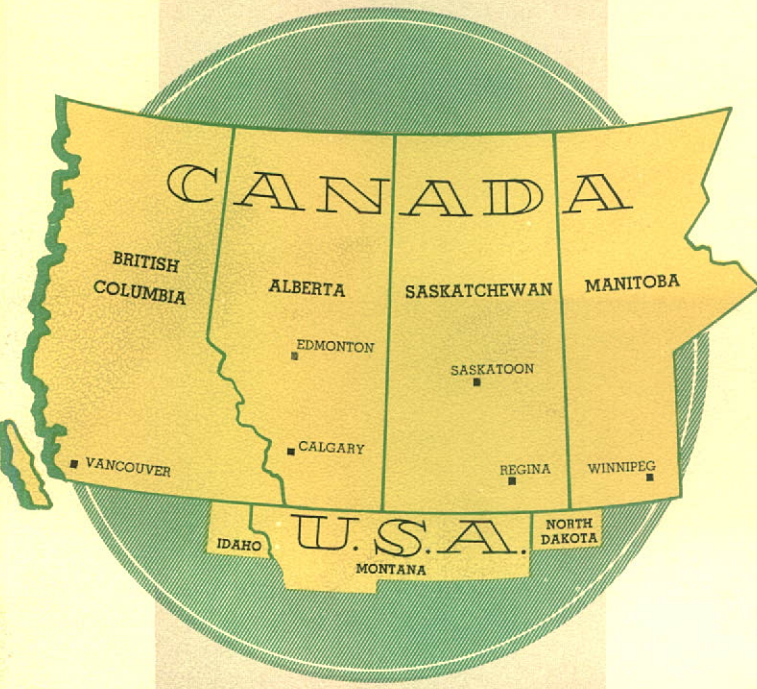


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# Annual Report 1960



**WEST CANADIAN OIL & GAS LIMITED**

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# Company Information, Directors and Officers

## WEST CANADIAN OIL & GAS LIMITED

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

CAPITAL :	<p>Authorized - - - 15,000,000 Shares of a Par Value of \$1.25 each.            Issued - - - 6,962,187 Shares of a Par Value of \$1.25 each.            Listings - - - Calgary, Vancouver, Toronto, Canadian, American and Pacific Coast Stock Exchanges.</p>		
FUNDED DEBT :	<p>Authorized - - - \$5,000,000.            Outstanding - - - \$ 421,000 Sinking Fund Secured Notes 5% Series "A"            \$ 468,500 Sinking Fund Secured Notes 5½% Series "B"            \$2,286,500 Sinking Fund Secured Notes 5½% Series "C"</p>		
DIRECTORS :	<table style="width: 100%; border: none;"> <tbody> <tr> <td style="width: 50%; border: none;"> <p>Gordon H. Allen, Q.C., Calgary, Alberta                Alberta de Boissieu, Paris, France                John D. Boyd, Calgary, Alberta                Paul Cavois, Croix, France                Marc Dhavernas, Montreal, Quebec                Wilfred Gagnon, Montreal, Quebec                F. Lawson Glasgow, Montreal, Quebec                G. LeBel, Paris, France                A. C. Nussbaumer, Basle, Switzerland                Marshall W. Taylor II, Calgary, Alberta</p> </td> <td style="width: 50%; border: none;"> <p>M. Barriere, Montreal, Quebec (Deceased)                Etienne Bernard, Lille, France                Henry Bouvier, Paris, France                J. A. Brusset, Calgary, Alberta                Louis E. Gaillochet, Paris, France                Jacques Georges-Picot, Paris, France                Abel Jobin, Basle, Switzerland                Frederick Mannix, Calgary, Alberta                Marc Spitzer, Montreal, Quebec                Jean Terray, Paris, France</p> </td> </tr> </tbody> </table>	<p>Gordon H. Allen, Q.C., Calgary, Alberta                Alberta de Boissieu, Paris, France                John D. Boyd, Calgary, Alberta                Paul Cavois, Croix, France                Marc Dhavernas, Montreal, Quebec                Wilfred Gagnon, Montreal, Quebec                F. Lawson Glasgow, Montreal, Quebec                G. LeBel, Paris, France                A. C. Nussbaumer, Basle, Switzerland                Marshall W. Taylor II, Calgary, Alberta</p>	<p>M. Barriere, Montreal, Quebec (Deceased)                Etienne Bernard, Lille, France                Henry Bouvier, Paris, France                J. A. Brusset, Calgary, Alberta                Louis E. Gaillochet, Paris, France                Jacques Georges-Picot, Paris, France                Abel Jobin, Basle, Switzerland                Frederick Mannix, Calgary, Alberta                Marc Spitzer, Montreal, Quebec                Jean Terray, Paris, France</p>
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## Comparative Summary of Significant Facts

