



WESTCOAST PETROLEUM LTD.  
1980 Annual Report



HOWARD ROSS LIBRARY  
OF MANAGEMENT  
MAY 20 1981  
UNIVERSITY OF CALIFORNIA

# CONTENTS

<i>Financial and Operating Highlights</i>	1
<i>Report to the Shareholders</i>	2
<i>Exploration and Development</i>	4
<i>Production</i>	10
<i>Heavy Oil Resources</i>	12
<i>Oil and Gas Reserves</i>	14
<i>Pipeline Operations</i>	14
<i>Financial Statements</i>	15
<i>Notes to Statements</i>	19
<i>Management's Analysis</i>	23
<i>Five Year Summary</i>	24
<i>Directors and Officers</i>	25

## THE COMPANY

Westcoast Petroleum Ltd. was formed in 1971 on the statutory amalgamation of Westcoast Production Co. Ltd. and Western Pacific Products & Crude Oil Pipelines Ltd. Of the 4247 Company shareholders registered at December 31, 1980, 2203 reside in Canada and the remaining 2044 are largely resident in the United States. Westcoast Transmission Company Limited, which has its Head Office in Vancouver, British Columbia, is the major shareholder and held 55.2% (fully diluted) of the Company's issued share capital at year end.

Westcoast Petroleum is aggressively engaged in conventional oil and gas exploration and production in Western Canada, largely in the Provinces of Alberta and British Columbia where the Company holds in excess of 2,400,000 gross acres of oil and gas rights. In addition, the Company holds substantial heavy oil sands interests in the Suffield and Cold Lake areas of Alberta and owns and operates a 505 mile crude oil pipeline in British Columbia. In accord with its current policy, the Company is directing its entire cash flow along with a controllable degree of debt financing into the continued expansion of its oil and gas operations. The Company employs 103 people, 73 of which are located in Alberta and 30 in British Columbia.

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## **WESTCOAST PETROLEUM LTD.**

1100 Aquitaine Tower  
540 - 5th Avenue S.W.  
Calgary, Alberta, Canada  
T2P 0M2

### **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of Westcoast Petroleum Ltd. will be held in the Conference Theatre, Mezzanine Floor, Aquitaine Tower, 540 - 5th Avenue S.W., Calgary, Alberta, Canada on the 22nd day of April, 1981, at 10:00 o'clock in the forenoon, Calgary time, for the following purposes:

1. To receive the report of the Board of Directors and the Financial Statements of the Company for the year ended December 31, 1980 and the report of the Auditor thereon;
2. To approve an alteration to the Articles of the Company increasing the number of Directors from seven to eight;
3. To elect Directors for the ensuing year;
4. To appoint an Auditor for the ensuing year and to authorize the Board of Directors to fix the remuneration of such Auditor;
5. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Accompanying this Notice are copies of the documents referred to in Item 1 above as well as an Information Circular and a form of Proxy.

The Board of Directors has selected the close of business on March 13, 1981 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting or at any adjournment thereof. Shareholders are entitled to vote at the Meeting either in person or by proxy. Those unable to attend are requested to read, complete, date, sign and return the enclosed form of proxy.

DATED at Calgary, Alberta, this 16th day of March, 1981.

By Order of the Board of Directors,

JOHN CUMMINGS  
Secretary

# WESTCOAST PETROLEUM LTD.

1100 Aquitaine Tower, 540 - 5th Ave. S.W., Calgary, Alberta, Canada T2P 0M2

## INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Westcoast Petroleum Ltd. (the "Company") for use at the Annual General Meeting of the Shareholders of the Company (the "Meeting") to be held on April 22, 1981 at the time and place and for the purposes set forth in the Notice of Meeting distributed with this Information Circular. The cost of this solicitation will be borne directly by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are nominees of management to attend, act, and vote for and on behalf of the shareholder at the Meeting. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING, OTHER THAN THE MANAGEMENT NOMINEES. A shareholder desiring to do so should strike out the printed names and insert the desired person's name in the blank space provided in the form of proxy.

A proxy may be revoked by a written notice of revocation executed by the shareholder or by his attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or to the chairman of the Meeting or any adjournment thereof, at which the proxy is to be used, before the vote has been taken, or in any other manner provided by law.

### VOTING OF PROXIES

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to amendments or variations to matters identified in the accompanying Notice of the Meeting or other matters which may properly come before the Meeting. At the time of printing this circular, the management of the Company knows of no such amendment, variation or other matter to come before the Meeting. If the instructions are certain, the shares represented by the proxy will be voted on any poll and where a choice with respect to any matters to be acted upon has been specified the shares will be voted or withheld from voting in accordance with the specifications so made. IF A CHOICE IS NOT SO SPECIFIED, IT IS INTENDED TO VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH SUCH MATTER AND FOR THE NOMINEES OF MANAGEMENT FOR DIRECTORS AND AUDITOR.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at February 28, 1981, 6,554,563 Common Shares with a par value of \$2.00 per share ("common shares") and 123,134 \$1.50 Exchangeable (Convertible) Redeemable Voting Preferred Shares with a par value of \$25.00 per share ("preferred shares") were issued as fully paid and non-assessable. Holders of outstanding common shares and preferred shares will be entitled to one vote per share on a poll at the Meeting. Westcoast Transmission Company Limited, Vancouver, Canada is the holder of 3,822,150 common shares of the Company, being approximately 56% of the total of the issued shares (fully diluted) as at February 28, 1981. To the knowledge of the Directors and senior officers of the Company no other person or company holds more than 10% of the outstanding voting shares of the Company.

The Board of Directors has selected the close of business on March 13, 1981, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual General Meeting or at any adjournment thereof.

### ELECTION OF DIRECTORS

The Directors of the Company are elected annually and hold office until the next Annual General Meeting and/or until their respective successors have been elected or appointed. The present Articles of the Company provide that the number of Directors shall be seven and the Management of the Company has proposed that the Articles be altered to increase the number of Directors to eight. Members will therefore be asked to approve an appropriate resolution at the Annual General Meeting to provide for this change.

The persons named in the enclosed instrument of proxy have stated that they will vote for the election of those nominated by management for election as Directors. In the event that any such nominees should be unable to serve, the shares represented by the proxies will be voted for a nominee designated by management. It is not anticipated that any of the nominees will be unable to serve. All of the nominees are ordinarily resident in Canada.

The following information concerning the common shares of the Company beneficially owned by the respective nominees as of the record date has been furnished by them.

Name and Principal Occupation	Previous Service as a Director	Shares Owned
JOHN ANDERSON President, Westcoast Transmission Company Limited, Vancouver, B.C.	November 30, 1971 to February 7, 1975, and April 21, 1978 to present	100
EDWARD J. CROWTHER President, Reid, Crowther & Partners Limited, Calgary, Alberta	April 21, 1976 to present	6,700
J. HOWARD GEDDES President and Chief Operating Officer of the Company	February 1, 1981 to present	Nil
ERNEST A. HUTCHINSON, Q.C., Barrister and Solicitor, MacKimmie Matthews, Calgary, Alberta	July 22, 1976 to present	200
ANDREW JANISCH President and Chief Operating Officer, Petro-Canada, Calgary, Alberta	None	Nil
GORDON W. LADE Vice President, General Counsel and Secretary, Westcoast Transmission Company Limited, Vancouver, B.C.	None	1,000
EDWIN C. PHILLIPS Chairman and Chief Executive Officer, Westcoast Transmission Company Limited, Vancouver, B.C.	May 3, 1972 to present	1,000
THOMAS W. WHITTINGHAM Vice President — Exploration of the Company	April 21, 1978 to present	1,000

The above persons are proposed by management to be nominated for election as Directors for the ensuing period. With the exception of Mr. J. H. Geddes, Mr. A. Janisch, and Mr. G. W. Lade, all of the persons proposed were elected as Directors at the Annual General Meeting in April, 1980. Mr. Geddes, who was appointed President and Chief Operating Officer and a Director of the Company on February 1, 1981, was for the preceding five years a senior official of Home Oil Company Limited, latterly as Group Vice-President, Operations. Mr. Janisch, prior to joining Petro-Canada in August 1977, was Manager of Production, Exploration & Production Department of Gulf Oil Canada for a period of five months, and was previously President of Gulf Minerals Canada Limited from November, 1974. Prior to joining Westcoast Transmission Company Limited in January, 1980, Mr. Lade held executive positions for more than five years with Petro-Canada and Pacific Petroleum Ltd.

Mr. R. H. Laurence, a Director since April 21, 1975 and a Senior Officer since March 15, 1974, is retiring as Chairman of the Board and Chief Executive Officer of the Company and as a Director on April 22, 1981, and will therefore not stand for re-election at the forthcoming Annual General Meeting.

An advance Notice of Election of Directors was published on February 14, 1981 in The Calgary Herald daily newspaper and on February 15, 1981 in The Province daily newspaper, in accordance with Section 133 of The Companies Act of British Columbia. No other nominations for election as Directors have been received.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

- (a) The aggregate direct remuneration paid to the Directors and senior officers of the Company and its subsidiaries for the year ended December 31, 1980 was \$448,800.
- (b) The estimated aggregate cost to the Company and its subsidiaries for the year ended December 31, 1980 for all pension benefits proposed to be paid under any pension plan or plans in the event of retirement at normal retirement age, directly or indirectly, by the Company to the Directors and senior officers of the Company was \$114,200.
- (c) During the period March 1, 1980 to February 28, 1981, an option to purchase common shares of the Company was granted to a senior officer, details of which are as follows:

Date of Grant	Number of Shares	Exercise Price	Price Range in 30-Day Period Preceding Date of Grant	Fiscal Years Exercisable
February 2, 1981	20,000	\$22.75	\$19.50 - \$24.25	1981 to 1985 inclusive

- (d) Options were exercised by senior officers to purchase a total of 7,850 common shares of the Company during the period March 1, 1980 to February 28, 1981, details of which are as follows:

Date Exercised	Number of Shares	Exercise Price	Price Range in 30-Day Period Preceding the Date Exercised
January 28, 1981	7,500	\$6.00	\$19.12 - \$24.25
January 28, 1981	350	\$3.50	\$19.12 - \$24.25
	<u>7,850</u>		

## APPOINTMENT OF AUDITOR

Action is to be taken at the Annual General Meeting with respect to the appointment of Clarkson Gordon, Chartered Accountants, Calgary, Alberta, as Auditor for the Company for the ensuing fiscal year and the Directors are to be authorized to fix the remuneration of such Auditor. Clarkson Gordon acted as Auditor of the Company for the fiscal year ending December 31, 1980. Clarkson Gordon does not own, directly or indirectly, any shares of, nor has it any financial interest, direct or indirect, in the Company or any of its subsidiaries, nor has it had any connection with the Company or any of its subsidiaries other than as an independent auditor and accountant for the Company. No officer, director or associate of the Company has any interest in Clarkson Gordon.

The Board of Directors, on April 24, 1980, appointed an Audit Committee consisting of E. J. Crowther, E. A. Hutchinson, and L. J. Smith.

## AS TO ANY OTHER MATTER WHICH MAY COME BEFORE THE ANNUAL GENERAL MEETING

The management does not know of any matters to be brought before the Annual General Meeting other than those set forth in Items 1, 2, 3, and 4 of the Notice thereof. If other matters are properly brought before the meeting, it is the intention of the persons named in the enclosed proxy to vote the proxies on such matters in accordance with management's best judgment. It is not the intention of such persons to vote the proxies with respect to matters set forth in Item 1 of the Notice of the meeting and the execution of such proxy shall not be construed as either approval or disapproval of any of the reports or statements referred to in Item 1.

JOHN CUMMINGS  
Secretary

Calgary, Alberta, Canada  
March 16, 1981

# WESTCOAST PETROLEUM LTD.

1100 Aquitaine Tower, 540 - 5th Ave. S.W., Calgary, Alberta, Canada T2P 0M2

## PROXY

ANNUAL GENERAL MEETING  
APRIL 24, 1980

### THIS PROXY IS SOLICITED ON BEHALF OF MANAGEMENT

The undersigned shareholder of WESTCOAST PETROLEUM LTD. (the "Company") hereby appoints Robert H. Laurence of Calgary, Alberta or failing him, Thomas W. Whittingham of Calgary, Alberta, or

as nominee of the undersigned to attend, act and vote for and on behalf of the undersigned at the Annual General Meeting of the Company to be held in Vancouver, British Columbia on the 24th day of April, 1980 and at any adjournments thereof. The undersigned specifies that with respect to the matters listed below the shares registered in the name of the undersigned shall on a poll or ballot be voted for or against or not voted by the said nominee as so specified.

#### VOTING CHOICE ON RESOLUTIONS TO:

1. Elect as Directors all of the persons named in the Information Circular accompanying this Proxy, or to abstain from voting in respect of the following such persons:

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2. Appoint Clarkson Gordon as Auditor.

