

1973
Annual
Report

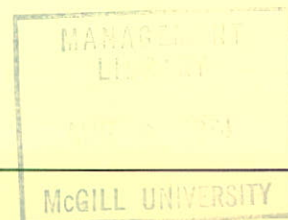
ULSTER PETROLEUMS LTD.

DIRECTORS AND OFFICERS

Edward P. Kenney	President, Treasurer and Director
Hugh M. Considine	Secretary and Director
Charles P. Burnett III	Director
Dr. Allan Cree	Director
Francis J. O'Shea	Vice President, Production & Engineering

In December 1973, Mr. Robert R. Walker tendered his resignation as Director of the Company due to other business commitments. The Board of Directors wish to express their grateful acknowledgment of the many contributions made to the Company by Mr. Walker over the past several years.

In January 1974, Dr. Allan Cree was appointed a Director of the Company.



Directors' Report to the Shareholders

The Directors' report for 1973 together with audited financial statements for the year ending December 31, 1973 are presented herewith.

During the past year, the oil and gas industry was subjected to unparalleled political pressures and interference in our domestic operations as well as in several foreign areas. This increased involvement by government was ostensibly created due to middle eastern oil embargos and increased prices and localized shortages of petroleum products. This so-called energy crisis in Canada has allowed proponents of creeping socialism the opportunity to impose unrealistic and unmanageable conditions on our industry with no real knowledge on their part of the complex considerations which exist in the resource field. The fact is that the prices of petroleum products have done no more than reach levels commensurate with the prices of commodities in general and that these prices reflect the rapid decline in the values of the world's leading currencies brought about by high governmental expenditures over the past decade. Our legislators, in their single-minded efforts to penalize foreign-funded exploration companies, have failed to recognize two important facts; firstly, that the vast majority of reserves which have been developed in Canada have been discovered and paid for by outside interests primarily because investment and tax incentives have not been available to Canadians and Canadian companies; secondly, the effect of current political attitudes has been much more damaging to domestic oil companies whose principal assets are in Canada, than it has to international corporations with worldwide holdings.

During all of 1973 and continuing into 1974, it has been virtually impossible for your management to consider any long range exploration or development programs in Canada where such basic evaluating criteria as wellhead prices, royalty rates and export considerations are either unresolved or are subject to change from week to week.

As a result of these uncertainties, the Company has taken a wait-and-see attitude in regard to any long range development or exploration programs in Canada. We can only hope that political posturing

of our elected officials will be replaced by a modicum of common sense over the next few months.

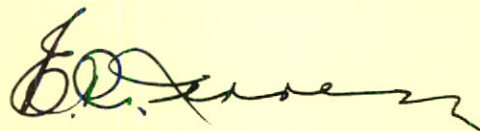
The Company's operations in the Medicine Hat gas field of Alberta have continued at a satisfactory level from a producing standpoint, however, the interim price of 15.75¢/MCF presently received for our gas is not satisfactory. Long term gas reserves out of this area are under commitment to Pan-Alberta Gas who, in turn, are awaiting governmental authority for extra-provincial and export sales.

On a more positive note, approximately 20% of the Company's shares were acquired on the open market by Osec Petroleum-AG during the latter part of 1973. Early in 1974, tentative agreement was reached with Osec Petroleum-AG to acquire its Canadian subsidiary, Osec Petroleum Canada Ltd., for shares of the Company. Shareholders will be asked to vote on this transaction at a special general meeting to be called for this purpose as soon as regulatory approvals in Canada and the United States have been obtained.

The Directors are pleased to welcome Dr. Allan Cree to the Board. Dr. Cree brings to the Company a wide experience in oil and gas exploration and corporate management.

Notwithstanding the present frustrations relative to political ineptitude, it is the opinion of your Directors that the long range potential and capabilities of the Company are excellent.

Respectfully submitted on
behalf of the Board



President

Production and Reserves

Oil production averaged 146 B/D during 1973 compared to 166 B/D during 1972. The Plato Unit was formed on April 1, 1973. Water injection performance is satisfactory and oil production rate began to increase in August, slightly sooner than predicted. Oil rate continued to increase as predicted through November, 1973. By then the effects of the worst winter weather in recent history in Western Saskatchewan began to be felt, resulting in production loss due to frozen pipelines and wellheads, and severely curtailed mobility in the field. After spring break-up, it is expected that oil production rates will return to predicted and significantly higher levels than those experienced during 1973. Oil prices were increased a total of 85¢/bbl. during 1973. New legislation in Saskatchewan makes the outlook for further increases in oil prices paid to producers in Saskatchewan unlikely.