	<i>Twelve Months Ended December 31, 1960</i>	<i>Twelve Months Ended December 31, 1959</i>
Net Crude Oil Wells Owned .....	103.01	103.45
Net Gas Wells Owned .....	9.57	9.34
Net Barrels of Crude Oil Sold .....	868,222	894,313
Net Gas Sales—Mcf. ....	869,876	454,061
Net Production per Day—Crude Oil .....	2,376	2,443
Value of Crude Oil Sold after Royalties .....	\$1,839,774.18	\$1,936,846.87
Value of Nat. Gas sold after Royalties .....	\$64,960.85	\$25,364.88
Realization per Barrel—Crude Oil .....	\$2.12	\$2.17
Total Income from All Sources .....	\$2,129,378.80	\$2,189,524.80
Net Cash Profit .....	\$1,188,300.41	\$1,215,526.86
Gross Acreage Holdings .....	2,613,000	3,209,245
Net Developed Acreage Holdings .....	16,175	13,053
Net Undeveloped Acreage Holdings .....	664,763	874,041
Book Value per Undrilled Net Acre .....	\$3.16	\$2.50
Number of Shareholders .....	6,227	6,035



# Directors' Report to the Shareholders

## ● DEVELOPMENT, PRODUCTION AND EXPLORATION

### GENERAL

Western Canadian crude oil production for the year was up approximately 4% as compared to last year. This increase was not felt by the majority of the producing industry however, because of continued development of comparatively new fields and the resultant increase in ability to produce. Because of this and the lack of larger markets, economic allowables in Alberta could not be met during several months of the year and those companies which had not established substantial new production actually suffered a decrease.

Prospects for 1961 are considerably brighter with the declaration of a National Oil Policy and the objectives proposed by it, calling as they do for the marketing of 625,000 barrels per day by June with an average production for the year of 640,000 barrels daily. Failure on the part of the industry to meet these objectives will result in further investigation by the Government of Canada.

A considerable effort has already been made by most of the major marketers of petroleum products in Canada to increase the export of crude oil principally to the Puget Sound, the Detroit-Toledo and the Duluth-Minneapolis areas of the United States. However, due to American government policies with respect to its domestic oil industry and the very strong pressures which may be brought to bear by the American industry on that government, any large increases may be prohibited. Such action would of course force the Canadian Government to review its own policy with respect to the imports of crude oil into Canada.

The market for natural gas, both domestic and export, continues to expand with a very large increase anticipated for the fall of the year when the Alberta and Southern Gas Co. (Pacific Gas and Electric) and Westcoast Transmission Company projects should be completed and deliveries of gas to the California market commence.

West Canadian Oil & Gas Limited experienced a slight decrease in crude oil sales during 1960 amounting to 26,091 barrels or 2.9%. Gas production offset this decrease to some extent increasing by 416 million feet to 870 million feet for an increase of 91.5%. Income from sales of petroleum products was down by \$57,477, a decrease of 2.92%.

### DRILLING

During 1960 the Company and its associates drilled or participated in the drilling of the following wells.

<i>Well Name</i>	<i>Location</i>	<i>WCO &amp; G Interest (inclusive of Gross Royalty Payable)</i>	<i>Results</i>
ALBERTA			
1. Brett et al Chin Coulee 6-20 .....	Taber, Alberta	20%	Oil-Sunburst Sand
2. Decalta Dome H.B. Rimbey 7-26 .....	Rimbey, Alberta	18.75%	Abandoned
3. Brett et al Chin Coulee 11-20 .....	Taber, Alberta	20%	Oil-Sunburst Sand
4. Brett et al Chin Coulee 10-20 .....	Taber, Alberta	20%	Oil-Sunburst Sand
5. Brett et al Chin Coulee 12-20 .....	Taber, Alberta	20%	Oil-Sunburst Sand
6. Amerada Crown C.D. Bingo 5-35 .....	Whitelaw, Alberta	3.75%	Oil-Triassic
7. Mobil et al Brazeau 6-5 .....	Nordegg, Alberta	11.25%	Suspended Gas Well

N.B. : In addition to the foregoing, the Company had carried interests in the following wells:

1. Alcon W. Canadian Westcott 6-36 .....	Didsbury, Alberta	7.5% O.R.R.	Abandoned
2. Mobil et al Brazeau 6-15 .....	Nordegg, Alberta	11.25%	Suspended Gas Well
		Carried	

# Directors' Report to the Shareholders (continued)

## BRITISH COLUMBIA

1.	Phillips Peejay d-80-E .....	22½ %	Oil Well Triassic "D"
2.	Phillips Peejay d-74-H .....	22½ %	Abandoned
3.	W. Cdn. Lily Lake c-81-F .....	87½ %	Abandoned
4.	W. Cdn. et al Moberly Lake 11-36 .....	39 %	Abandoned
5.	Phillips-S.R. West Cdn. Kledo c-14-G .....	22½ %	Suspended

## MANITOBA

1.	West Cdn. McAuley 2-11 .....	Virден, Manitoba	100%	Abandoned
2.	West Cdn. Manson 8-7 .....	Virден, Manitoba	100%	Abandoned

## LIFTING COSTS

For the year 1960, the cost of lifting all oil produced by the Company and by others for our account amounted to 45.3 cents per barrel. Royalties paid on the same oil were at the rate of 30 cents per barrel.

