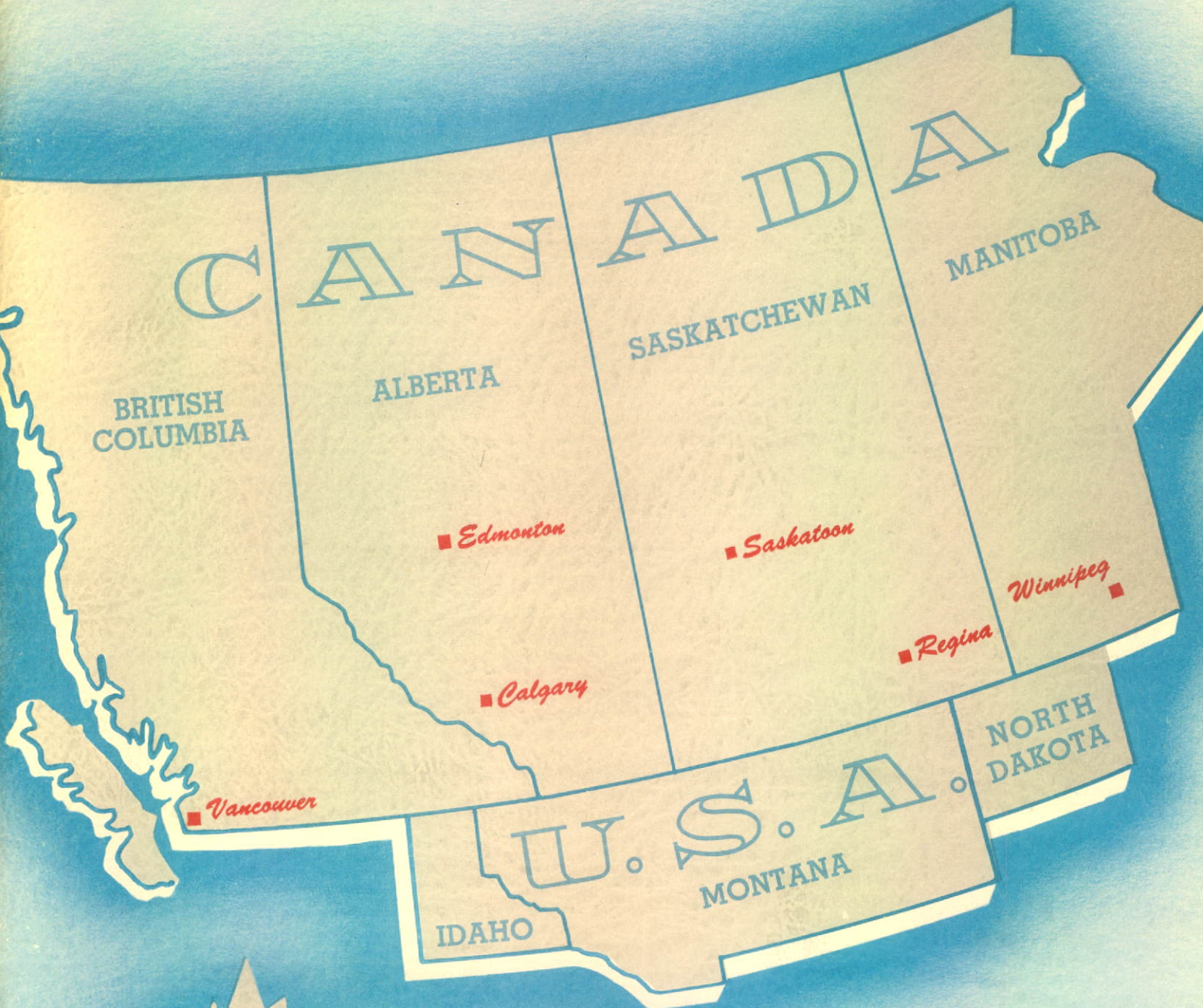


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WEST CANADIAN OIL & GAS LIMITED



1958

Annual Report



Company Information, Directors and Officers

WEST CANADIAN OIL & GAS LIMITED

(Incorporated under the Laws of Canada on October 30, 1950)

CAPITAL :	Authorized - - -	15,000,000 Shares of a Par Value of \$1.25 each.
	Issued - - -	6,960,061 Shares of a Par Value of \$1.25 each.
	Listings - - -	Calgary, Vancouver, Toronto, Canadian, American and Pacific Coast Stock Exchanges.
FUNDED DEBT :	Authorized - - -	\$5,000,000.
	Outstanding - - -	\$619,000 Sinking Fund Secured Notes 5% Series "A"
		\$591,500 Sinking Fund Secured Notes 5½% Series "B"
		\$2,500,000 Sinking Fund Secured Notes 5½% Series "C"
DIRECTORS :	Gordon H. Allen, Q.C., Calgary, Alberta	M. Barriere, Montreal, Quebec
	Albert de Boissieu, Paris, France - -	Etienne Bernard, Lille, France
	John D. Boyd, Calgary, Alberta - -	Henry Bouvier, Paris, France
	Paul Cavois, Croix, France - - -	J. A. Brusset, Calgary, Alberta
	Marc Dhavernas, Montreal, Quebec -	Louis E. Gaillochot, Paris, France
	Wilfred Gagnon, Montreal, Quebec -	Jacques Georges-Picot, Paris, France
	F. Lawson Glasgow, Montreal, Quebec -	Abel Jobin, Basle, Switzerland
	G. LeBel, Paris, France - - - -	Frederick Mannix, Calgary, Alberta
	A. C. Nussbaumer, Basle, Switzerland -	Marc Spitzer, Montreal, Quebec
	Marshall W. Taylor II., Calgary, Alberta	Jean Terray, Paris, France
OFFICERS :	G. LeBel - - - - -	Chairman of the Board
	J. A. Brusset - - - - -	President
	M. W. Taylor II - - - - -	Executive Vice-President
	J. D. Boyd - - - - -	Vice-President
	S. C. Short - - - - -	Secretary-Treasurer
	S. W. Jones - - - - -	Assistant Secretary-Treasurer
	E. de Lauriston - - - - -	Assistant Secretary
REGISTRARS :	Prudential Trust Company Limited - -	Calgary, Alberta, Canada
	Registrar and Transfer Company - -	Jersey City, New Jersey, U.S.A.
TRANSFER AGENTS :	Prudential Trust Company Limited - -	Calgary, Alberta, Canada
	Prudential Trust Company Limited - -	Vancouver, British Columbia, Canada
	Prudential Trust Company Limited - -	Toronto, Ontario, Canada
	Prudential Trust Company Limited - -	Montreal, Quebec, Canada
	Registrar and Transfer Company - -	Jersey City, New Jersey, U.S.A.
AUDITORS :	Morton, Hills & Company - - -	Calgary, Alberta, Canada
SOLICITORS :	Allen, MacKimmie, Matthews, Wood, Phillips & Smith - - - - -	Calgary, Alberta, Canada
	Cahill, Gordon, Reindel & Ohl - - -	New York, N.Y., U.S.A.
BANKERS :	The Royal Bank of Canada - - -	Calgary, Alberta, Canada