Gas production from the Medicine Hat field property averaged 2.126 million cubic feet per day during 1973, compared to 1.4 million per day during 1972, despite almost complete shut down during July and August, and restricted production during June and September. During producing periods average daily production was approximately 4 million cubic feet per day. The last of four small test compressors was removed from this field area on July 4 and a large unit was installed in late October. By late November this unit was properly in service and in December our production rate was about 4.5 million cubic feet per day. The price being paid by Saskatchewan Power is still 15.75¢/MCF. By mid-1974, prices will probably increase to the order of 40¢ with a new Crown Royalty rate of approximately 25% being anticipated. Two properties in the immediate area were acquired in 1973 adding approximately 9 billion cubic feet to our producible reserves. Additional development drilling on the Medicine Hat property will likely take place during 1974, 1975 and 1976. The prospects are that gas will be sold

to Pan-Alberta by fall of 1974 or spring of 1975 to supply both Montreal and California markets. A recent appraisal of the Company's proven and probable recoverable reserves of oil and gas as at February 1, 1974 is as follows:

Proven Oil	450,600 Bbls.
Probable Oil	133,900 Bbls.
Proven Gas	51,586 MMCF
Probable Gas	51 MMCF

Exploration and Development

During 1973 the Company participated in the drilling of a total of four wells resulting in one oil and one gas completion and two dry holes. Drilling plans for 1974 include two exploration tests on the Company's properties in southern England and Australia. Several development wells are tentatively scheduled for the Medicine Hat gas field, subject to prior receipt of satisfactory sales contracts.

Exploratory drilling programs in the United States Rocky Mountain area may also be undertaken. Additional foreign areas are presently being considered for exploration possibilities.

Exploratory Properties

The Company on December 31st, 1973 held 12,241,456 gross acres and 3,456,205 net acres in Canada, United Kingdom, the United States, Australia and Italy. Interests in concessions in the Adriatic Sea and Guyana, South America, were terminated during 1973. Exploratory Licences totalling approximately 170,625 net acres were acquired in southern England during the year. The Company sold three-quarters of its 50% working interest in permits offshore Labrador during the latter part of 1973, retaining a 12.5% working interest in approximately 640,950 acres in this area.

Total Acreages by Areas as of December 31, 1973 are given in the following table:

	<u>Gross</u>	<u>Net</u>
CANADA:		
Alberta	108,830	50,070
British Columbia	1,331	851
Manitoba	80	16
Ontario	1,450	73
Saskatchewan	11,951	6,813
Arctic (Permits)	1,411,534	647,927
Baffin (Permits)	544,159	81,624
Hudson Bay (Permits)	115,980	115,980
East Coast (Permits)	732,901	103,107
N.W.T. (Permits)	407,129	47,215
(Mining Properties)	1,800	1,800
TOTAL	3,337,145	1,055,476
FOREIGN:		
United States (Leases)	24,714	14,332
(Lease Applications)	346,461	47,462
United Kingdom (Onshore)	1,742,577	852,591
North Sea	37,955	949
Australia—Queensland	5,929,600	1,482,400
Italy	29,953	2,995
TOTAL	8,111,260	2,400,729
ROYALTIES (1% - 5%)	793,051	—
TOTAL	12,241,456	3,456,205

Financial

Revenue from the sale of oil and gas, less royalties, during 1973 was \$261,368 as compared to \$196,600 in 1972. This increase reflected primarily the increased gas sales from the Medicine Hat area.

Total expenses for the year were \$547,136 as compared to \$445,507 in 1972 which reflected higher operating and production costs.

Net loss for the year was \$262,120 as compared to \$258,765 in 1972, or approximately 5 cents per share in both years.

At the end of the year the Company's working capital was \$379,725 against \$761,668 in 1972. The reduction in working capital resulted mainly from the acquisition of producing properties in the Medicine Hat area, waterflood program in the Plato oil field and development drilling in Claresholm and Drumheller.