## ● 1960 PRODUCTION AS COMPARED WITH 1959

	1960		1959	
	Production in Barrels	Company's Share after Royalty Deduction	Production in Barrels	Company's Share after Royalty Deduction
<b>ALBERTA FIELDS:</b>				
Battle .....	5,270	4,743	6,011	5,653
Big Lake .....	27,614	20,535	23,279	18,201
Campbell .....	50,668	42,226	29,400	26,639
Cessford .....	34,420	29,247	20,729	18,901
Erskine .....	23,919	21,564	27,376	24,466
Harmattan-Elkton .....	4,022	3,714	5,072	4,660
Homeglen-Rimbey .....	4,398	3,565	4,602	4,109
Joarcam .....	17,262	14,342	16,653	15,304
Joffre .....	64,817	52,209	59,661	52,895
Leduc-Woodbend .....	255,362	212,268	302,961	262,918
Pembina .....	109,482	88,698	75,626	68,536
Redwater .....	2,928	2,530	3,041	2,774
St. Albert .....	6,609	5,607	7,299	6,386
Stettler .....	91,955	78,747	102,472	88,341
Chin Coulee .....	3,867	3,433		
<b>SASKATCHEWAN FIELDS:</b>				
Coleville-Smiley .....	31,617	29,377	30,058	27,487
Hastings .....	2,086	1,932	2,002	1,847
Midale .....	20,163	17,047	20,355	17,629
Weyburn .....	253,454	177,321	219,777	176,255
<b>MANITOBA FIELDS:</b>				
Virден-Roselea .....	73,818	60,451	84,216	68,637
	<u>1,083,731</u>	<u>869,556</u>	<u>1,040,590</u>	<u>891,638</u>



## ● ALBERTA

### GENERAL

In this province the Company continued its policy of constantly revising its land holdings. During 1960 this policy resulted in a decrease in the net acreage position from 261,753 net acres at the end of 1959 to 196,830 net acres at December 31, 1960. Gross acreage inventory dropped during the same period by 299,343 acres to 615,926 acres. This very substantial adjustment was due primarily to the dropping of reservations in the extreme northern areas of Alberta where drilling by ourselves and others showed very poor geological prospects for either oil or gas.

As a result of the unitization of more fields in Alberta the Company now holds interests in the following oil units—Campbell, Stettler D-2, Joffre-Viking, North Pembina Cardium, Leduc D-2, Leduc D-3 and Har-mattan-Elkton. It also holds interests in the Homeglen-Rimbey, Nevis Devonian and Three Hills Creek gas units. As has been explained in previous reports the gas units have been formed to facilitate the construction of gas processing plants, gas gathering systems and to make it possible for producers to more readily deliver contracted gas to the various purchasers through the facilities of Alberta Gas Trunk Line Company Limited. The oil units have been formed so that various injection schemes and secondary recovery projects can be installed and all producers share equitably in the production from the unitized area.

### BRAZEAU-NORDEGG

Two wells were drilled on the 112,320 acres block held by the Company and its associates in this area. The first of these, Mobil et al Brazeau 6-15-45-14-W5, encountered 39 feet of gas bearing section in the Turner Valley formation of the Mississippian period and was completed as a potential gas well. This well, drilled at no cost to West Canadian, together with the seismic work performed, served to earn Mobil Oil of Canada Limited a 50% interest in the acreage block. The second well, Mobil et al Brazeau 6-5-45-13-W5, four and one-half miles south east of the 6-15 well, encountered 36 feet of gross gas pay in the Turner Valley formation and was also completed as a potential gas well. The Company contributed 11.25% of the cost of this well and holds a similar interest in the first well and the acreage block.

The thin pay sections encountered in both wells were somewhat disappointing and make it doubtful whether further drilling in the immediate vicinity would be economical especially in view of the depth, being in excess of ten thousand feet, to which the wells require to be drilled. The group has decided therefore to forego further drilling for the immediate future and await the results of drilling by others in the area.

### CARDINAL RIVER

In last years Annual Report mention was made of the Company's holdings in this area and the farming out of these lands to Shell Oil Company of Canada. During the past year Shell has conducted certain seismic exploration but due to the very rough nature of the country have not been able to complete their program. The Company, in consideration of the payment of \$10,000 and the assumption of all carrying charges on the land by Shell, has therefore granted that Company an extension of their commitments under the farmout agreement, for one year to January 27, 1962.

# Directors' Report to the Shareholders (continued)

## CHIN COULEE

Four wells in which the company holds a 20% interest are on production in this small "medium gravity" oil field which was discovered by the Company and its associates in early 1960.

Although the wells are capable of producing in excess of fifty barrels per day each, there is a considerable marketing problem. This is due to the distance of the wells from pipeline facilities and the fact that, as an asphaltic type crude, its prime use is seasonal, particularly in southern Alberta. Production has therefore been severely restricted in recent months and will likely continue to be until spring or until markets can be arranged with refiners who are predominately asphalt producers.

In the meantime no further wells will be drilled by the group although several proven locations exist.

## HALLIDAY

The Company originally held two sections (1,280 acres) in this area located twelve miles north of the Cessford gas field. In late 1960 arrangements were made to acquire additional acreage in the amount of approximately 5,600 acres on payment of a small over-riding gross royalty. These lands and the two sections aforementioned were farmed out on terms requiring the companies accepting the farmout to drill two wells to earn a 50% interest in the wells and the acreage.

Early in 1961 the Company and its associates acquired a gas license from the Crown to "in fill" the above described lands. This gas license contains 12,960 acres and cost the group \$14,385. West Canadian's interest is 25%.