Comparative Summary of Significant Facts

	<i>Twelve Months Ended December 31, 1958</i>	<i>Twelve Months Ended December 31, 1957</i>
Number of Crude Oil Wells in which Interest Held ----	317.75	308
Net Crude Oil Wells Owned -----	95.18	91.57
Number of Gas Wells in which Interest Held -----	19	19
Net Gas Wells Owned -----	11.07	11.82
Net Barrels of Crude Oil Sold -----	788,711	898,285
Net Production per Day -----	2,163	2,511
Value of Crude Oil Sold after Royalties -----	\$1,875,756.17	\$2,226,132.63
Value of Natural Gas Sold after Royalties -----	\$16,876.57	\$14,523.77
Realization per Barrel -----	\$2.38	\$2.48
Total Income from All Sources -----	\$2,071,309.15	\$2,476,327.53
Net Cash Profit -----	\$1,164,276.98	\$1,517,004.54
Gross Acreage Holdings -----	3,023,816	2,438,391
Net Developed Acreage Holdings -----	8,640	6,993
Net Undeveloped Acreage Holdings -----	740,957	684,986
Book Value per Undrilled Net Acre -----	\$5.76	\$5.87
Number of Shareholders -----	5,952	6,192

WEST CANADIAN OIL & GAS LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Take notice that the Annual General Meeting of the Shareholders of West Canadian Oil & Gas Limited will be held at the office of the Company, 505 - 8th Avenue West, in the City of Calgary, in Alberta, on the 14th day of April, 1959, at the hour of 2:30 o'clock in the afternoon for the purposes of:

- (a) Receiving and approving the report of the Directors, the Balance Sheet and Profit and Loss Account and the Auditors' Report, all as contained in the Annual Report of the Company for the year ended 31st December, 1958.
- (b) Approving and ratifying the acts and proceedings of the Directors and Officers of the Company, from January 1, 1958, to December 31, 1958.
- (c) Electing a Board of twenty Directors for the ensuing year.
- (d) Appointing auditors for the ensuing year.
- (e) Transacting such other business as may properly come before the meeting.

The transfer Books will not be closed.

The Board of Directors has fixed Tuesday, the 17th day of March, 1959, as the record date for the determination of shareholders entitled to notice of and to vote at said Annual Meeting of Shareholders or any adjournments thereof, and only Shareholders of record at the close of business on the date so fixed shall be entitled to notice of and to vote at such meeting or adjournments thereof.

Each Shareholder who will not be able to attend the meeting is respectfully requested to detach the proxy hereto annexed, sign it, and return it to the Company.

Pursuant to Clause 95 of By-Law No. 1 of the Company the instrument appointing a proxy shall be deposited at the Head Office of the Company not less than 24 hours before the time fixed for holding the meeting.

A copy of the Company's Annual Report above mentioned is enclosed herewith.

Dated at Calgary, this 4th day of March, 1959.

By Order of the Board,

S. C. SHORT,
Secretary.

WEST CANADIAN OIL & GAS LIMITED

P R O X Y

Shares

I,, of,
being a shareholder of West Canadian Oil & Gas Limited, hereby appoint JEAN A. BRUSSET of Calgary,
Alberta, or failing him, MARC A. DHAVERNAS, of Montreal, P.Q., or failing him,
....., of, as my proxy to vote for me and
on my behalf at the Annual General Meeting of the Company to be held on the 14th day of April, 1959,
and at every adjournment thereof, and at every poll, which may take place in consequence thereof.

As Witness My Hand this day of, 1959.

Signature of Shareholder

Shareholder's Name

(Please Print)

Directors' Report to the Shareholders

The Directors of West Canadian Oil & Gas Limited submit herewith the Consolidated Annual Report and Financial Statements on the operation of your Company for the year ended December 31, 1958.

The general recession in North America has particularly affected the Canadian oil industry in 1958. The sales of crude oil by your Company have been reduced by 12.2% from the year 1957. As a further result, prices went down, so that the final income from sales was 15.5% lower than in 1957, the total general income being 16.3% lower.

We have continued in 1958 a policy of economy and regrouping of personnel towards the best possible efficiency. This policy has resulted in the maintenance of a lifting cost of 42c per barrel identical to the lifting cost of 1957, although the production per well was substantially reduced in 1958, for our Company as well as for all other companies. In keeping with the general decrease of activities in the Canadian oil industry, we reduced our drilling activities to 24 wells in 1958 as against 49 wells in 1957. As a result, our discoveries of new reserves have not been as large as in 1957, but on the whole have been approximately equivalent to the production of the year, and our total reserves have been maintained. A substantial gas development at Nevis, Alberta, has increased our gas reserves.

The Company's total production of crude oil in 1958 was 789,591 net barrels (after royalty deduction). The net sales totalled 788,711 barrels for a total income of \$1,892,633 from sales of petroleum products, as against \$2,240,656 for 1957.

The Company's funded debt is now \$3,710,500, having been increased by a net amount of \$2,322,500 during the year, following the sale of \$2,500,000 5½% Sinking Fund Secured Notes Series "C". The working capital was \$2,435,648 as at December 31, 1958, having been increased by \$2,050,863 as compared to 1957. Our income before depreciation, depletion charges and debt carrying charges was \$1,351,882 or 17% down as compared with the 1957 income.

The method followed in 1957 and 1958 by the Company in the calculation of write-offs has been the "Abandonment Method," in which all exploration expenses, dry wells and lease rentals, are capitalized with each piece of property on which they have been effected. When such a piece of property is abandoned, all the amounts so capitalized on it are then written off. This method, however, for a Company like yours which is still in the growth stage, results in the deferment of a write-off until the corresponding piece of property has been fully explored. Therefore it was the decision of the Board at a recent meeting to follow, from the year 1959, the method of writing-off dry wells in the year during which they occur; also writing-off all the year's geological and geophysical expenses, and lease rentals on exploratory lands. This will be adjusted retroactively from the inception of the Company. This method appears to be coming into general use in the Canadian oil industry.

