*

Ned Burke, *Landman*

Judy Ball, *Junior Landman*

Sue Jaquet, *Land Records Supervisor*

ADMINISTRATION

D. Breckenridge Grover, *Staff Attorney*

Stephanie Janik, *Legal Assistant*

Wm. G. McCanne, *Assistant to the President*

Terrence O'Brien, *Manager Information Systems*

ACCOUNTING

Bob Iversen, *Manager Accounting Services*

Dustin Landagora, *Supervisor Materials Control*

Bruce Lisle, *Supervisor Revenue Accounting*

Charles Lundberg, *Staff Accountant*

Maxine Price, *Staff Accountant*

Patrick N. Williams, *Tax Manager*

Subsidiaries

Worldwide Energy Company Ltd., Calgary, Alberta

Semco Gas, Inc., Denver, Colorado

Worldwide Energy (U.K.) Limited, Keswick,

Cumberland, U.K.

Cold Lake Transmission Limited, Bonnyville, Alberta

WECO Development (Canada) Ltd., Calgary, Alberta

Divisions

Central States Gas Company,

Denver, Colorado

Worldwide Drilling Division,

Bonnyville, Alberta

Houston, Texas

333 Northbelt, Suite 1160

Don Burnett, *Exploration Manager, Gulf Coast Division*

Dennis L. Bell, *Staff Geologist*

Deborah J. Bonora, *Staff Geologist*

Freer, Texas

Lloyd R. Upton, *Operations Manager*

Perryton, Texas

Paul R. Andrew, *Field Superintendent*

Hobbs, New Mexico

David Ford

Pratt, Kansas

Donald E. Gray, *Operations Manager*

Phyllis Goss, *Supervisor – Pipeline Right-of-Way*

Calgary, Alberta

3125 Shell Centre

400 - 4th Avenue S.W.

F. Wayne Rutledge, *Exploration Manager*

Gary Huyck, *Staff Geologist*

Beatrice M. Cooper, *Land Manager*

Bonnyville, Alberta, Canada

WORLDWIDE ENERGY COMPANY LTD.

William J. Lawrence, *Operations Manager*

Vern Martin, *Tool Pusher – Drilling*

Lloyd Perkins, *Administrative Supervisor – Drilling*

COLD LAKE TRANSMISSION LIMITED

Prosper L. Theroux, *Operations Manager*

Transfer Agents and Registrars

The National State Bank, Elizabeth, New Jersey
(common stock)

Guaranty Trust Company of Canada, Toronto
(common stock)

Auditors

Coopers & Lybrand

2500 Anaconda Tower, Denver, Colorado

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1979

Commission File No. 1-7904

WORLDWIDE ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

84-0624727

(I.R.S. Employer Identification No.)

**1700 Broadway, 1600 Tower Bldg.
Denver, Colorado**

(Address of principal executive offices)

80290

(Zip Code)

303-861-8615

(Registrant's telephone number)

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class

Name of each exchange
on which registered

Common Stock — \$.20 par value

American Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act:

None

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X)

No ()

There were 5,788,333 common shares outstanding at December 31, 1979.

PART I

Item 1. Description of Business

(a) General Development of Business

Worldwide Energy Corporation is a Delaware corporation with principal and executive offices at 1600 Tower Building, 1700 Broadway, Denver, Colorado, 80290, telephone (303) 861-8615. Registrant (also referred to as the Company) means Worldwide Energy Corporation and its consolidated subsidiaries. The Company was organized in December 1971 for the purpose of assuming all of the operations previously carried on by its former parent, Worldwide Energy Company Ltd., an Alberta corporation.

In 1978, the Company acquired Central States Gas Company, owner and operator of an intrastate gas gathering system and related facilities in South Central Kansas. In 1979 Central States Gas Company was dissolved and its operations are now conducted as a division of Worldwide Energy Corporation.

In Canada, the Company has completed an agreement with Suncor Inc. (formerly Sun Oil Company Limited) for the development of its Fort Kent heavy oil project located in the Cold Lake area of northeastern Alberta, Canada. Under the terms of the agreement, Suncor is acquiring a 50% interest in the 4,960 acre heavy oil project by paying 70% of capital costs of Phase I and Phase II expansions (which cost \$9,100,000 Cdn.), 55% of the first \$137 million of capital costs beyond Phase II, and 50% of all costs thereafter. During 1979 the Company commenced and completed Phase II which entailed drilling 16 wells, the installation of a 50MMBTU/hour steam generator and production facilities to handle the additional production. The new facilities started operation during October 1979. On January 1, 1980 Suncor Inc. became operator of the project. Production is presently averaging 1,300 gross (650 net) barrels of oil per day. Suncor will earn its full 50% interest provided it commits to a Phase III commercial expansion by January 1, 1982, extendable by one year.

Under the Company's agreement with Petro-Canada (successor to Pacific Petroleum Ltd.) for the development of its Muriel Lake heavy oil prospect in the Cold Lake area of Alberta, Petro-Canada has elected to proceed with a \$4 million (Cdn. \$) pilot project. Plans for the proposed pilot have been submitted and the project is expected to be operational in 1980. The results of the pilot project will determine whether Petro-Canada, Worldwide, and another partner will enter into a full-scale commercial expansion at Muriel Lake.

In 1979 the Company entered into an exploration

agreement with Buttes Resources Canada Ltd. whereby it would earn a half interest in oil and gas leases in the Cold Lake area of Alberta. Six wells were drilled on this acreage in 1979 all of which resulted in gas discoveries. Twenty-six miles of pipeline facilities were constructed to make this gas available to the Company's existing 61 mile gas system in the area. The drilling has also indicated the presence of low gravity oil bearing zones. The Company is undertaking a study to determine the extent and nature of these deposits and the feasibility of economic recovery.

The Company has also renegotiated its gas sales agreement with ESSO Resources Ltd. to provide gas for ESSO's experimental heavy oil project at Cold Lake. The selling price of gas has been increased to the Alberta Border Price less 20¢ plus the "export adjustment". Alberta Border Price is currently \$1.34 /mcf Cdn. and the export adjustment is approximately \$.83 /mcf Cdn. Under the new contract the Company has agreed to deliver up to 8mmcf/day beginning March 1, 1980. Gas deliveries are currently approximately 5mmcf/day and prior to March 1, 1980 were approximately 3mmcf/day. The new contract expires November 30, 1980 and the Company is currently negotiating with ESSO and a third party for the continued supply of gas to the project on a long term basis.

During 1979 the Company participated in exploratory and development drilling for shallow gas in Montana. Additional drilling is continuing and it is expected that gathering lines to connect the shut-in gas wells will be completed by early summer 1980. The Company also participated in a Montana Red River wildcat well which is an indicated oil discovery. Additional drilling is planned for 1980.

In Irion County, Texas, the Company participated in the drilling of 6 wells; two produce gas and the other four oil. Due to a high gas oil ratio, production has been delayed pending the completion of gas sales facilities which are expected to be completed in early 1980.

At December 31, 1979 drilling was in progress on an exploratory well in Smith County, Texas which was later completed as an oil well and on test produced at a potential of 113 barrels of oil and 420 mcf gas per day. Additional drilling on the Company's 100% owned, 2,200 acre block is planned for 1980.

In Beauregard Parish, Louisiana the Company drilled two wells, one of which is a marginal producer. The other has been temporarily suspended due to down-hole mechanical problems encountered during an attempted completion.

(b) Segment Information

Worldwide is engaged in two principal lines of business — (1) exploration and production of crude oil and natural gas, and (2) gas gathering and transmission. Real estate operations previously conducted through Citrus County Land Bureau, Inc. were disposed of through a spin-off on December 31, 1975 and the results of these operations in 1975 and prior years are treated as dis-

continued operations in the Registrant's statement of income. The following table sets forth for the years indicated the gross income, operating profit and identifiable assets attributable to segments of continuing oil and gas operations and discontinued real estate operations. Information for 1978 and prior years has been restated. See also Notes 2 and 12 of Notes to Consolidated Financial Statements.

(000's Omitted)

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
Revenue					
Continuing Operations					
Oil & gas production	\$10,042	\$ 7,744	\$ 7,924	\$ 6,898	\$ 5,317
Gas transmission	23,127	3,523	175	209	190
Other	418	456	272	40	380
Total Revenue	<u>\$33,587</u>	<u>\$11,723</u>	<u>\$ 8,371</u>	<u>\$ 7,147</u>	<u>\$ 5,887</u>
Discontinued operations — real estate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 1,239</u>
Operating Profit					
Continuing operations					
Oil & gas production	\$ 4,933	\$ 3,166	\$ 3,519	\$ 2,787	\$ 2,059
Gas transmission	2,186	301	31	39	41
Other	241	471	193	(16)	253
Total Operating Profit	<u>\$ 7,360</u>	<u>\$ 3,938</u>	<u>\$ 3,743</u>	<u>\$ 2,810</u>	<u>\$ 2,353</u>
Discontinued operations — real estate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(125)</u>
Identifiable Assets*					
Continuing Operations					
Oil & gas production	\$31,828	\$26,593	\$18,691	\$16,321	\$13,987
Gas transmission	18,772	18,119	242	229	211
Other	606	474	480	469	449
Total Assets	<u>\$51,206</u>	<u>\$45,186</u>	<u>\$19,413</u>	<u>\$17,019</u>	<u>\$14,647</u>

*Primarily property, plant and equipment.

The increase in gas gathering and transmission activities is due to the acquisition of Central States Gas Company in 1978.

(c) (1) Description of Business

Oil and Gas Producing Activities

Worldwide Energy Corporation engages in the exploration and development of oil and gas reserves and the production and sale of crude oil and natural gas in the United States and Canada. Crude oil and natural gas are produced and marketed in the provinces of Alberta and Saskatchewan and in the states of Colorado, Kansas, Kentucky, Louisiana, Montana, Nebraska, New Mexico, Oklahoma and Texas.

The Registrant's principal products, crude oil and natural gas, accounted for 30% of the Registrant's gross revenue from continuing operations in 1979 and in excess of 66% in the years 1975 to 1978. In 1979, revenue from the Company's gas gathering and transmission operations were 69% of the total. Additional information on revenue from principal products is furnished under the caption, "Segment Information".

The Company does not own any patents, trademarks, licenses, or franchises except for various oil

and gas and mineral leases.

Oil and gas production is not considered to be of a seasonal nature.

Customers of the Registrant who individually account for more than 10% of the Registrant's consolidated revenues from production are ESSO Resources in Canada, Exxon Company U.S.A. and Sun Oil Company in the United States. Although the loss of any one of these customers would have an adverse effect on the Registrant's operations, management is of the opinion that because of the high demand for oil and natural gas in the United States and Canada the possibility of a loss of market is highly unlikely. Except for contractual business and joint venture obligations, the Registrant has no relationship with any of its principal customers.

The Company and its subsidiaries are a minor factor in the petroleum and natural gas industry as regards their exploration, development and production activities. The Company encounters substantial competition from the major oil and gas companies and other independent oil operators in the United States and Canada in acquiring prospects or leases for the purpose of its exploration, development and producing operations. It competes with many other companies having far greater financial and other resources.

Gas Gathering and Transmission

The Registrant owns 415 miles of intrastate gas gathering system in Kansas which facilities are used for the gathering and purchase of gas for resale. Gas is purchased from many individual producers in the area and sold to two major customers, Kansas Power and Light Company (KP&L) and Getty Oil Company (Getty). Substantially all purchases are made under long-term contracts with remaining terms of one year to nineteen years. Sales to KP&L and Getty are also under long-term contracts; the KP&L contract expires in 1990 but continues from year to year thereafter unless terminated and the Getty contract expires in 1986 and is renewable for a further term of 10 years. The agreement with Kansas Power and Light provides that if the price of delivered gas exceeds \$2.35/mcf KP&L may at its option terminate the gas sales agreement. Because of price increases granted to gas suppliers and the effects of price escalations in existing contracts gas prices charged to KP&L will exceed \$2.35/mcf in 1980. KP&L has not served notice of termination of contract and the Company expects to negotiate a gas price ceiling higher than \$2.35/mcf which will allow for the extension of the gas sales contract. The renegotiated price ceiling would be subject to the approval of the Kansas Corporation Commission. Although the loss of either of these customers would have an adverse effect on the Registrant's operations, management is of the opinion that because of the high demand for natural gas within the State of Kansas and elsewhere the loss of market is unlikely. Except for

these contracts the Registrant has no relationship with these principal customers.