The Company has no long term debt.

Consolidated Balance Sheet DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u>
ASSETS		
Current assets		
Cash	\$ 17,510	\$ 7,737
Time deposits	175,000	785,970
Accounts receivable	311,517	65,092
Prepaid expenses and deposits	11,623	2,232
	<u>515,650</u>	<u>861,031</u>
Investments and other assets, at cost	<u>144,242</u>	<u>124,422</u>
Property, plant and equipment (notes 2, 3 and 4)	<u>4,558,301</u>	<u>4,458,298</u>
	<u>\$5,218,193</u>	<u>\$5,443,751</u>

Approved on behalf of the Board,

E. J. [Signature], Director

Ann Coontz, Director

The accompanying notes are an integral part of these financial statements.

	<u>1973</u>	<u>1972</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 135,925	\$ 99,363
Deferred income taxes (note 1)	<u>30,000</u>	<u>30,000</u>
 SHAREHOLDERS' EQUITY		
Capital stock (note 6)		
Authorized		
8,000,000 shares of no par value		
Issued		
5,304,675 shares	6,791,475	6,791,475
Deficit	<u>(1,739,207)</u>	<u>(1,477,087)</u>
	<u>5,052,268</u>	<u>5,314,388</u>
	<u>\$5,218,193</u>	<u>\$5,443,751</u>

Consolidated Statement of Income

YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u>
Income		
Oil and gas sales, less royalties	\$ 261,368	\$ 196,600
Interest	23,648	50,362
Sale of leases and permits	—	9,288
	<u>285,016</u>	<u>256,250</u>
Expenses		
Production costs	208,117	120,874
General, administrative and professional	167,728	154,668
Lease rentals	12,932	13,160
Depreciation and depletion	158,359	156,805
	<u>547,136</u>	<u>445,507</u>
Loss before extraordinary item	262,120	189,257
Loss on disposal of investments	—	69,508
Net loss for the year	<u>\$ 262,120</u>	<u>\$ 258,765</u>
Loss per share		
Loss before extraordinary item—1972	\$ —	\$.04
Net loss for the year	<u>\$.05</u>	<u>\$.05</u>

Consolidated Statement of Deficit

YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u>
Deficit, beginning of year	\$1,477,087	\$1,218,322
Net loss for the year	262,120	258,765
Deficit, end of year	<u>\$1,739,207</u>	<u>\$1,477,087</u>

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1973

	<u>1973</u>	<u>1972</u>
Source of funds		
Proceeds from sale of property and equipment	\$ 271,448	\$ 365,436
Proceeds from sale of investments and other assets	1,188	32,507
Total funds provided	<u>272,636</u>	<u>397,943</u>
Application of funds		
Current operations		
Loss for the year	262,120	258,765
Depreciation and depletion	(158,359)	(156,805)
Gain (loss) on disposal of investments	611	(69,508)
Loss of funds from operations	104,372	32,452
Purchase of property, plant and equipment	529,810	666,390
Purchase of investments and other assets	20,397	56,836
Total application of funds	<u>654,579</u>	<u>755,678</u>
Decrease in working capital	381,943	357,735
Working capital, beginning of year	761,668	1,119,403
Working capital, end of year	<u>\$ 379,725</u>	<u>\$ 761,668</u>

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements YEAR ENDED DECEMBER 31, 1973

1. Principles of consolidation

The consolidated financial statements include the accounts of Ulster Petroleum Ltd. and its subsidiary companies, all of which are wholly-owned.

The excess of the cost of shares of the subsidiaries over their underlying book values at dates of acquisition has been allocated to property, plant and equipment with the exception that in one case a provision for future income taxes of \$30,000 was recorded.

This excess, which occurred only on the acquisition of Canadian subsidiaries, is being systematically amortized on the same basis as the assets to which the excess relates.

Intercompany accounts and transactions have been eliminated on consolidation.

2. Accounting policies

The company follows the full cost method of accounting for its Canadian operations wherein all costs relative to the exploration for and development of oil and gas and mineral reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells and administrative expenses related with exploration and development activities. Proceeds on disposal of properties are ordinarily deducted from accumulated costs without recognition of profit or loss. Costs associated with Canadian operations are depleted using the unit of production method based on estimated recoverable Canadian reserves.

