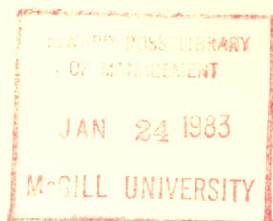


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**Plains
Petroleums
Limited
Annual
Report
1982**



Plains Petroleums Limited

2300 Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta, T2P 2Z5

Board of Directors

R. F. Haskayne, Calgary, Alberta

W. H. Waddell, Calgary, Alberta

B. F. MacNeill, Calgary, Alberta

Senior Officers

R. F. Haskayne, President and
Chief Executive Officer

W. H. Waddell, Senior Vice-President,
Exploration and Production

H. Alfaro, Vice-President, Production

F. Callaway, Vice-President, Corporate Affairs

B. F. MacNeill, Vice-President, Finance

J. P. Leeson, Vice-President, Exploration

R. G. Watkins, Vice-President, Government and
Industry Relations

A. R. Hagerman, Secretary

D. E. Deakin, Treasurer

E. Jorgensen, Comptroller

Annual General Meeting

The Annual General Meeting of Shareholders will be held on Monday, February 7, 1983 at 2:00 p.m. in the Company's office, 25th floor, Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta. Formal notice of this meeting and proxy material have been mailed to all registered shareholders with this report.

Highlights

	Year Ended September 30	
	1982	1981
Financial (thousands of dollars)		
Revenue	1,998	1,625
Net earnings	218	84
Funds generated from operations	644	461
Capital expenditures (net of petroleum incentives)	1,283	1,733
Per common share (cents)		
Net earnings	1.0	0.4
Funds generated from operations	3.0	2.2
Operating		
Production (before royalties)		
Crude oil and natural gas liquids (barrels per day)	71	63
Natural gas (thousands of cubic feet per day)	2,044	1,878
Proved reserves (before royalties)		
Crude oil and natural gas liquids (thousands of barrels)	239	395
Natural gas (billions of cubic feet)	24.9	28.7
Sulphur (thousands of long tons)	98.3	110.9
Acreage		
Net acres (thousands)	101	106

To The Shareholders

Financial Results

Net earnings for the year ended September 30, 1982 were \$218,000 or 1.0 cent per share compared with earnings of \$84,000 or 0.4 cents per share for the same period in 1981. The increased earnings were mainly due to higher oil and gas revenues and increased Alberta Royalty Tax Credits, partially offset by higher expenses.

Revenues for the year totalled \$1,998,000 compared with \$1,625,000 for the same period a year earlier. Higher oil and gas prices and reduced Crown Royalty rates were primarily responsible for the increase.

Operating and general expenses increased to \$754,000 in 1982 from \$504,000 last year, mainly as a result of higher gas processing charges and general cost increases. Depletion and depreciation expense increased to \$415,000 in 1982 from \$294,000 the previous year, reflecting higher exploration and development costs and lower reserve estimates. Interest expense increased 29 percent to \$944,000 reflecting the high level of bank borrowings which stood at \$5.1 million at September 30, 1982.

Tax recovery in 1982 amounted to \$332,000 compared with a charge of \$10,000 in 1981. The 1982 tax recovery was largely attributable to an increase in the Alberta Royalty Tax Credits, offset in part by an increase in the Petroleum and Gas Revenue Tax.

Funds generated from operations amounted to \$644,000 for the year ended September 30, 1982, compared with \$461,000 for the previous year.

During 1982, the Company expended \$1,283,000 on its ongoing capital program, the bulk of the expenditures being concentrated in the Gold Creek area of Alberta.

At September 30, 1982, the Company had a working capital deficiency of \$5,386,000. The Company currently has a bank line of credit in the amount of \$6 million.

Exploration and Development

During the year, Plains Petroleum participated in ten gross development wells in the Gold Creek/Latornell area of Alberta which resulted in 0.22 net wells. This development program resulted in nine gas wells and one well was still drilling at year-end. No exploratory wells were drilled in 1982.

The Company's gross overriding royalty position in certain non-operated properties in the West Gold Creek area has been converted to a working interest of approximately three percent, which increased the net revenues from these properties.

Seven gross gas wells, which were completed in 1980 and 1981 at Gold Creek in order to hold acreage and prove up reserves, will come on stream in fiscal 1983.

In the Karr area, Plains Petroleum holds a 2.3 percent interest in a gas well which flowed 20.5 million cubic feet per day during testing and a 3.0 percent interest in another gas well which flowed 12.1 million cubic feet per day during testing.

On October 1, 1982 Plains Petroleum started supplying approximately 500 thousand cubic feet of gas per day to the Pre-Build section of the Alaska Highway Natural Gas Pipeline. It is expected that the Company will be providing additional gas to the Pre-Build section starting in the winter of fiscal 1983.