Gas reserves subject to these long-term contracts committed to company pipelines as well as those under contract in Canada are shown in the table below:

	United States		Canada	
	Total Proved Reserves	Proved Developed Reserves Producing	Total Proved Reserves	Proved Developed Reserves Producing
Dedicated Reserves*—				
December 31, 1979 (Mmcf) .	<u>64,563</u>	<u>45,424</u>	<u>7,772</u>	<u>7,772</u>

*These reserves do not include reserves owned by the Company and which are reported elsewhere in this Form 10-K. See Note 3 of Notes to Consolidated Financial Statements.

The Registrant does not own any patents, trademarks, licenses, or franchises except for the gas supply and sales contracts referred to in the preceding paragraph.

The gathering, purchase and resale of natural gas is not considered to be of a seasonal nature.

The Company and its subsidiaries are a minor factor in the natural gas industry as regards their activities in gathering, purchase and resale of natural gas. It encounters substantial competition from major oil and gas companies and competes with companies having far greater financial and other resources. The Natural Gas Policy Act of 1978 imposes maximum prices with respect to first sales of intrastate gas purchased in the United States by the Registrant thereby reducing any competitive advantage that could be obtained by pricing. However management believes the location and characteristics of its system are compatible with reserves in the area of operation and that it will be able to continue to compete favorably with other larger interstate purchasers who operate high pressure systems in the area.

(c) (2) Description of Business — General

The Company's involvement in research is limited to its participation in an experimental project in Canada using steam injection to assist in the recovery of heavy oil from shallow formations. The Company's net capital expenditure on the Fort Kent thermal project was approximately \$1,791,000 in 1979 and \$1,830,000 in 1978. Expenditures in both years reflect recoveries from Suncor Inc. pursuant to a joint venture agreement. This and another similar venture with Petro-Canada are discussed more fully under the caption, "General Development of Business", in item 1 (a) above.

For comment on principal customers of the

Registrant see the preceding section (c) (1).

The production of oil and natural gas is subject to regulation by the appropriate state regulatory authorities in the United States and by the provinces in Canada in which Worldwide has its producing oil and gas properties. In general, these regulatory authorities are empowered to make and enforce regulations to prevent waste of oil and gas, preserve the natural environment and to fix allowable production of oil and gas within the limits of maximum efficient rates of production and reasonable market demand for oil and gas. Certain of the Company's activities are also subject to environmental controls, but such controls have not materially affected capital expenditures, earnings, or the Company's competitive position.

Sales of natural gas and crude oil are subject to extensive and complex regulations in both the United States and in Canada which restrict the prices which the Company can charge for its production. In the United States, oil prices are scheduled to be gradually decontrolled by October, 1981 but this decontrol is expected to be offset by the proposed "Windfall Profits Tax". An analysis of the anticipated impact of the "Windfall Profits Tax" on the Company is included in Note 3 of Notes to Consolidated Financial Statements.

As at December 31, 1979, the Company had 115 employees, including officers.

(d) Foreign and Domestic Operations

Information concerning the Registrant's for-

eign and domestic operations are tabulated below:

	(000's Omitted)		
	1979	1978*	1977*
Revenue			
— Canada	\$ 4,183	\$ 2,853	\$ 3,425
— United States	\$28,986	\$ 8,414	\$ 4,674
Operating Profit (Loss)			
— Canada	\$ 2,276	\$ 1,554	\$ 2,022
— United States	\$ 5,260	\$ 1,913	\$ 1,528
— United Kingdom.....	\$ (176)	—	—
Identifiable Assets			
— Canada	\$17,197	\$13,602	\$ 8,662
— United States	\$33,701	\$31,416	\$10,575
— United Kingdom.....	\$ 308	\$ 168	\$ 176

*Restated — See Note 2 of Notes to Consolidated Financial Statements.

There were no export sales or sales or transfers between geographic areas during the years included in the table above. The results of operation of mineral properties in the United Kingdom prior to 1979 are insignificant and are included in domestic operations. Management does not feel there are any special risks outside of usual business risks entailed in its foreign operations.

For additional information pertaining to the business of the Company, see Item 3 Properties.

Item 2. Summary of Operations

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

The consolidated statements of income and retained earnings for Worldwide Energy Corporation and its subsidiaries (Company) for each year in the five year period ended December 31, 1979, have been examined by Coopers & Lybrand, independent certified public accountants, whose report with respect thereto appears elsewhere in this Form 10-K. These statements should be read in conjunction with the consolidated financial statements of the Company and related notes thereto included elsewhere herein. Information for 1978 and prior years has been restated — See Note A.

	Years Ended December 31				
	1979	1978	1977	1976	1975
Revenue					
Oil and gas production	\$10,041,370	\$ 7,744,439	\$ 7,924,623	\$ 6,898,391	\$ 5,316,817
Gas transmission	23,127,077	3,522,944	174,555	209,189	189,909
Gain on sale of note receivable (Note E)	—	—	—	—	294,450
Interest and other income	418,706	455,876	272,260	39,862	85,676
	<u>33,587,153</u>	<u>11,723,259</u>	<u>8,371,438</u>	<u>7,147,442</u>	<u>5,886,852</u>
Expenses					
Oil and gas operations	4,781,111	3,099,247	2,905,771	2,864,189	2,267,271
Gas purchases	18,714,310	2,863,676	117,002	143,555	124,911
General and administrative	2,200,127	1,684,348	1,415,533	1,027,104	787,392
Depreciation and depletion	2,805,981	1,917,480	1,545,476	1,305,297	1,116,987
Interest	2,604,877	875,575	469,346	404,426	448,717
Exploration permits relinquished	—	—	—	24,733	24,751
Foreign exchange conversion	(74,574)	(95,025)	60,504	—	—
	<u>31,031,832</u>	<u>10,345,301</u>	<u>6,513,632</u>	<u>5,769,304</u>	<u>4,770,029</u>
Income from Continuing Operations					
Before Provision for Income Taxes and					
Extraordinary Credit	\$ 2,555,321	\$ 1,377,958	1,857,806	\$ 1,378,138	\$ 1,116,823
Provision (Credit) for Income Taxes (Note D)	(150,000)	(4,000)	408,000	211,700	(214,500)
	<u>2,705,321</u>	<u>1,381,958</u>	<u>1,449,806</u>	<u>1,166,438</u>	<u>1,331,323</u>
Extraordinary Credit Equivalent to					
Utilization of Operating Loss Carryforward	—	—	—	—	159,000
Income from Continuing Operations	2,705,321	1,381,958	1,449,806	1,166,438	1,490,323
Income from Discontinued Operations (Note B)	—	—	—	—	372,767
NET INCOME	<u>2,705,321</u>	<u>1,381,958</u>	<u>1,449,806</u>	<u>1,166,438</u>	<u>1,863,090</u>
RETAINED EARNINGS —					
BEGINNING OF YEAR	5,463,577	4,081,619	2,631,813	1,465,375	3,796,787
Dividend (Note B)	—	—	—	—	(4,194,502)
RETAINED EARNINGS —					
END OF YEAR	<u>\$ 8,168,898</u>	<u>\$ 5,463,577</u>	<u>\$ 4,081,619</u>	<u>\$ 2,631,813</u>	<u>\$ 1,465,375</u>
PER SHARE DATA (NOTE G)					
Income					
—Continuing Operations Before					
Extraordinary Credit	\$.48	\$.26	\$.30	\$.24	\$.28
—Extraordinary Credit	—	—	—	—	.03
—Discontinued Operations	—	—	—	—	.08
Net Income	<u>\$.48</u>	<u>\$.26</u>	<u>\$.30</u>	<u>\$.24</u>	<u>\$.39</u>
Dividend (Note B)	—	—	—	—	\$.87
Weighted Average Shares Outstanding	<u>5,667,900</u>	<u>5,228,700</u>	<u>4,864,800</u>	<u>4,812,700</u>	<u>4,820,400</u>

The accompanying notes are a part of the consolidated financial statements.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Numerical note references are to Notes to Consolidated Financial Statements)

A. Restatement of Amounts Previously Reported

The financial statements of the Company have been retroactively restated (see Note 2 of Notes to Consolidated Financial Statements) to adopt the cost recovery method of recognizing income on drilling arrangements and to provide for comprehensive income tax allocation. The effects of such restatement were as follows:

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975*</u>
Income from continuing operations before extraordinary credit as previously reported	\$1,567,335	\$1,449,806	\$1,137,671	\$1,020,346
Adjustment — increase (decrease)	(185,377)	—	28,767	310,977
Adjustment for extraordinary credit — increase	—	—	—	159,000
After restatement	<u>1,381,958</u>	<u>1,449,806</u>	<u>1,166,438</u>	<u>1,490,323</u>
Income per common share as previously reported	\$.30	\$.30	\$.24	\$.21
Adjustment — increase (decrease)	(.04)	—	—	.07
Adjustment for extraordinary credit	—	—	—	.03
After restatement	<u>\$.26</u>	<u>\$.30</u>	<u>\$.24</u>	<u>\$.31</u>

	<u>December 31</u>			
	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
Retained earnings as previously reported	\$6,202,274	\$4,634,939	\$3,185,133	\$2,047,462
Adjustment — increase (decrease)	(738,697)	(553,320)	(553,320)	(582,087)
After restatement	<u>\$5,463,577</u>	<u>\$4,081,619</u>	<u>\$2,631,813</u>	<u>\$1,465,375</u>

*Does not include discontinued operations

B. Discontinued Operations

The real estate assets and liabilities of Citrus County Land Bureau, Inc. (Citrus), a subsidiary of the Company through December 31, 1975, were spun-off to the shareholders of the Company as of December 31, 1975, and accordingly the real estate operations have been reflected as discontinued operations in the accompanying consolidated statements of income. Information relative to discontinued operations for the year ended December 31, 1975 is as follows:

Revenue	<u>\$1,238,855</u>
Loss Before Provision for Income Taxes	\$ 124,633
Credit for Income Taxes	<u>497,400</u>
Income from Discontinued Operations	<u>\$ 372,767</u>

The real estate assets and liabilities (including the unpaid balance [\$450,000] of 6¾% subordinated convertible debentures) remaining in Citrus at December 31, 1975 and distributed as a dividend on that date were as follows:

Assets	\$7,213,780
Liabilities	<u>3,019,278</u>
	<u>\$4,194,502</u>

C. Significant Accounting Policies

For information concerning significant accounting policies followed by the Company see Note 1 of Notes to Consolidated Financial Statements.

D. Provision for Income Taxes

Income tax expenses for the years ended December 31, are as follows:

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
Canadian income taxes					
Current	\$ 19,000	\$ 69,000	\$ 55,000	\$ —	\$ —
Deferred	103,000	299,000	676,000	573,200	310,950
Current tax recovery — Alberta					
Royalty tax credit	<u>(351,000)</u>	<u>(365,000)</u>	<u>(341,000)</u>	<u>(277,500)</u>	<u>(206,450)</u>
Total Canada	<u>\$(229,000)</u>	<u>\$ 3,000</u>	<u>\$390,000</u>	<u>\$295,700</u>	<u>\$104,500</u>
United States federal and state income taxes					
Current	7,000	(7,000)	18,000	—	—
Deferred	72,000	—	—	(84,000)	(478,000)
Charge equivalent to utilization of operating loss carryforward	—	—	—	—	159,000
Total United States	<u>79,000</u>	<u>(7,000)</u>	<u>18,000</u>	<u>(84,000)</u>	<u>(319,000)</u>
	<u>\$(150,000)</u>	<u>\$ (4,000)</u>	<u>\$408,000</u>	<u>\$211,700</u>	<u>\$(214,500)</u>

The tax effect of real estate operations is included in discontinued operations. State income taxes included in the current and deferred provisions are not material.

A reconciliation between the Company's provision for income taxes computed at the statutory United States Federal income tax rate (46% - 1979, 48% previously) on income before income taxes and the provision for income taxes as reported is set forth below.