With respect to operations in foreign countries, the company has deferred all costs (except lease rentals) pending the results of exploration still in progress in these areas. These costs will be depleted on the unit of production basis as and, when reserves are discovered, or charged to income if the exploration projects are determined to be unsuccessful. Depreciation of well and other equipment is computed on the diminishing balance basis at a rate of 20% per annum.

3. Property, plant and equipment

The following is a summary of the cost of property, plant and equipment and related accumulated depletion and depreciation as at December 31, 1973:

	Gross Investments at Cost	Accumulated Depletion and Depreciation	Net Investments	Net Investment December 31, 1972 (Restated Note 4)
Petroleum and natural gas leases and rights, including exploration and development costs thereon				
— Canada	\$3,019,291	\$ 378,441	\$2,640,850	\$2,541,869
— United States	799,726	—	799,726	797,156
— United Kingdom	279,957	—	279,957	263,495
— Australia	43,502	—	43,502	41,156
	<u>4,142,476</u>	<u>378,441</u>	<u>3,764,035</u>	<u>3,643,676</u>
Mining properties including preproduction and exploration costs thereon	507,178	—	507,178	507,178
Production equipment	515,544	246,970	268,574	282,480
Other equipment	62,530	44,016	18,514	24,964
	<u>\$5,227,728</u>	<u>\$ 669,427</u>	<u>\$4,558,301</u>	<u>\$4,458,298</u>

4. Due under agreement to acquire Alaska lease

In 1968 a subsidiary paid \$130,234 in order to acquire an interest in certain oil and gas lease applications (preferential filings) in the State of Alaska. There is no assurance that leases will be issued, but should the leases be issued then a further \$163,743 U.S. will have to be paid by the subsidiary at its option. The option replaces the \$176,219 (\$163,743 U.S.) shown as due under agreement to acquire Alaska and leases at December 31, 1972. Property, plant and equipment and the liability have been restated accordingly.

5. Commitments and guarantees

The companies are committed for work performance on certain oil and gas exploratory permits in the amount of \$84,225. These commitments are secured by bank guarantees.

6. Capital stock

The company has reserved 200,000 shares of capital stock for issuance under an employees stock option plan. Stock options outstanding at December 31, 1973 totalled 45,000 shares (1972—90,000 shares) exercisable at \$2.20 per share during the period 1973 to 1979. Stock options amounting to 45,000 shares were cancelled during 1973.

7. Executive remuneration

The total remuneration paid to directors and senior officers of the company amounted to \$83,650 (1972—\$59,825).

8. Subsequent event

On March 6, 1974 the Company entered into an agreement to acquire all the issued shares of the capital stock of OSEC Petroleum Canada Limited in exchange for 3,348,250 shares of the capital stock of the Company. This agreement is subject to approval of the shareholders and various regulatory bodies.

Auditors' Report

To the Shareholders Ulster Petroleums Ltd.

We have examined the consolidated balance sheet of Ulster Petroleums Ltd. and subsidiary companies as at December 31, 1973 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination of the financial statements of Ulster Petroleums Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW

Chartered Accountants

Calgary, Alberta
February 22, 1974
(April 16, 1974 as to
Note 8)

AUDITORS

Collins, Love, Eddis, Valiquette & Barrow
Calgary, Alberta

BANKERS

The Toronto-Dominion Bank
Calgary, Alberta

Bank of Montreal
Calgary, Alberta

REGISTRARS AND TRANSFER AGENTS

The Canada Trust Company
Calgary, Vancouver, Winnipeg, Toronto and Montreal

Security Pacific National Bank
Los Angeles, California, U.S.A.

STOCK EXCHANGE LISTING

Listed on the Toronto and Vancouver
Stock Exchanges and the Pacific Coast Exchange,
Los Angeles and San Francisco, California, U.S.A.

SUBSIDIARY COMPANIES

Ulster Oil Enterprises Ltd.

United States:
Ulster Petroleums, Inc.

United Kingdom:
Ulster Petroleums (Canada) Limited

Australia:
Parthenon Petroleums Ltd.

ULSTER PETROLEUMS LTD.