The first of the two wells required under the terms of the farmout was completed on January 30, 1961 as a successful gas well from a twelve foot porous section in the Glauconitic zone at 3,687 feet.

The second well, 2½ miles northwest of the successful gas well referred to above, failed to find production of oil or gas and was abandoned on February 16, 1961.

A third well, required under the terms of the gas license and to which the Company contributed 25% of the cost, was commenced on March 7, 1961. This well, located 2½ miles to the southeast of the discovery, encountered approximately ten feet of effective porosity in the Viking formation and tested gas at a volume in excess of 3 million cubic feet per day. The Glauconitic formation, although porous, was water laden. The well is therefore being completed as a Viking gas well.

The 19,840 gross acres (6,555 net acres) held by the Company appear to hold considerable promise as part of a substantial gas producing area. The fact, however, that production in the two wells successfully completed to date comes from different zones, serves to indicate a very erratic geological outlook for the area with the result that considerable caution will be required in future attempts to assess the true value of the prospect.



## ● SASKATCHEWAN

### GENERAL

Acreage holdings in Saskatchewan at year end amounted to 44,183 gross acres for a net acreage position of 23,447 acres. In addition options to lease were held on over 50,000 acres all of which lands are located in the attractive southeast section of the province.

The markets for light gravity crudes produced in Saskatchewan remained strong throughout the year and markets for the Weyburn-Midale medium type crudes were expanded considerably.

### BUFFALO COULEE

The experiments with bottom hole heaters referred to in previous reports to shareholders have been discontinued. Production rates were increased by 50% but the fine talc-like sand partially infilling the coarser producing sands also moved with the greater mobility of the oil. After two or three weeks, pumps and well bores became completely sealed off by this sand and the cost of servicing the wells thus affected completely negated any gain in production. Experiments with various types of sand screens and liners were tried but none were successful in solving the problem. Production without such heating amounts to approximately 100 barrels per day.

### STEELMAN

In this area the Company holds an undivided 50% interest in a section of land (640 acres) which as a result of drilling by others appears to be semi-proven for oil production. Negotiations are presently taking place with holders of offsetting lands in an effort to arrange the drilling of a well to the Mississippian formation prior to the first of May.

### ORANGEDALE

Several wells of various capabilities have been completed offsetting the SW of 24, Twp. 4, Rge. 1, W2, owned as to 50% by the Company. However, the geological picture is quite complicated and although prospects appear quite favorable a cautious approach seems warranted. The successful completion of a well now being drilled by others could result in the commencement of a well by the Company and its associate in March or April of this year.

## ● BRITISH COLUMBIA

### GENERAL

In 1960 the Company for the third successive year expended in excess of 60% of its exploration budget in this province. It now appears unlikely that any such large expenditures will be made during 1961 on exploration account.

## Directors' Report to the Shareholders (continued)

Gross and net acreage holdings in the province were reduced by 228,266 acres and 83,267 acres respectively as a result of the necessity to convert certain permits to lease under government regulations. As of December 31, 1960 land holdings were 1,696,039 gross acres for a net of 408,211 acres.

### MILLIGAN CREEK-BEATTON RIVER

In early 1960 the Company and its associates completed Phillips S.R. West Cdn. Peejay d-80-E as a successful oil well capable of sustained production at rates of eight to ten barrels per hour. Because there were no pipeline facilities and the fact that markets were limited the well has not been produced since its initial production tests. In addition, no development drilling in the area immediately surrounding the well has been undertaken. The completion of the pipeline from the area to Dawson Creek this spring and the anticipated completion of the main crude oil line to connect with the Trans Mountain Pipeline system at Kamloops, in the autumn, will of course rectify this situation and it is anticipated that several development wells will be drilled in the latter part of 1961.

In January of the current year an exploratory test Pacific S.R. West Cdn. Peejay d-52-I four and one-half miles north of the d-80-E well was drilled and completed as a successful gas well from the Triassic "D" sand having tested gas at 7.5 million cubic feet per day.

In an effort to determine whether this area is a true gas area or whether there is an oil leg to the structure, a second well was located one and one-half miles to the southwest. The well, Pacific S.R. West Cdn. Peejay d-33-I, encountered eleven feet of section in the Triassic "D" sand and was completed as a flowing oil well producing at a rate of 320 barrels per day through a ½-inch choke. In addition the well established in excess of sixty feet of gas bearing section in the Baldonnel (Triassic "A") sand having tested gas in excess of 3 million cubic feet on drill stem tests with no indication of formation water.

The success encountered at Pacific S.R. West Cdn. Peejay d-33-I focussed the attention of the associated companies on Phillips S.R. West Cdn. Peejay d-74-H abandoned last year. This well, located three and one-half miles south of the d-33-I well and two miles west of the discovery, Phillips S.R. West Cdn. d-80-E, had a seven foot porous section in the Triassic "D" sand but was abandoned because of poor results on a drill stem test. It has now been decided that this action may have been premature. It is the present intention to re-open the well in the late summer of 1961 and attempt to complete it as an oil well.

### MOBERLY LAKE

The well reported on in Progress Report No. 26 and drilled on Permit 272 in this area was unproductive of either gas or oil and was abandoned. No further activity is anticipated on this block and the associated companies have converted the permit to lease thus reducing gross acreage holdings from 59,936 acres to 30,361 acres with West Canadian's net holdings now being 11,841 acres.