For  Withhold Vote

3. Authorize the Directors to fix the remuneration to be paid to the Auditor.

For  Against

4. If no direction is given, this proxy will be voted by management for Items 1, 2 and 3 and in respect of any variations or amendments thereto or on any other matters properly brought before the meeting in accordance with its best judgment. The undersigned hereby revokes any other proxy heretofore appointed to attend and vote at the said meeting.

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 1980.

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
(Please Print Name Here)

#### NOTE:

1. This proxy must be dated and executed by the shareholder or his attorney authorized in writing or, where the shareholder is a corporation, either under seal or under the hand of a duly authorized officer or attorney of the corporation.
2. If a shareholder wishes to appoint a person other than those whose names are printed on the form of proxy, the shareholder should strike out the names provided and insert the name of his nominee as proxy-holder in the space provided for that purpose.
3. To be used at the Meeting, completed forms of proxy must be deposited with the Company's transfer agent, Montreal Trust Company, 466 Howe Street, Vancouver, British Columbia, V6C 2A8, by 9:00 o'clock in the forenoon of April 22, 1980. (Vancouver time).





# WESTCOAST PETROLEUM LTD.

1100 Aquitaine Tower  
540 - 5th Avenue S.W.  
Calgary, Alberta, Canada  
T2P 0M2

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of Westcoast Petroleum Ltd. will be held in the Plaza East Room, Hyatt Regency Hotel, in the City of Vancouver, British Columbia on Thursday, the 24th day of April, 1980, at 9:00 o'clock in the forenoon, Vancouver time, for the following purposes:

1. To receive the report of the Board of Directors and the Financial Statements of the Company for the year ended December 31, 1979 and the report of the Auditor thereon;
2. To elect Directors for the ensuing year;
3. To appoint an Auditor for the ensuing year and to authorize the Board of Directors to fix the remuneration of such Auditor;
4. To transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Accompanying this Notice are copies of the documents referred to in Item 1 above as well as an Information Circular and a form of Proxy.

The Board of Directors has selected the close of business on March 14, 1980 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting or at any adjournment thereof. Shareholders are entitled to vote at the Meeting either in person or by proxy. Those unable to attend are requested to read, complete, date, sign and return the enclosed form of proxy.

DATED at Calgary, Alberta, this 20th day of March, 1980.

By Order of the Board of Directors,

JOHN CUMMINGS,  
Secretary

# **WESTCOAST PETROLEUM LTD.**

1100 Aquitaine Tower, 540 - 5th Ave. S.W., Calgary, Alberta, Canada T2P 0M2

## **INFORMATION CIRCULAR**

### **SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Westcoast Petroleum Ltd. (the "Company") for use at the Annual General Meeting of the Shareholders of the Company (the "Meeting") to be held on April 24, 1980 at the time and place and for the purposes set forth in the Notice of Meeting distributed with this Information Circular. The cost of this solicitation will be borne directly by the Company.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are nominees of management to attend, act, and vote for and on behalf of the shareholder at the Meeting. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING, OTHER THAN THE MANAGEMENT NOMINEES. A shareholder desiring to do so should strike out the printed names and insert the desired person's name in the blank space provided in the form of proxy.

A proxy may be revoked by a written notice of revocation executed by the shareholder or by his attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or to the chairman of the Meeting or any adjournment thereof, at which the proxy is to be used, before the vote has been taken, or in any other manner provided by law.

### **VOTING OF PROXIES**

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to amendments or variations to matters identified in the accompanying Notice of the Meeting or other matters which may properly come before the Meeting. At the time of printing this circular, the management of the Company knows of no such amendment, variation or other matter to come before the Meeting. If the instructions are certain, the shares represented by the proxy will be voted on any poll and where a choice with respect to any matters to be acted upon has been specified the shares will be voted or withheld from voting in accordance with the specifications so made. IF A CHOICE IS NOT SO SPECIFIED, IT IS INTENDED TO VOTE THE SHARES REPRESENTED BY THE PROXY IN FAVOUR OF EACH SUCH MATTER AND FOR THE NOMINEES OF MANAGEMENT FOR DIRECTORS AND AUDITOR.

### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

As at March 1, 1980, 6,471,773 Common Shares with a par value of \$2.00 per share ("common shares") and 164,104 \$1.50 Exchangeable (Convertible) Redeemable Voting Preferred Shares with a par value of \$25.00 per share ("preferred shares") were issued as fully paid and non-assessable. Holders of outstanding common shares and preferred shares will be entitled to one vote per share on a poll at the Meeting. Westcoast Transmission Company Limited, Vancouver, Canada is the holder of 3,750,050 common shares of the Company, being approximately 55% of the total of the issued shares (fully diluted) as at March 1, 1980. To the knowledge of the Directors and senior officers of the Company no other person or company holds more than 10% of the outstanding voting shares of the Company.

The Board of Directors has selected the close of business on March 14, 1980, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual General Meeting or at any adjournment thereof.

## ELECTION OF DIRECTORS

The Directors of the Company are elected annually and hold office until the next Annual General Meeting and/or until their respective successors have been elected or appointed. The Articles of the Company provide that the number of Directors shall be seven, and the management of the Company proposes that the persons listed in the following table, all of whom are now members of the Board of Directors, be nominated for re-election as Directors for the ensuing period. A Director need not be a shareholder of the Company.

The persons named in the enclosed instrument of proxy have stated that they will vote for the election of those nominated by management for election as Directors. In the event that any such nominees should be unable to serve, the shares represented by the proxies will be voted for a nominee designated by management. It is not anticipated that any of the nominees will be unable to serve. All of the nominees are ordinarily resident in Canada.

The following information concerning the common shares of the Company beneficially owned by the respective nominees as of the record date has been furnished by them.

<b>Name and Principal Occupation</b>	<b>Previous Service as a Director</b>	<b>Shares Owned</b>
JOHN ANDERSON Executive Vice President and Chief Operating Officer, Westcoast Transmission Company Limited, Vancouver, B.C.	November 30, 1971 to February 7, 1975, and April 21, 1978 to present	100
EDWARD J. CROWTHER President, Reid, Crowther & Partners Limited, Calgary, Alberta	April 21, 1976 to present	5,000
ERNEST A. HUTCHINSON, Q.C. Barrister and Solicitor, MacKimmie Matthews Calgary, Alberta	July 22, 1976 to present	200
ROBERT H. LAURENCE President and Chief Executive Officer of the Company	April 21, 1975 to present	12,000
EDWIN C. PHILLIPS President and Chief Executive Officer, Westcoast Transmission Company Limited, Vancouver, B.C.	May 3, 1972 to present	1,000
L. JACK SMITH Vice President of Finance, Westcoast Transmission Company Limited, Vancouver, B.C.	April 21, 1978 to present	100
THOMAS W. WHITTINGHAM Vice President — Exploration of the Company	April 21, 1978 to present	1,000

An Advance Notice of Election of Directors was published on February 27, 1980 in The Vancouver Sun daily newspaper, in accordance with Section 133 of the Companies Act of British Columbia. No other nominations for election as Directors have been received.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

(a) The aggregate direct remuneration paid to the Directors and senior officers of the Company and its subsidiaries for the year ended December 31, 1979 was \$394,000.

The estimated aggregate cost to the Company and its subsidiaries for the year ended December 31, 1979 for all pension benefits proposed to be paid under any pension plan or plans in the event of retirement at normal retirement age, directly or indirectly, by the Company to the Directors and senior officers of the Company was \$172,700.

(b) Options to purchase a total of 10,000 common shares of the Company were granted on February 14, 1980 to two senior officers, exercisable cumulatively over a period of eight years, at an option price of \$29.50 per share, being the market price at the date of grant, (the market range of shares during the 30-day period preceding the date of grant was \$27.75 to \$31.00).

Options exercised by Directors and senior officers during the period March 1, 1979 to March 1, 1980 totalled 29,850 common shares, details of which are as follows:

<b>Date Exercised</b>	<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Price Range During the 30-Day Period Preceding the Date Exercised</b>
March, 1979	1,000	\$3.50 - \$6.50	\$13.50 to \$15.25
September, 1979	24,000	\$3.50 - \$6.00	\$22.12 to \$31.75
January, 1980	2,350	\$3.50 - \$6.00	\$30.00 to \$36.00
February, 1980	2,500	\$6.00	\$28.62 to \$33.00
	<u>29,850</u>		

## APPOINTMENT OF AUDITOR

Action is to be taken at the Annual General Meeting with respect to the appointment of Clarkson Gordon, Chartered Accountants, Calgary, Alberta, as Auditor for the Company for the ensuing fiscal year and the Directors are to be authorized to fix the remuneration of such Auditor. Clarkson Gordon acted as Auditor of the Company for the fiscal year ending December 31, 1979. Clarkson Gordon does not own, directly or indirectly, any shares of, nor has it any financial interest, direct or indirect, in the Company or any of its subsidiaries, nor has it had any connection with the Company or any of its subsidiaries other than as an independent auditor and accountant for the Company. No officer, director or associate of the Company has any interest in Clarkson Gordon.

The Board of Directors, on April 20, 1979, appointed an Audit Committee consisting of E.J. Crowther, E.A. Hutchinson, and L.J. Smith.

## AS TO ANY OTHER MATTER WHICH MAY COME BEFORE THE ANNUAL GENERAL MEETING

The management does not know of any matters to be brought before the Annual General Meeting other than those set forth in Items 1, 2 and 3 of the Notice thereof. If other matters are properly brought before the meeting, it is the intention of the persons named in the enclosed proxy to vote the proxies on such matters in accordance with management's best judgment. It is not the intention of such persons to vote the proxies with respect to matters set forth in Item 1 of the Notice of the meeting and the execution of such proxy shall not be construed as either approval or disapproval of any of the reports or statements referred to in Item 1.

JOHN CUMMINGS  
Secretary

Calgary, Alberta, Canada  
March 20, 1980



## 1980 ANNUAL REPORT

## FINANCIAL AND OPERATING HIGHLIGHTS

## FINANCIAL

	1980	1979
Total Revenue . . . . .	<b>\$33,778,000</b>	\$32,214,000
Cash Flow . . . . .	<b>24,240,000</b>	23,039,000
Per Share, fully diluted . . . . .	<b>3.52</b>	3.39
Net Income . . . . .	<b>8,841,000</b>	8,606,000
Per Share, fully diluted . . . . .	<b>1.29</b>	1.27
Capital Expenditures . . . . .	<b>33,228,000</b>	27,092,000

## OPERATING — Daily

Production		
Natural Gas (million cubic feet) . . . . .	<b>32.1</b>	39.5
(thousand cubic metres) . . . . .	<b>904</b>	1,113
Crude Oil & Liquids (barrels) . . . . .	<b>2,400</b>	2,370
(cubic metres) . . . . .	<b>381</b>	377
Pipeline Throughput (barrels) . . . . .	<b>28,430</b>	30,760
(cubic metres) . . . . .	<b>4,518</b>	4,888

## DRILLING STATISTICS — Gross Wells

Exploratory . . . . .	<b>81</b>	76
Development . . . . .	<b>52</b>	36
TOTAL . . . . .	<b>133</b>	112
Gas Completions . . . . .	<b>59</b>	35
Oil Completions . . . . .	<b>16</b>	14
Cased for Evaluation . . . . .	<b>7</b>	17
Service . . . . .	<b>4</b>	1

## LAND

Gross Acres . . . . .	<b>6,629,000</b>	7,314,000
Gross Hectares . . . . .	<b>2,675,000</b>	2,953,000
Net Acres . . . . .	<b>1,523,000</b>	1,827,000
Net Hectares . . . . .	<b>612,000</b>	736,000

## ANNUAL MEETING

The Annual Meeting of the Shareholders will be held on April 22, 1981 at 10:00 a.m. Mountain Standard Time, in the Conference Theatre, Aquitaine Tower, 540 5th Avenue S.W., Calgary, Alberta. Formal notice of the Annual Meeting and proxy material are being mailed to all registered shareholders with a copy of this report.

# REPORT TO THE SHAREHOLDERS

Although small gains were made in total revenues and earnings during 1980 over the previous year, a 19% decline in gas sales due to further reductions in market demand prevented the Company from maintaining the rate of income growth experienced during the past five years.

Revenue from all sources in 1980 amounted to \$33,778,000 and cash flow \$24,240,000 compared with \$32,214,000 and \$23,039,000 respectively for 1979. Net income after tax for the year was \$8,841,000 which provided earnings per share, fully diluted, of \$1.29 compared with \$1.27 for 1979.