At the time of writing, there appears to be justified hopes for an improvement in the Canadian Oil industry in 1959. The future of gas exports has not been clarified, and the interim report of the Royal Commission has generally disappointed the industry. It is still hoped, however, that the final decision of the Canadian Government will be favorable to the full development of the oil and gas fields of Western Canada.

Your Company has had an active campaign of exploration in North-eastern British Columbia in 1958, which has not yet at the time of writing resulted in any discoveries, but has given encouraging indications.

It will be our policy in 1959 to continue a cautious policy of developing our proven reserves of oil and gas, and of trying to carry the exploration of the properties in British Columbia to a satisfactory conclusion.

It is expected that the year 1959 will see larger gas sales with the beginning of production at our Nevis well, and that in 1960 the pipeline will have reached the Rimbey field, where we have our most important reserves of gas.

Our total net undeveloped acreage has been increased by nearly 10% over 1957, mostly by acquisitions of land in Alberta.

In conclusion, while the results of the year 1958 have shown a reduction of income for your Company, they compare favorably with the average of the Canadian oil industry, which has suffered a greater percentage reduction.

The Directors wish to express thanks to the shareholders for their continued support during the year, and appreciation to all employees for their efficient co-operation.

On behalf of the Board.

J. A. BRUSSET,
President.

March 4th, 1959.

Development, Production and Exploration

● GENERAL

In late 1957 the Canadian oil industry felt the after-effects of the Suez crisis and in 1958 the sharp recession which hit the entire North American economy; as a result Canadian crude oil production during 1958 was sharply reduced. West Canadian like others in the industry experienced a reduction in its crude oil sales which in its case amounted to 109,574 barrels or 12.2%.

Income from sales of petroleum products was down by \$348,023.66, a decrease of 15.5%. It will be noted that the decrease in income percentagewise is greater than the decrease in production, this was due to downward adjustments in the selling price of most crudes produced by the company amounting to an average of 10 cents per barrel.

● DRILLING

During 1958 the Company and its associates drilled or participated in the drilling of the following wells:

<i>Well Name</i>	<i>Location</i>	<i>WCO & G Interest (inclusive of Gross Royalty Payable)</i>	<i>Results</i>
ALBERTA			
1. Pan American et al Big Lake 14-25L	St. Albert, Alberta	7.25208%	Abandoned
2. Imperial et al Big Lake 16-26L	St. Albert, Alberta	1.506%	Abandoned
3. Decalta et al Hay River 4-34	Hay River, Alberta	7.6923%	Abandoned
4. West Canadian et al Joffre 11-4N	Red Deer, Alberta	50%	D2 - Oil
5. Cdn. Superior West Canadian Nevis 7-9	Stettler, Alberta	25%	D2 and D3 - Gas
6. Imperial et al Big Lake 11-25N	St. Albert, Alberta	35.725%	D2 - Oil
7. Imperial et al Big Lake 13-25 MZ	St. Albert, Alberta	25.0303%	D1 and D2 - Oil
8. West Canadian Manyberries South 10-29	Manyberries, Alberta	100%	Abandoned
9. Scurry Merit Halkirk 13-11	Halkirk, Alberta	50%	Abandoned
10. Decalta et al Whitelaw 8-34	Grande Prairie, Alberta	15%	Abandoned
11. Decalta et al Lutose Creek 8-19	Hay River, Alberta	12.538%	Abandoned 1959
12. Cabeen Expl. Glen Park 9-34-48-27	Glen Park, Alberta	25%	Abandoned 1959
13. Cabeen Expl. New Norway 9-1-44-22	New Norway, Alberta	Dry Hole Contribution	Abandoned
N.B. : In addition to the foregoing, Imperial et al Big Lake 12-25N, a D2 oil producer (W.C.O. & G. interest 3.135%) was converted to a dual D1, D2 oil producer, and re-named Imperial et al Big Lake 12-25MZ.			
SASKATCHEWAN			
1. Devon Palmer West Canadian Roughbark 16-36	Weyburn, Saskatchewan	25%	Suspended Charles Oil Well
2. West Canadian Baysel Halbrite 9-25	Halbrite, Saskatchewan	50%	Charles Oil Well
3. West Canadian Baysel Shell Halbrite 13-30	Halbrite, Saskatchewan	25%	Charles Oil Well
4. West Canadian Baysel Cdn. Superior Halbrite 5-31	Halbrite, Saskatchewan	50%	Charles Oil Well
5. West Canadian Baysel Halbrite 7-25	Halbrite, Saskatchewan	50%	Charles Oil Well
6. West Canadian Baysel Halbrite 5-30	Halbrite, Saskatchewan	50%	Abandoned
7. West Canadian Baysel Halbrite 15-25	Halbrite, Saskatchewan	50%	Abandoned
8. Devon Palmer West Cdn. Roughbark 10-1	Weyburn, Saskatchewan	50%	Charles Oil Well

BRITISH COLUMBIA

1. Phillips Milligan "A" No. 1	N.E. British Columbia	22.5%	Abandoned
2. Phillips Beaton "A" No. 1	N.E. British Columbia	22.5%	Abandoned
3. Phillips Puggins Mountain No. 1	N.E. British Columbia	22.5%	Drilling at 14,753 feet Dec. 31, 1958

Total development and exploration expenditures in connection with the above wells have been estimated at \$634,524.30.

● LIFTING COSTS

For the year 1958, the cost of lifting all oil produced by the Company and by others for our account amounted to 42.2 cents per barrel. Royalties paid on the same oil were at the rate of 33 cents per barrel.