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
PROVISION FOR INCOME TAXES COMPUTED AT STATUTORY RATE	\$1,175,000	\$661,000	\$892,000	\$662,000	\$ 536,000
INCREASE (DECREASE) IN PROVISION RESULTING FROM:					
Reinstatement of deferred income taxes related to the effects of investment tax credits and excess statutory depletion recognized in previous periods	—	—	174,000	—	—
Benefit from the utilization of a deduction for tax purposes arising from the sale of a note receivable with a tax basis in excess of book basis (Note E)	—	(75,000)	(191,000)	—	(277,000)
Benefit of utilization of investment tax credits for financial reporting purposes	(417,000)	(52,000)	(20,000)	(41,000)	(28,000)
Benefit from utilization of excess statutory depletion for financial reporting purposes ..	(737,000)	(149,000)	(228,000)	(188,000)	(291,000)
Effect of Canadian operations including add back of royalties, rentals and similar payments deducted for financial reporting purposes which are not deductible for Canadian income tax reporting purposes, net of Canadian resource abatement, depletion and Alberta royalty tax credits	(172,000)	(354,000)	(194,000)	(252,300)	(158,500)
United States tax preference items	24,000	(7,000)	18,000	—	—
Other	<u>(23,000)</u>	<u>(28,000)</u>	<u>(43,000)</u>	<u>31,000</u>	<u>4,000</u>
	<u>\$ (150,000)</u>	<u>\$ (4,000)</u>	<u>\$408,000</u>	<u>\$211,700</u>	<u>\$(214,500)</u>
Effective Rate	<u>(6%)</u>	<u>Nil</u>	<u>22%</u>	<u>15%</u>	<u>(19%)</u>

The provision for deferred income taxes results from timing differences in the recognition of certain revenue and expense items for tax and financial reporting purposes. The nature of these differences and the tax effect of each were as follows:

	For the Years Ended December 31				
	1979	1978	1977	1976	1975
U.S. oil and gas exploration and development costs which are capitalized for financial reporting purposes but are deducted for income tax purposes	\$ 663,000	\$245,000	\$103,000	\$160,000	\$ —
Reinstatement of deferred income taxes related to the effects of investment tax credits and excess statutory depletion recognized in previous periods	—	—	174,000	—	—
Benefit from the utilization of excess statutory depletion over depreciation, depletion and amortization for financial reporting purposes	(315,000)	(149,000)	(228,000)	(188,000)	(291,000)
Benefit from the utilization of investment tax credits for financial reporting purposes ...	(417,000)	(52,000)	(20,000)	(41,000)	(28,000)
Canadian oil and gas exploration and development expenditures utilized to reduce Canadian income taxes	356,000	299,000	676,000	573,200	310,950
Utilization of net operating loss carryforward to reduce deferred income taxes recorded in prior periods	—	—	—	—	(159,000)
Other	(112,000)	(44,000)	(29,000)	(15,000)	—
Total Deferred Income Taxes	<u>\$ 175,000</u>	<u>\$299,000</u>	<u>\$676,000</u>	<u>\$489,200</u>	<u>\$(167,050)</u>

E. Gain on Sale of Note Receivable

In connection with the acquisition of PetroDynamics, Inc. in 1973, the Company acquired a promissory note payable out of production from foreign oil and gas properties. In February of 1975 the Company sold the note for \$1,165,000 and such sale resulted in a book profit of \$294,450 and a tax loss of \$1,760,000.

F. Summary of Quarterly Earnings (Unaudited)

	1979			
	4th Qtr	2nd Qtr	3rd Qtr	1st Qtr
Revenue	\$9,203,111	\$8,384,237	\$9,110,748	\$6,889,057
Operating Expenses	6,168,834	6,135,516	6,165,281	4,951,216
General and administrative	683,803	485,048	534,143	497,133
Depreciation and depletion	291,996	819,878	835,607	858,500
Interest	759,331	644,742	639,674	561,130
Total Expenses	<u>7,903,964</u>	<u>8,085,184</u>	<u>8,174,705</u>	<u>6,867,979</u>
	1,299,147	299,053	936,043	21,078
Provision for income tax	(107,000)	(34,000)	32,000	(41,000)
Net Income	<u>\$1,406,147</u>	<u>\$ 333,053</u>	<u>\$ 904,043</u>	<u>\$ 62,078</u>
Net Income Per Share	<u>\$.25</u>	<u>\$.06</u>	<u>\$.16</u>	<u>\$.01</u>

Depreciation and depletion was significantly reduced in the fourth quarter as a result of oil and gas price increases which increased the future gross revenues used in the depreciation and depletion calculation.

The provision for income taxes reduction resulted from a revision in the annual estimate primarily from increased heavy oil equipment purchases which increased the investment tax credits available.

	1978			
	4th Qtr*	3rd Qtr	2nd Qtr	1st Qtr
Revenue	\$5,539,529	\$2,004,279	\$2,026,031	\$2,153,420
Operating Expenses	3,666,717	816,005	760,442	719,759
General and administrative	384,760	344,241	441,288	419,034
Depreciation and depletion	550,241	399,705	452,298	515,236
Interest	440,774	182,100	137,974	114,727
Total Expenses	5,042,492	1,742,051	1,792,002	1,768,756
	<u>497,037</u>	<u>262,228</u>	<u>234,029</u>	<u>384,664</u>
Provision for income tax	5,000	(8,000)	(51,000)	50,000
Net Income	<u>\$ 492,037</u>	<u>\$ 270,228</u>	<u>\$ 285,029</u>	<u>\$ 334,664</u>
Net Income Per Share	<u>\$.08</u>	<u>\$.05</u>	<u>\$.06</u>	<u>\$.07</u>

*The fourth quarter includes the operations of Central States Gas Company from date of acquisition, November 1, 1978.

The Summary of Quarterly Earnings has been restated to conform to revised accounting rules for oil and gas producing activities. See also Note 2 of Notes to Consolidated Financial Statements. The effect of the changes is as follows:

	1979	
	2nd Qtr	1st Qtr
Net Income as Previously Reported	\$371,153	\$207,350
Adjustment	(38,100)	(145,272)
Net Income — restated	<u>\$333,053</u>	<u>\$ 62,078</u>
Net Income Per Share		
Previously Reported	\$.06	\$.04
Adjustment	—	(.03)
Restated	<u>\$.06</u>	<u>\$.01</u>

	1978			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Net Income as Previously Reported	\$646,694	\$275,480	\$310,497	\$334,664
Adjustment	(154,657)	(5,252)	(25,468)	—
Net Income — restated	<u>\$492,037</u>	<u>\$270,228</u>	<u>\$285,029</u>	<u>\$334,664</u>
Net Income Per Share				
Previously Reported	\$.12	\$.05	\$.06	\$.07
Adjustment	(.04)	—	—	—
Restated	<u>\$.08</u>	<u>\$.05</u>	<u>\$.06</u>	<u>\$.07</u>

G. Earnings Per Share

Earnings per share computations are based on the weighted average number of shares outstanding. Computations giving effect to potential dilutive factors result in no dilutive effect on earnings per share.

Earnings per share for 1979 would have been \$.50 if the 8% convertible debendures, due 1983 (but converted on January 28, 1980) had been converted on January 1, 1979. See also Note 4 of Notes to Consolidated Financial Statements.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

Comparison of Fiscal 1979 with Fiscal 1978

Sales and operating revenue in 1979 increased \$21.8 million or 187% over 1978 principally due to gas gathering and sales operations of Central States Gas Company which were included in the Company's accounts for the full fiscal year in 1979 but only two months in 1978; from date of acquisition November 1, 1978 to December 31, 1978. These operations accounted for an increase of \$19.6 million or a 167% increase over the prior year. Increased oil and gas sales accounted for the remaining 20% increase. Oil sales quantities increased 16% over the prior year because of increased production of low gravity crude in Canada which together with generally higher selling prices account for a 21% increase in revenue. Additional information regarding changes in average selling prices is provided in Item 3 under the caption, "Revenue and Cost Data". The quantity of company owned gas sold decreased 16% resulting in a 7% reduction of revenues. Gas production in Canada did not change significantly but domestic production was reduced because of decline in productivity of gas wells.

Operating costs and expenses increased \$20.7 million, or 200%, over 1978 principally because of the acquisition of Central States Gas Company and its gas purchase activities. Costs attributable to Central States operations are \$16.4 million, or 159% of the total increase. The remaining 41% increase is due to changes in the Company's regular oil and gas operations, including the impact of inflation, increased general and administrative cost, depreciation and interest costs.

Increase in costs are categorized as follows:

Gas purchases	152%
Production costs	15%
General and administration	5%
Depreciation and amortization	8%
Interest	17%
Miscellaneous	3%
Total Cost Increase	<u>200%</u>

The increase in production costs and general and administrative expense reflects generally higher prices for goods and services purchased. Depreciation and amortization expense increases are the result of increased production and sales of oil and gas and additions to fixed assets, additional exploration and drilling, and the acquisition of assets of Central States Gas Company. Interest costs increased significantly because of debt assumed on the acquisition of Central States and higher bank interest rates. Interest on debt associated with Central States was \$1.7

million which accounts for a 16% increase in total operating costs. The provision for income taxes has been reduced over the prior year through the application of investment tax credits against foreign and domestic income and, more significantly, through the utilization of statutory depletion in excess of cost against domestic income.

Comparison of Fiscal 1978 with Fiscal 1977

Sales and operating revenues in 1978 increased \$3.4 million or 40% over 1977 principally due to gas gathering and sales operations of Central States Gas Company acquired on November 1, 1978. Revenues from oil and gas production remained steady as generally higher product prices offset minor decreases in quantities produced and sold. Miscellaneous revenues increased over 1977 because of increased income on short-term investments and receipt of income from a net profits interest in uranium mining.

Operating costs and expenses increased 59% over the prior year with the Central States gas gathering operation accounting for substantially all of the increase. Increased general and administrative costs reflect the addition of an exploration office in Canada as well as generally higher costs of salaries, payroll benefits, and other administrative services. The increase in depreciation and amortization expense is attributable to additional exploration and development costs added to the full cost pool in 1978 while increased interest expense is attributable to higher interest rates and additional bank borrowing as well as the debentures issued in the acquisition of Central States Gas Company.

The Company's provision for income taxes has been significantly reduced over the prior year because of the effects of reduced provisions for deferred income taxes in Canadian subsidiaries. The portion of total pre-tax earnings attributable to Canadian operations has decreased, reducing tax provisions while earnings attributable to U.S. operations has increased over 1977 thereby decreasing the overall effective income tax rate. Income tax provisions are further reduced and tax rates affected by royalty rebates which are dependent on production royalties paid to the Province of Alberta.

Item 3. Description of Properties

(a) The Registrant's numerous properties are located in the provinces of Saskatchewan, Alberta, and British Columbia in Canada and in the states of Alaska, Colorado, Kansas, Kentucky, Louisiana, Montana, Nebraska, New Mexico, Oklahoma and Texas in the United States.

The Company also has an interest in mining properties in the United Kingdom. Oil and gas production facilities are generally dispersed over many locations except for the Fort Kent heavy oil project in Alberta where producing wells and facilities are concentrated in a relatively small area. Substantially all of the Company's producing oil and gas properties with the exception of heavy oil properties and facilities are pledged as security for bank loans.

The major portion of the Company's gas gathering and transmission facilities are located in South Central Kansas. Approximately one-half of the value of assets employed in this segment of the Company's operations are allocated to gas contracts acquired in the Central States acquisition. Gathering and transmission facilities and contracts for the purchase of gas are pledged to a bank as collateral for a bank loan.

The Company owns approximately 50% working interest in certain fee mineral interests, unpatented lode mining claims and leases on fee lands covering approximately 20,000 acres potentially valuable for uranium mining located in McKinley and Valencia Counties, New Mexico. Pursuant to agreements, all of the required assessment work, rentals, or advance royalty obligations were met by the Registrant's joint-venture partners.

A 360 gross acre tract in McKinley County, New Mexico which includes the old "Poison Canyon Mine" is presently operated by Reserve Oil and Minerals Corporation under a net profits interest arrangement. A small, relatively low grade uranium deposit has been delineated and is being worked now. To date, the Company has received \$75,000 as its share of net profits. 1979 operations did not produce any net profits and it appears that mining

operations may be suspended soon as the ore being mined is not of sufficiently high grade.

The Company owned an undivided 70% interest in a tungsten mine and a 3,500 acre mining lease located in Cumberland, England. During 1977 a European group exercised its option to enter into a joint venture for the operation of the property and earn a working interest therein. The Registrant retains a 37.86% working interest in the property. Operating losses from mining operations have not been significant and are included in the current statement of earnings. The Registrant's investment in this subsidiary was previously written down to estimated realizable value of equipment.

(b) (1) *Oil and Gas Reserves*

Information concerning the Registrant's oil and gas reserves and the present value of estimated future net revenues attributable thereto is provided in Note 3 of Notes to Consolidated Financial Statements appearing elsewhere in this Form 10-K.

(b) (2) *Reserve Estimates*

Except for Form EIA-23, "Annual Survey of Domestic Oil and Gas Reserves" filed with the Department of Energy for 1977 and 1978, there were no reserve estimates filed with any other United States federal authority or agencies. Reserves reported in this Form 10-K are based on the net revenue interest owned by the Registrant and are therefore not comparable to those reported on Form EIA-23 which are based on gross working interests, including royalty interests.