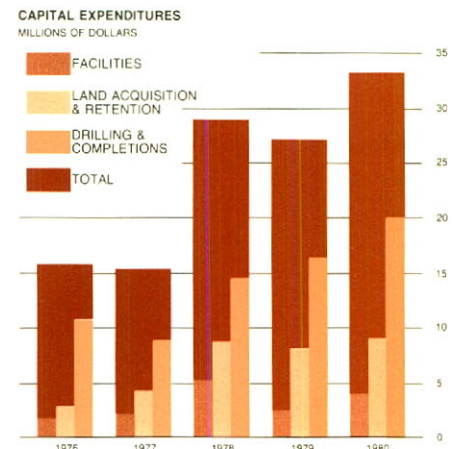
As stated previously, gas sales for the year were down substantially due to a reduction in market demand and averaged 32.1 million cubic feet (MMcf) per day in contrast to a daily production rate of 39.5 MMcf in 1979. Oil sales increased slightly for the year to 2400 barrels per day and, had it not been for a market curtailment of approximately 380 barrels of oil per day through the last quarter of the year, oil sales would have recorded a more meaningful increase as a result of new production placed on stream during the year in the Grand Forks and Shekilie projects.

Net income attributable to the pipeline operations decreased slightly from \$1,225,000 in the previous year to \$1,159,000 in 1980 while throughput declined from 30,760 barrels per day in 1979 to 28,430 barrels per day in 1980.

Capital expenditures in 1980 amounted to \$33,228,000 — an increase of some \$6,100,000 over the previous year. Increases in expenditures were recorded in all categories of activity with the largest increase — \$3,600,000 — in drilling and development. By year end, the Company had participated in the drilling of 81 exploratory and 52 development wells for a total of 133 wells of which 59 were completed as gas wells, 16 as oil wells, 11 cased for evaluation or as service wells and 47 dry and abandoned.

Land expenditures amounted to \$7,970,000, resulting in the acquisition of 105,700 gross acres of oil and gas rights. At the close of the year the Company held an interest in a gross 6,629,000 acres (1,523,000 net) compared with 7,314,000 gross acres (1,827,000 net) at the close of 1979. The reduction in land holdings during the year was almost entirely attributable to the expiry of largely non prospective acreage in the Arctic.

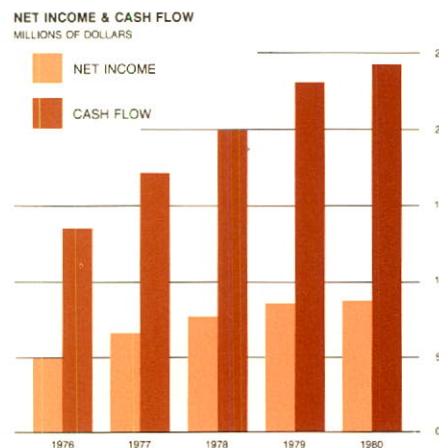
Good progress was made on the Suffield heavy oil fire flood pilot project and on the further evaluation of the Company's important Manatokan heavy oil holdings. Both these projects are referred to in more detail elsewhere in this report.



The Federal Budget and National Energy Program (NEP), introduced in Parliament on October 28, 1980, imposed tax measures and oil and gas pricing policies which, in our judgement, will have a retrogressive impact for years to come on both the level of activity of the petroleum industry in Canada and on the pursuit of national energy self-reliance.

Although strenuous representations are currently being made by industry to the Federal Government to mitigate this impact through revisions of the major tax levies in the Budget and by modification of the implied regulations to follow, the following discussion dealing with the effect of the Budget and the NEP on Westcoast's operations must necessarily reflect circumstances as they now appear to exist.

The most immediate and severe impact of the Budget is the levy of an 8% tax on "net revenue" from oil and gas production effective January 1, 1981. This tax (PGRT) is effectively a tax on gross revenues including the lessors' royalties subject only to the deduction of direct operating expenses. It is estimated this tax will reduce Westcoast's pre-budget projection of cash flow for 1981 by approximately \$3.3 million.



In addition to the PGRT, the Federal Government has levied a tax on all natural gas of 30¢ per 1,000 cubic feet effective November 1, 1980 on domestic sales and February 1, 1981 on export sales, with the tax increasing periodically to reach 75¢ per 1,000 cubic feet on January 1, 1983. Although this tax is primarily a tax on the consumer, its net effect is to displace and defer increases on the gas price to the producer which would otherwise occur.

The NEP provides for the phasing out of the depletion allowance commencing in 1982 and to be eliminated completely in 1984 with the exception of expenditures made on Canada Lands. However, because the Company has built up a substantial depletion allowance bank, this feature of the NEP is not expected to have a reductive effect on the Company's earnings for several years.

The Budget also sets out a new regime for oil and gas prices. As a result of the natural gas excise tax levy, as implied above, there will be no domestic gas price increase to the producer in 1981 and a price increase of only 30¢ per Mcf in each of the two succeeding years. Domestic crude oil prices to the producer will increase only \$1.00 every six months until the end of 1983 at which time they will increase at the rate of \$2.25 per barrel every six months until the end of 1985. It is obvious these prices show inadequate response to the impact of inflation on the producing and replacement costs of oil and gas and no relevance to the competitive commodity value of crude oil in the U.S.A. and world markets.

To encourage "Canadianization" of the oil industry and to compensate for the phasing out of earned depletion allowances, the National Energy Program introduced a Petroleum Incentive Program whereby incentive payments for approved costs of development and exploration would be made by the Federal Government to the operator in accordance with a scale related to the Company's Canadian Ownership Rate (COR). For a Company with a COR greater than 65%, incentive payments of 35% of approved exploration costs and 20% of development costs on provincial lands would be made in 1981.

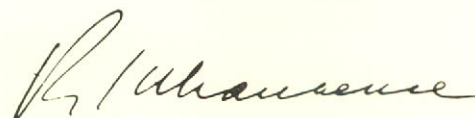
Westcoast estimates its COR to be well in excess of 65% and hence the Company will be eligible for the maximum incentive payment rates under the Petroleum Incentive Program. Accordingly, on presently scheduled capital expenditures for 1981 of \$27,600,000 — some 17% below 1980 levels — the Company anticipates qualifying for approximately \$4,000,000 in incentive grants.

Having regard to the impact of the entire tax and pricing regime of the Federal Budget and the NEP in its present form, the Company's pre-budget forecast of cash flow from operations for 1981 will be reduced by approximately 26%. This reduction in cash flow should be offset to a substantial extent on a before tax basis by the anticipated incentive payments of approximately \$4,000,000 referred to above. Nevertheless, unless a successful method is found, acceptable to both industry and the accounting profession, which would allow for a reduction of the net revenue tax on the Income Statements to the extent incentive grants are earned, the Company's reported cash flow and net income in 1981 will be significantly below that of 1980.

In addition to the specific impact of the Federal Budget and NEP on the Company's operations, great concern must be expressed over the growing impediment of further Federal government intrusion into the operations and control of the petroleum industry. Because of this, and coupled with the increasing disparity between Canada and the United States in terms of market availability and the wellhead price of oil and gas, the Company, in keeping with the general direction of the industry, is actively studying various means of directing a portion of its budget into oil and gas operations in the U.S.A.

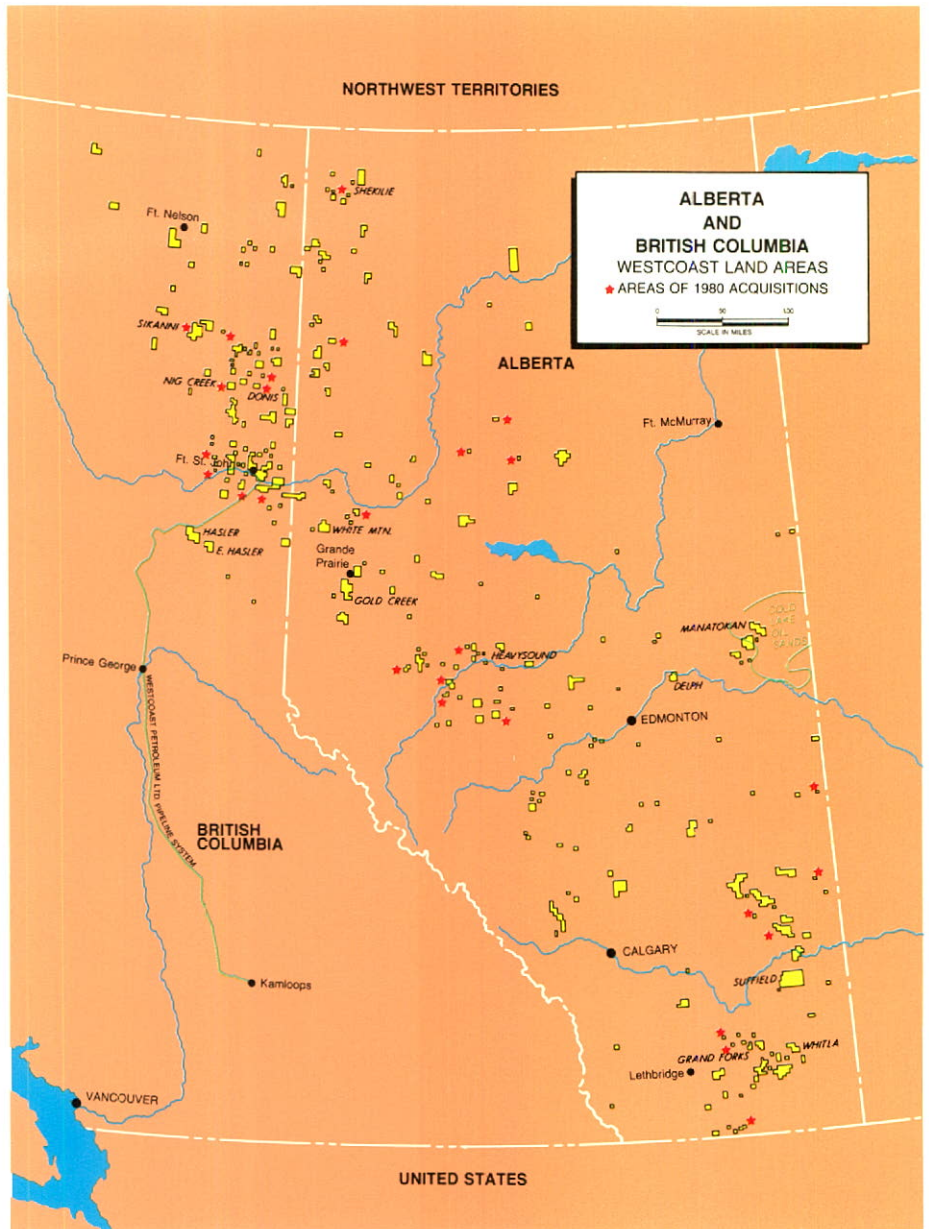
It is a pleasure to report that in January 1980 Mr. R. C. Browning joined the Company as Treasurer and, subsequent to the year-end, Mr. J. H. Geddes joined the Company as President and Chief Operating Officer at which time Mr. R. H. Laurence was appointed Chairman and Chief Executive Officer. As in previous years, the Company's employees continued to serve with the utmost competence and dedication.

On behalf of the Directors,



Chairman and  
Chief Executive Officer

CALGARY, Alberta  
March 1, 1981



## EXPLORATION AND DEVELOPMENT

During 1980, expenditures for drilling, geophysical and land reached an all time high of \$29.1 million, an increase of 18% over 1979. This increase, while in part the result of sharply rising drilling costs, was primarily due to the continued high level of exploration and development activities in Alberta and British Columbia.

As shown in the accompanying tables and graph, the Company participated in a record number of well completions in 1980, with a total of 133 wells having been drilled compared with 112 in 1979. The 1980 total is comprised of 81 exploratory and 52 development wells. The overall success ratio of 62% is consistent with the performance during recent years.

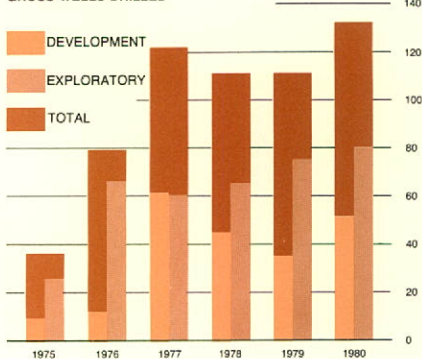


In Alberta, the 1980 drilling and development program was highlighted by new oil discoveries at Shekilie, Grand Forks and Suffield, new gas discoveries at Gold Creek and White Mountain, the installation of the facilities associated with the Enhanced Recovery Pilot Project at Suffield and the commencement of the first extensive evaluation of the economic potential of the Manatokan heavy oil sands properties.

Activity in British Columbia included a major drilling program to extend the limits of the gas accumulation at Sikanni, the establishment of new gas accumulations at Nig Creek and the drilling of two foothills prospects — Hasler and East Hasler.