690 Pacific Plaza,
700 - 6th Avenue S.W.,
Calgary, Alberta, Canada
T2P 0T8

Notice of Annual General Meeting of the Shareholders

AUGUST 19, 1974

NOTICE is hereby given that the Annual General Meeting of the Shareholders of Ulster Petroleum Ltd. (the "Company") will be held in the Banff Room of the Calgary Inn, 4th Avenue and 3rd Street S.W., Calgary, Alberta, on the 19th day of August, 1974 at 2:00 P.M. (Calgary Time) for the following purposes:

1. To receive the Annual Report of the directors and the financial statements of the Company and the Auditors' Report thereon for the fiscal year ended December 31, 1973;
2. To elect directors for the ensuing year;
3. To appoint auditors for the ensuing year;
4. To transact such other business as may properly come before the meeting.

Shareholders who do not expect to attend the meeting in person are urged to return the enclosed proxy duly completed in the envelope provided. The proxy must be deposited with the Company in care of its agent, The Canada Trust Company, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9 not less than 24 hours before the time for holding the meeting or with the chairman of the meeting on the day of the meeting.

DATED at Calgary, Alberta, August 2, 1974.

BY ORDER OF THE BOARD

H. M. Considine
Secretary



ULSTER PETROLEUMS LTD.

Information Circular and Proxy Statement

SOLICITATION OF PROXIES BY OR ON BEHALF OF MANAGEMENT

This Information Circular and Proxy Statement is furnished in connection with the solicitation of proxies by or on behalf of the management of Ulster Petroleum Ltd. (the "Company") for use at the Annual General Meeting of the shareholders of the Company to be held on August 19, 1974 and at any adjournment or adjournments thereof (the "Meeting"). It is expected that such solicitation will be primarily by mail. Proxies may also be solicited by directors, officers or regular employees of the Company personally or by telephone or telegraph without compensation, other than regular compensation. The Company will bear the cost of the solicitation of proxies by or on behalf of management. The Company will also reimburse brokers and banks for their out-of-pocket expenses in forwarding proxy soliciting material to the beneficial owners of the shares of the Company and requesting authority for the execution of forms of proxy. It is expected that this Information Circular and Proxy Statement and the proxy solicited herewith will be first sent to shareholders on or about August 2, 1974. The Company's principal executive office is located at 690 Pacific Plaza, 700 - 6th Avenue S.W., Calgary, Alberta, Canada, T2P 0T8.

SHAREHOLDERS ELIGIBLE TO VOTE AT THE MEETING

There is no record date for determining the holders of shares who may vote at the Meeting. All shareholders of the Company of record at the time of the Meeting will be entitled to vote. Each shareholder will be entitled to one vote for each share held by the shareholder. Not less than three shareholders representing in person or by proxy at least 10% of the outstanding shares of the Company, in respect of which the holders thereof are entitled to vote, constitute a quorum at meetings of shareholders.

SHARES IN THE COMPANY OUTSTANDING AND MAJOR SHAREHOLDERS

The Company has outstanding 5,304,675 shares without nominal or par value which will be entitled to be voted at the Meeting. The Company does not expect any additional shares will be issued prior to the Meeting except shares which may be issued as a result of the exercise of outstanding options held by employees of the Company. The Company has been advised that OSEC Petroleum S.A., ("Osec SA"), Luxembourg, a wholly-owned subsidiary of OSEC Petroleum AG, ("Osec AG"), a company incorporated under the laws of the Federal Republic of West Germany, is the beneficial owner of 1,070,630 shares of the Company (approximately 20.18%) and is the only person or company known to management who beneficially owns more than 10% of the outstanding shares in the capital of the Company.

The Company has been informed by Osec SA that of the total shares of the Company acquired by Osec SA, 292,900 shares were acquired between September 13, and November 12, 1973 and 777,730 shares were acquired between November 13, 1973 and January 4, 1974. The Company has also been informed by Osec SA that all these shares were purchased in the open market through the facilities of the Toronto Stock Exchange except for 128,000 shares purchased from a director (now resigned) of the Company and 11,230 shares purchased from the Company's President, in each case by private purchase on January 3, 1974. The Company has been informed by Osec SA that all the shares were paid for from funds of Osec SA.