● 1958 PRODUCTION AS COMPARED WITH 1957

	1958		1957	
	<i>Production in Barrels</i>	<i>Company's Share after Royalty Deduction</i>	<i>Production in Barrels</i>	<i>Company's Share after Royalty Deduction</i>
ALBERTA FIELDS :				
Battle	7,399	6,969	7,529	7,058
Big Lake	24,087	18,548	65,407	50,013
Campbell	30,455	27,389	36,288	32,575
Cessford	22,143	20,156	31,785	28,840
Erskine	27,612	24,689	25,012	22,405
Harmattan-Elkton	5,140	4,692	6,604	5,861
Homeglen-Rimbey	5,540	4,885	7,860	6,903
Joarcam	17,413	16,037	25,742	23,169
Joffre	53,405	48,023	40,767	35,184
Leduc-Woodbend	320,075	277,298	375,981	326,381
Pembina	32,077	29,114	48,503	43,061
Redwater	2,724	2,478	2,872	2,613
St. Albert	5,902	5,164	7,762	6,797
Stettler	97,170	83,655	131,076	112,278
SASKATCHEWAN FIELDS :				
Coleville-Smilely	4,446	4,121	11,789	11,040
Hastings	2,989	2,664	10,917	9,526
Midale	17,873	15,647	2,475	2,175
Weyburn	127,895	106,841	121,736	98,477
MANITOBA FIELDS :				
Virden-Roselea	111,924	91,221	113,131	92,205
	<u>916,269</u>	<u>789,591</u>	<u>1,073,236</u>	<u>916,561</u>

Development, Production and Exploration -- (Continued)

● ALBERTA

GENERAL

The Company considerably improved its acreage position in this province during the year. Leases and reservations were acquired in the central, west central and northern areas of the province. So that, although numerous leases and several reservations were allowed to lapse, were surrendered or farmed out, the gross acreage inventory increased by 576,470 acres to 1,059,482 acres and the net acreage inventory by 76,661 acres to 233,963 acres.

In addition to actual leases and reservations taken or acquired the Company was able to obtain options to lease on some 80,000 net acres located in the central Alberta plains area. It also holds royalty interest on 40,565 acres in the province.

ST. ALBERT-BIG LAKE

As a result of additional completions in the D1 and D2 zones of the Devonian formation the Company established new reserves, not previously calculated, of 110,000 barrels net to its interest during 1958.

The Company also holds interest of 8.23%, 15.95% and 4.54% in three Lower Cretaceous gas units in this area and during 1959 will contribute further acreage to a fourth unit in which its interest will be 7.5%.

JOFFRE

The Viking pool has now been operating on a unitized basis for over a year. The results of the water injection program have been most satisfactory and the pool is producing at its allowable rate without penalty for high gas oil ratios. The result is that the Company's Joffre production has been definitely improved and indications are that the capital investment, required for the water injection program, will justify itself many times over in the next three to four years.

A successful D2 zone oil well was completed on Lsd. 11 of Sec. 4, Twp. 39, Rge. 26, W4th. The Company holds a 50% interest in the well, estimated new reserves are 230,000 barrels net to its interest. The spacing for wells in the Joffre D2 pool is 160 acres per well, as the Company holds a half section (320 acres) it appears probable that an offsetting well, to the one mentioned, will be drilled in 1959.

RIMBEY

In this area the Company has now signed further contracts with Trans Canada Pipelines Limited with the result that a well will in all probability be drilled during 1959 on Sec. 24, Twp. 43, Rge. 2, W5th. The Company's interest, in this well and the gas underlying it, is 16.5%.

The contracts with Trans Canada, entered into by the Company, call for delivery of natural gas in late 1960. The Alberta Gas Trunk Line Company Limited has announced that construction of the necessary pipelines to connect the field with Trans-Canada will be undertaken early in 1960. The Company can expect therefore to be receiving income from its natural gas in this field prior to 1961.

NEVIS

Early in 1958, the Company pooled the N.E. of Sec. 9, Twp. 39, Rge. 4, W4 with Canadian Superior Oil of California and drilled a successful gas well producing from the D2 and D3 zones. The Company has

contracted its 25% interest in the gas from this well to Trans Canada Pipelines and expects to be delivering dry gas to that company by November of 1959. In order to process the gas which is rich in products the Company has joined other operators in the field in constructing a processing plant. Reserves of gas and liquid products accruing to the Company as a result of this completion are estimated at 6,895,000 Mcf. of dry gas, 261,000 barrels of liquid petroleum products and 16,000 tons of sulphur.

HAY RIVER

The Company acquired interest varying from 7.692% to 12.538% in 376,320 acres in this area of extreme Northern Alberta. Two unsuccessful wells were drilled on the lands in 1958. It is our geologists' opinion that despite this the area is still of sufficient interest to warrant retaining selected blocks of the acreage and conducting further exploratory work on these blocks during 1959 and 1960.

BRAZEAU-NORDEGG

It will be recalled that the Company held an interest with the French Petroleum Company and Home Oil Company in 89,000 acres in this foothills area of Alberta. In October the lands were farmed out to Mobil Oil of Canada Ltd. The latter company has agreed, under the terms of the agreement, to pay all rentals, conduct an extensive seismic program and drill a 13,300-foot test well over the next two years in order to earn a 50% interest in the lands. West Canadian's interest will be reduced at the completion of the program from 26,893 net acres to 10,085 net acres.

ATHABASCA OIL SANDS

Expenditures on the 54,821 gross acres in this area, which are held by the Company in association with others, were restricted to only those required to maintain the groups position.

Considerable interest has been attracted by the proposal of Richfield Oil Corporation and Canadian Governmental Authorities to explode a nuclear device below the sands. This is a project presently beyond the means of most companies, its progress and the results obtained will however be of considerable interest and possible value to the Company and its associates.

● SASKATCHEWAN

GENERAL

Acreage holdings in Saskatchewan were reduced during 1958 by 8,949 gross acres or 5,110 net acres. It is the present intention however to follow a plan of careful land acquisition in the south-east section of the Province during 1959.

Saskatchewan producers of light gravity crude oils in the south-east and producers of Fosterton type crudes produced in the south-west areas of the province have had little or no difficulty in marketing all their production. Producers of medium gravity, Weyburn-Midale type crudes have not been so fortunate and production from this area was severely restricted during 1958. There is some indication that this situation may be corrected to some extent in 1959 and that all types of crude from all areas will be readily marketed.

Development, Production and Exploration -- (Continued)

BUFFALO COULEE

The fourteen heavy gravity crude oil producers owned by the Company in the above field were shut in throughout all but six weeks of 1958 due to lack of markets.

In late 1958 a long term market was developed by the largest producer in the area, this market is in Eastern Canada and requires blending of the crude with light oil to transport it by pipeline. West Canadian has been assured that just as soon as the numerous problems encountered in readying the crude for transportation are overcome, it will be able to market crude and re-open its wells. Present advice is to the effect that the major operator will be in a position to accept crude oil from the Buffalo Coulee wells within a matter of weeks and that such acceptances will be sustained for a long period.