(b) (3) (i) *Production*

Net oil and gas production from Company owned wells for each of the last five years is tabulated below:

	Oil (Bbls.)				Gas (Mcf)		
	Canada	Heavy Oil	U.S.A.		Canada	U.S.A.	
	Conventional		Working Interest	Royalty Interest		Working Interest	Royalty Interest
1979	59,200	137,200*	232,400	31,200	1,944,000	1,468,000	47,000
1978	63,400	46,400*	258,400	30,900	1,941,000	1,886,000	47,000
1977	72,600	77,700	264,000	36,800	2,103,400	1,942,800	48,300
1976	87,100	12,400	269,400	37,600	2,454,100	2,116,200	41,600
1975	86,500	1,500	263,400	42,400	2,059,800	2,045,900	47,100

*Reflects reduction of Registrant's working interest in producing heavy oil properties. See comments under caption, "General Development of Business".

In addition to net production from Company owned oil and gas wells, the following amounts of gas committed to Company pipelines were purchased from others for resale:

	<u>Mcf</u>
1979*	10,874,600
1978*	2,194,800
1977	841,700
1976	1,007,100
1975	1,116,500

*Includes Central States Gas Company operations from date of acquisition, November 1, 1978.

(b) (3) (ii) *Revenue and Cost Data*

The average selling prices of oil and gas received by the Company in the United States and Canada during each of the years 1976 to 1979 are as follows (Canadian funds have been converted to U.S. currency):

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Gas — per mcf				
United States	<u>\$.60</u>	<u>\$.61</u>	<u>\$.46</u>	<u>\$.40</u>
Canada	<u>\$ 1.18</u>	<u>\$ 1.15</u>	<u>\$ 1.08</u>	<u>\$.77</u>
Oil — per bbl.				
United States	<u>\$21.67</u>	<u>\$13.56</u>	<u>\$12.80</u>	<u>\$11.31</u>
Canada				
— heavy oil	<u>\$ 8.68</u>	<u>\$ 8.13</u>	<u>\$ 7.13</u>	<u>\$ 5.85</u>
— conventional	<u>\$10.90</u>	<u>\$10.37</u>	<u>\$ 9.27</u>	<u>\$ 8.03</u>

The average production (lifting) cost per unit of production for the years noted is tabulated below. Units of gas produced have been converted to equivalent barrels of oil using the gross revenue method.

	<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>
Production Cost — per Bbl.				
United States	<u>\$8.01</u>	<u>\$5.76</u>	<u>\$5.66</u>	<u>\$ 5.81</u>
Canada				
— heavy oil*	<u>\$3.83</u>	<u>\$5.98</u>	<u>\$6.21</u>	<u>\$20.41</u>
— conventional	<u>\$2.07</u>	<u>\$1.55</u>	<u>\$1.33</u>	<u>\$ 1.15</u>

*Production of heavy oil was conducted on an experimental basis from one well during 1976 and prior years; average unit cost of production is therefore not a meaningful number.

(b) (4) *Producing Wells and Acreage*

At December 31, 1979 the Company owned working interests in oil and gas wells as follows:

	<u>Canada</u>		<u>U.S.</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Oil Wells	84	33	172*	109
Gas Wells	21	19	81**	50
Service Wells	34	7	41	40
Shut In	<u>37</u>	<u>27</u>	<u>121</u>	<u>111</u>
Total	<u>176</u>	<u>86</u>	<u>415</u>	<u>310</u>

*Includes 3 wells with multiple oil and gas completions.

**Includes 3 wells with multiple gas completions.

Working interest production for 1979 was derived from approximately 89,800 gross (57,900 net) producing acres of which 14,200 gross (13,200 net) acres are in Canada.

(b) (5) *Undeveloped Properties*

The Company owns oil and/or gas rights in leases comprising 131,506 gross acres (84,493 net acres) located in Western Canada and in the United States. The leases expire at various dates from 1980 to 1995 and require the payment of an annual rental in lieu of drilling. Leases may be surrendered at any time by notice or non-payment of lease rental.

The following table sets forth the Company's ownership in *undeveloped* leaseholds as of December 31, 1979:

<u>Province or State</u>	<u>Gross Acres</u>	<u>Net Acres</u>
Alberta	47,917	32,253
British Columbia	5,226	697
TOTAL — CANADA	53,143	32,950
Colorado	487	287
Kentucky	9,840	6,351
Louisiana	11,393	4,757
Montana	32,618	20,944
Nebraska	800	349
North Dakota	1,036	526
Texas	21,589	17,729
Utah	600	600
TOTAL U.S.	<u>78,363</u>	<u>51,543</u>
TOTAL U.S. AND CANADA	<u>131,506</u>	<u>84,493</u>

(b) (6) *Drilling Activity*

During 1979 the Company participated in the completion of 59 wells as summarized below:

	<u>U.S.A.</u>				<u>Canada</u>				<u>Total</u>	
	<u>Exploration</u>		<u>Development</u>		<u>Exploration</u>		<u>Development</u>		<u>Gross</u>	<u>Net</u>
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>		
Oil	3	.7	4	.4	—	—	25	14.2	32	15.4
Gas	3	.8	6	1.8	4	3.2	8	8.0	21	13.8
Dry	5	2.5	—	—	1	.3	—	—	6	2.8
Service	—	—	—	—	—	—	—	—	—	—
Total	<u>11</u>	<u>4.0</u>	<u>10</u>	<u>2.2</u>	<u>5</u>	<u>3.5</u>	<u>33</u>	<u>22.2</u>	<u>59</u>	<u>32.0</u>

In 1979 the Company recompleted or reworked a total of 16 (14 net) wells in the U.S., all of which are classified as successful. Nine net recompletions were of gas wells enabling the gas to qualify for higher area rate gas prices.

Similar information for 1978 is as follows:

	<u>U.S.A.</u>				<u>Canada</u>				<u>Total</u>	
	<u>Exploration</u>		<u>Development</u>		<u>Exploration</u>		<u>Development</u>		<u>Gross</u>	<u>Net</u>
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>		
Oil	—	—	—	—	1	.50	16	7.61	17	8.11
Gas	—	—	2	.03	—	—	1	1.00	3	1.03
Dry	2	.63	1	.25	3	2.50	5	3.11	11	6.49
Service	—	—	—	—	—	—	1	.50	1	.50
Total	<u>2</u>	<u>.63</u>	<u>3</u>	<u>.28</u>	<u>4</u>	<u>3.00</u>	<u>23</u>	<u>12.22</u>	<u>32</u>	<u>16.13</u>

In 1978 Worldwide Energy Corporation recompleted or reworked a total of 23 (20.1 net) wells, 21 (18.6 net) in the U.S. and 2 (1.5 net) in Alberta, Canada. Seventeen (16.6 net) of these reworks are classified as successful.

(b) (7) *Present Activities*

At December 31, 1979 drilling was in progress on one well in Texas which was later completed as an exploratory oil well. (For additional comments, see "General Development of Business".) There were an additional 6 (1.8 net) gas wells in Montana and Texas awaiting completion and pipeline hookup.

In Canada there were 7 net gas wells awaiting completion and hookup to pipeline.

(b) (8) *Contractual Commitments*

Cold Lake

In the Cold Lake area of northeastern Alberta, Canada, the Company has been supplying gas to the Canadian Department of National Defence since 1955 and to Beaver River Utilities (now Northwestern Utilities Limited) since 1965, during which time the Company has met or exceeded the delivery requirements of both. The Northwestern Utilities contract expires at the end of 1985, and the Defence Department contract expires October 31, 1980 and may be renewed at the option of the Department for an additional five years. The Company has renewed its contract with ESSO Resource Canada Limited (formerly Imperial Oil Company) for an additional one year which expires November 30, 1980. See "General Development of Business" above. The renewed contract provides for increased deliveries of up to 8,000 mcf of gas per day on an interruptible basis. The following table shows gross Company sales of gas (Mcf) under these contracts and others for the last five years.

<u>Year</u>	<u>Northwestern Utilities</u>	<u>Department of National Defence</u>	<u>ESSO</u>	<u>Other</u>	<u>Total</u>
1979	449,129	629,364	1,174,794	722,500	2,975,787
1978	400,331	625,968	1,265,689	362,926	2,654,914
1977	367,278	598,161	1,686,050	255,031	2,906,520
1976	332,930	519,064	2,398,464	118,872	3,369,330
1975	337,722	498,578	1,849,280	15,448	2,701,028

Historically the Company has made necessary capital expenditures to increase deliverability to meet its contractual commitments. These expenditures for the last five years were:

<u>1979</u>	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>
\$504,368	\$587,852	\$95,480	\$310,566	\$158,799

(Expressed in Canadian funds)

Principal sources of gas reserves available to meet the Company's contractual commitments for the same years were as follows:

<u>Year End</u>	<u>Gross Proven Reserves — Mcf</u>		
	<u>Company Owned</u>	<u>Owned by Others</u>	<u>Total Committed</u>
1979	35,000,000	7,772,000	42,772,000
1978	30,727,000	1,434,000	32,161,000
1977	31,057,000	—	31,057,000
1976	36,514,000	—	36,514,000
1975	40,532,000	—	40,532,000

Central States

A description of the Central States system in South Central Kansas is included above under the caption, "Description of Business — Gas Gathering and Transmission". Virtually all of the gas gathered by this system is sold to the Kansas Power and Light Company (KP&L) and Getty Oil Company, the latter under an exchange agreement among Registrant, KP&L and Getty. Since Registrant's acquisition of Central States on November 1, 1978, purchases and sales under these contracts have exceeded delivery requirements, currently 120,000 mcf per month. The following table shows gross Company sales of gas (mcf) for 1979 and for the last two months of 1978:

<u>Year</u>	<u>KP&L</u>	<u>Getty</u>	<u>Other</u>	<u>Total</u>
1979	8,779,165	937,093	43,754	9,760,012
1978*	1,312,226	146,561	407	1,459,194

*Two (2) months only.

Capital expenditures to connect additional reserves and increase deliverability of the Central States system for the fiscal year ending December 31, 1979 and for the two month period ending December 31, 1978 were \$1,229,761 and \$360,228, respectively. To date, all of gas sold by the Company through the Central States system is purchased from independent pro-

ducers in the area. Reserves attributable to these sources at year end 1978 and 1979 as calculated by Keplinger and Associates, Inc., Independent Petroleum Engineering Consultants, were as follows:

	<u>1978</u>	<u>1979</u>
Proved Producing	47,760,000	44,042,000
Proved Undeveloped	<u>21,255,000</u>	<u>19,290,000</u>
Total Proven Reserves Dedicated (mcf)	<u>69,015,000</u>	<u>63,332,000</u>

Item 4. Parent and Subsidiaries

The accounts of all wholly-owned subsidiaries as shown below are consolidated with those of the Registrant.

<u>Subsidiary*</u>	<u>Incorporation</u>
Worldwide Energy Company Ltd.	Alberta, Canada
Worldwide Energy (U.K.) Limited	United Kingdom
WECO Development (Canada) Ltd.	Alberta, Canada
WECO Kentucky Energy, Inc.	Kentucky
Semco Gas, Inc.	Texas

Cold Lake Transmission Limited, incorporated under the laws of Alberta, Canada, is a wholly-owned subsidiary of Worldwide Energy Company Ltd.

*Two subsidiaries have not been included in the consolidation as they are inactive and are not material to an understanding of the Company.

Item 5. Legal Proceedings

The Company is a party to an action filed March 29, 1977 by United Petroleum Exploration, Inc. seeking review by the Supreme Court of Oklahoma of an Order of the Corporation Commission of the State of Oklahoma. The Order of the Corporation Commission found that the Company made a timely election to par-

ticipate in the drilling of a well in Beaver County, Oklahoma in connection with the formation of a drilling unit pursuant to Oklahoma law relating to compulsory pooling. The Oklahoma Supreme Court assigned the case for decision to the Court of Appeals and on April 24, 1979 the Court of Appeals vacated the Order of the Corporation Commission and entered its decision to the effect that the Corporation Commission did not have jurisdiction to decide whether the Company made a timely election and that the question of the Company's right to share in the well must be decided by the Oklahoma District Court. The Company then filed a Petition for Rehearing with the Court of Appeals which, in rejecting the Petition, stated as an additional ground for vacating the Commission's Order that the Company had not made a timely decision to participate in the pooled unit, which appears may be a determination on the merits. The Company has petitioned for a writ of certiorari to have the Oklahoma Supreme Court review this decision. If the decision of the Court of Appeals is sustained, the Company will be denied the right to participate in proceeds from the well. Revenue from this well reflected in the Company's accounts and statements of income for the periods prior to 1979 are approximately \$300,000, excluding the Company's share of the drilling costs. Revenue of approximately \$175,000 in 1979 has not been taken into account for financial reporting purposes. Proceeds attributable to the Company's net interest in this well are held in escrow pending the outcome of the litigation.

There are no other material pending legal proceedings.