At various land sales throughout 1980, the Company purchased a total of 105,704 gross acres (39,834 net acres) of oil and gas properties for a net expenditure of \$8.0 million. Representation was acquired on 37 individual prospects of which 17 were acquired for their oil potential.

GROSS WELLS DRILLED



## 1980 DRILLING RESULTS

### TOTAL WELLS (Direct and Indirect Participation)

	1980		1979	
	Gross	Net	Gross	Net
<b>EXPLORATORY</b>				
Oil . . . . .	6	2.8	4	1.0
Gas . . . . .	34	13.4	20	8.7
Cased* . . . . .	5	2.7	15	6.5
Abandoned . . . . .	36	14.4	37	11.7
	<u>81</u>	<u>33.3</u>	<u>76</u>	<u>27.9</u>
<b>DEVELOPMENT</b>				
Oil . . . . .	10	2.5	10	2.0
Gas . . . . .	25	7.6	15	5.8
Cased* . . . . .	2	0.5	2	0.8
Service . . . . .	4	0.5	1	0.5
Abandoned . . . . .	11	5.0	8	4.1
	<u>52</u>	<u>16.1</u>	<u>36</u>	<u>13.2</u>
	<u>133</u>	<u>49.4</u>	<u>112</u>	<u>41.1</u>

### GEOGRAPHICAL DISTRIBUTION — Gross Wells

	Alberta	British Columbia		Northwest Territories	Total
		Alberta	British Columbia		
Oil . . . . .	15	1	—	—	16
Gas . . . . .	42	17	—	—	59
Cased* . . . . .	5	2	—	—	7
Service . . . . .	4	—	—	—	4
Abandoned . . . . .	38	8	1	—	47
	<u>104</u>	<u>28</u>	<u>1</u>	<u>—</u>	<u>133</u>

\* Wells requiring extensive production testing to determine ultimate status.

### PRINCIPAL COMPLETIONS

Field/Area	Number	Result	Net Interest %
<b>ALBERTA</b>			
Delph . . . . .	4	Gas	25-37.5
Gold Creek . . . . .	1	Gas	25
Grand Forks . . . . .	5	Oil	50
Heavysound . . . . .	5	Gas	5-20
Manatokan . . . . .	6	Gas	50-100
Shekilie . . . . .	1	Oil	100
Suffield . . . . .	5	Oil	12.5-30
White Mountain . . . . .	1	Gas	50
Whitla . . . . .	11	Gas	25
<b>BRITISH COLUMBIA</b>			
Donis . . . . .	1	Gas	33.3
Nig Creek . . . . .	3	Gas	25
Sikanni . . . . .	6	Gas	33.3

## ALBERTA

Exploration and development drilling expenditures in Alberta amounted to \$9.0 million during 1980 with emphasis on the evaluation of the Company's land holdings in the Shekilie, White Mountain, Gold Creek, Grand Forks, Suffield, Manatokan, Heavysound, Whitla and Delph areas. In total, 104 wells were drilled during the year on Westcoast interest lands in Alberta of which 57 were completed for either gas or oil and an additional 5 wells were cased for further evaluation.

In 1980, the Company acquired an interest in 62,240 gross acres (25,990 net acres) in Alberta at a net cost of \$4.4 million. Major purchases were made in the Shekilie, Sunnynook, Anatole, Pine Creek, Loon Lake, Golden, Bridgeview, Sawn Lake and Berland areas.

Early in 1980, the Company drilled its first test well on the wholly-owned 6400-acre P&NG Licence in the Shekilie area. The well 16-6-118-7 W6M encountered 88 feet of porous Keg River Reef which flowed oil to surface on a drillstem test. During a six month production test the well was capable of averaging 285 barrels of 35° API gravity oil per day. Pumping equipment has been installed in the well and it is anticipated that an allowable of approximately 100 barrels per day will be established. Based on the analysis of bottom hole pressure surveys, the reserves attributed to this well are in the order of 300,000 barrels. Flow lines to the well will be put in place during early 1981 in order to provide for year-round production capability.

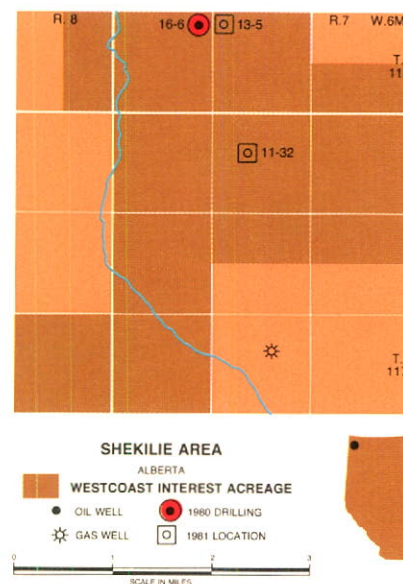
In addition to the Keg River reservoir, the 16-6 well also penetrated 24 feet of porous Sulphur Point formation which on drillstem test yielded gas at a rate of 5.8 MMcf per day.

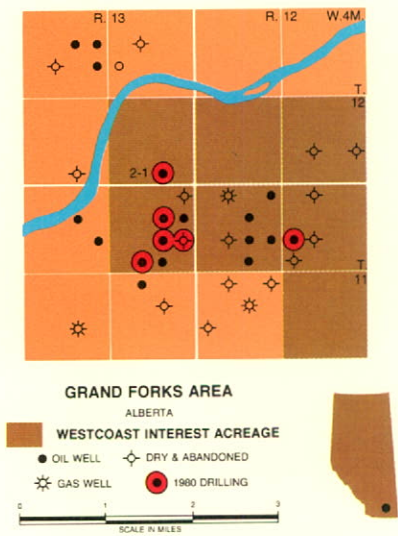
An extensive seismic program has been completed over the wholly-owned acreage and a number of additional Keg River reef anomalies have been identified. During early 1981, a minimum of two wells are planned in order to evaluate the most attractive seismic features mapped to date and further seismic is scheduled in order to detail other potential prospects.

The Company is actively pursuing other land opportunities in the general Shekilie area through an aggressive seismic program over the available Crown Reserve lands. As a result of this regional program, the Company acquired a 33<sup>1</sup>/<sub>3</sub>% interest in a 5760-acre P&NG Licence, located six miles northwest of the above described 16-6 well, at a net cost to Westcoast of \$1,238,000. A more detailed seismic program was completed on a portion of this newly acquired block late in 1980 with further seismic and drilling scheduled for early 1981.

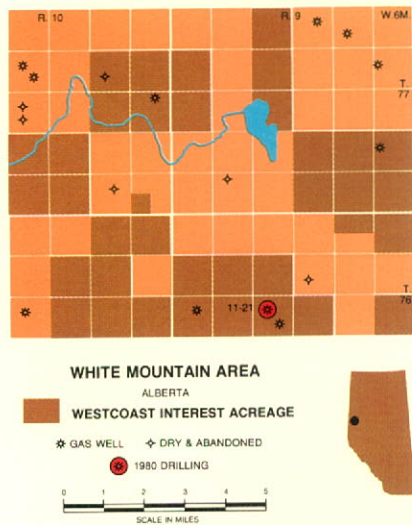
During the year, the Company continued the evaluation of the 50% Westcoast interest lands in the Grand Forks (east) area of southeastern Alberta. Based on the results of a limited seismic program, six wells were drilled which yielded five oil wells and one abandonment. The oil wells are capable of production rates of 95 barrels to 175 barrels per day. One of the five wells, Grand Forks 2-1-12-13 W4M, penetrated 32 feet of net oil pay and established the presence of a new pool reservoir. Additional seismic and development drilling are scheduled to follow-up the 1980 oil successes, with particular attention to expanding the 2-1-12-13 new pool limits.

In the White Mountain area the Company participated in the drilling of the Valhalla 11-21-76-9 W6M well resulting in a Lower Cretaceous Cadomin sand gas discovery which yielded gas at the rate of 2.1 MMcf per day on an extended test. This new discovery, in which Westcoast has a 50% interest, together with previously established gas production from the Gething and Paddy-Cadotte zones, is under contract to Pan Alberta Gas Ltd. with delivery to commence in 1981 through the pre-build section of the Alaska Highway Natural Gas Pipeline. Westcoast's share of the ultimate production from this property is estimated to be 3.1 MMcf per day.

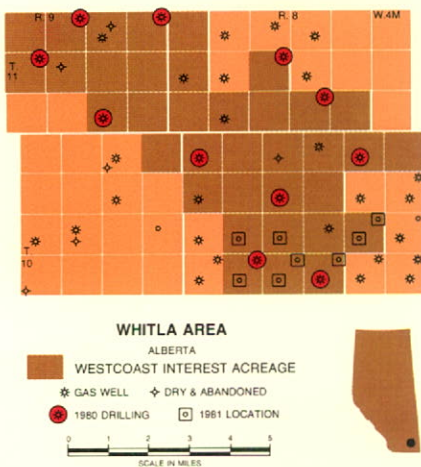




Two additional wells were drilled on the Gold Creek acreage (Westcoast 25%) during 1980 with the Elm 9-19-69-6 W6M well resulting in a Fahler zone gas discovery. This well encountered a 35-foot conglomerate development which on drillstem test flowed gas at the rate of 8 MMcf per day. The second well drilled during the year was cased for further evaluation of several low grade Cretaceous sandstone reservoirs. Additional drilling is scheduled during 1981 to further delineate previously reported Triassic oil accumulations and to continue to explore the gas potential of the Cretaceous sands in the immediate area.



An eleven well program was completed during the year on the Company's 25% interest lands in the Whitla area of southeastern Alberta. One of the wells was completed as a Bow Island Sand gas well and the remainder as either Medicine Hat or Second White Specks zone gas wells. All of the Company's lands in this area are included in a gas sales contract with deliverabilities of 0.75 MMcf per day anticipated to commence by mid 1981. Eight additional infill wells are scheduled to be drilled in early 1981 in order to meet the deliverability requirements from the shallow, low pressure reservoirs.



Several significant events occurred during 1980 on the Suffield Block located in southeastern Alberta in which the Company holds a 30% interest.

A wildcat drilled in the southwestern portion of the Block was completed as a Lower Mannville new pool oil discovery which on test flowed 19°API gravity oil at a rate of 80 barrels per day. This discovery is located outside of the year round access area and consequently was shut-in for most of the year. Further testing is planned for early 1981 in order to determine the follow-up potential.

Effective November 1, 1980, daily gas contract sales net to Westcoast increase from 4.5 MMcf to 6.5 MMcf per day. In order to meet this anticipated increase, additional compression was added to the facilities and two previously drilled wells were completed for gas production. The Suffield 6-32-19-8 W4M well was completed in the Bow Island zone with an extended flow rate of 4.2 MMcf per day and the 8-11-20-8 W4M well was completed in the Glauconite zone with a flow rate of 1.6 MMcf per day.

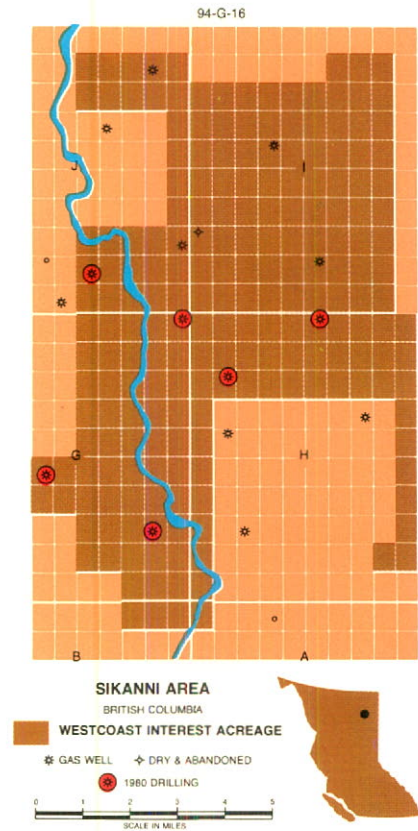
Further drilling is scheduled for the Suffield Block in 1981 in order to maintain gas deliverability and to explore several untested seismic anomalies.

During the year, six wells were drilled on Company lands in the Delph area of Central Alberta with four of the wells completed as shut-in Lower Cretaceous sands gas wells having calculated deliverabilities ranging from 200 to 400 Mcf per day. Westcoast has a 25% interest in three of the gas wells and a 37.5% interest in the fourth. All of the productive Westcoast interest lands will be included in a gas sales contract with deliveries anticipated to commence in late 1981. A further two to five wells are scheduled to be drilled on the Westcoast 25% interest lands during the forthcoming year.