WEYBURN

The Company has interest in sixteen wells in this field, of these seven are owned 100%, three are owned 50% and six are owned 25%. As was stated earlier in this report serious marketing difficulties with respect to crude oil produced by these wells was experienced in 1958, average production per well per day being only 35 barrels. It appears now however that the considerable effort put forward by the Company and other producers in the field to obtain markets is shortly to be rewarded. Indications from certain refiners in the Toronto area, to the effect that they are prepared to accept Weyburn-Midale type crude on a long term basis and at the rate of 15,000 barrels per day commencing in June, should result in an increase of forty to fifty barrels per well per day. Additionally it is anticipated that smaller refiners, along the route of Interprovincial Pipelines Limited, will take advantage of the daily throughput of this oil then required, with the result that an ultimate market of 25,000 barrels per day can be hoped for in the near future.

Two development wells were drilled in this field during 1958. One of these wells in which the Company holds a 50% interest, was completed as a successful oil well. The other, in which the interest held was 25%, was unproductive of oil, but was completed as a salt water disposal well.

MIDALE-HALBRITE

In early 1957 the Company as operator for itself and others discovered oil in the south Halbrite area of the province. In late 1957 this pool was taken into the Midale field and made an integral part of it. During 1958 the Company drilled six wells in association with others, four of these were successful producers while two were dry. Company interest in the successful wells is equivalent to one and three-quarter wells while the interest in the dry holes was equivalent to one net well. New reserves established are estimated by Company engineers at 205,000 barrels exclusive of production from completion to December 31, 1958.

● MANITOBA

GENERAL

Land holding in this province amounts to 31,297 gross for a net holding of 19,828 acres. No drilling was undertaken during the year, however several prospects are now being analyzed by the Company's technical staff and it is probable that some drilling will take place during 1959.

The Company's wells located in the Scallion pool continued to produce to their maximum capacity, there being no marketing problem with respect to Manitoba crude oil production.

● BRITISH COLUMBIA

GENERAL

In this province the Company has a land position substantially larger than that in any other province or state, gross land holdings amount to 1,839,635 acres while the net acreage position is 442,205 acres. Because of this, exploration expenditures in British Columbia during 1958 amounted to 75.5% of the total such expenditure made by the Company in all provinces during the year.

Although continuing high exploration costs are expected in 1959, it is not expected that they will approach those of 1958, present forecasts placing such expenditures at between thirty and forty percent of the current exploration budget.

SOUTH PEACE RIVER

In the area south of the Peace River and in close proximity to the West Coast Transmission gas line to Vancouver, B.C., and the North-west United States, the Company, in association with Phillips Petroleum Company and Scurry-Rainbow Oils Limited, holds a 22½% working interest in 975,612 acres. In January of 1958 a deep test well Puggins No. 1, located forty miles south-west of Dawson Creek was commenced. By year end the well reached its total depth of 14,753 feet, making it the deepest well drilled in British Columbia. Porosity was encountered and the operator, Phillips Petroleum Company, ran casing in early January, so that the oil and gas possibilities of the well could be thoroughly tested. On March 6, 1959, the well was abandoned, all efforts to obtain production of oil or gas having been unsuccessful. Phillips were able however to recover in excess of 10,000 feet of casing.

Although the result obtained from this well was most disappointing, the fact that porosity was obtained at depth indicates possibilities for this very extensive block of acreage. The information obtained should be of great assistance to the geologists and geophysicists in their efforts to uncover structures with oil and gas potentialities and although no immediate drilling is foreseen, continuing study will, it is hoped, provide other favorable structures in the future.

MILLIGAN CREEK-BEATTON RIVER

During 1958 two wells were drilled in the above area by the Company in association with Phillips Petroleum Company (55½%) and Scurry Rainbow Oils Limited (22%). Both wells were dry and were abandoned. However, sufficient encouragement was obtained to warrant further drilling on the 114,141 acres held by the group. Shortly after the New Year therefore the first of three Triassic tests was commenced. This well, Phillips Beatton "A" 2, encountered the Triassic "D" sand at 3,860 feet. A drillstem test was run and the well tested 3,310,000 cubic feet of gas, 4 barrels of oil per hour and 51 barrels of salt water. Unfortunately there was insufficient sand above the waterline to warrant completion as a commercial oil or gas well and the well was abandoned.

As a result of the near success at Beatton "A" 2 it was decided to move one and one-half miles up-structure in an effort to find the Triassic "D" sand at an elevation sufficiently above the water to obtain, if all other factors were equal, a commercial well. This well, Phillips Milligan C-72-J, tested 606,000 cubic feet of gas in the Bluesky formation with no oil or water and although the Triassic "D" sand previously mentioned is the key zone it appears likely a commercial well can be made in the Bluesky. In the meantime the well is being carried to its objective.

Development, Production and Exploration -- (Continued)

The third well in this area, Phillips Beatton d-59-F, was located 11 miles south-west of Milligan C-72-J on the extreme south-west edge of Permit No. 178. The well tested 139,000 cubic feet of gas from the Gething formation at 3,398 feet. However the Triassic "D" zone was water laden and was unproductive of oil or gas. Efforts may be made to complete the well as a producer from the Gething, otherwise it will be abandoned.

Of considerable interest in this area is the well, Sinclair-Pacific Doig No. D-39-E located one and one-half miles south of the southern boundary of the easternmost permit, No. 224. This well flowed oil from the Triassic "D" zone at the rate of 28 barrels per hour, there being 25 feet of net pay. It is to be hoped that the structure on which this well is located continues into Permit No. 224, although any well to determine if such is the case can not now be drilled until 'freeze up' in the fall.

From the foregoing, shareholders will appreciate that the two permits, 178 and 224, in this area show good potentialities for oil and gas production; this despite the fact that to date only partial success has been obtained by the group.

PINE PASS

In October, 1958, the Company farmed out its wholly-owned permit in this area to Sun Oil Company. Sun will earn a 50% interest in the 36,185 acres involved in return for meeting work requirements and rentals to the extent of \$100,000.

FORT NELSON

At Fort Nelson in North-east British Columbia the Company held a 50% interest in permit No. 274. Recently this permit was pooled with an offsetting permit and farmed out, on terms most favorable to the Company, to Pan American Petroleum Corporation. Under the terms of the farmout agreement Pan American must drill a test well to the Slave Point formation at around 6,800 feet in order to earn a 50% interest in the pooled permits. The well has been spudded and is presently drilling ahead. West Canadian's net interest will be reduced on completion of the well from 9,802 acres to 5,060 acres.