USE OF PROXIES AND DISCRETIONARY POWERS

A proxy in the accompanying form which is properly executed, duly returned and not revoked will be voted and, where a choice with respect to any matter to be acted upon has been specified therein, the

shares represented thereby will, subject to Section 143 of The Companies Act (Alberta), be voted in accordance with the specification so made. Section 143 of the said Act provides as follows:

"If the aggregate number of shares represented at a meeting by proxies required to be voted against a particular matter or group of matters carries, to the knowledge of the chairman of the meeting, less than 5 per cent of the voting rights attached to the shares entitled to vote and represented at the meeting, the chairman of the meeting has the right not to conduct a vote by way of ballot on any such matter or group of matters unless a poll is demanded at the meeting."

The Company, nevertheless, intends to conduct a separate vote and tally with respect to each question to be presented to shareholders at this meeting.

IF NO INSTRUCTIONS ARE GIVEN WITH RESPECT TO THE PARTICULAR MATTER TO BE ACTED UPON, PROXIES WILL BE VOTED IN FAVOUR OF SUCH MATTER.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of the Meeting and with respect to other matters which may properly come before the Meeting, in which cases such proxy will be voted in accordance with the judgment of the persons named therein. At the date hereof, management knows of no such amendment, variation or other matter to come before the Meeting.

Appointment of a Different Proxy

THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY ARE DIRECTORS OF THE COMPANY.

A SHAREHOLDER DESIRING TO APPOINT SOME PERSON OTHER THAN THOSE NAMED IN THE ENCLOSED FORM OF PROXY TO REPRESENT SUCH SHAREHOLDER AT THE MEETING MAY DO SO BY EITHER (A) STRIKING OUT THE NAMES OF THOSE PERSONS PRINTED IN THE FORM OF PROXY AND INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED FOR THAT PURPOSE, OR (B) COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, THE COMPLETED INSTRUMENT OF PROXY SHOULD BE DEPOSITED WITH THE COMPANY, C/O THE CANADA TRUST COMPANY, 239 - 8TH AVENUE S.W., CALGARY, ALBERTA T2P 1B9, NOT LESS THAN 24 HOURS BEFORE THE TIME FOR HOLDING THE MEETING OR WITH THE CHAIRMAN OF THE MEETING ON THE DAY OF THE MEETING. ANY PERSON SO APPOINTED NEED NOT BE A SHAREHOLDER OF THE COMPANY.

Revocation of Proxies

A shareholder who has given a proxy has the power to revoke it at any time before it is used. Section 139 (4) of The Companies Act (Alberta) sets out a procedure for revoking proxies by the deposit of an instrument in writing at the head office of the Company at any time up to and including the last business day preceding the day of the Meeting or with the chairman of the Meeting on the day of the Meeting.

ELECTION OF DIRECTORS

Four directors are to be elected at the Meeting to serve until the next Annual Meeting of the shareholders of the Company or until their respective successors have been elected. Edward P. Kenney, one of the nominees for election as directors, is the President of the Company. Unless contrary instructions are given in the accompanying proxy, the persons named therein will vote for the election of the persons listed on page 5, all of whom are presently directors of the Company. Management does not contemplate that any nominee will be unable to serve as a director for any reason, but if that should occur prior to the

Meeting, the persons named in the proxy reserve the right to substitute another person or persons of their choice as such nominee or nominees. The following information is submitted with respect to the nominees for election as directors:

<u>Name and Principal Occupation</u>	<u>Became a Director</u>	<u>Shares of the Company Beneficially Owned as at July 31, 1974 (1)</u>
CHARLES P. BURNETT III, Private Investor	1973	58,238
HUGH M. CONSIDINE, Director of the Company	1970	110,440
ALLAN CREE, Petroleum Exploration Consultant	1974	7,000
EDWARD P. KENNEY, President of the Company	1970	102,000

- (1) The information as to shares owned by each nominee, not being within the knowledge of Management, has, at the request of Management, been furnished by such nominee. Each nominee has also advised Management that he does not beneficially own any shares of Osec AG.

Charles P. Burnett III has been a private investor in Seattle, Washington, for more than five years. He is also Vice-President and a director of San Juan Products, Inc., a company engaged in the manufacture and installation of swimming pools, and a Director of Peoples National Bank of Washington. Mr. Burnett became a director of the Company in March, 1973.