# BRITISH COLUMBIA

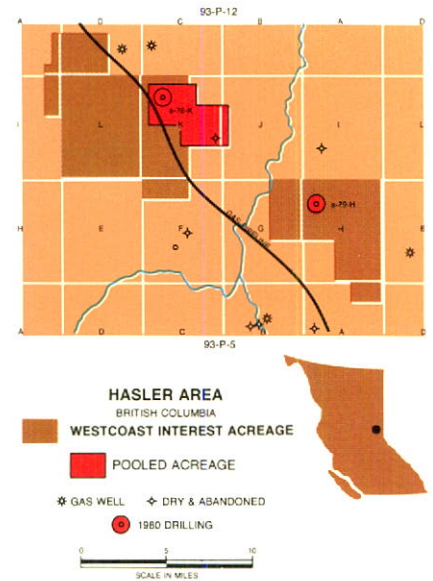
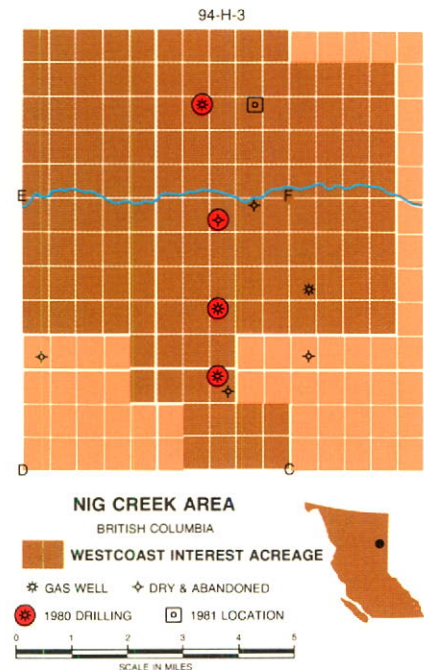
During 1980, a total of 28 wells were drilled on Westcoast interest lands in British Columbia. Of these, 17 wells were completed as gas wells, one as a potential oil well and two wells were cased for further evaluation. Principal activity was centered in the Sikanni, Nig Creek and the foothills prospects at Hasler and East Hasler. Expenditures in British Columbia during the year for exploration and development drilling amounted to \$6.5 million.

Land acquisitions in British Columbia during 1980 totalled \$3.3 million as the Company's net cost to acquire 42,240 gross acres (12,620 net acres). Major acquisitions were in the Nig Creek, Sikanni, Coplin, Pine River and Pingel areas.



In the Sikanni area, the Company continued to extend the Halfway Sand gas accumulation discovered in 1978. Six additional, widely spaced gas wells were completed having net pays ranging from 30 to 40 feet with gas flows up to 3.34 MMcf per day. The Company now has a 33 $\frac{1}{3}$ % interest in 10 shut-in gas wells on this prospect with a potential net proven and probable gas reserves of 40 billion cubic feet. During the year, the Company acquired a 33 $\frac{1}{3}$ % interest in 4,440 acres at a net cost of \$563,600, bringing the Company's total gross land holdings in the indicated productive area to 34,900 acres. No further drilling is contemplated on these lands until a definitive date has been established for a market connection.

At Nig Creek, three Lower Cretaceous sands gas wells (Westcoast 25%) were completed with net pays ranging from 16 feet to 53 feet and with gas flows up to 5 MMcf per day being recorded. During the year, the Company acquired a 25% interest in two P&NG Drilling Reservations and a P&NG Lease totalling 12,500 acres at a net cost of \$997,000. The Company now holds a 25% interest in approxi-



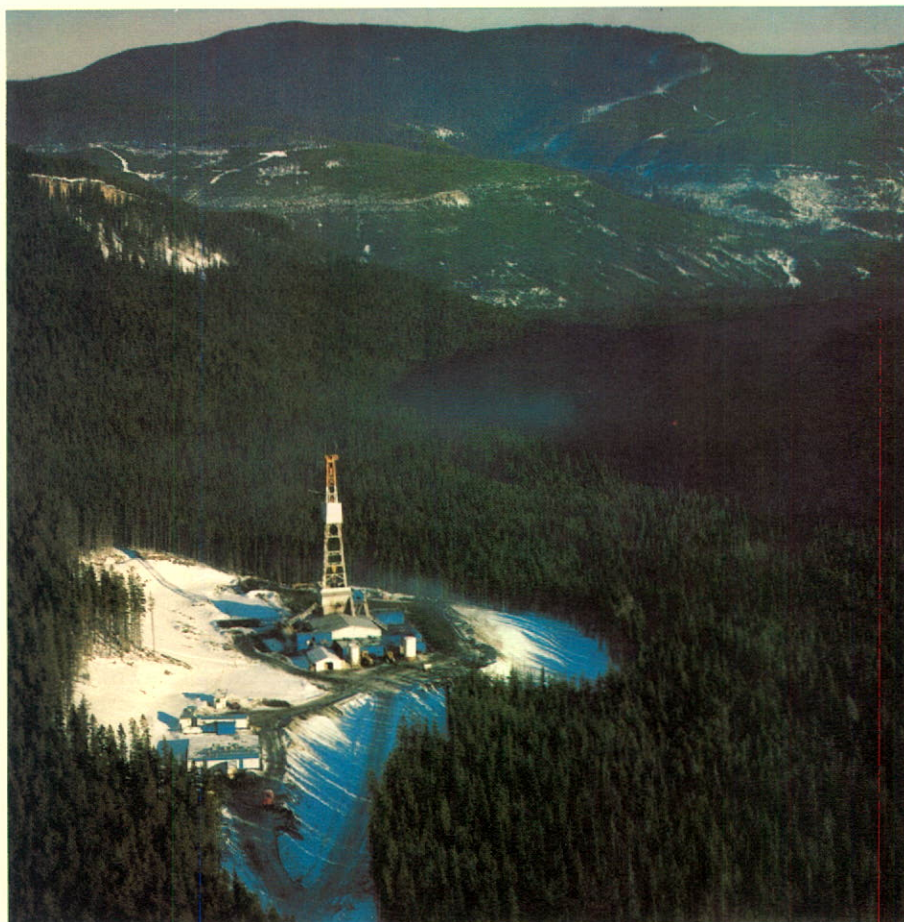
mately 24,300 gross acres in the Nig Creek area. During the winter of 1981 a minimum of two wells are scheduled for drilling in order to validate the two Drilling Reservations.

As has been reported throughout the year, the most significant activity in B.C. was the commencement of drilling operations on the foothills prospects located at Hasler and East Hasler in the general Sukunka-Grizzly Valley gas producing area.

The Oetco a-79-H well, located on the Company's wholly owned 21,000-acre block at East Hasler, was drilling at 14,870 feet at year end. The operator has set casing to a depth of 14,353 feet and the Baldonnell formation, which is the major producing zone in the area, will be evaluated through perforations in early 1981. Prior to the setting of casing, encouraging results from mechanical logs and down hole testing of the Baldonnell zone indicated the possible presence of a gas bearing reservoir. The a-79-H well is being drilled at no cost to Westcoast and following the completion, Westcoast will retain a 50% interest in the well and the East Hasler lands.

The HighHat d-78-K well, located on the Hasler block, was drilling at 10,932 feet at year end. Due to difficult hole conditions, progress has been very slow and the major reservoirs will not be penetrated and evaluated until early 1981. Westcoast has a 18<sup>3</sup>/<sub>4</sub>% interest in the HighHat well and surrounding 8,000 acres and a 37<sup>1</sup>/<sub>2</sub>% interest in 33,900 acres located in the balance of the Hasler Block.

Both the Oetco a-79-H and the HighHat d-78-K are located on pronounced seismically identified structures which traverse the respective land blocks. Gas reserves estimated in the range of 30 to 50 Bcf per section have been discovered in similar structures in the general area. Apart from the two structures currently being evaluated, seismic data indicates the presence of additional structures on both the Hasler and East Hasler blocks.



*Drilling at HighHat d-78-K*

## SUMMARY OF LAND HOLDINGS

	December 31, 1980		December 31, 1979	
	Gross Acres	Net Acres	Gross Acres	Net Acres
<b>CANADA</b>				
Alberta .....	1,542,187	845,675	1,501,110	827,213
British Columbia .....	867,030	293,152	867,861	298,591
Saskatchewan .....	1,225	1,225	—	—
Yukon .....	28,797	14,399	194,787	180,389
Northwest Territories .....	79,456	22,775	79,456	22,775
Arctic Islands .....	4,109,921	345,318	4,670,934	498,068
<b>Total Acres .....</b>	<b>6,628,616</b>	<b>1,522,544</b>	<b>7,314,148</b>	<b>1,827,036</b>
<b>Total Hectares .....</b>	<b>2,675,353</b>	<b>612,212</b>	<b>2,952,980</b>	<b>735,517</b>

# PRODUCTION

## NATURAL GAS

Although the Company's producing capacity experienced no appreciable decline during the year and, in fact, minimum day contractual volumes were increased slightly, gas sales in 1980 fell nearly 19% from the previous year to 32.1 million cubic feet per day (MMcf per day) as a result of a further decline in market demand. Total gas sales for the year amounted to 11.743 billion cubic feet compared with sales of 14.424 billion cubic feet in 1979.

Fall off of market demand is attributable to several factors including the substantial increase in the export price of gas — to \$4.47 U.S. per Mcf — in February of 1980 and the unseasonably mild winter weather on the West Coast which had a particularly severe impact on gas sales. In this latter regard, fourth quarter gas sales of 28.1 MMcf per day were some 17 MMcf per day below fourth quarter sales of 45.1 MMcf per day in 1979.

As a result of underproduction of contracted sales, the Company received "take or pay" payments in 1980 of \$1,824,000. These payments are treated as long term liabilities and taken into income as and when the gas sales deficiencies are taken by the purchaser.

The minimum day contract volume for Suffield increased from 4.5 to 6.5 MMcf per day as of November 1, 1980. In addition, some limited new sales to Pan Alberta Gas Ltd. on commencement of deliveries through the pre-build sections of the Alaska Highway Natural Gas Pipeline project are expected to commence in 1981. In summary, the Company is forecasting a slight recovery in gas sales in 1981 to an estimated 35.2 MMcf per day.

## NATURAL GAS PRODUCTION

(thousand cubic feet, before royalty deduction)

	1980	1979
<b>Alberta</b>		
Pouce Coupe . . . . .	235,093	343,988
Glendon . . . . .	13,566	11,294
Marten Hills Unit . . . . .	175,772	206,676
Stanmore . . . . .	1,316,518	1,548,130
Hanna . . . . .	1,485,912	1,466,768
Atlee . . . . .	97,185	113,388
Provost . . . . .	239,235	185,465
West Viking Unit . . . . .	13,264	22,173
Bashaw . . . . .	105,828	133,393
Maleb . . . . .	2,526,885	3,485,555
Suffield . . . . .	1,318,694	1,418,138
Grand Forks . . . . .	43,657	74,924
Carson Ck N . . . . .	70,150	79,595
Horsefly . . . . .	2,154	21,928
Taber . . . . .	15,500	—
Others . . . . .	40,906	47,494
	<u>7,700,319</u>	<u>9,158,909</u>
<b>British Columbia</b>		
Charlie Lake Unit 1 . . . . .	48,807	64,215
Ft. St. John . . . . .	782,785	900,898
Buick Creek . . . . .	357,535	546,096
North Pine . . . . .	271,058	598,005
Stoddart . . . . .	15,866	55,349
Siphon . . . . .	767,899	670,530
Parkland . . . . .	514,396	929,577
Clarke Lake . . . . .	—	40,868
Goose . . . . .	104,479	142,926
Silver . . . . .	888,191	894,020
Flatrock . . . . .	75,573	92,539
Beavertail . . . . .	58,472	51,952
Airport . . . . .	14,804	36,857
Fort St. John 11-34 . . . . .	70,881	113,725
Beg . . . . .	40,442	70,200
Others . . . . .	31,232	57,354
	<u>4,042,420</u>	<u>5,265,111</u>
Total — thousand cubic feet (Mcf) . . . . .	<u>11,742,739</u>	<u>14,424,020</u>
Total — thousand cubic metres (10 <sup>3</sup> m <sup>3</sup> ) . . . . .	330,840	406,382

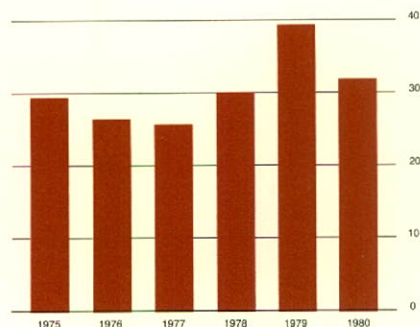
## OIL AND GAS PRICES

The wellhead price of oil at January 1, 1980 was \$14.75 per barrel which was raised to \$16.75 per barrel on August 1, 1980. The average price received by the Company in 1980, after gravity and transportation adjustments, was \$14.39 per barrel compared with \$12.28 in the previous year, and the average net back after royalty and operating expenses rose approximately to \$8.24 per barrel from \$6.72 per barrel in 1979.