VARIOUS

The Company in addition to the above lands has interest in the Muskwa River area on 376,596 gross acres for a net of 84,734 acres on which an extensive seismic program was conducted early in 1958. This program established several promising structures and it is anticipated drilling will take place early in 1960.

An interest of 37.65% is also held in the Dawson Creek area (4,800 gross acres), the Moberly Lake area (59,936 gross acres) and along the Murray River (22,088 gross acres) with Canada Southern Petroleum Ltd., Dome Petroleum Limited and others. The group has conducted seismic exploration on the Moberly Lake and Murray River permits and drilled a 3,700-foot test well on the small Dawson Creek permit. The well was dry and it is probable that the group will go to lease on the acreage involved. Further work will be conducted on the two larger permits in the winter of 1959-1960.

● MONTANA

In this state, the Company holds 19,254 gross acres for a net of 17,385 acres. Plans have been completed to drill a Mission Canyon test to a depth of 7,300 feet in the Yellowstone area where Company holdings amount to 3,196 net acres. The well commenced drilling in early February and is drilling ahead. Company interest in the well and 2,236 acres in the immediate area is 75%. Additionally a 100% interest is held in 640 acres within one mile of the well.

● FINANCIAL

GENERAL

The year 1958 was the first complete fiscal year of operation for the Company, since the merger with West Canadian Petroleum Ltd. on March 29, 1957. It is not possible therefore to compare financial statements for the years 1957 and 1958 directly. However in 1957 pertinent information with respect to most items was compiled on a twelve-month basis and these figures are comparable with similar figures for 1958.

Unfortunately 1958 was a most disappointing year for the oil and gas industry generally and although West Canadian Oil & Gas Limited did not suffer to the same extent as some companies it did sustain reductions of 16.3% in gross income and 13.8% in production. So that despite a reduction of 11.8% in operating costs and 18.5% in general and administrative expenses, income before capital write-off and debt carrying charges was down by 17%.

EARNINGS AND EXPENDITURES

In the year under review the Company earned total income of \$2,071,309.15. Operating costs were \$389,181.62, Administrative and General Expenses amounted to \$330,244.82. Cash flow, before Interest payments and amortization on Secured Notes of \$143,282.00 and special expenses with respect to the Series "C" note issue of \$44,323.73 was \$1,351,882.71. Capital expenditures amounted to \$1,455,318.79 of which \$173,121.08 were in the form of lease rentals, \$189,354.33 geological and geophysical expenses, \$346,475.25 development drilling, \$424,962.21 wildcat or exploratory drilling, \$157,328.72 equipment and \$164,077.20 on land acquisition.

WORKING CAPITAL

The working capital position of the Company did see substantial improvement during the year, standing at \$2,435,648.09 as of December 31, 1958. This was due to the sale of \$2,500,000 5½% Sinking Fund Secured Notes Series "C" to the Company's fiscal agents, Royal Securities Corporation Limited and James Richardson & Sons, as underwriters. These notes were sold by the underwriters to the Canadian investing public and were not offered in the U.S.A. The notes bear Stock Purchase Warrants, are for a fifteen-year term and are dated July 15, 1958. The Stock Purchase Warrants entitle the holder of same to purchase common shares of the Company at the rate of 100 shares for each \$1,000 principal amount of 5½% Notes, Series "C" at any time after March 31, 1959, up to 12:00 noon on July 15, 1968, at prices commencing at \$2.00 per share to July 15, 1960, increasing 50 cents per share thereafter and 50 cents per share every two years to July 16, 1966.

FUNDED DEBT

The Company's Funded Debt increased by \$2,500,000 on issue of the Series "C" Notes previously referred to; payments toward the Sinking Funds of the Series "A" and Series "B" Notes reduced the debt outstanding under these former issues by \$177,500.00 so that total funded debt as of December 31, 1958, was \$3,710,500.00, a net increase of \$2,322,500.00 during the year.

West Canadian Oil & Gas Limited and Subsidiary Companies

CONSOLIDATED BALANCE SHEET AS AT D

(All Amounts in Canadian Dollars.)

● **ASSETS**

CURRENT:

Cash on Hand and in Bank	\$	178,170.93	
Accounts Receivable —			
For Sale of Products and Services		316,142.80	
Other		92,435.15	
Inventories — at Cost		224,111.08	
Deposit Certificates and Short Term Loans		1,929,300.00	
Refundable Security Deposits		73,102.27	
Marketable Securities — at Cost		5,000.00	
Accrued Interest		12,053.01	
Prepaid and Deferred Charges		32,968.52	\$ 2,863,283.76

SINKING FUND:

Cash and Investments Held by Prudential Trust Company Limited under Terms of Trust Deed —			
Cash	\$	2,145.62	
Investments as Specified in Trust Deed — at Cost (Market Value \$47,713.47)		6,250.00	8,395.62

INVESTMENTS:

Bonds, Debentures, Mortgages and Shares at Cost — less amounts Written-Off			102,567.71
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FIXED ASSETS — at Cost (Note 2)

Property, Plant and Equipment	\$	2,914,641.09	
Less: Accumulated Depreciation		(1,625,923.95)	1,288,717.14

DEVELOPMENT: (Note 3)

Land, Leases and Development Costs on Proven Properties	\$10,268,070.41		
Less: Accumulated Provision for Recovery of Development (Note 4)	(3,365,046.19)		
	\$	6,903,024.22	
Prospective Lands, Exploration and Development Thereon (Note 4)		4,268,425.83	11,171,450.05

OTHER ASSETS:

Discount on Convertible Sinking Fund Secured Notes — less Amortization	\$	155,520.64	
Organization Expenses		60,993.33	
			216,513.97

\$15,650,928.25

CEMBER 31, 1958

● LIABILITIES

CURRENT:

Bank Loans — Secured	\$	100.00	
Accounts Payable		283,576.19	
Accrued Interest on Secured Notes		76,459.48	
Sinking Fund Secured Notes—Due Within One Year		67,500.00	\$ 427,635.67

FUNDED DEBT: (Note 5)

Convertible Sinking Fund Secured Notes	\$	3,710,500.00	
Less: Amount Due Within One Year		(67,500.00)	3,643,000.00

CAPITAL AND SURPLUS:

Authorized —

15,000,000 Shares Par Value \$1.25 each, including
100,000 Shares re Option Agreement with officers of the
Company
430,487 Shares for Conversion of Warrants
(Expiry Date March 31, 1959)
49,000 Shares for Share Options and Purchase Agreement
re West Canadian Petroleums Ltd.
250,000 Shares for Conversion of Warrants re
Class "C" Secured Notes

Issued —

6,959,230 Shares to December 31, 1957	\$	8,699,037.50	
831 Shares for Warrants during 1958		1,038.75	8,700,076.25
<u>6,960,061 Shares</u>			

CAPITAL SURPLUS: (Note 6)

Arising from —

Conversion to Par Value Shares and Premium on Shares	\$	169,717.92	
Purchase of Shares in Subsidiary Companies		64,592.64	
Purchase of Assets other Companies		2,382,789.61	2,617,100.17

Earned Surplus			263,116.16
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Approved on behalf of the Board:

J. A. BRUSSET, Director.
M. W. TAYLOR II, Director.

The Notes appended hereto form an integral part of these financial statements.