### MUSKWA RIVER

Phillips S.R. West Cdn. Kledo c-14-G which was also reported on in Progress Report No. 26 remains suspended. Pacific Petroleum Ltd., who have acquired all the properties of Phillips Petroleum Company in Canada and who have assumed Phillips' position as operator of our joint lands, do not feel that further work on the well is warranted at this time: as a result no drilling or other work will be carried out on the 376,596 acres in this area during the current year.



## LILY LAKE

West Cdn. Lily Lake c-81-F drilled on drilling reservation No. 13 was abandoned, having failed to indicate either oil or gas in commercial quantity. The company is therefore dropping drilling reservation No. 14 in the same area and will lease only 2,253 acres on No. 13.

## KOTCHO LAKE

This area continues to attract considerable interest by the industry, several additional producers of natural gas having been completed during 1960. The Company holds a 50% interest in Permit No. 280 covering 20,844 acres six miles south and west of the main producing area. However, the geology of the region appears most complex and the Company has therefore decided to run several more seismic lines this spring in an effort to carefully appraise the prospects of this permit before undertaking any drilling.

# ● FINANCIAL

## GENERAL

As has been mentioned previously in this report both production of petroleum products and earnings for 1960 are down slightly as compared to 1959. This was due to a small decrease in oil production and a lower net realization per barrel for the oil sold. The Company suffered a decrease of 2.75% in gross income and 2.48% in crude oil production. Operating expenses were increased by 6.72% due to workovers of several wells principally in the south Leduc area and in Manitoba. General and administrative expenses were reduced by 12.77% and income before lease rentals, capital write off and debt carrying charges was down by 3.47%.

## EARNINGS AND EXPENDITURES

In the year under review the Company earned total income of \$2,129,378.80. Operating costs were \$473,935.19, Administrative and General Expenses amounted to \$276,045.18. Cash flow, before Interest and amortization payments on Secured Notes of \$191,098.02, Lease Rentals of \$167,915.08, Geological and Geophysical expenses of \$96,346.84 and Unproductive Drilling of \$566,089.75 was \$1,379,398.43. Capital expenditures amounted to \$402,761.27 of which \$269,537.49 was for development account, \$70,503.34 unit participations and \$62,720.44 land acquisition. Funded debt reduction of \$310,500.00 cost \$289,922.50.

## WORKING CAPITAL

The working capital position of the Company stood at \$1,325,478.56 as of December 31, 1960 after deducting Sinking Fund payments of \$163,000.00 due within one year. This was a reduction of \$311,854.21 during the year.

# Directors' Report to the Shareholders (continued)

## FUNDED DEBT

The Company's Funded Debt was reduced by \$96,000.00 on the Series "A" Notes, \$66,500.00 on the Series "B" Notes and by \$148,000.00 on the Series "C" Notes, so that the Funded Debt as of December 31, 1960 was \$3,176,000.00, an overall decrease of \$310,500.00 during the year.

## DIRECTORS

Your Directors regret having to advise the shareholders of the untimely death, during the year, of Mr. M. Barriere, a director of the Company for the past three years. Mr. Barriere's advice and good counsel will be greatly missed by the shareholders, the directors and the Company.

The Directors wish to express their 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.

Calgary, Alberta.  
March 17, 1961.



# The Flow of Funds in 1960

December 31, 1959—Net Current Assets ..... \$1,795,833

## SOURCE—

Income from Operations .....	1,197,511
Profit on disposal of Assets, and Sundry .....	18,279
	<hr/>
	\$3,011,623

## DISPOSITION—

Additions to Plant and Equipment .....	\$ 89,151
Additions to Producing Properties and development thereon .....	250,890
Acquisition of Prospective Acreage (Less properties sold, or transferred to Producing Properties) .....	62,720
Dry Hole, Geological and Geophysical expenditures .....	662,437
Lease Rentals .....	167,915
Repayment of long-term debt .....	290,032
	<hr/>
	\$1,523,145

December 31, 1960—Net Current Assets ..... \$1,488,478

NOTE: "Net Current Assets" calculated before provision for Sinking Fund payments due within one year.

# West Canadian Oil & Gas Limited

## BALANCE SHEET AS AT DECEMBER 31, 1960

And Comparative Balance Sheet as at December 31, 1959

(All Amounts in Canadian Dollars)