Item 6. Increases and Decreases in Outstanding Securities

	<u>Amount</u>
(a) (1) Common Stock — \$.20 par value	
Shares Outstanding — December 31, 1978	5,585,564
Issued upon conversion of 6½% Convertible Subordinated Debentures	21,674
Issued upon conversion of 8% Subordinated Convertible Debentures	15,424
Issued upon exercise of Common Stock Purchase Warrant	150,000
Issued as contribution to Registrant's Employee Stock Ownership Plan	<u>15,671</u>
Shares Outstanding — December 31, 1979	<u>5,788,333</u>
(2) 6½% Convertible Subordinated Debentures due May 15, 1980	
Balance Outstanding — December 31, 1978	\$ 500,000
Redeemed or retired during the year upon conversion to capital stock	<u>500,000</u>
Balance Outstanding — December 31, 1979	<u>Nil</u>

(3) 8% Subordinated Convertible Debentures due November 1, 1983	
Balance Outstanding — December 31, 1978	\$7,450,000
Retired during the year upon conversion to capital stock	107,968
Balance Outstanding — December 31, 1979	<u>\$7,342,032</u>
(4) Options to Employees to Purchase Common Stock under 1979 Non-Qualified Stock Option Plan	
Balance Outstanding — December 31, 1978	Nil
Granted August 18, 1979	100,000
Granted December 27, 1979	<u>72,000</u>
Balance Outstanding — December 31, 1979	<u>172,000</u>

Common Stock Purchase Warrant No. 1a to purchase 150,000 shares of Registrant's \$.20 Common Stock was exercised July 9, 1979 at the exercise price of \$3.45 per share. These shares were registered on Registration Statement File No. 2-64663 declared effective June 29, 1979. Common Stock Purchase Warrant No. 2 remains outstanding and provides for the purchase of an additional 150,000 shares at exercise prices ranging from \$3.95 to \$6.45 per share and expiring February 26, 1983.

Pursuant to resolutions of the Board of Directors 15,671 shares of Registrant's \$.20 par value Common Stock were issued as Registrant's contribution to its Employee Stock Ownership Plan for the 1978 Plan Year. The value of the stock contributed was based on the split between NASDAQ current market prices on June 11, 1979 of 8¼ bid and 8½ asked. The shares were issued pursuant to the exemption from registration available under Section 4(2) of the Securities Act of 1933 as not involving a public offering.

Information relating to the Registrant's 1979 Non-Qualified Stock Option Plan was previously reported on Form 10-Q for the quarter ended September 30, 1979 which information is incorporated herein by reference. Options to purchase an additional 72,000 shares of the Company's \$.20 par value Common Stock were granted December 27, 1979 to 16 employees, including four officers, at an exercise price of \$18.625 per share. As previously reported, the Plan will be submitted to stockholder for approval at the 1980 Annual Meeting and none of the outstanding options will be exercisable without such approval.

(b) Information relating to increases in outstanding indebtedness was previously reported on Form 10-Q for the quarter ended June 30, 1979 which information is incorporated herein by reference.

(c) During the fourth quarter ended December 31, 1979, the amount of debt securities or indebtedness outstanding has not increased or decreased in the aggregate more than 5%. However, the entire outstanding balance of Registrant's 8% Subordinated Convertible Debentures was called for redemption on January 31, 1980 as reported on Form 8-K dated December 3, 1979, and all of the debentureholders exercised their conversion privilege prior to the

redemption date. See Note 4 of the Notes to Consolidated Financial Statements.

Item 7. Changes in Securities and Changes in Security for Registered Securities

On December 28, 1979 the Company entered into a \$10 million Loan Agreement with United Bank of Denver. Under this new Loan Agreement, the Company has agreed not to permit its working capital to be less than \$1.00 and not to permit its consolidated liabilities exceed 250% of stockholders' equity. These working capital restrictions are substantially identical to those contained in the Company's existing \$10 million line of credit with Continental Illinois National Bank & Trust Company of Chicago as reported on Form 10-Q for the quarter ended June 30, 1979. As of December 31, 1979, approximately \$3,800,000 was borrowed under this new Loan Agreement principally to pay off in full the loan from AMEX Bank Limited. See Note 4 of the Notes to Consolidated Financial Statements.

Item 8. Defaults Upon Senior Securities

None

Item 9. Approximate Number of Equity Security Holders

The approximate number of holders of record of each class of equity securities of the Registrant as of December 31, 1979 was as follows:

Title of Class	Number of Record Holders
1. Common Stock — \$.20 par value	8,430*
2. 8% Convertible Debentures due November 1, 1983	17
3. Common Stock Purchase Warrant dated February 26, 1976 and expiring February 26, 1983, exercisable at prices from \$3.95 to \$6.45 per share	1

*Does not include an estimated 5,000 holders in street name.

Item 10. Submission of Matters to a Vote of Security Holders

Not Applicable

(whether civil, criminal, administrative or investigative) by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Company or serves or served any other enterprise at the request of the Company.

Item 11 (a). Indemnification of Directors and Officers

The By-Laws of the Registrant contain a provision requiring the Company to indemnify to the full extent permitted by law any person made, or threatened to be made, a party to any action, suit, or proceeding

The Registrant also carries Directors and Officers Liability and Corporate Reimbursement insurance in the amount of \$1,000,000 to insure against loss incurred resulting from claims asserted against officers and directors.

Item 11 (b). Executive Officers of the Registrant

The names and ages of all executive officers of the Registrant and positions held by each are as follows:

**Office and Principal Occupation
for Last Five Years**

	<u>Name</u>	<u>Age</u>
President and Director	Robert B. Tenison	56
Vice President — Operations Since June 1977; 1971 to June 1977 — superintendent of drilling and production	Ronald J. Cargo	36
Vice President — Exploration Since June 1977; January 1977 to June 1977 — exploration manager; May 1974 to January 1977 — staff geologist	Blaine S. Day	37
Treasurer and Comptroller	Walter V. Pelepchan	49
Secretary and General Counsel Since June 1978; October 1971 to June 1978 — associate with the law firm of Davis, Graham & Stubbs, Denver, Colorado engaged in private practice of law — member of Colorado and California bars.	John F. Meck	34

Lysle A. Gust, a Vice President of the Registrant since October, 1974, resigned on January 3, 1980 to assume another position in the oil and gas industry.

The Officers are elected annually by the Board of Directors at the first meeting after the Annual Meeting of Shareholders. There is no family relationship between any of the officers, director or person nominated to become an officer or director.

Item 12. Financial Statements, Exhibits Filed, and Reports on Form 8-K

(a) (1) *Consolidated Financial Statements*

	<u>Page(s)</u>
Report of Independent Certified Public Accountants.....	32
Consolidated Balance Sheets as of December 31, 1979 and 1978	33
Consolidated Statements of Income and Retained Earnings for Each Year in the Five Year Period Ended December 31, 1979	18
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Consolidated Statements of Changes in Financial Position for Each Year in the Five Year Period Ended December 31, 1979	34, 35
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Schedules for the Years Ended December 31, 1979 and 1978	
Schedule V — Property, Plant and Equipment.....	48
Schedule VI — Accumulated Depreciation and Depletion of Property, Plant and Equipment.....	49

Individual financial statements of the Registrant are omitted as consolidated financial statements are being filed and the Registrant is primarily an operating company and all subsidiaries included in the Consolidated Financial Statements filed in the aggregate, do not have minority equity interests or indebtedness excluding indebtedness guaranteed by the Registrant to any person other than the Registrant or its consolidated subsidiaries in amounts which together exceed five percent of the total consolidated assets at the date of the latest balance sheet filed.

Schedules Omitted:

Schedules IX, XIII, XIV, and XVI are omitted because the required information is set forth in the Financial Statements, or notes thereto.

Schedules I, II, III, IV, VII, VIII, X, XI, XII, XV, XVII, XVIII, and XIX, are omitted because the information called for is not present or is not required.

(a) (2) *Exhibits*

- (i) Worldwide Energy Corporation 1979 Non-Qualified Stock Option Plan.
- (ii) Agreement with Sun Oil Company Limited (now Suncor, Inc.) dated as of June 22, 1978.
- (iii) Consent of Keplinger and Associates, Inc. dated March 21, 1980.
- (iv) Gas Purchase and Sales Agreement dated September 19, 1975 between the Kansas Power & Light Company and Registrant's predecessor, Central States Gathering Company, together with amendment letters dated December 1, 1977 and July 5, 1978.
- (v) Incorporated herein by references:
Stock Purchase Agreement dated as of July 14, 1978, as amended August 15, 1978 whereby Registrant acquired Central States Gas Company filed as an Exhibit to Current Report on Form 8-K on November 15, 1978.

(b) *Current Reports on Form 8-K Filed During the Quarter Ended December 31, 1979*

- (i) Report filed December 4, 1979 relating to a Notice of Redemption to call for redemption all of Registrant's 8% Subordinated Convertible Debentures due November 1, 1983, which Debentures were issued in connection with Registrant's acquisition of Central States Gas Company on November 1, 1978.

PART II

Part II is omitted pursuant to General Instruction H, as such information will be included in the Proxy Statement.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders,
Worldwide Energy Corporation:

We have examined the consolidated financial statements and supporting schedules as listed under Item 12(a)(1) in this Form 10-K of Worldwide Energy Corporation and its subsidiaries. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Worldwide Energy Corporation and subsidiaries as of December 31, 1979 and 1978, and the consolidated results of their operations and changes in their financial position for each year in the five-year period ended December 31,

1979, and the accompanying supporting schedules present fairly the information required to be included therein, all in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the method of accounting for oil and gas producing activities as defined under rules issued by the Securities and Exchange Commission, as discussed in Note 2 of Notes to the Consolidated Financial Statements.

COOPERS & LYBRAND

Denver, Colorado
March 25, 1980

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS — AS OF DECEMBER 31, 1979 AND 1978

ASSETS

	1979	1978
CURRENT ASSETS		
Cash	\$ 1,589,481	\$ 3,103,109
Accounts receivable	6,268,187	5,679,533
Alberta royalty tax credits receivable	351,050	416,471
Inventory of supplies — at average cost	800,970	846,925
Prepaid items	286,092	179,186
	<u>9,295,780</u>	<u>10,225,224</u>
 PROPERTY, PLANT AND EQUIPMENT, AT COST		
(Notes 2 and 4 and Schedules V and VI)		
Oil and gas properties — under full cost method	30,134,744	22,708,805
Gas transmission facilities	11,507,769	10,855,383
Gas purchase contracts	8,176,651	7,751,632
Mineral properties	298,437	298,437
Other equipment and property	2,451,411	1,144,425
	52,569,012	42,758,682
Less — Accumulated depreciation and depletion	11,019,910	8,217,493
	<u>41,549,102</u>	<u>34,541,189</u>
DEFERRED CHARGES AND OTHER ASSETS (Note 5)	<u>361,524</u>	<u>419,682</u>
	<u>\$51,206,406</u>	<u>\$45,186,095</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1979	1978
CURRENT LIABILITIES		
Long-term debt due within one year (Note 4)	\$ 593,900	\$ 418,300
Accounts payable and accrued expenses	6,508,694	6,088,461
	7,102,594	6,506,761
LONG-TERM DEBT (Note 4)	21,706,926	20,145,740
DEFERRED INCOME	570,698	547,457
DEFERRED INCOME TAXES (Notes 2 and 6)	2,055,210	1,888,319
Total Liabilities	31,435,428	29,088,277
 SHAREHOLDERS' EQUITY (Notes 2 and 7)		
Common stock, authorized 10,000,000 shares, par value \$.20, issued 5,788,833 shares in 1979 and 5,586,064 in 1978	1,157,767	1,117,213
Capital in excess of par value	10,447,138	9,519,853
	11,604,905	10,637,066
Treasury stock 500 shares, at cost	(2,825)	(2,825)
	11,602,080	10,634,241
Retained Earnings	8,168,898	5,463,577
Total Shareholders' Equity	19,770,978	16,097,818
	<u>\$51,206,406</u>	<u>\$45,186,095</u>