Submitted with our Report Dated March 13, 1959.

MORTON, HILLS & COMPANY, Chartered Accountants.

\$15,650,928.25

West Canadian Oil & Gas Limited and Subsidiary Companies

Notes to Consolidated Financial Statements

December 31, 1958

(All Amounts in Canadian Dollars.)

NOTE 1 —

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the year 1958 include the accounts of all companies in which the company, directly or indirectly has ownership of more than 50% of the issued capital stock.

NOTE 2 —

Depreciation on fixed assets has been provided at rates not in excess of the maximum allowed by Dominion Income Tax Regulations.

The rates used for the year 1958 are as follows:

Production Equipment	15%	reducing balance
Servicing and Field Equipment	10%	reducing balance
Cars and Trucks	30%	reducing balance
Furniture and Fixtures	20%	reducing balance

NOTE 3 —

The following is a summary of development and the leasehold costs:

Producing and Drilling Wells and Development—at cost	\$ 6,978,932.43
Interest in Exploratory Development—at cost	1,602,741.34
Interest in Petroleum and Natural Gas Rights, Leases, Reservations and Permits— at cost	4,085,645.48
Lease Rentals—Prior Years	759,853.92
Lease Rentals—Current	173,121.08
Revaluation of Properties Acquired	936,201.99
	<hr/>
	\$14,536,496.24
Accumulated Provision for Depletion	3,365,046.19
	<hr/>
	\$11,171,450.05

NOTE 4 —

Depletion provision for producing wells, including leasehold costs, has been calculated on the basis of engineering estimates of recoverable oil.

Lease rentals have been capitalized (see Note 3). Where properties have been abandoned current and prior years lease rentals are written off.

Interest in Exploratory Development and lease costs are written off when the property is abandoned.

NOTE 5 —

Convertible Sinking Fund Secured Notes —	Amount Authorized	Amount Outstanding
Note (a)	\$5,000,000.00	
Series A—5% due March 1, 1966 (Note (b))	1,500,000.00	\$ 619,000.00
Series B—5½% due December 1, 1967 (Note (c))	1,000,000.00	591,500.00
Series C—5½% due July 15, 1973 (Note (d))	2,500,000.00	2,500,000.00

- Note (a)—Additional Secured Notes may be issued under terms of The Supplemental Trust Deed.
- Note (b)—The option to convert the outstanding Convertible Sinking Fund Secured Notes into Common Stock of the Company terminated December 31, 1957.
Yearly Sinking Fund Requirements — \$100,000.00.
- Note (c)—The option to convert the outstanding Convertible Sinking Fund Secured Notes into Common Stock of the Company terminated December 31, 1957.
Yearly Sinking Fund Requirement—\$65,000.00.
- Note (d)—The Series C Secured Notes have warrants attached which may not be detached and are not exercisable until after March 31, 1959. The warrants are not exercisable by or on behalf of any person who is a resident in the United States or of its territories or possessions. After March 31, 1959, the new warrants are exercisable until their expiration on July 15, 1968, at the following scale of prices:
- | | |
|---|--|
| \$2.00 per share to July 15, 1960, thereafter | |
| \$2.50 per share to July 15, 1962, thereafter | |
| \$3.00 per share to July 15, 1964, thereafter | |
| \$3.50 per share to July 15, 1966, thereafter | |
| \$4.00 per share to July 15, 1968. | |
- | | |
|--|--------------|
| Yearly Sinking Fund Requirement | |
| July 15, 1960, to July 15, 1966 | \$150,000.00 |
| July 15, 1967, to July 15, 1972 | 200,000.00 |
| July 15, 1973, Payment at maturity | 250,000.00 |
- Note (e)—While any Secured Notes remain outstanding the company will not pay any dividends (other than stock dividends) or redeem, retire or purchase any shares thereof, unless, after giving effect thereto, the net current assets of the company would be less than an amount equivalent to 25% of the aggregate principal amount of the secured notes for the time being outstanding or, if, and so long as it is in default under the Trust Deed relating to the company's Convertible Sinking Fund Secured Notes.
- Note (f)—Payments to the Sinking Fund Trustee will be required in 1959 as follows:
- | | |
|------------------------|-------------|
| Series "A" Notes | \$21,500.00 |
| Series "B" Notes | 46,000.00 |
- Note (g)—The Supplemental Trust Deed establishing the Series "C" Notes contains a provision whereby the company covenants that it will maintain available security equal to at least the principal amount of notes outstanding or make an additional sinking fund payment equal to the excess of notes outstanding over available security.
The method of determining available security is defined in the Trust Deed.

NOTE 6 —

The Capital Surplus arises as follows:

Transfer re change of shares (from no par value to par value of \$1.25 each)	\$ 92,462.92
Sale of 200,000 shares at \$1.60 (Premium 35 cents per share)	70,000.00
Sale of 5,804 shares re Share Warrants at \$2.50 (premium of \$1.25 each)	\$ 7,255.00
Purchase of Assets West Canadian Petroleums Ltd.	2,209,573.66
Acquisition of Assets Ross Oils (Alberta) Ltd.	173,215.95
Surplus re shares purchased in subsidiary companies—	
Assiniboine Oils Limited	59,209.81
Taylor Petroleum Operators Limited	5,382.83
	\$ 2,617,100.17

NOTE 7 —

Provision for taxes on Income is not required because deductions from income for development expenditures are allowed under Income Tax Regulations.

West Canadian Oil & Gas Limited and Subsidiary Companies

Statement of Consolidated Income

For the Year Ended December 31, 1958

(All Amounts in Canadian Dollars.)