### ● ASSETS

CURRENT ASSETS:	1960	1959
Cash on Hand and in Banks .....	\$ 22,036.64	\$ 99,739.01
Accounts Receivable—		
For Sale of Products and Services .....	277,953.18	375,279.68
General .....	6,373.28	5,000.00
Inventory .....	170,105.28	142,100.18
Deposit Certificates and Short Term Loans .....	1,100,000.00	1,291,109.18
Accrued Interest .....	11,207.46	16,050.50
Marketable Securities .....	6,000.00	6,000.00
Refundable Security Deposits .....	75,831.83	93,089.11
Prepaid and Deferred Charges .....	29,707.02	31,281.18
	<u>\$ 1,699,214.69</u>	<u>\$ 2,059,648.84</u>
<b>SINKING FUND:</b>		
Cash and Investments Held by Trustee Under Terms of Trust Deed—		
Cash .....	\$ 2,351.42	\$ 2,242.05
Other Investments—at Cost .....	6,250.00	6,250.00
(Market Value 1960—\$23,272.95)		
(Market Value 1959—\$28,187.48)	\$ 8,601.42	\$ 8,492.05
	<u>\$ 8,601.42</u>	<u>\$ 8,492.05</u>
<b>INVESTMENTS:</b>		
Bonds, Debentures, Mortgages and Shares—at Cost less amounts written off (Market Value \$103,294.85) .....	\$ 98,722.57	\$ 98,921.74
	<u>\$ 98,722.57</u>	<u>\$ 98,921.74</u>
<b>FIXED ASSETS—at Cost: (Note 2)</b>		
Property, Plant and Equipment .....	\$ 3,015,273.90	\$ 2,994,879.98
Less Accumulated Depreciation .....	( 1,915,745.42)	( 1,786,986.63)
	<u>\$ 1,099,528.48</u>	<u>\$ 1,207,893.35</u>
<b>DEVELOPMENT: (Note 3)</b>		
Land, Leases and Development Costs on Proven Properties .....	\$10,643,100.06	\$10,562,600.20
Less Accumulated Provision for Recovery of Development (Note 4) .....	( 3,958,780.48)	( 3,721,105.77)
	<u>\$ 6,684,319.58</u>	<u>\$ 6,841,494.43</u>
Prospective Lands .....	2,100,771.86	2,186,330.41
	<u>\$ 8,785,091.44</u>	<u>\$ 9,027,824.84</u>
<b>OTHER ASSETS:</b>		
Discount on Sinking Fund Secured Notes less Amortization .....	\$ 101,225.67	\$ 131,013.93
Organization Expense .....	60,993.33	60,993.33
	<u>\$ 162,219.00</u>	<u>\$ 192,007.26</u>
	<u>\$11,853,377.60</u>	<u>\$12,594,788.08</u>



## ● LIABILITIES

CURRENT LIABILITIES:	1960	1959
Bank Loans—Secured .....	\$ 100.00	\$ 100.00
Accounts Payable—Trade .....	142,135.78	190,609.23
Accrued Interest on Secured Notes .....	68,500.35	73,106.84
Sinking Fund Secured Notes—Due Within One Year .....	163,000.00	158,500.00
	<u>\$ 373,736.13</u>	<u>\$ 422,316.07</u>
FUNDED DEBT: (Note 5)		
Sinking Fund Secured Notes .....	\$ 3,176,000.00	\$ 3,486,500.00
Less Amount Due Within One Year .....	( 163,000.00)	( 158,500.00)
	<u>\$ 3,013,000.00</u>	<u>\$ 3,328,000.00</u>
CAPITAL AND SURPLUS:		
Authorized—		
15,000,000 Shares Par Value \$1.25 each, including		
14,000 Shares re Option Agreement with Officer of		
of the Company		
41,533 Shares for Share Option and Purchase		
Agreement re West Canadian Petroleums Ltd.		
250,000 Shares for Conversion of Warrants re		
Class "C" Secured Notes		
Issued—		
6,962,187 Shares to December 31, 1960 .....	\$ 8,702,733.75	\$ 8,702,733.75
	<u>\$ 8,702,733.75</u>	<u>\$ 8,702,733.75</u>
CAPITAL SURPLUS: (Note 6)		
Arising from—		
Conversion to Par Value Shares and Premium on Shares ..	\$ 172,207.92	\$ 172,207.92
Purchase of Shares in a Subsidiary Company .....	5,382.83	5,382.83
Purchase of Assets other Companies .....	1,062,029.56	1,062,029.56
	<u>\$ 1,239,620.31</u>	<u>\$ 1,239,620.31</u>
Deficit .....	( 1,475,712.59)	( 1,097,882.05)
	<u>(\$ 236,092.28)</u>	<u>\$ 141,738.26</u>
Signed on behalf of the Board:		
J. A. BRUSSET, Director.		
J. D. BOYD, Director.		
The notes appended hereto form an integral part		
of these financial statements.		
Submitted with our Report Dated February 21, 1961.		
MORTON, HILLS & COMPANY, Chartered Accountants.		
	<u>\$11,853,377.60</u>	<u>\$12,594,788.08</u>

# West Canadian Oil & Gas Limited

## Notes to Financial Statements

December 31, 1960

### ● NOTE 1

The financial statements for the year ended December 31, 1959, included a consolidation of the accounts of Assiniboine Oils Limited and Taylor Petroleum Operators Limited, wholly owned subsidiary companies. In 1960 the assets of the subsidiary companies were acquired by the parent company and the subsidiary companies are being "wound up".