The accompanying notes are a part of the consolidated financial statements.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years Ended December 31				
	1979	1978	1977	1976	1975
SOURCE OF FUNDS					
From Operations					
Income from continuing operations					
exclusive of extraordinary credit.	\$ 2,705,321	\$ 1,381,958	\$1,449,806	\$1,166,438	\$1,331,323
Items not requiring outlay of working capital					
Depreciation and depletion	2,805,981	1,917,480	1,545,476	1,305,297	1,116,987
Deferred income taxes and effects					
resulting from filing consolidated					
returns	175,000	299,000	676,000	489,200	(167,050)
Other items	97,541	—	96,958	44,967	57,475
	<u>5,783,843</u>	<u>3,598,438</u>	<u>3,768,240</u>	<u>3,005,902</u>	<u>2,338,735</u>
Credit equivalent to utilization of					
operating loss carryforward	—	—	—	—	159,000
Working capital provided by					
continuing operations	<u>5,783,843</u>	<u>3,598,438</u>	<u>3,768,240</u>	<u>3,005,902</u>	<u>2,497,735</u>
From Discontinued Operations					
Income from discontinued operations	—	—	—	—	372,767
Change in net assets of discontinued					
operations spun-off as a dividend on					
December 31, 1975	—	—	—	—	4,322,420
Issue of capital stock	967,839	3,461,700	299,300	—	992
Obligations relating to company acquired					
— debentures	—	7,150,000	—	—	—
— bank loan and other	—	5,484,539	—	—	—
Bank loans	16,463,750	3,812,794	449,996	2,550,000	1,075,000
Decrease (increase) in deferred					
charges and other items	46,485	(129,132)	(53,977)	(61,073)	105,386
	<u>\$23,261,917</u>	<u>\$23,378,339</u>	<u>\$4,463,559</u>	<u>\$5,494,829</u>	<u>\$8,374,300</u>
USE OF FUNDS					
Retirement of long-term debt, net of change					
in current maturities	\$14,976,864	\$ 411,978	\$ 878,872	\$1,224,971	\$ 965,628
Additions to properties, net	9,810,330	5,363,689	3,020,993	3,073,460	1,986,595
Properties of Company acquired	—	15,815,062	—	—	—
Net assets spun-off by dividend of					
common stock of former subsidiary	—	—	—	—	4,194,502
	<u>\$24,787,194</u>	<u>\$21,590,729</u>	<u>\$3,899,865</u>	<u>\$4,298,431</u>	<u>\$7,146,725</u>
INCREASE (DECREASE) IN					
WORKING CAPITAL	(1,525,277)	1,787,610	563,694	1,196,398	1,227,575
WORKING CAPITAL — BEGINNING OF YEAR	<u>3,718,463</u>	<u>1,930,853</u>	<u>1,367,159</u>	<u>170,761</u>	<u>(1,056,814)</u>
WORKING CAPITAL — END OF YEAR	<u>\$ 2,193,186</u>	<u>\$ 3,718,463</u>	<u>\$1,930,853</u>	<u>\$1,367,159</u>	<u>\$ 170,761</u>

The accompanying notes are a part of the consolidated financial statements.

(continued)

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (continued)

	Years Ended December 31				
	1979	1978	1977	1976	1975
CHANGES IN COMPONENTS OF WORKING CAPITAL					
Increase (Decrease) in Current Assets					
Cash	\$(1,513,628)	\$ 1,894,952	\$ 588,523	\$ 170,058	\$ (284,911)
Accounts receivable	523,233	4,030,834	259,365	453,823	685,928
Inventory of supplies and prepaid items	60,951	431,120	59,599	68,550	286,581
Notes receivable	—	—	—	—	(912,584)
	(929,444)	6,356,906	907,487	692,431	(224,986)
LESS INCREASE (DECREASE) IN CURRENT LIABILITIES					
Accounts payable and accrued expenses	170,233	4,712,156	181,221	(445,555)	33,229
Long-term debt due within one year	425,600	(142,860)	162,572	(58,412)	(1,226,342)
Payable to Citrus County Land Bureau, Inc.	—	—	—	—	(259,448)
INCREASE (DECREASE) IN WORKING CAPITAL	<u><u>\$(1,525,277)</u></u>	<u><u>\$ 1,787,610</u></u>	<u><u>\$ 563,694</u></u>	<u><u>\$1,196,398</u></u>	<u><u>\$1,227,575</u></u>

The accompanying notes are a part of the consolidated financial statements.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries operating in the United States, Canada, and the United Kingdom, all of which subsidiaries are wholly-owned. Significant inter-company balances and transactions are eliminated.

Currency Conversion

Foreign subsidiary balance sheets are converted to United States dollars at the rate of exchange in effect at the end of the year, except for property, plant and equipment, deferred income taxes and stockholders' equity accounts which are converted at the historical rate of exchange. Revenue and expense accounts are converted monthly based upon the average rates of exchange in effect during the month, except for depreciation, depletion and amortization, which are translated at the rates of exchange prevailing when the assets were acquired. Gains or losses from foreign exchange are included in net income currently.

Oil and Gas Properties and Gas Transmission Facilities

The Company follows the "full cost" method of accounting under which all costs of acquiring, exploring for and developing oil and gas reserves are capitalized. Such costs include lease acquisition, geological and geophysical expenses, carrying charges of non-producing properties, exploration and development and overhead expenses related to the acquisition of properties and oil and gas reserves. Separate cost pools are maintained for the United States and Canada and are amortized using the composite unit of production method of depreciation and depletion over the aggregate proven oil and gas reserves of the Company in each country as estimated by the Company's engineers. Costs capitalized are not in excess of their estimated net realizable value.

Gas transmission facilities are depreciated on a straight line basis over their estimated useful lives or over the lives of reserves estimated to be available for transportation through the facilities if such reserve lives are less than the estimated useful lives of the assets. Gas contracts acquired with Central States Gas Company are amortized using the unit of production method over the life of the gas reserves dedicated to the system.

Gains or losses resulting from disposition of oil and gas reserves in place are charged or credited to the cost pools. Gains or losses on the disposal of undeveloped properties are recognized at the time of sale.

Depreciation of Other Equipment

Depreciation is provided at straight-line rates ranging from 3% to 33%. Gains and losses from disposals are included in income. Maintenance and repairs are charged to expense. Major improvements and replacements are capitalized.

Income Taxes

The Company files United States income tax returns on a consolidated basis with its United States subsidiaries. Canadian subsidiaries are required to file separate income tax returns.

The Company provides, as required, for deferred income taxes resulting from timing differences in the recognition of income and expenses for financial and tax reporting purposes in the United States and Canada.

Investment tax credits are recognized as a reduction of income taxes in the year in which the credits are utilized.

2. ACCOUNTING CHANGES

In 1978, the Securities and Exchange Commission (SEC) concluded that (i) neither "successful efforts" nor "full cost" accounting was adequate for accounting for oil and gas producing activities and (ii) that interperiod tax allocation on all oil and gas producing activity timing differences was appropriate. The SEC determined that a new method termed "reserve recognition accounting" should be developed for such activities. This method would recognize proved oil and gas reserves as assets and additions to such reserves as income of the current period. The SEC expects that the development of such a method will take at least three years.

Pending the development of "reserve recognition accounting" oil and gas companies may now continue to use either "successful efforts" or "full cost" accounting. The SEC has published rules which govern the application of the two methods and other accounting matters relating to oil and gas producing activities. These rules became effective for fiscal years ended after December 25, 1978 and are applied retroactively.

The Company's operations are accounted for using the "full cost" method and are in compliance with the rules prescribed by the SEC, accordingly, no revisions were required. However, the SEC prescribed rules also require (i) the use of the cost recovery method for recognizing income on drilling arrangements income; and (ii) comprehensive interperiod tax allocation (deferred income taxes), not considering the interaction with future depletion allowance. The cumulative effect of such changes as of December 31, 1978 is a reduction of \$492,000 to prop-

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

erty costs, a \$247,000 provision for deferred income taxes, and a charge of \$739,000 against retained earnings. For additional detail on the effects on prior year's consolidated

statements of income see Note A to Consolidated Statements of Income and Retained Earnings.

3. OIL AND GAS PRODUCING ACTIVITIES

Capitalized Costs

Details of capitalized costs as of December 31, 1979 and 1978 relating to oil and gas producing activities are as follows:

	(000's Omitted)			
	1979		1978	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Canada				
Heavy Oil	\$ 4,980	\$ 694	\$ 3,208	\$ 459
Regular oil & gas	<u>13,009</u>	<u>3,464</u>	<u>9,175</u>	<u>2,716</u>
	17,989	4,158	12,383	3,175
United States	<u>15,216</u>	<u>5,488</u>	<u>12,607</u>	<u>4,468</u>
Total	<u>\$33,205</u>	<u>\$9,646</u>	<u>\$24,990</u>	<u>\$7,643</u>

Capitalized costs include lease acquisition, exploration and development activities including lease equipment and related facilities. Capital costs of unproven properties are not significant in relation to total capitalized costs.

Costs Incurred in Producing Activities

Details of costs incurred in the Company's oil and gas producing activities during 1979 and 1978 are as follows:

	(000's Omitted)	
	1979	1978
Property Acquisition Costs		
Canada		
Heavy oil	\$ —	\$ —
Regular oil & gas	<u>652</u>	<u>477</u>
Total Canada	652	477
United States	<u>383</u>	<u>204</u>
Total	<u>\$1,035</u>	<u>\$ 681</u>

Exploration Costs

Canada		
Heavy oil	\$ —	\$ —
Regular oil & gas	<u>537</u>	<u>547</u>
Total Canada	537	547
United States	<u>1,535</u>	<u>715</u>
Total	<u>\$2,072</u>	<u>\$1,262</u>

Development Costs

Canada		
Heavy oil	\$1,772	\$1,185
Regular oil & gas	<u>2,183</u>	<u>1,219</u>
Total Canada	3,955	2,404
United States	<u>691</u>	<u>548</u>
Total	<u>\$4,646</u>	<u>\$2,952</u>

Production Costs

Canada		
Heavy oil	\$ 520	\$ 267
Regular oil & gas	<u>546</u>	<u>405</u>
Total Canada	1,066	672
United States	<u>2,434</u>	<u>2,174</u>
Total	<u>\$3,500</u>	<u>\$2,846</u>

Depreciation, Depletion & Amortization

Canada		
Heavy oil	\$ 256	\$ 156
Regular oil & gas	<u>646</u>	<u>468</u>
Total Canada	902	624
United States	<u>707</u>	<u>1,099</u>
Total	<u>\$1,609</u>	<u>\$1,723</u>

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amortization Expense Per Dollar of Gross Revenue

	<u>1979</u>	<u>1978</u>
Canada		
Heavy oil	<u>\$.22</u>	<u>\$.43</u>
Regular oil & gas	<u>\$.24</u>	<u>\$.19</u>
United States	<u>\$.12</u>	<u>\$.22</u>

(000's Omitted)

	<u>1979</u>	<u>1978</u>
Canada		
Heavy oil	\$ 661	\$ 97*
Regular oil & gas	2,159	2,116
Total Canada	\$2,820	\$2,213
United States	<u>\$3,721</u>	<u>\$2,685</u>
Total	<u>\$6,541</u>	<u>\$4,898</u>

Revenues from Producing Oil and Gas

Net revenue derived from oil and gas production related to the Company's proved developed oil and gas reserves for 1979 and 1978 is indicated below. Net revenue reflects the Company's share of oil and gas produced and sold after deducting costs of production.

*Reflects reduction of the Company's working interest in producing heavy oil properties. See comments under caption, "General Development of Business" - Item 1(a) of this Form 10-K.