The Toronto City Gate price for gas was increased by \$0.15 February 1, 1980 to \$2.30 per Mcf and was further

increased to \$2.60 on November 1, 1980. The export price of gas, as mentioned previously, was increased \$0.98 U.S. to \$4.47 U.S. per Mcf on February 1, 1980. The average well-head price realized by Westcoast in 1980 was \$2.37 per Mcf in Alberta and \$0.99 per Mcf in British Columbia compared with \$1.65 and \$0.87 per Mcf, respectively, in 1979. (The B.C. price is net of royalty). The average netback realized by Westcoast in 1980, after royalty and operating costs was approximately \$1.18 per Mcf compared with \$0.93 per Mcf in 1979.

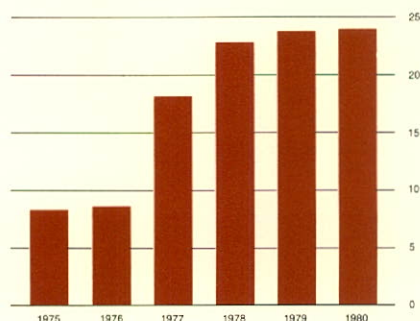
**NATURAL GAS PRODUCTION**  
MILLIONS OF CUBIC FEET/DAY



## CRUDE OIL

Crude oil and liquids sales in 1980 reached a daily average of 2400 barrels which was a slight increase over 1979 sales of 2370. As implied earlier in this report, had there not been a market curtailment of approximately 380 barrels per day in the last quarter of the year, a more meaningful gain in oil production for the year would have been realized. In particular, new production gains were made as a result of the 100% Shekilie 16-6 discovery well being placed on production in mid-year and the completion of four additional development wells and one successful stepout well in the Grand Forks (east) oil field in which the Company holds a 50% working interest. Total oil sales for the year amounted to 878,000 barrels compared with 865,000 barrels in 1979 and are expected to reach 905,000 barrels in 1981 or the equivalent of 2480 barrels per day.

**CRUDE OIL & LIQUIDS PRODUCTION**  
HUNDREDS OF BARRELS/DAY



## CRUDE OIL AND LIQUIDS PRODUCTION

(barrels before royalty deduction)

	1980	1979
<b>Alberta</b>		
Rainbow . . . . .	1,613	8,539
Grand Forks . . . . .	644,533	651,762
Carson Creek . . . . .	66,540	67,047
Shekilie . . . . .	27,514	—
Suffield . . . . .	55,970	59,417
Stanmore . . . . .	8,950	11,205
Hanna . . . . .	6,262	5,730
Others . . . . .	17,350	7,599
	<u>828,732</u>	<u>811,299</u>
<b>British Columbia</b>		
Charlie Lake Unit 1 . . . . .	5,372	8,454
Peejay Unit . . . . .	5,509	5,961
Pacific Arco Peejay . . . . .	2,634	5,699
South Inga Unit 2 . . . . .	27,429	29,036
Others . . . . .	8,656	4,569
	<u>49,600</u>	<u>53,719</u>
Total — barrels (bbls.) . . . . .	<u>878,332</u>	<u>865,018</u>
Total — cubic metres (m <sup>3</sup> ) . . . . .	<u>139,644</u>	<u>137,460</u>

# HEAVY OIL RESOURCES

## MANATOKAN

During the latter part of 1980, an agreement was finalized with Canada-Cities Services Ltd. that could lead to a major economic evaluation of the Company's heavy oil sands properties located in the Manatokan area in northeastern Alberta, 25 miles southwest of the Cold Lake heavy oil development. These properties are estimated to contain 4.2 billion barrels of oil in place of which 2.6 billion barrels has been assigned to the Sparky Sand alone.

Under the terms of the agreement, the Company's wholly owned 41,000-acre Manatokan property has been divided into two blocks, "A" and "B". Cities is required to drill six test wells on each block following which they must select one or the other block for the commencement of a series of cyclic steam injection tests in a single well located on the selected block. On completion of the foregoing, all at Cities' expense, the farmee has until October 1, 1983 to

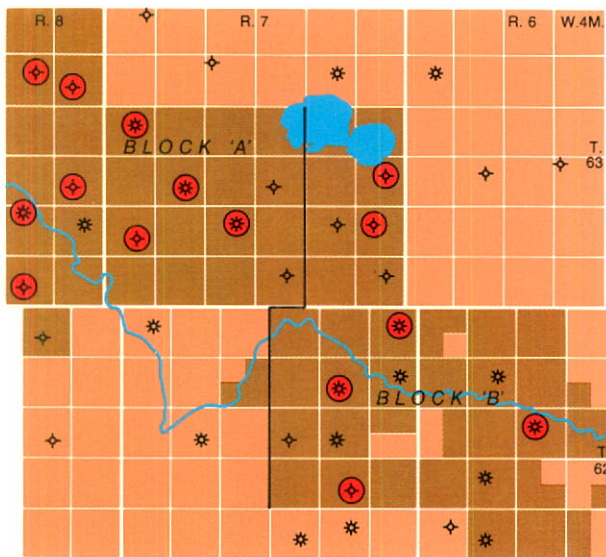
elect to install a minimum 25-well enhanced recovery plant to be in operation by November 1, 1984 and to be produced continuously for at least a four-year period. The pilot would involve cyclic steam stimulation followed by steam flooding — the same process being employed at Cold Lake.

Upon completion of the 48-month operating period for the pilot project, Cities and Westcoast would each hold a 50% interest in a 20,500-acre block surrounding the pilot and Westcoast would retain a 100% interest in the remaining 20,500 acres.

Should Cities elect to proceed with the enhanced recovery pilot, it is estimated that the total capital and operating costs for the entire project will be in excess of \$15 million.

By year-end, Cities had completed drilling and coring the 12 commitment wells, the results of which are currently being analyzed prior to selection of the well site for steam injection tests.

It is worthy of note that five of the commitment wells were cased as potential Colony Sand gas wells and under the terms of the agreement with Cities, Westcoast retains a 100% interest in all of the Colony Sand gas reserves.



### MANATOKAN AREA

ALBERTA

WESTCOAST INTEREST ACREAGE

\* GAS WELL    ♦ DRY & ABANDONED

★ 1980 DRILLING

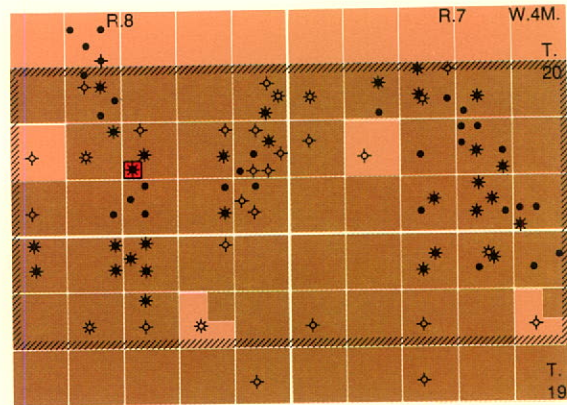




# SUFFIELD

Good progress was made during the year on the fire flood pilot project located in the South Jenner heavy oil pool within Suffield Block "A". A total of four producing wells, one injection well and three observation wells have now been drilled and completed within the five spot pattern. Major surface handling equipment and compressor facilities have been placed on site and the start-up date of air injection is estimated to be May, 1981. Total capital and net operating costs over the life of the project are estimated to be \$9,000,000 of which Westcoast's share is \$1,125,000.

The fire flood project is scheduled to operate for four years and, if successful, will then be expanded to four times the present size. The ultimate success of the project could add substantially to the Company's proven recoverable oil reserves. Heavy oil reserves in place in Suffield Block "A", in which Westcoast holds a 30% working interest, are estimated to be 450 million barrels, with oil in place in the South Jenner Pool alone estimated at 115 million barrels.



NOTE: ONLY WELLS PENETRATING BELOW 2nd WHITE SPECKS SHOWN

### PORTION SUFFIELD AREA "A"

ALBERTA

WESTCOAST INTEREST ACREAGE

SURFACE OIL ACCESS AREA

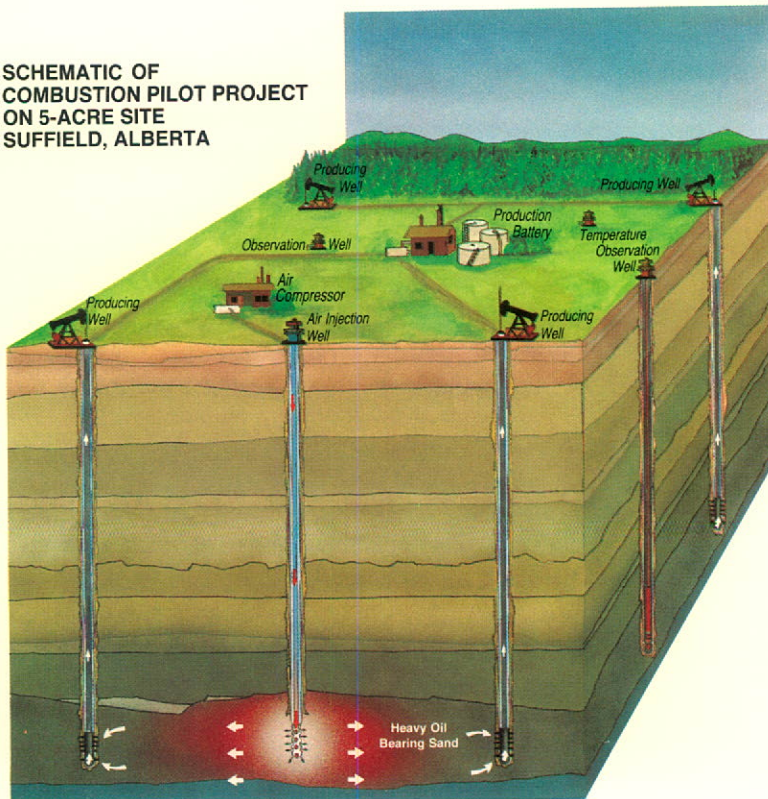
SOUTH JENNER COMBUSTION PILOT SITE

● OIL WELL    \* GAS WELL

\* OIL & GAS WELL    ◇ DRY & ABANDONED



### SCHEMATIC OF COMBUSTION PILOT PROJECT ON 5-ACRE SITE SUFFIELD, ALBERTA



# OIL AND GAS RESERVES

Discoveries and extensions during 1980 added an estimated 28.69 billion cubic feet (Bcf) of new gas to the Company's proven reserves. After providing for the year's production of 11.743 Bcf and minor engineering adjustments, proven gas reserves made a net gain of 16.296 Bcf to reach a total at December 31, 1980 of 361.288 Bcf. Total proven and probable gas reserves at the close of the year were 433.83 Bcf compared with 400.39 Bcf at the end of the previous year.

Proven oil reserves at the close of the year were estimated at 7,311,000 barrels after depletion for the year of 878,000 barrels, downward engineering adjustments of 6,000 barrels and new discovery and extension additions of 540,000 barrels. Total proven and probable oil reserves at December 31, 1980 were estimated at 11,099,000 barrels compared with 11,764,000 barrels at the end of 1979.

## OIL AND GAS RESERVES

(before deduction of crown and freehold royalties)

	Crude Oil & Liquids (barrels)	Natural Gas (thousand cubic feet)	
<b>PROVEN</b>			
Reserves at December 31, 1979 . . . . .	7,665,000	344,992,000	
Production — 1980 . . . . .	(878,000)	(11,743,000)	
Discoveries and Extensions . . . . .	540,000	28,690,000	
Engineering re-appraisals . . . . .	(6,000)	(652,000)	
Reserves at December 31, 1980 . . . . .	7,311,000	361,287,000	
<b>PROBABLE</b>			
Reserves at December 31, 1980 . . . . .	3,788,000	72,542,000	
<b>TOTAL — PROVEN AND PROBABLE</b> . . . . .	<b>11,099,000</b>	<b>433,829,000</b>	
<b>METRIC (1980-12-31)</b>			
	Proven	Probable	Total
OIL — m <sup>3</sup> . . . . .	1,162,300	602,300	1,764,600
GAS — 10 <sup>3</sup> m <sup>3</sup> . . . . .	10,177,100	2,043,400	12,220,500

# PIPELINE OPERATIONS

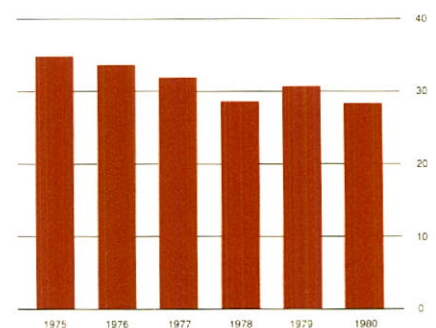
Deliveries from the Company's pipeline system averaged 28,430 barrels oil per day during the year compared with 30,760 barrels in 1979. Although the largest portion of the reduction in throughput reflects a comparable decline in British Columbia crude oil production, it is interesting to note that about 750 barrels per day of this reduction resulted from the inability of markets to absorb all the available producing potential of the area, necessitating curtailment of production by this amount.