Hugh M. Considine has been a director of the Company and its predecessor companies from June, 1968 until the present and, effective March 14, 1974, became Secretary of the Company.

Allan Cree was, for more than five years and until 1972, Manager of Exploration and later Co-ordinator of International Exploration, Cities Service International Inc. Since 1972, he has been a petroleum exploration consultant. He was a director of Osec AG in 1972 and 1973 until his resignation in December, 1973. He became a director of the Company in January, 1974 pursuant to an informal understanding reached in January, 1974 between the Company and Osec AG in connection with the purchase by Osec SA of all of the shares of the Company owned by a former director of the Company who resigned at the time of such purchase.

Edward P. Kenney has been a director of the Company and its predecessor, Ulster Petroleums Ltd., since 1964 and is the President and Treasurer of the Company.

REMUNERATION OF MANAGEMENT AND OTHERS

The following aggregate direct remuneration was paid by the Company and its subsidiaries during the fiscal year ended December 31, 1973 to the directors and/or officers of the Company as a group. The Company does not pay directors' fees.

<u>(A)</u> <u>No. of Persons in Group</u>	<u>(B)</u> <u>Capacities in which remuneration was received</u>	<u>(C)</u> <u>Aggregate Direct Remuneration</u>
6	As Officers	\$83,650

No individual officer received remuneration during the fiscal year ended December 31, 1973 in excess of \$40,000. One director and two officers of the Company are entitled to remuneration at the rate of \$12,000, \$30,000 and \$19,800 per annum respectively, during the year 1974.

The following table shows the amount set aside under the Pension Plan of the Company on behalf of officers of the Company during the fiscal year ended December 31, 1973 and the estimated annual benefits to such persons upon retirement. The plan is not available to directors of the Company, as such.

<u>No. of Persons in Group</u>	<u>Amount Set Aside</u>	<u>Annual Benefits</u>
2	\$4,000	It is impracticable to estimate future benefits under the Plan. The aggregate amount set aside to date is \$11,000. The Plan is a "Money Purchase Plan" under which directors as employees may contribute up to \$2,500 per year with the Company contributing an equal amount. Participants earn a 50% interest in the Company's contributions after five years' employment and an additional 10% in each of the five ensuing years.

In November, 1972, options expiring December 31, 1979 to purchase 20,000 shares without nominal or par value of the Company at an option price of \$2.20 per share were granted to two officers of the Company. In March, 1974, an option to purchase 25,000 shares without nominal or par value of the Company at an option price of \$2.20 per share was granted to an officer of the Company. During the thirty day period preceding the date of this grant, the price range of such shares on the Toronto Stock Exchange ranged between a high of \$1.40 and a low of \$1.25.

As of July 31, 1974, all officers and directors as a group held options to purchase 70,000 shares without nominal or par value of the Company at an option price of \$2.20 per share.

AUDITORS

The persons designated in the accompanying proxy intend to vote for the appointment of Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, Calgary, Alberta as Auditors of the Company to hold office until the next Annual Meeting of the Shareholders of the Company and to authorize the Board of Directors of the Company to fix the remuneration of such auditors. Messrs. Peat, Marwick, Mitchell & Co. acted as Auditors of the Company from June 4, 1968 to January 12, 1970, and of certain subsidiary companies of the Company from June 4, 1968 to the present.

PROPOSED ACQUISITION BY THE COMPANY OF ALL THE SHARES OF OSEC CANADA

By an agreement made as of March 6, 1974 between the Company and Osec AG, the Company has agreed to acquire from Osec AG all the outstanding shares of OSEC Petroleum Canada Limited (Osec Canada) in consideration of the allotment and issuance by the Company to Osec AG of 3,348,250 shares without nominal or par value of the Company.

Completion of the transactions contemplated by the aforesaid agreement is subject to the satisfaction of certain conditions including the obtaining by the Company of Shareholders' approval of the acquisition and of an increase in the authorized capital of the Company. A Special General Meeting of the Shareholders will be called as soon as possible for the purpose of obtaining these approvals. Osec SA has advised the Company that it does not propose to vote the shares of the Company beneficially owned by it in connection with the resolution approving the acquisition of the outstanding shares of Osec Canada.