Estimated Oil and Gas Reserves (Unaudited)

A review of the Company's net proved reserves of crude oil and natural gas as of December 31, 1977, 1978 and 1979 determined by the Company's engineers (based in part upon reports of other consultants) are as follows:

	Total Proved Reserves	Proved Developed Reserves		Non- Producing
		Working Interest	Royalty Interest	
OIL RESERVES (BBLs.) —				
UNITED STATES (UNAUDITED)				
Reserves at December 31, 1977	2,624,121	2,036,986	535,223	51,912
Additions:				
Net Revisions of previous estimates	68,357	69,157	—	(800)
Extensions and discoveries	<u>8,409</u>	<u>8,409</u>	—	—
	2,700,887	2,114,552	535,223	51,112
Deductions:				
Production	<u>289,303</u>	<u>258,353</u>	<u>30,950</u>	—
Reserves at December 31, 1978	2,411,584	1,856,199	504,273	51,112
Additions:				
Net Revisions of previous estimates	280,090	276,893	3,207	(10)
Extensions and discoveries	<u>112,794</u>	<u>112,794</u>	—	—
	2,804,468	2,245,886	507,480	51,102
Deductions:				
Production	<u>263,664</u>	<u>232,438</u>	<u>31,226</u>	—
Reserves at December 31, 1979	<u>2,540,804</u>	<u>2,013,448</u>	<u>476,254</u>	<u>51,102</u>

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total Proved Reserves	Proved Developed Reserves Producing	
		Conventional	Heavy Oil
OIL RESERVES (BBLs.) — CANADA (UNAUDITED)			
Reserves at December 31, 1977	1,296,054	855,084	440,970
Additions:			
Net Revisions of previous estimates due to:			
Royalty adjustments	(28,785)	(28,785)	—
Additional production and engineering data	4,140	4,140	—
	(24,645)	(24,645)	—
Extensions and discoveries	571,606	174,511	397,095
	1,843,015	1,004,950	838,065
Deductions:			
Production	109,906	63,395	46,511
Disposition of minerals in place	209,281	—	209,281
Reserves at December 31, 1978	1,523,828	941,555	582,273
Additions:			
Net Revisions of previous estimates due to royalty adjustments and additional production and engineering data			
	(143,677)	(137,880)	(5,797)
Extensions and discoveries	542,805	31,008	511,797
	1,922,956	834,683	1,088,273
Deductions:			
Production	196,397	59,160	137,237
Reserves at December 31, 1979	1,726,559	775,523	951,036

	Total Proved Reserves	Proved Developed Reserves		
		Producing		Non- Producing
		Working Interest	Royalty Interest	
GAS RESERVES (Mmcf) — UNITED STATES (UNAUDITED)				
Reserves at December 31, 1977	14,764	14,349	263	152
Additions:				
Revisions of previous estimates	1,018	755	—	263
Extensions and discoveries	797	797	—	—
	16,579	15,901	263	415
Deductions:				
Production	1,933	1,886	47	—
Reserves at December 31, 1978	14,646	14,015	216	415
Additions:				
Revisions of previous estimates	1,167	1,164	3	—
Extensions and discoveries	4,588	4,588	—	—
	20,401	19,767	219	415
Deductions:				
Production	1,515	1,468	47	—
Reserves at December 31, 1979	18,886	18,299	172	415

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Total Proved Reserves	Proved Developed Reserves	
		Producing	Non- Producing*
GAS RESERVES (Mmcf) — CANADA (UNAUDITED)			
Reserves at December 31, 1977	27,776	22,267	5,509
Additions:			
Net Revisions of previous estimates due to:			
Royalty adjustment	1,367	1,395	(28)
Additional production and engineering data	2,025	2,025	—
	3,392	3,420	(28)
Extensions and discoveries	599	—	599
	31,767	25,687	6,080
Deductions:			
Production	1,941	1,941	—
Reserves at December 31, 1978	29,826	23,746	6,080
Additions:			
Net Revisions of previous estimates due to royalty adjustments and additional production and engineering data	767	960	(193)
Extensions and discoveries	4,553	—	4,553
	35,146	24,706	10,440
Deductions:			
Production	1,944	1,944	—
Reserves at December 31, 1979	33,202	22,762	10,440

*Requires pipeline to market gas.

See also comments under caption, "Estimated Future Net Revenues" elsewhere in this Note.

There have been no events subsequent to December 31, 1979 which would have a significant effect on the reserves above.

Estimated Future Net Revenues (Unaudited)

Estimated future net revenues from proved reserves of oil and gas as of December 31, 1979 are as follows:

	U.S.A.		Canada	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped	Proved Developed
1980	\$ 8,363,973	\$ 6,845,505	\$ 3,832,424	\$ 3,832,424
1981	8,300,229	7,464,406	4,362,764	4,362,764
1982	6,494,661	6,117,134	4,828,944	4,828,944
Remainder	37,205,979	36,796,431	36,624,958	36,624,958
Total	\$60,364,842	\$57,223,476	\$49,649,090	\$49,649,090

The present values of estimated net revenues from proved developed reserves of oil and gas as of December 31, 1979 and 1978, using a 10% discount factor, is as follows:

	1979		1978	
	U.S.A.	Canada	U.S.A.	Canada
Present value of oil and gas reserves:				
Added in previous years	\$28,243,876	\$23,529,575	\$10,574,840	\$15,849,422
Added during current year	5,671,920	4,210,288	1,388,276	2,897,968
Total value	\$33,915,796	\$27,739,863	\$11,963,116	\$18,747,390

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These economics were projected utilizing year end oil and gas prices, operating expenses and capital costs. In the U.S.A. maximum lawful stripper gas price at year end was utilized for wells which qualify for stripper gas prices under the current regulations issued pursuant to the Natural Gas Policy Act of 1978.

The economics do not include projections for the Company's gas gathering and transmission operations. Future net revenues from Canadian heavy oil reserves include only proved developed reserves as indicated above under "Estimated Oil and Gas Reserves" elsewhere in this Note.

In Canada production is generally subject to a sliding scale royalty that increases with price and decreases as production declines. Accordingly, evaluations of Canadian reserves usually entail escalating product prices over the life of the reserves to arrive at the appropriate royalty percentage on an annual basis. These two factors have the effect of decreasing net remaining volumes being offset by higher cash flows in future periods. The Canadian Federal Government has adopted a policy that will allow the price of Canadian oil to escalate to world price levels over a period of several years. Historically gas price increases have tracked oil price increases. Accordingly, the Company anticipates that the selling price of natural gas will also increase.

The application of constant unit values as of December 31, 1979 and 1978 to the reserve volumes and resulting estimated future net revenue fails to represent fairly the effects of increased royalties which will arise from future price increases. The effect on royalties for changes in net reserves has been indicated in the preceding oil and gas reserve tables.

Windfall Profit Tax (Unaudited)

The "Windfall Profit Tax" Bill which establishes a temporary excise tax on domestically produced crude oil has been approved by both Houses of Congress but has not been signed by the President. The adoption of this bill appears imminent and would, in its proposed form, substantially decrease the Company's future net revenues from domestic oil properties.

The proposed bill is complicated but essentially provides that all domestic crude oil be classified into one of three different tiers. The windfall profit tax is equal to the tax rate for the appropriate tier of crude oil times an amount equal to the selling price of crude oil, minus a deduction for State severance taxes on the difference between the base price and the selling price. Tax rates range from 30% to 70%. The Company, an "independent producer", qualifies for the reduced rate of tax provided by

the bill on the first 1,000 bbls./day production.

Computations on the impact of the proposed Windfall Profit Tax have been made on the following basis:

Base prices and tax rates for the Tiers I, II & III are \$12.79, \$15.20 and \$16.55 per barrel and 50%, 30% and 30% respectively. It is assumed that the tax will be in full effect through and including the year 1993. The selling price used is the average over the fourteen year period 1980 to 1993 for all wells included in each tax tier. The average price used for Tiers I, II & III were \$13.25, \$37.12 and \$36.66 per barrel respectively.

The estimated effect of the "Windfall Profit Tax" (WPT) using factors described above will be to reduce the Company's future net revenues by \$16,317,000 and the present value of future net revenues by \$10,612,000 which results in the following values for United States reserves:

	Proved Developed Reserves	
	Before WPT	After WPT
Future Net Revenue	\$57,223,476	\$40,905,989
Present Value of Future Net Revenue — at 10% Discount	\$33,915,796	\$23,303,268

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
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Reserve Recognition Accounting (Unaudited)

Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting For the Year Ended December 31, 1979
(000's Omitted)

Additions and revisions to estimated proved oil and gas reserves:	
Additions to estimated proved reserves, gross	\$15,944
Revisions to estimates of reserves proved in prior years:	
Changes in prices	25,953
Change in present value due to changes in estimated operating costs, and changes in estimates based on additional production and engineering data	(971)
Accretion of discount	<u>2,621</u>
	<u>43,547</u>
Evaluated acquisition, exploration, development and production costs:	
Costs incurred this period	11,253
Present value of estimated future development and production costs	<u>3,598</u>
	<u>14,851</u>
Additions and revisions to proved reserves over evaluated costs	28,986
Provision for income taxes	<u>9,300</u>
Results of oil and gas producing activities on the basis of reserve recognition accounting	<u>\$19,686</u>

Changes in Present Value of Estimated Future Net Revenue from Proved Oil and Gas Reserves For the Year Ended December 31, 1979

Increases:		(000's Omitted)
Additions and revisions	\$43,547	
Less related estimated future development and production costs	<u>3,598</u>	
Net additions and revisions	39,949	
Decreases:		
Sales of oil and gas and value of transfers, net of production costs, \$3,500	<u>6,541</u>	
Net increase	33,408	
Beginning of year	<u>30,711</u>	
End of year	<u>\$64,119</u>	

4. LONG-TERM DEBT

	<u>Maturity</u>	<u>December 31 1979</u>	<u>December 31 1978</u>
Payable in U.S. Funds			
Bank Loans — See Below	See Below	\$10,000,000	\$ 9,749,996
6½% Subordinated Convertible Debentures*	1980	—	491,419
8% Convertible Debentures*	1983	<u>7,107,751</u>	<u>7,150,000</u>
*Net of original issue discount		<u>\$17,107,751</u>	<u>\$17,391,415</u>
Payable in Canadian Funds			
Bank Loan — ¾% above prime interest rates collateralized by Canadian oil and gas properties and production proceeds	See Below	<u>5,193,075</u>	<u>3,172,625</u>
		22,300,826	20,564,040
Included in Current Liabilities —			
Amounts due within one year		<u>593,900</u>	<u>418,300</u>
		<u>\$21,706,926</u>	<u>\$20,145,740</u>

During May 1979 the Company renegotiated a bank loan assumed upon the acquisition of Central States Gas Company. The amended loan agreement provides for a \$10 million revolving line of credit of which \$6,200,000 had been drawn at December 31, 1979. Available credit is determined semi-annually based on the value of gas reserves under contract to the Company. The agreement

also provides for interest at ¾ of 1% above prime rate, maintenance of compensating balances of 10% of available credit and matures September 7, 1982. Gas purchase contracts and transmission facilities of the Company's Central States Gas Company Division continue to serve as collateral for the loans. The loan agreement requires that the Company maintain positive working capital

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and that liabilities not exceed 250% of stockholders' equity.

During December 1979 the Company established a \$10 million revolving line of credit of which \$3,800,000 had been drawn at December 31, 1979. Available credit is determined semi-annually based on the value of oil and gas reserves owned by the Company. The loan matures January 15, 1983 and provides for interest at $\frac{3}{4}$ of 1% above prime rate. The European merchant bank loan with a maturity date of February 8, 1980 was paid from the proceeds of this loan. Substantially all of the Company's United States producing oil and gas properties and production proceeds are pledged as collateral on the loan. The loan requires that the Company maintain positive working capital and that liabilities not exceed 250% of stockholders' equity.

The 8% convertible debentures issued on the acquisition of Central States Gas Company were called for redemption on January 31, 1980. During December 1979 debentures with a face value of \$107,968 were converted into 15,424 common shares of the Company at \$7 per share and all of the remaining debentures outstanding at December 31, 1979 were converted into common stock on January 28, 1980 for 1,048,861 shares of common stock.

The remaining 6½% subordinated convertible debentures were converted or retired during 1979.

During 1979 a subsidiary obtained a \$7,000,000 (Cdn\$) line of credit with a Canadian bank for its Canadian operations. Interest at the rate of $\frac{3}{4}$ of 1% above prime is payable monthly. Principal repayments are at \$16,500 per month subject to review and renegotiation by April 30, 1980.

Unamortized discount and issue expenses are being amortized over the life of the debentures and loans.

Maturities of long-term debt over the next five years are as follows:

1980.....	\$ 593,900
1981.....	735,800
1982.....	6,935,800
1983.....	4,535,800
1984.....	735,800
Subsequent....	<u>1,655,975</u>
8% debentures converted in 1980 prior to maturity date ..	<u>7,107,751</u>
Long term debt at December 31, 1979.....	<u>\$22,300,826</u>

5. DEFERRED CHARGES AND OTHER ASSETS

The Company makes non-recourse loans to key employees, including officers of the Company, for the purpose of purchasing common shares of the Company at current market prices. Loans totalling \$127,141 bearing interest at 4% per annum and collateralized by an assignment of the shares purchased have been made and are included under this caption.

6. INCOME TAXES

At December 31, 1979 the Company had used all of its net operating loss carryforwards from prior years for United States income tax reporting purposes. For income tax purposes the Company has an unused statutory depletion carryforward of approximately \$3,706,000 available without limitation to offset future taxable income, an investment tax credit carryforward of approximately \$392,000 which, if not used, will expire in varying amounts during the years 1980 through 1986, and a job tax credit carryforward of approximately \$27,000 which if not used will expire in varying amounts in 1984 and 1985. Approximately \$2,642,000 of the statutory depletion carryforward and \$392,000 of the investment tax credit carryforward have been used for financial reporting purposes.

At December 31, 1979, approximately \$6,534,000 of drilling, exploration and lease acquisition costs, depletion allowances, and undepreciated capital costs and approximately \$2,220,000 of earned depletion allowances are available to be applied against future taxable income of the Company's Canadian subsidiaries. Additional deferred taxes will be provided for financial reporting purposes at such time as these allowances are applied to reduce future income taxes payable. The Company also has unused investment tax credit carryforwards of approximately \$253,000 which is not used will expire in 1983 and 1984.