Crude Oil and Gas Sales—(less decrease in oil inventory of \$7,287.04)....		\$ 2,189,830.56	
Less: Royalties	\$ 304,484.86		
Well Operating Expense, Lease and Well Maintenance and Repairs	389,181.62	693,666.48	
INVESTMENT INCOME:			\$ 1,496,164.08
Royalties	1,535.67		
Interest	35,145.47		
Dividends	1,332.73	38,013.87	
Other Income—Administration, Supervision Fees and Equipment Rental			147,949.58
Total Income			\$ 1,682,127.53
EXPENSES:			
General and Administrative Expense less recoveries and Charges to Production (including Counsel and Solicitors' Fees and Salaries of Executive Officers—\$78,279.25)	\$ 330,244.82		
Interest on Secured Notes and Bank Interest	135,288.67		
Amortization of Discount on Notes	7,993.33	473,526.82	
Other Expense—Bond Issue Expense			\$ 1,208,600.71
			44,323.73
Net Income before Provision for Depreciation, Depletion and Abandoned Properties			\$ 1,164,276.98
OTHER DEDUCTIONS:			
Depreciation—Production Equipment	\$ 211,411.07		
Furniture and Fixtures and Cars	15,312.29		
Provision for Depletion	370,694.17		
Provision for Abandoned Properties	568,155.58	1,165,573.11	
Net Income (Loss) for the Year Transferred to Earned Surplus			(\$ 1,296.13)

Statement of Consolidated Earned Surplus

For the Year Ended December 31, 1958

(All Amounts in Canadian Dollars.)

Balance as at January 1, 1958		\$ 480,027.16	
DEDUCT:			
Lease Rentals prior years—capitalized and subsequently abandoned	\$ 136,853.64		
Loss on Disposal of Investments—Net	78,761.23		
Operating Loss for the Year Ended December 31, 1958	1,296.13		
			216,911.00
			\$ 263,116.16

Auditor's Report

TO THE SHAREHOLDERS,
WEST CANADIAN OIL & GAS LIMITED.

We have examined the consolidated balance sheet of West Canadian Oil & Gas Limited and wholly owned subsidiary companies as at December 31, 1958, and the statements of consolidated earned surplus and income for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated earned surplus and income, including notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of West Canadian Oil & Gas Limited and wholly owned subsidiary companies as at December 31, 1958, and the results of their combined operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

MORTON, HILLS & COMPANY
Chartered Accountants.

March 13, 1959.
Calgary, Alberta.

Gross and Net Acreage as at December 31, 1958

BRITISH COLUMBIA

	<i>Area</i>	<i>Gross</i>	<i>Net</i>		<i>Area</i>	<i>Gross</i>	<i>Net</i>
1.	Fort Nelson	190,455	15,472	4.	South Peace River.....	1,112,356	277,162
2.	Muskwa River	376,596	84,734	5.	Dawson Creek	9,902	2,970
3.	Milligan Creek	114,141	25,682	6.	Pine Pass	36,185	36,185

ALBERTA

7.	Dunvegan	16,962	4,240	32.	Battle	1,050	525
8.	Whitelaw	84,363	7,202	33.	Bashaw	4,100	2,191
9.	Wanham	22,815	5,703	34.	Nevis	636	159
10.	Hay River	376,320	34,683	35.	Erskine	160	80
11.	Wabiskaw	9,280	9,280	36.	Stettler Unit	6,463	518
12.	Athabasca Tar Sands	54,818	3,770	37.	Joffre	1,320	1,020
13.	Whitecourt	8,760	515	38.	Joffre Unit	3,990	123
14.	Brazeau-Nordegg ...	90,240	26,892	39.	Wildcat-W. Central ...	8,112	7,874
15.	Cline River	280,000	70,000	40.	Calgary	1,140	1,140
16.	Harmattan	160	40	41.	Halliday	4,000	4,000
17.	Bighill Creek	2,248	562	42.	Farrell Lake	9,100	9,100
18.	Innisfail	1,998	1,008	43.	Coronation	641	641
19.	Penhold	447	447	44.	Halkirk	11,817	6,183
20.	Rimbey	2,554	445	45.	Alliance	1,598	1,598
21.	Glen Park	320	80	46.	Wildcat—E. Central	5,444	4,328
22.	Thorsby	5,440	1,360	47.	Fabyan	640	640
23.	Leduc	1,560	1,074	48.	Oyen	2,550	2,550
24.	Kavanaugh	160	160	49.	Helmsdale	6,382	958
25.	Pembina	960	372	50.	Hanna	642	161
26.	St. Albert Units ...	2,560	231	51.	Cessford	4,800	3,040
27.	Campbell	3,096	2,409	52.	Wildcat—S. Foothills	5,649	5,566
28.	Wildcat—N. Alberta	1,600	1,600	53.	Quaich	2,860	83
29.	Redwater	160	29	54.	Wildcat—S. Alberta...	2,081	2,081
30.	St. Michael	1,388	1,388	55.	Manyberries	5,778	5,778
31.	Joarcam	320	136				

SASKATCHEWAN

56.	Buffalo Coulee	620	620	60.	Weyburn	2,240	1,600
57.	W. Sask. Wildcat ...	10,329	5,165	61.	Halbrite	1,440	560
58.	N. Cen. Sask. Wildcat	22,992	11,656	62.	Cantal	160	53
59.	S. Cen. Sask. Wildcat	32,379	14,256	63.	E. Sask. Wildcat ...	3,988	2,306

MANITOBA

64.	Virden	800	632	65.	All other	30,497	19,196
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MONTANA

66.	Hill	6,378	5,129	68.	Treasurer	7,800	7,800
67.	Yellowstone	3,196	3,196	69.	Dawson	1,880	1,260

TOTALS

TOTAL GROSS ACREAGE	3,023,816
TOTAL NET ACREAGE	749,597

WEST CANADIAN OIL & GAS LIMITED

GROSS ACREAGE POSITION AS AT DEC. 31, 1958

T O R I E S

WEST CANADIAN OIL & GAS LIMITED

GROSS ACREAGE POSITION AS AT JANUARY 1st. 1959

	ALBERTA	B C	SASK.	MAN.	MONT.
Petroleum and Natural Gas					
Permits, Reservations	699,864	1,829,733			
Leases,	359,618	9,902	74,148	31,297	19,254
TOTAL				3,023,816	acres

LEGEND

WEST CANADIAN OIL & GAS LIMITED
ACREAGE HOLDINGS

OIL FIELDS 

GAS FIELDS 

SCALE



ASKATCHEWAN

MANITOBA

E S O F A M E R I C A