Discussions with the British Columbia Ministry of Transport during the year led to the adoption of a somewhat more favorable method of tariff calculation than previously existed and, as a result, earnings for the year from the pipeline system of \$1,159,000 were only slightly lower

than the \$1,225,000 recorded in the previous year. No tariff increases were posted during 1980 nor is it anticipated that a need to increase the tariffs will arise over the next year or so.

Capital expenditures for additions and improvements of the system in 1980 amounted to \$604,000, the largest portion of which was spent to relocate a section of the pipeline in the Pine Pass area necessitated by the relocation of the adjacent highway. Capital expenditures for 1981 are estimated at \$230,000, most of which is to cover a linalog survey of the northern half of the line as part of the Company's ongoing repair and security surveillance program of the entire system.

PIPELINE THROUGHPUT  
THOUSANDS OF BARRELS/DAY



**CONSOLIDATED STATEMENTS OF INCOME**

Years Ended December 31, 1980 and 1979

	<u>1980</u>	<u>1979</u>
<b>REVENUES</b>		
Oil and gas sales . . . . .	\$24,485,000	\$22,008,000
Pipeline . . . . .	8,735,000	9,220,000
Investment income . . . . .	558,000	986,000
	<u>33,778,000</u>	<u>32,214,000</u>
<b>EXPENSES</b>		
Production . . . . .	2,949,000	2,388,000
Pipeline operations . . . . .	3,410,000	2,992,000
General and administrative . . . . .	1,116,000	1,037,000
Interest on debt (Note 3) . . . . .	2,654,000	2,388,000
Depreciation . . . . .	2,957,000	3,741,000
Depletion . . . . .	5,279,000	4,987,000
Amortization of deferred charges and debt discount . . . . .	72,000	75,000
	<u>18,437,000</u>	<u>17,608,000</u>
<b>INCOME BEFORE INCOME TAXES</b> . . . . .	<u>15,341,000</u>	<u>14,606,000</u>
<b>PROVISION FOR INCOME TAXES</b>		
Current . . . . .	409,000	1,370,000
Alberta royalty tax credit . . . . .	(1,000,000)	(1,000,000)
Deferred . . . . .	7,091,000	5,630,000
	<u>6,500,000</u>	<u>6,000,000</u>
<b>NET INCOME FOR THE YEAR</b> . . . . .	<u>\$ 8,841,000</u>	<u>\$ 8,606,000</u>
<b>EARNINGS PER COMMON SHARE</b>		
Basic . . . . .	\$1.36	\$1.33
Fully diluted . . . . .	\$1.29	\$1.27

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

Years Ended December 31, 1980 and 1979

	<u>1980</u>	<u>1979</u>
Balance at beginning of year . . . . .	\$37,111,000	\$28,505,000
Net income for the year . . . . .	8,841,000	8,606,000
Balance at end of year . . . . .	<u>\$45,952,000</u>	<u>\$37,111,000</u>

See accompanying notes



**CONSOLIDATED BALANCE SHEETS**

December 31, 1980 and 1979

	<u>ASSETS</u>	
	<u>1980</u>	<u>1979</u>
<b>CURRENT</b>		
Short term investments . . . . .	\$ 13,351,000	\$ 12,343,000
Accounts receivable . . . . .	7,797,000	6,550,000
	<u>21,148,000</u>	<u>18,893,000</u>
<b>PROPERTY, PLANT AND EQUIPMENT at cost (note 2)</b> . . . . .	<b>231,533,000</b>	<b>198,372,000</b>
Less accumulated depreciation and depletion . . . . .	67,392,000	59,223,000
	<u>164,141,000</u>	<u>139,149,000</u>
<b>OTHER at cost less amounts amortized</b>		
Deferred charges . . . . .	72,000	110,000
Debt discount and expense . . . . .	343,000	377,000
	<u>415,000</u>	<u>487,000</u>
	<u>\$185,704,000</u>	<u>\$158,529,000</u>

On behalf of the Board:

Director

Director

See accompanying notes

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
<b>CURRENT</b>		
Bank loan . . . . .	\$ 5,000,000	\$ —
Accounts payable and accrued charges . . . . .	8,526,000	8,381,000
Current maturities of long term debt . . . . .	2,325,000	811,000
	<u>15,851,000</u>	<u>9,192,000</u>
<b>LONG TERM DEBT (Note 3) . . . . .</b>	<b>25,342,000</b>	<b>22,667,000</b>
<b>DEFERRED INCOME TAXES . . . . .</b>	<b>37,833,000</b>	<b>30,742,000</b>
<b>GAS PRODUCTION PREPAYMENT (Note 4) . . . . .</b>	<b>3,109,000</b>	<b>1,285,000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 5) —		
Authorized:		
1,340,000 \$1.50 exchangeable (convertible)		
redeemable voting preferred shares of \$25 par value		
15,000,000 common share of \$2 par value		
Issued:		
134,794 preferred shares (1979 — 167,968) . . . . .	3,370,000	4,199,000
6,533,393 common shares (1979 — 6,455,495) . . . . .	13,067,000	12,911,000
	<u>16,437,000</u>	<u>17,110,000</u>
Contributed surplus (note 5) . . . . .	41,180,000	40,422,000
Retained earnings . . . . .	45,952,000	37,111,000
	<u>103,569,000</u>	<u>94,643,000</u>
	<u>\$185,704,000</u>	<u>\$158,529,000</u>

## AUDITORS' REPORT

To the Members of Westcoast Petroleum Ltd.

We have examined the consolidated balance sheets of Westcoast Petroleum Ltd. as at December 31, 1980 and 1979 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis during the period.

Calgary, Canada  
January 30, 1981

*Clackson Gordon*  
Chartered Accountants



## CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

Years Ended December 31, 1980 and 1979

	1980	1979
Balance at beginning of year . . . . .	\$40,422,000	\$38,637,000
Additions (Note 5)		
Upon exercise of stock options . . . . .	61,000	125,000
Upon conversion of preferred shares . . . . .	697,000	1,660,000
Balance at end of year . . . . .	<u>\$41,180,000</u>	<u>\$40,422,000</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31, 1980 and 1979

	1980	1979
FUNDS WERE OBTAINED FROM:		
Operations		
Net income for the year . . . . .	\$ 8,841,000	\$ 8,606,000
Add items not involving funds		
Depreciation, depletion and amortization . . . . .	8,308,000	8,803,000
Provision for deferred income taxes . . . . .	7,091,000	5,630,000
Cash flow from operations . . . . .	<u>24,240,000</u>	<u>23,039,000</u>
Gas production prepayment . . . . .	1,824,000	681,000
Issue of long term debt . . . . .	5,000,000	—
Common shares issued for cash . . . . .	85,000	185,000
	<u>31,149,000</u>	<u>23,905,000</u>
FUNDS WERE USED FOR:		
Property acquisition and carrying costs . . . . .	9,072,000	8,248,000
Property development costs . . . . .	20,065,000	16,434,000
Pipeline capital expenditures . . . . .	604,000	—
Equipment . . . . .	3,487,000	2,410,000
Reduction and retirement of long term debt . . . . .	2,325,000	850,000
Long term debt financing expense . . . . .	—	18,000
	<u>35,553,000</u>	<u>27,960,000</u>
DECREASE IN WORKING CAPITAL . . . . .	4,404,000	4,055,000
WORKING CAPITAL AT BEGINNING OF YEAR . . . . .	9,701,000	13,756,000
WORKING CAPITAL AT END OF YEAR . . . . .	<u>\$ 5,297,000</u>	<u>\$ 9,701,000</u>

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1980 and 1979

## 1. Summary of significant accounting policies

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

### (i) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Westcoast Production Co. (Africa) Ltd. and Dover Petroleum Company, both of which are inactive.

### (ii) Short Term Investments

Short term investments are carried at cost which approximates market value.

### (iii) Property, Plant and Equipment

The Company follows the full cost method of accounting wherein all costs related to the acquisition of, exploration for and development of oil and gas reserves are capitalized and depleted by a composite unit-of-production method based on total estimated proven reserves.

Depreciation is provided at rates designed to amortize the cost of the following assets over their estimated useful lives:

Production equipment — unit-of-production method based on estimated total proven producing reserves;

Pipeline assets, including pipeline right-of-way — throughput method based on estimated remaining volumes of oil available to be transported by the pipeline system.

### (iv) Income Taxes

The Company accounts for income tax by the tax allocation method, whereby income tax expense is determined as the amount that would be payable if statutory tax deductions for drilling, exploration and property acquisition costs and for capital cost allowances did not exceed the related depletion and depreciation provisions charged against income.

The excess of income tax expense over income tax actually payable is reported as provision for deferred income taxes. If this policy, which the Company adopted on January 1, 1974 had been applied on a retroactive basis, deferred income taxes would have been increased by approximately \$8,100,000 and retained earnings reduced accordingly.

**2. Property, Plant and Equipment**

	<u>1980</u>	<u>1979</u>
Pipeline right-of-way	\$ 3,750,000	\$ 3,750,000
Pipeline & related equipment	37,333,000	36,796,000
Production equipment	20,270,000	16,783,000
Oil & gas properties	<u>170,180,000</u>	<u>141,043,000</u>
	<u>231,533,000</u>	<u>198,372,000</u>
Deduct		
Accumulated depreciation	38,081,000	35,191,000
Accumulated depletion	<u>29,311,000</u>	<u>24,032,000</u>
	<u>67,392,000</u>	<u>59,223,000</u>
	<u>\$164,141,000</u>	<u>\$139,149,000</u>

**3. Long Term Debt**

Long term debt due after one year consists of:

	<u>1980</u>	<u>1979</u>
Term bank loan with interest at prime bank rate, maturing February 1, 1982	\$ 5,000,000	—
Term bank loan with interest at $\frac{1}{2}$ of 1% per annum above the prime bank rate, maturing December 31, 1984	1,592,000	\$ 1,692,000
6 $\frac{1}{2}$ % Subordinate Debentures, Series A due December 31, 1981 (unsecured) subject to annual redemptions to 1980	—	975,000
10% Sinking Fund Debentures, First Series maturing December 1, 1993	<u>18,750,000</u>	<u>20,000,000</u>
	<u>\$ 25,342,000</u>	<u>\$ 22,667,000</u>

Long term debt repayments and sinking fund requirements in each of the five years subsequent to December 31, 1980 are as follows: \$2,325,000 in 1981, \$6,350,000 in 1982, \$1,350,000 in 1983, \$2,642,000 in 1984, and \$1,250,000 in 1985.

The term bank loans are secured by demand notes, however the banks have agreed not to call the balances in advance of maturities. The 10% Sinking Fund Debentures are secured by a floating charge on oil and gas assets. Debt discount expense is being amortized over the term of the related issue.

The company has an additional bank line of credit of \$15,000,000 with borrowing rates ranging from bank prime lending rates to  $\frac{1}{2}$  of 1% over prime.

Interest on long term debt amounted to \$2,366,000 in 1980 and \$2,388,000 in 1979.



#### 4. Gas Production Prepayment

Certain purchasers of natural gas are required to pay for minimum quantities each year and have up to 10 years to take delivery of any gas paid for but not taken. Payment for such gas is adjusted to prices in effect at delivery date. The Company received payments of \$1,824,000 during 1980 and \$681,000 during 1979 for gas not delivered.

#### 5. Share Capital

Common shares were issued during the two years ended December 31, 1980 as follows:

	<u>Number</u>	<u>Credited to</u>	
		<u>Share Capital</u>	<u>Contributed Surplus</u>
1980			
Issued for cash under employee stock option plan	11,550	\$ 23,000	\$ 62,000
Conversion of 33,174 preferred shares (aggregate par value \$829,000)	66,348	133,000	696,000
	<u>77,898</u>	<u>\$156,000</u>	<u>\$ 758,000</u>
1979			
Issued for cash under employee stock option plan	29,975	\$ 60,000	\$ 125,000
Conversion of 79,041 preferred shares (aggregate par value \$1,976,000)	158,082	316,000	1,660,000
	<u>188,057</u>	<u>\$376,000</u>	<u>\$1,785,000</u>

The excess of consideration received over par value of shares issued is credited to contributed surplus.

During 1980 options to purchase 23,000 (1979—9,000) common shares were granted to employees and options to purchase 5,250 (1979—8,500) common shares were cancelled.

The outstanding preferred shares are exchangeable (convertible) for common shares on the basis of two common shares for each preferred share and they are redeemable by the Company at par value.