Approximately \$1,557,000 and \$253,000 of earned depletion allowance carryforwards and investment tax credit carryforwards, respectively, have been used for financial reporting purposes.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. COMMON STOCK, CAPITAL IN EXCESS OF PAR VALUE AND RESERVED SHARES

Common Stock and Capital in Excess of Par Value

During the five years ended December 31, 1979, the following changes occurred:

	Issued Shares	Common Stock	Capital in Excess of Par Value
Balance — January 1, 1975	4,828,249	\$ 965,650	\$ 5,933,599
Issued on conversion of 6½% debentures	90	18	974
Balance — December 31, 1975 and December 31, 1976	4,828,339	965,668	5,934,573
Issued on conversion of 8¾% debentures	67,000	13,400	254,600
Gain on treasury stock contributed to Employee Stock Ownership Plan	—	—	31,300
Balance — December 31, 1977.....	4,895,339	979,068	6,220,473
Issued on conversion of 8¾% debentures	19,500	3,900	74,100
Issued on the exercise of stock purchase warrants.....	656,225	131,245	3,149,880
Issued in exchange for property interests	15,000	3,000	78,562
Loss on treasury stock contribution to Employee Benefit plans	—	—	(3,162)
Balance — December 31, 1978.....	5,586,064	1,117,213	9,519,853
Issued for contribution to Employee Stock Ownership Plan	15,671	3,134	128,112
Issued on conversion of 6½% debentures	21,674	4,335	210,455
Issued on conversion of 8% debentures	15,424	3,085	101,228
Issued on the exercise of stock purchase warrants.....	150,000	30,000	487,490
Balance — December 31, 1979.....	<u>5,788,833</u>	<u>\$1,157,767</u>	<u>\$10,447,138</u>

Reserved Shares

Of the authorized but unissued common shares, 1,398,862 shares were reserved at December 31, 1979 (December 31, 1978 — 1,414,740 shares) for issue upon the exercise of the following:

- (a) Outstanding warrants for the purchase of 150,000 shares of common stock of the Company at prices from \$3.95 to \$6.45 to February 26, 1983.
- (b) 1,048,861 shares have been reserved for the conversion of 8% convertible subordinated debentures due November 1, 1983. (Note 4.)
- (c) 200,000 shares have been reserved for shares to be issued under a non-qualified stock option plan approved by the Directors on August 18, 1979. The plan is subject to the approval of stockholders.

8. EMPLOYEE BENEFIT PLANS

The Company's non-qualified, non-funded Deferred Compensation Plan for key employees, including officers of the Company, provides for qualified employees to be credited with amounts determined annually by the Board of Directors. At the end of each Plan year, each participating employee will be paid 20% of the balance of the

credit in his account. During 1979 the Company accrued \$57,326 (\$57,578 in 1978) to the credit of the Plan which amounts have been charged against current operations.

During 1979 the Company contributed \$131,246 to the Employee Stock Ownership Plan which contribution was comprised of 15,671 common shares of its previously unissued capital stock, valued at the quoted market prices on the date the contribution was authorized by the Board of Directors.

The Company's 1979 contribution to the Deferred Profit Sharing Plan for employees of Canadian subsidiary companies amounted to \$33,344 (\$28,460 in 1978).

9. RELATED PARTY TRANSACTIONS

The Directors have approved a policy of allowing key employees, Officers and Directors of the Company to participate in exploration joint ventures with the Company on the same terms as those offered to industry partners but limited to an aggregate working interest of 5%. As at December 31, 1979, fifteen individuals were participants in various programs.

10. COMMITMENTS AND CONTINGENCIES

The Company is party to an action contesting

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the Company's right to participate in a gas well drilled in 1977 in Beaver County, Oklahoma. A ruling of the Corporation Commission of the State of Oklahoma affirming the Company's position was vacated by the Court of Appeals and the matter is presently before the Supreme Court of Oklahoma. If the Supreme Court decision is unfavorable to the Company, net revenues of approximately \$300,000 and a liability for the Company's share of well costs (approximately \$60,000) presently recorded in the accounts will be reversed resulting in a charge against income. Revenue for periods subsequent to January 1, 1979 (approximately \$175,000) have not been reflected in the Company's accounts pending the outcome of the litigation.

The Company's operations are subject to a variety of state and federal statutes and regulations, including those governing the pricing of crude oil, petroleum products and natural gas liquids. In common with other producers, compliance with these statutes and regulations has been and is subject to audit by the Department of Energy. The statutes and regulations are in many cases uncertain in their applicability to the Company's operations thus requiring many day-to-day unilateral interpretations by Company personnel in order to carry on its business. The Company is unable to predict what positions, if any, might be taken during the course of audits by the regulatory authorities as to their interpretation of the proper applica-

tion of the various statutes and regulations referred to above. The Company believes, however, that these matters will not be material in relation to its consolidated financial position.

In order to retain their interest in undeveloped oil and gas properties, the companies will be required to pay delay lease rentals, which based on holdings at December 31, 1979, will amount to approximately \$404,000 annually.

11. SUPPLEMENTARY INCOME STATEMENT INFORMATION

Item	1979	1978
Maintenance and repairs	<u>\$1,448,766</u>	<u>\$ 979,043</u>
Depreciation and depletion of property, plant and equipment	<u>\$2,805,981</u>	<u>\$1,917,480</u>
Taxes, other than income	<u>\$ 390,227</u>	<u>\$ 323,014</u>
Rents, other than delay rentals on undeveloped properties	<u>\$ 319,887</u>	<u>\$ 192,756</u>

Note: The Company pays no royalties other than petroleum and natural gas royalties which are based on sales and are recorded in the accounts as a deduction from sales.

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12. SEGMENT INFORMATION

Segment information for the year ended December 31, 1979 is as follows:

	(000's Omitted)			
	Total	Other	Oil & Gas Production	Gas Transmission
Revenue	\$33,587	\$418	\$10,041	\$23,127
Operating Profit	\$ 7,360	\$241	\$ 4,933	\$ 2,186
Interest Expense.....	2,605			
Corporate General and Administrative Expense	2,200			
Pre-Tax Earnings.....	\$ 2,555			
Depreciation, Depletion and Amortization	\$ 2,806	\$ —	\$ 1,609	\$ 1,197
Capital Expenditures.....	\$10,061	\$111	\$ 8,804	\$ 1,146

Identifiable assets related to the above segments as of December 31, 1979 are:

	\$51,206	\$606	\$31,828	\$18,722
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Similar information for 1978 is as follows:

	(000's Omitted)			
	Total	Other	Oil & Gas Production	Gas Transmission
Revenue	\$11,723	\$456	\$ 7,744	\$3,523
Operating Profit	\$ 3,938	\$471	\$ 3,166	\$ 301
Interest Expense.....	876			
Corporate General and Administrative Expense	1,684			
Pre-Tax Earnings.....	\$ 1,378			
Depreciation, Depletion and Amortization	\$ 1,917	\$ —	\$ 1,723	\$ 194
Capital Expenditures.....	\$ 5,364	\$ —	\$ 4,973	\$ 391

Identifiable assets related to the above segments as of December 31, 1978 are

	\$45,186	\$474	\$26,593	\$18,119
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Information regarding the Company's assets, liabilities, and operations by country for 1979 is as follows:

	(000's Omitted)			
	U.K.	Canada	U.S.	Total
Assets.....	\$ 308	\$17,197	\$33,701	\$51,206
Liabilities.....	\$ 8	\$ 9,728	\$21,699	\$31,435
Gross Revenues..	\$ 76	\$ 4,394	\$29,117	\$33,587
Net Income	\$(163)	\$ 946	\$ 1,922	\$ 2,705

Similar information for 1978 is as follows:

	(000's Omitted)			
	U.K.	Canada	U.S.	Total
Assets.....	\$168	\$13,602	\$31,416	\$45,186
Liabilities.....	\$ —	\$ 7,507	\$21,581	\$29,088
Gross Revenues..	\$ —	\$ 3,053	\$ 8,670	\$11,723
Net Income	\$(63)	\$ 795	\$ 650	\$ 1,382

During 1979 the Company had gas sales to one customer which exceeded 10% of its total oil and gas sales for the year. The amounts of such sales were \$20,463,000 representing 61% of the Company's oil and gas revenues.

The total dollar sales in 1978 to its three major customers represented 27%, 14%, and 12%, respectively of the Company's oil and gas revenues.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES

SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT

<u>Column A</u>	<u>Column B</u> Balance January 1, 1979	<u>Column C</u> Additions At Cost	<u>Column D</u> Retirements or Sales	<u>Column E</u> Other Changes (1)	<u>Column F</u> Balance December 31, 1979
Undeveloped Properties	\$ 2,029,548	\$ 1,666,783	\$ 61,296	\$ (219,232)	\$ 3,415,803
Developed Properties					
Leaseholds	12,859,657	3,378,819	338	219,200	16,457,338
Gas contracts	7,751,632	101,383	—	323,636	8,176,651
Production Equipment	7,819,600	2,513,169	71,198	32	10,261,603
Gas Pipeline, Plant					
Equipment and Rights-of-Way	10,855,383	1,428,130	59,847	(715,897)	11,507,769
Mineral Properties	298,437	—	—	—	298,437
Other Assets	1,144,425	972,887	58,162	392,261	2,451,411
	<u>\$42,758,682</u>	<u>\$10,061,171</u>	<u>\$ 250,841</u>	<u>\$ —</u>	<u>\$52,569,012</u>

(1) Transfers

<u>Column A</u>	<u>Column B</u> Balance January 1, 1978	<u>Column C</u> Additions At Cost	<u>Column D</u> Retirements or Sales	<u>Column E</u> Other Changes (1)	<u>Column F</u> Balance December 31, 1978
Undeveloped Properties	\$ 1,217,579	\$ 1,142,128	\$ 140,548	\$ (189,611)	\$ 2,029,548
Developed Properties					
Leaseholds	10,534,216	2,101,333	9,634	233,742	12,859,657
Gas contracts		7,751,632 (2)	—	—	7,751,632
Production Equipment	6,561,976	1,370,452	68,697	(44,131)	7,819,600
Gas Pipeline, Plant					
Equipment and Rights-of-Way	2,049,571	8,806,729 (2)	917	—	10,855,383
Mineral Properties	293,737	4,700	—	—	298,437
Other Assets	922,852	277,700	56,127	—	1,144,425
	<u>\$21,579,931</u>	<u>\$21,454,674</u>	<u>\$ 275,923</u>	<u>\$ —</u>	<u>\$42,758,682</u>

(1) Transfers

(2) Primarily acquisition of subsidiary company.

WORLDWIDE ENERGY CORPORATION AND SUBSIDIARIES

**SCHEDULE VI — ACCUMULATED DEPRECIATION AND
DEPLETION OF PROPERTY, PLANT AND EQUIPMENT**

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
	<u>Balance January 1, 1979</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements</u>	<u>Other Changes (1)</u>	<u>Balance December 31, 1979</u>
Undeveloped Properties	\$ 633,500	\$ 168,725	\$ —	\$(45,072)	\$ 757,153
Developed Properties					
Leaseholds	3,994,036	725,721	—	45,072	4,764,829
Gas contracts	132,289	828,337	—	—	960,626
Production Equipment	2,114,739	483,082	356	—	2,597,465
Gas Pipeline, Plant					
Equipment and Rights-of-Way	999,559	468,526	1,436	(938)	1,465,711
Mineral Properties	5,243	—	—	—	5,243
Other Assets	338,127	131,590	1,772	938	468,883
	<u>\$8,217,493</u>	<u>\$2,805,981</u>	<u>\$ 3,564</u>	<u>\$ —</u>	<u>\$11,019,910</u>

(1) Transfers and miscellaneous adjustments.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>	<u>Column F</u>
	<u>Balance January 1, 1978</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Retirements</u>	<u>Other Changes (1)</u>	<u>Balance December 31, 1978</u>
Undeveloped Properties	\$ 514,856	\$ 118,644	\$ —	\$ —	\$ 633,500
Developed Properties					
Leaseholds	3,173,640	820,396	—	—	3,994,036
Gas contracts	—	132,289	—	—	132,289
Production Equipment	1,584,296	531,266	823	—	2,114,739
Gas Pipeline, Plant					
Equipment and Rights-of-Way	785,645	219,726	5,812	—	999,559
Mineral Properties	—	5,243	—	—	5,243
Other Assets	246,504	89,916	—	1,707	338,127
	<u>\$6,304,941</u>	<u>\$1,917,480</u>	<u>\$ 6,635</u>	<u>\$1,707</u>	<u>\$ 8,217,493</u>

(1) Transfers and miscellaneous adjustments.



**WORLDWIDE ENERGY
CORPORATION**

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