Acreage

The Company's oil and gas acreage at September 30, 1982 is summarized in the following table:

	<u>Gross</u>	<u>Net</u>
Alberta	483,437	30,268
Manitoba	3,558	3,558
Saskatchewan	230	125
Arctic	575,921	67,302
TOTAL ACREAGE	<u>1,063,146</u>	<u>101,253</u>
TOTAL HECTARES	<u>430,423</u>	<u>40,993</u>

Production

During 1982, production of crude oil and natural gas liquids, before royalties, averaged 71 barrels per day, a 13 percent increase from 63 barrels per day last year. Average daily natural gas sales increased marginally to 2.0 million cubic feet from 1.9 million cubic feet in 1981. This increase was due primarily to higher sales from the Gold Creek area. Sales of sulphur in 1982 averaged 14.4 long tons per day, which represents a 47 percent increase over 9.8 long tons per day in 1981.

Reserves

Proved reserves are the estimated quantities of crude oil, natural gas liquids, natural gas and sulphur which geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing operating and economic conditions. Plains Petroleum's estimates of reserves are prepared by Company engineers.

The following table quantifies changes in proved reserves, before royalties, from both working interests and overriding royalty interests. Proved reserves declined due to significant downward revisions made necessary by detailed reviews of reservoir performance. Also, additions to crude oil, natural gas liquids and sulphur reserves from drilling activities, were insufficient to replace production.

	<u>Crude Oil</u>	<u>Natural Gas Liquids</u>	<u>Natural Gas</u>	<u>Sulphur</u>
	(barrels)	(barrels)	(millions of cubic feet)	(long tons)
October 1, 1981	251,537	143,596	28,737	110,910
Additions	—	—	1,567	—
Revisions	(115,325)	(15,193)	(4,674)	(7,354)
Production	(17,612)	(8,303)	(730)	(5,256)
September 30, 1982	<u>118,600</u>	<u>120,100</u>	<u>24,900</u>	<u>98,300</u>
Cubic metres	<u>18,855</u>	<u>19,094</u>	<u>701,527</u>	
Tonnes				<u>99,898</u>

Industry Outlook

During 1982, the Government of Alberta reduced royalty rates, increased the Royalty Tax Credit and provided incentives for well servicing and development drilling. The Federal Government temporarily suspended the Incremental Oil Revenue Tax, marginally reduced the Petroleum and Gas Revenue Tax for one year and increased the price of oil discovered between 1974 and 1980, inclusive.

The Company's overall strategy in 1982 was to concentrate exclusively on development activities in order to provide early cash flow at relatively low risk. This strategy may be modified in 1983 to include exploratory activities at Coleman and Waterton.

Corporate

Since the last annual report to shareholders, R. F. Haskayne and B. F. MacNeill were elected Directors of the Company and D. E. Deakin chose not to stand for re-election.

Submitted on behalf of the Board of Directors.

R F Haskayne

Calgary, Alberta, Canada
November 24, 1982

President and Chief
Executive Officer

Plains Petroleum Limited

Balance Sheet

	September 30,	
	1982	1981 (note 2)
Assets		
CURRENT ASSETS		
Cash	\$ 5,105	\$ 22,907
Accounts receivable		
Trade	207,912	150,197
Affiliated companies	94,319	51,095
Petroleum incentives program (note 3)	529,098	407,637
Alberta royalty tax credit	66,293	138,761
	<u>902,727</u>	<u>770,597</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (note 3)	15,303,740	14,020,988
Accumulated depletion and depreciation	3,095,069	2,679,745
	<u>12,208,671</u>	<u>11,341,243</u>
OTHER ASSETS	25,938	32,906
	<u>\$13,137,336</u>	<u>\$12,144,746</u>
Liabilities		
CURRENT LIABILITIES		
Bank indebtedness (note 4)	\$ 5,065,000	\$ 4,879,500
Accounts payable	1,032,493	547,635
Taxes payable	190,898	62,664
	<u>6,288,391</u>	<u>5,489,799</u>
DEFERRED PRODUCTION REVENUE	241,452	276,572
DEFERRED INCOME TAXES	923,111	911,675
Shareholders' Equity		
CAPITAL STOCK		
Authorized		
30,000,000 shares of no par value		
Issued		
21,196,776 shares	4,439,687	4,439,687
CONTRIBUTED SURPLUS	78,000	78,000
RETAINED EARNINGS	1,166,695	949,013
	<u>5,684,382</u>	<u>5,466,700</u>
	<u>\$13,137,336</u>	<u>\$12,144,746</u>

Approved by the Board

Director

R. J. Haskayne

Director

Blair Seed

Plains Petroleums Limited Statement of Earnings

	Year ended September 30,	
	1982	1981
REVENUE		
Operating	\$1,996,330	\$1,623,547
Investment	1,596	1,767
	<u>1,997,926</u>	<u>1,625,314</u>
EXPENSE		
Operating	644,445	425,710
General and administrative	109,118	77,944
Depletion and depreciation	415,324	294,009
Interest (note 5)	943,547	733,258
	<u>2,112,434</u>	<u>1,530,921</u>
EARNINGS (LOSS) BEFORE TAXES	<u>(114,508)</u>	<u>94,393</u>
TAXES (RECOVERY)		
Alberta royalty tax credit	(525,169)	(153,600)
Petroleum and gas revenue tax	172,542	81,114
Incremental oil revenue tax	9,001	—
Deferred income taxes	11,436	82,703
	<u>(332,190)</u>	<u>10,217</u>
NET EARNINGS	<u>\$ 217,682</u>	<u>\$ 84,176</u>
EARNINGS PER SHARE	<u>1.0¢</u>	<u>0.4¢</u>