### ● 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 1960 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
Leaseholds Improvements .....	Term of Lease

### ● NOTE 3

The following is a summary of development and leasehold costs:

Producing and Drilling Wells and Development—at cost .....	\$ 7,368,417.69
Interest in Petroleum and Natural Gas Rights, Leases, Reservations and Permits— at cost .....	4,439,252.24
Revaluation of Properties Acquired .....	936,201.99
	<u>\$ 12,743,871.92</u>

### ● NOTE 4

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

### ● NOTE 5

Sinking Fund Secured Notes—		Authorized	Amount Outstanding
	Note (a) .....	\$ 5,000,000.00	
Series "A"—5% due March 1, 1966	Note (b) .....	\$ 1,500,000.00	\$ 421,000.00
Series "B"—5½% due December 1, 1967	Note (c) .....	\$ 1,000,000.00	\$ 468,500.00
Series "C"—5½% due July 15, 1973	Note (d) .....	\$ 2,500,000.00	\$ 2,286,500.00

Note (a)—Additional Secured Notes may be issued under terms of the Supplemental Trust Deed when the Series "A" and Series "B" notes are retired in full or the holders of the notes have sanctioned modification of the Trust Deed.



Note (b)— Yearly Sinking Fund Requirement \$100,000.00.

Note (c)— Yearly Sinking Fund Requirement \$ 65,000.00.

Note (d)— The Series "C" Secured Notes were issued with Warrants attached. The Warrants are not exercisable by or on behalf of any person who is a resident in the United States or its territories or possessions.

The Warrants are exercisable until their expiration on July 15, 1968, at the following scale of prices:

\$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 or retire or purchase any shares thereof, unless after giving effect thereto, the net current assets of the company would be not less than an amount equivalent to 25% of the aggregate principal amount of the Notes for the time being issued or outstanding, or if and so long as the company is in default under the Terms of the Trust Deed.

Note (f)— Payments to the Sinking Fund Trustee will be required in 1961 as follows:

Series "A" Notes .....	\$23,500.00
Series "B" Notes .....	\$53,000.00
Series "C" Notes .....	\$86,500.00

Note (g)— The Supplemental Trust Deed provides for the issue of additional notes. When additional notes are issued 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 7,463 shares re share warrants at \$2.50 (premium \$1.25 per share) .....	9,328.75
Purchase of Assets West Canadian Petroleums Ltd. ....	936,008.76
Sale of 467 shares re Option Agreement .....	416.25
Acquisition of Assets Ross Oils of Alberta Ltd. ....	126,020.80
Surplus re shares purchased in subsidiary company—Taylor Petroleum Operators Limited....	5,382.83
	<hr/>
	\$ 1,239,620.31

## ● NOTE 7

Provision for taxes on income is not required because deductions from income for development expenditures are allowed under Income Tax Regulations. Such allowances substantially exceed provision for depletion and amortization as provided in the company's books which has been calculated on a "unit of production" method based on the company's own engineering estimates of recoverable oil.

# West Canadian Oil & Gas Limited

## Statement of Income

For the Year Ended December 31, 1960

And Comparative Statement for the Year Ended December 31, 1959

(All Amounts in Canadian Dollars)

	1960	1959
Crude Oil and Gas Sales - less decrease in oil inventory—1959 \$3,189.06 —1960 \$4,057.20	\$2,214,713.84	\$2,285,035.17
Less: Royalties .....	( 314,036.01)	( 326,012.48)
Well Operating Expense, Lease and Well Maintenance and Repairs .....	( 473,935.19)	( 444,090.44)
	<u>\$1,426,742.64</u>	<u>\$1,514,932.25</u>
INVESTMENT INCOME:		
Royalties .....	\$ 2,815.82	\$ 1,493.89
Interest .....	59,849.63	74,782.19
Dividends .....	3,007.22	3,358.12
	<u>\$ 65,672.67</u>	<u>\$ 79,634.20</u>
OTHER INCOME—Administration, Supervision Fees and Equipment Rental .....	\$ 163,028.30	\$ 150,867.91
Total Income .....	<u>\$1,655,443.61</u>	<u>\$1,745,434.36</u>
EXPENSES:		
General and Administrative Expense—less recoveries and charges to production (including Counsel and Solicitors Fees and Salaries of Executive Officers— 1960, \$66,382.00; 1959, \$67,972.15) .....	\$ 276,045.18	\$ 316,445.40
Interest on Secured Notes and Bank Charges .....	181,887.26	199,523.09
Amortization of Discount on Notes .....	9,210.76	11,171.71
Bond Issue Expense .....	—	2,767.30
	<u>\$ 467,143.20</u>	<u>\$ 529,907.50</u>
Net Income before Undernoted Deductions .....	<u>\$1,188,300.41</u>	<u>\$1,215,526.86</u>
Lease Rentals .....	\$ 167,915.08	\$ 187,822.26
Geological and Geophysical and Exploratory Expense .....	662,436.59	462,377.58
	<u>\$ 830,351.67</u>	<u>\$ 650,199.84</u>
Net Income before Provision for Depreciation, Depletion and Abandoned Properties .....	<u>\$ 357,948.74</u>	<u>\$ 565,327.02</u>
OTHER DEDUCTIONS:		
Depreciation—Production Equipment .....	\$ 184,999.97	\$ 202,185.84
—Furniture and Fixtures and Cars .....	12,516.24	15,980.02
Provision for Depletion .....	408,064.34	420,327.11
Provision for Abandoned Properties .....	148,278.99	11,668.28
	<u>\$ 753,859.54</u>	<u>\$ 650,161.25</u>
Net Loss for the Year transferred to Deficit .....	<u>(\$ 395,910.80)</u>	<u>(\$ 84,834.23)</u>



## West Canadian Oil & Gas Limited

# Statement of Earned Surplus (Deficit)

For the Year Ended December 31, 1960

(All Amounts in Canadian Dollars)

Balance as at January 1, 1960 .....	(\$1,097,882.05)
Add Operating Loss for the Year Ended December 31, 1960 .....	( 395,910.80)
	<hr/>
	(\$1,493,792.85)
Deduct Profit on Sale of Assets .....	18,080.26
	<hr/>
	<u>(\$1,475,712.59)</u>

## Auditor's Report

TO THE SHAREHOLDERS,  
WEST CANADIAN OIL & GAS LIMITED.