The major oil and gas properties of Osec Canada consist of interests in Permits comprising 223,639 acres onshore and offshore in the Arctic Islands, wholly-owned Permits comprising 301,052 acres offshore Newfoundland, and an 86.1328% working interest in 2,100 acres of petroleum and natural gas leases in Indiana County, Pennsylvania. These leases contain proven reserves of natural gas and, to date, 42 wells have been drilled and completed as gas wells in this area. There are locations for an additional 8 wells in this area.

Should the aforementioned acquisition be completed, then Osec AG and Osec SA together would own approximately 51% of the outstanding shares of the Company.

In May 1973, the Company and Osec AG entered into a previous agreement pursuant to which, subject to the fulfilment of various conditions, the Company agreed to sell to Osec AG 666,667 of its shares for \$1 million and to issue an option to Osec AG to purchase an additional 333,333 shares at \$2.00 per

share, and the Company agreed to purchase from Osec AG all the outstanding shares of Osec Canada for 1,063,842 shares of the Company. This previous agreement was terminated by mutual consent in June 1973. At that time Osec Canada had not yet acquired its properties in Pennsylvania which now represent its principal asset. For this reason the Company does not believe that the terms of the previous agreement and of the present proposal are comparable.

GENERAL

Management of the Company does not propose to present any other matters for action at the Meeting and has not been informed that other persons intend to present any matters for action at the Meeting. If any other matters should properly come before the Meeting, however, it is intended that votes will be cast pursuant to the proxies hereby solicited in respect of such other matters in accordance with the best judgment of the persons named in the accompanying proxy.

EFFECTIVE DATE

Unless otherwise specifically indicated the information given herein is given as of July 31, 1974.

DATED at Calgary, Alberta, Canada, this 2nd day of August, 1974.

BY ORDER OF THE BOARD

H. M. Considine
Secretary

ULSTER PETROLEUMS LTD.

690 Pacific Plaza,
700 - 6th Avenue S.W.,
Calgary, Alberta, Canada
T2P 0T8

P R O X Y

**THIS PROXY IS SOLICITED BY OR ON BEHALF OF THE MANAGEMENT
OF ULSTER PETROLEUMS LTD.**

The undersigned shareholder of Ulster Petroleum Ltd. hereby appoints EDWARD P. KENNEY, whom failing CHARLES P. BURNETT III, whom failing HUGH M. CONSIDINE or

to attend and to act as his nominee and to vote for and on his behalf at the Annual General Meeting of the Shareholders of the Company to be held on August 19, 1974 in the Banff Room of the Calgary Inn, 4th Avenue and 3rd Street S.W., Calgary, Alberta at 2:00 o'clock P.M. (Calgary Time) and at all adjournments of the said meeting, and revokes any prior form of proxy.

1. To elect as directors the nominees named in the Company's Information Circular which this proxy accompanies

VOTE _____

DO NOT VOTE _____

2. To appoint Peat, Marwick, Mitchell & Co. as Auditors of the Company for the fiscal year ending December 31, 1974

VOTE FOR _____

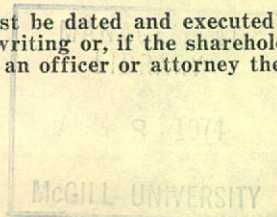
VOTE AGAINST _____

The undersigned instructs said proxy to vote or not to vote on each of the matters itemized above as directed above after each item. IF NO DIRECTION IS GIVEN, SAID PROXY SHALL VOTE WITH RESPECT TO THE ELECTION OF DIRECTORS FOR THE NOMINEES LISTED IN THE INFORMATION CIRCULAR, AND VOTE TO APPOINT PEAT, MARWICK, MITCHELL & CO. AS AUDITORS. THE UNDERSIGNED HEREBY CONFERS ON HIS NOMINEE HEREIN A DISCRETIONARY AUTHORITY WITH RESPECT TO AMENDMENTS OR VARIATIONS TO THE MATTERS OUTLINED ABOVE AND WITH RESPECT TO MATTERS OTHER THAN THOSE LISTED IN THE NOTICE CALLING THE SAID MEETING AND WHICH MAY PROPERLY COME BEFORE SAID MEETING.

Dated this _____ day of August, 1974.

Signature of Shareholder

This form of proxy must be dated and executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.



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