Common shares were reserved at December 31 as follows:

	<u>1980</u>	<u>1979</u>
(i) For stock options outstanding under employee stock option plan and exercisable from time to time to July 24, 1988 at prices ranging from \$3.50 to \$29.50	107,825	101,625
(ii) For the conversion of preferred shares	269,588	335,936



**6. Financial Information Concerning Business Segments**  
(thousands of dollars)

	Crude Oil and Natural Gas		Pipeline		Consolidated	
	1980	1979	1980	1979	1980	1979
Revenues . . . . .	<u>\$ 24,485</u>	<u>\$ 22,008</u>	<u>\$ 8,735</u>	<u>\$ 9,220</u>	<u>\$ 33,220</u>	<u>\$ 31,228</u>
Operating income . . . . .	<u>\$ 15,239</u>	<u>\$ 13,773</u>	<u>\$ 3,386</u>	<u>\$ 3,347</u>	<u>\$ 18,625</u>	<u>\$ 17,120</u>
Investment income . . . . .					558	986
Interest expense . . . . .					(2,654)	(2,388)
General corporate expense					(1,116)	(1,037)
Amortization . . . . .					(72)	(75)
Income taxes . . . . .					(6,500)	(6,000)
Net income . . . . .					<u>\$ 8,841</u>	<u>\$ 8,606</u>
Identifiable assets . . . . .	<u>\$161,523</u>	<u>\$134,457</u>	<u>\$10,269</u>	<u>\$11,729</u>	<u>\$171,792</u>	<u>\$146,186</u>
General corporate assets					<u>13,912</u>	<u>12,343</u>
					<u>\$185,704</u>	<u>\$158,529</u>
Fixed asset additions . . . . .	<u>\$ 32,624</u>	<u>\$ 27,092</u>	<u>\$ 604</u>	—	<u>\$ 33,228</u>	<u>\$ 27,092</u>
Depreciation, depletion, included in determination of operating income . . . . .	<u>\$ 6,297</u>	<u>\$ 5,847</u>	<u>\$ 1,939</u>	<u>\$ 2,881</u>	<u>\$ 8,236</u>	<u>\$ 8,728</u>

**7. Statutory Information**

The aggregate remuneration paid during the years to directors and senior officers (including the five highest paid employees) of the Company amounted to \$449,000 in 1980 and \$394,000 in 1979.

At December 31, 1980 the Company had a staff of 103 permanent employees whose aggregate remuneration for the year was \$3,214,000 compared with \$2,680,000 in 1979. Of the total, 73 employees are engaged in the oil and gas production and exploration activities of the Company and reside largely in Alberta while the remaining 30 employees are engaged in the operation of the Company's oil pipeline in British Columbia.

# MANAGEMENT'S ANALYSIS OF SUMMARY OF OPERATIONS

## 1980 COMPARED WITH 1979

Net income for 1980 was \$8.8 million, an increase of 3% over 1979. Cash flow from operations increased \$1.2 million (5%) to \$24.2 million. Prices for natural gas and crude oil increased during the year but these increases were largely offset by decreased demand for natural gas.

**Revenue** — Revenue from natural gas amounted to \$16.2 million for the year which was up 7% over 1979. After deduction of royalties, the average unit price realized by the Company for natural gas increased by 34%; but production averaged 32.1 million cubic feet per day during 1980 which is down almost 19% from the previous year. Crude oil production increased marginally from 2,370 barrels per day to 2,400 barrels per day, and the field price increased by \$2.00 per barrel on July 1, 1980, resulting in crude oil revenue of \$8.3 million in 1980, an increase of 21%. Pipeline revenue decreased by 5%, mainly because of a decrease in depreciation and other expenses recoverable through the cost of service provisions. Investment income decreased because the Company had less surplus funds available for investment.

**Production Expenses** — New wells brought into production during the year and increases in cost of wages, services and materials resulted in an increase in production expenses of \$561,000 (23%) during 1980.

**Pipeline Operations Expense** — Property taxes were up \$400,000 and increases in salaries, wages and supplies also contributed to the increase in total operations expense.

**General and Administration Expense** — The increase of 8% was primarily a result of increased salary and related employee costs.

**Interest on Debt** — Short term borrowing during the year resulted in increased interest expense of \$266,000.

**Depreciation, Depletion and Amortization** — A decrease in pipeline throughput and a reduction in the unit rate of depreciation because of a recalculation of crude oil reserves in fields serviced by the pipeline resulted in a decrease in provisions for depreciation. Production of natural gas during the year was down about 19%, however, the increasing cost of finding and developing new reserves resulted in an increase in the per unit rate of depletion and a total increase in depletion expense of \$292,000, or 6% during 1980 compared with 1979.

## 1979 COMPARED WITH 1978

Net income for 1979 was \$8.6 million, a gain of \$875,000 or 11% over 1978. Cash generated from operations amounted to \$23 million, up \$3.2 million or 16% over the previous year. Increased prices and production of natural gas and crude oil during the year were the main reasons for the increase in net income.

**Oil and Gas Sales** — The increase of 32% in revenue from oil and gas during 1979 resulted from increases in production of natural gas of 30% and in crude oil of 4%, combined with increases in wellhead prices for both products.

**Investment Income** — The increase in 1979 of \$422,000 or 75% was the result of investment in term deposits of funds surplus to the Company's immediate needs. Increases in term deposit rates also contributed to the increase in investment income.

**Pipeline Operations Expense** — A maintenance and repair program together with increased cost of wages, supplies and fuel resulted in increased pipeline operations expense of 19% in 1979 compared with 1978.

**Production Expenses** — Increased production during 1979 and new areas brought into production during the last half of 1978 were the main reasons for the increase in operating expenses of \$737,000 in 1979. In addition, increases in wages maintenance and repair costs contributed to the increased production expenses.

**General and Administrative** — The increase in 1979 resulted from increased salary costs and the implementation of an employee savings plan with matched company contributions.

**Interest on Debt** — New borrowing during 1978 resulted in the increase in interest expense of \$1.1 million in 1979.

**Depreciation, Depletion and Amortization** — Increased depletion expense of \$1.7 million in 1979, as a result of growth in production together with higher unit depletion rates because of increasing cost of finding and developing new oil and gas reserves, was the major increase in non-cash expenses.

Additional information and comments regarding the Company's operations are included elsewhere in this report.



## SUMMARY OF OPERATIONS

(thousands of dollars except per share amounts)

	1980	1979	1978	1977	1976
Revenue:					
Oil and gas sales . . . . .	\$24,485	\$22,008	\$16,610	\$11,760	\$ 7,124
Pipeline . . . . .	8,735	9,220	9,013	9,676	9,780
Investment income . . . . .	558	986	564	347	603
	<u>33,778</u>	<u>32,214</u>	<u>26,187</u>	<u>21,783</u>	<u>17,507</u>
Expenses:					
Production . . . . .	2,949	2,388	1,651	1,050	702
Pipeline operations . . . . .	3,410	2,992	2,521	2,543	2,185
General and administrative . . . . .	1,116	1,037	855	696	645
Interest on debt . . . . .	2,654	2,388	1,323	389	506
Depreciation, depletion & amortization . . . . .	8,308	8,803	7,006	5,837	4,865
	<u>18,437</u>	<u>17,608</u>	<u>13,356</u>	<u>10,515</u>	<u>8,903</u>
Income before income taxes . . . . .	<u>15,341</u>	<u>14,606</u>	<u>12,831</u>	<u>11,268</u>	<u>8,604</u>
Provision for income taxes:					
Current . . . . .	409	1,370	524	721	608
Alberta royalty tax credit . . . . .	(1,000)	(1,000)	(1,000)	(825)	(429)
Deferred . . . . .	7,091	5,630	5,576	4,754	3,521
	<u>6,500</u>	<u>6,000</u>	<u>5,100</u>	<u>4,650</u>	<u>3,700</u>
Net income for the year . . . . .	<u>\$ 8,841</u>	<u>\$ 8,606</u>	<u>\$ 7,731</u>	<u>\$6,618</u>	<u>\$ 4,904</u>
Cash flow from operations . . . . .	<u>\$24,240</u>	<u>\$23,039</u>	<u>\$19,837</u>	<u>\$17,105</u>	<u>\$13,469</u>
Per common share — fully diluted					
Net income . . . . .	\$1.29	\$1.27	\$1.14	\$ .98	\$ .73
Cash flow . . . . .	\$3.52	\$3.39	\$2.93	\$2.53	\$2.00

In some instances figures from earlier years have been changed from those previously published to reflect subsequent changes in reporting practices.

## STATISTICS

Pipeline throughput (barrels per day) . . . . .	28,430	30,760	28,600	32,100	33,800
(cubic metres per day) . . . . .	4,518	4,888	4,544	5,101	5,371
Natural gas sales (million cubic feet per day) . . . . .	32.1	39.5	30.5	26.0	26.6
(thousand cubic metres per day) . . . . .	904	1,113	859	733	749
Crude oil & liquids production (barrels per day) . . . . .	2,400	2,370	2,278	1,822	866
(cubic metres per day) . . . . .	381	377	362	289	138
Net land holdings (thousand acres) . . . . .	1,523	1,827	2,305	2,531	3,091
(thousand hectares) . . . . .	612	736	929	1,021	1,246
Employees . . . . .	103	106	97	90	80

## DIRECTORS

**John Anderson**  
President  
Westcoast Transmission Company Limited  
Vancouver, B.C.

**Edward J. Crowther +**  
President  
Reid, Crowther & Partners Limited  
Calgary, Alberta

**Ernest A. Hutchinson, Q.C. +**  
Barrister and Solicitor  
MacKimmie Matthews  
Calgary, Alberta

**Robert H. Laurence \***  
President and Chief Executive Officer  
of the Company

**Edwin C. Phillips**  
Chairman and Chief Executive Officer  
Westcoast Transmission Company Limited  
Vancouver, B.C.

**L. Jack Smith +**  
Vice President Finance  
Westcoast Transmission Company Limited  
Vancouver, B.C.

**Thomas W. Whittingham \***  
Vice President - Exploration  
of the Company

\*Member of Executive Committee  
+ Member of Audit Committee

NOTE: Effective February 1, 1981  
J. Howard Geddes was appointed to  
the Board as an additional Director

## OFFICERS

**Robert H. Laurence**  
President and Chief Executive Officer

**Thomas W. Whittingham**  
Vice President - Exploration

**Ronald C. Browning**  
Treasurer

**Allan J. Kostyniuk**  
Vice President - Production

**Peter J. Ramsay**  
Vice President - Pipeline Operations

**John Cummings**  
Secretary

NOTE: Effective January 26, 1981  
Robert H. Laurence was appointed  
Chairman of the Board and Chief  
Executive Officer and, effective Feb-  
ruary 1, 1981, J. Howard Geddes was  
appointed President and Chief  
Operating Officer.

## EXECUTIVE OFFICE

1100 Aquitaine Tower  
540 - 5th Avenue S.W.  
Calgary, Alberta T2P 0M2

**REGISTERED OFFICE**  
15th Floor, Westcoast Building  
1333 West Georgia Street  
Vancouver, B.C. V6E 3K9

**PRINCE GEORGE OFFICE**  
1515 Nicholson Street  
Prince George, B.C. V2N 1V7

**TRANSFER AGENTS**  
Preferred Shares  
Montreal Trust Company - Canada

Common Shares  
Montreal Trust Company - Canada  
Citibank - New York, N.Y.

**REGISTRARS**  
Preferred Shares  
Montreal Trust Company - Canada

Common Shares  
Montreal Trust Company - Canada  
The Royal Bank and Trust Company  
New York, N.Y.

**AUDITORS**  
Clarkson Gordon  
Calgary, Alberta

**STOCK EXCHANGE LISTINGS**  
Toronto Stock Exchange  
Montreal Stock Exchange  
Vancouver Stock Exchange

## STOCK MARKET INFORMATION

The principal markets for the Company's voting shares in Canada are The Toronto Stock Exchange, The Montreal Stock Exchange and The Vancouver Stock Exchange under the symbol "WPL" for the common shares and "WPL.PR.A" for the preferred shares. In the United States, the common stock is traded on the NASDAQ Over-the-Counter Market under the symbol "WPRDF".

The trading prices of the Company's voting shares (by class) on The Toronto Stock Exchange for the past two fiscal years are set out in the following table:

	1980				1979			
	Quarter							
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Common Shares								
High . . . . .	\$35.25	\$26.50	\$30.00	\$29.00	\$17.75	\$24.62	\$31.75	\$36.00
Low . . . . .	20.50	21.00	23.87	19.00	12.87	15.50	20.25	23.00
Preferred Shares								
High . . . . .	67.00	52.62	61.00	58.00	36.00	50.12	63.50	70.00
Low . . . . .	43.25	41.62	50.00	40.00	25.37	31.00	39.25	47.50

Above trading prices in Canadian Funds.

WESTCOAST PETROLEUM LTD.  
1980 Annual Report