We have examined the balance sheet of West Canadian Oil & Gas Limited as at December 31, 1960 and the statements of earned deficit 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, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earned deficit and income, including notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1960 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MORTON, HILLS & COMPANY  
Chartered Accountants.

February 21, 1961.  
Calgary, Alberta.

# Gross and Net Acreage as at December 31, 1960

## ● BRITISH COLUMBIA

	<i>Area</i>	<i>Gross</i>	<i>Net</i>		<i>Area</i>	<i>Gross</i>	<i>Net</i>
1.	Laird Plateau .....	144,917	28,984	5.	Milligan Creek .....	114,141	25,682
2.	Ft. Nelson .....	190,455	21,933	6.	South Peace River .....	802,286	191,878
3.	Muskwa River .....	376,596	84,734	7.	Dawson Creek .....	17,583	6,653
4.	Lily Lake .....	13,876	12,162	8.	Pine Pass .....	36,185	36,185

## ● NORTHWEST TERRITORIES

9.	Cameron Hills .....	255,092	51,018
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## ● ALBERTA

10.	Clear Hills .....	4,480	4,480	29.	Redwater .....	160	29
11.	Athabasca Tar Sands ..	50,882	3,530	30.	Joarcam .....	1,120	536
12.	Whitelaw .....	85,892	6,537	31.	Kinsella .....	20,885	20,885
13.	North Alberta Wildcat..	4,163	4,163	32.	Provost .....	4,300	4,300
14.	Whitecourt .....	9,402	1,159	33.	Killam .....	3,437	2,797
15.	Cardinal River .....	5,760	5,760	34.	Bashaw .....	5,060	2,783
16.	Brazeau .....	112,320	12,815	35.	Joffre .....	4,714	3,544
17.	Cline River .....	173,108	43,277	36.	Nevis .....	1,871	168
18.	Harmattan .....	638	89	37.	Stettler .....	2,551	2,338
19.	Crossfield .....	4,469	2,789	38.	Red Willow .....	9,571	7,867
20.	West Alberta Wildcat ..	2,514	2,514	39.	Castor .....	16,450	16,450
21.	Lundbreck .....	8,176	5,391	40.	Three Hills .....	786	786
22.	Penhold .....	2,481	1,975	41.	Drumheller .....	12,933	12,452
23.	Rimbey .....	3,834	1,149	42.	Helmsdale .....	6,382	958
24.	Leduc .....	7,399	2,908	43.	Cessford .....	21,120	9,640
25.	Pembina .....	2,250	1,012	44.	Chin Coulee .....	13,710	2,741
26.	St. Albert-Big Lake .....	3,553	399	45.	Manyberries .....	2,561	2,561
27.	Campbell .....	2,940	1,994	46.	Medicine Hat .....	2,852	2,852
28.	Morinville .....	1,202	1,202				

## ● SASKATCHEWAN

47.	Buffalo Coulee .....	620	620	51.	Midale .....	640	240
48.	Swift Current .....	2,082	1,122	52.	Arcola .....	10,308	5,031
49.	Radville .....	9,576	2,394	53.	Alida .....	160	53
50.	Weyburn .....	10,573	5,607	54.	Parkman .....	10,224	8,380

## ● MANITOBA

55.	McAuley .....	800	800	56.	Virden .....	480	392
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## ● MONTANA

57.	Dawson .....	480	240
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## ● TOTALS

TOTAL GROSS ACREAGE .....	2,613,000
TOTAL NET ACREAGE .....	680,938



**WEST CANADIAN OIL & GAS LIMITED**

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**GROSS ACREAGE POSITION AS AT DEC. 31st, 1960**

# WEST CANADIAN OIL & GAS LIMITED

GROSS ACREAGE POSITION AS AT DECEMBER 31st. 1960

Petroleum and Natural Gas	ALBERTA	BC.	N.W.T.	SASK.	MAN.	MONT.
Permits, Reservations	235,913	1,429,069	255,092			
Leases	380,013	266,970		44,183	1,280	480
<b>TOTAL</b>					<b>2,613,000</b>	<b>acres</b>

## LEGEND

### WEST CANADIAN OIL & GAS LIMITED ACREAGE HOLDINGS

OIL FIELDS 

GAS FIELDS 

### SCALE



SKATCHEWAN MANITOBA

SASKATOON

REGINA

WINNIPEG

Fosterlon  
Bathrum  
Suaces  
Cantuar  
Gull Lake  
Bone Creek  
Leon Lake  
Dollard  
Eastend

Weyburn

Middle

Benson

Steelman

Forget

Wapella

Daly

Ailda

Pierson

Roselea

Virden

O

F

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