Statement of Retained Earnings

	Year ended September 30,	
	1982	1981
Beginning of year		(note 2)
As previously reported	\$1,074,505	\$ 990,329
Prior period adjustment (note 2)	(125,492)	(125,492)
As restated	949,013	864,837
Net earnings	<u>217,682</u>	<u>84,176</u>
End of year	<u>\$1,166,695</u>	<u>\$ 949,013</u>

Plains Petroleums Limited

Statement of Changes in Financial Position

	Year ended September 30,	
	1982	1981 (note 2)
FUNDS WERE OBTAINED FROM		
Operations	\$ 644,442	\$ 460,888
Deferred production revenue	—	111,450
Other	6,968	—
	<u>651,410</u>	<u>572,338</u>
FUNDS WERE USED FOR		
Property, plant and equipment	1,282,752	1,732,846
Reduction in deferred production revenue	35,120	—
Other	—	10,502
	<u>1,317,872</u>	<u>1,743,348</u>
DECREASE IN WORKING CAPITAL	666,462	1,171,010
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	4,719,202	3,548,192
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$5,385,664</u>	<u>\$4,719,202</u>

Auditors' Report

To the Shareholders of Plains Petroleums Limited

We have examined the balance sheet of Plains Petroleums Limited as at September 30, 1982 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at September 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada applied on a basis consistent with that of the preceding year.

The balance sheet of Plains Petroleums Limited as at September 30, 1981 and the statements of earnings, retained earnings and changes in financial position for the year then ended were examined by other auditors whose report dated November 17, 1981 expressed an unqualified opinion on these financial statements.

Calgary, Canada
November 17, 1982



Chartered Accountants

Plains Petroleum Limited

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Oil and Gas Operations

The Company follows the full cost method of accounting for oil and gas operations whereby all exploration and development costs are capitalized and charged against earnings as set out below. Capitalized costs include land acquisition costs, geological and geophysical costs, lease rentals and related charges applicable to non-producing property, costs of drilling both productive and non-productive wells and overhead charges related to exploration and development activities. Such costs are generally limited to the future net revenues from estimated production from proved reserves at current prices and costs and the estimated fair market value of unproved properties. These costs are depleted using the unit of production method based upon estimated proved reserves, as determined by Company engineers. Natural gas reserves and production are converted to equivalent volumes of crude oil based on the relative energy content.

Substantially all of the exploration and production activities of the Company are conducted jointly with others and these financial statements reflect only the Company's proportionate interest in such activities.

Depreciation

Oil and gas production equipment and related facilities are depreciated on a straight-line basis at rates which are estimated to amortize the costs of the assets, less salvage values, over their useful lives.

2. PRIOR PERIOD ADJUSTMENT

On September 10, 1982, the Alberta Public Utilities Board ("PUB") issued a decision whereby the owners of the Coleman gas field were assessed increased cost of service charges relative to the processing of gas at the Saratoga plant for the period commencing in 1975 to August, 1980. The PUB decision has resulted in a reduction of \$125,492 in retained earnings of the Company at September 30, 1980. Comparative figures have been restated to reflect the prior period adjustment.

3. PROPERTY, PLANT AND EQUIPMENT

	1982			1981
	Cost	Accumulated depletion and depreciation	Net	Net
Petroleum and natural gas properties	\$13,335,829	\$2,923,832	\$10,411,997	\$10,246,034
Production equipment	1,967,911	171,237	1,796,674	1,095,209
	<u>\$15,303,740</u>	<u>\$3,095,069</u>	<u>\$12,208,671</u>	<u>\$11,341,243</u>

Included in petroleum and natural gas properties are credits of \$529,098 (1981 — \$407,637) receivable under the petroleum incentives program.

4. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of certain accounts receivable and interests in certain petroleum and natural gas properties.

5. RELATED PARTY TRANSACTIONS

Home Oil Company Limited ("Home") owns approximately 88.5 percent of the issued and outstanding shares of Scurry-Rainbow Oil Limited which, in turn, owns approximately 72.2 percent of the issued and outstanding shares of the Company. During the year ended September 30, 1982, Home provided certain management, accounting, administrative, technical and other services at charges equal to the cost of services rendered, which amounted to \$95,272 (1981 — \$88,167).

Scurry-Rainbow Oil Limited advanced funds to the Company totalling \$98,000 during the year ended September 30, 1982. All of these advances were repaid during the year. Such advances carried interest at a Canadian bank's prime rate plus one percent. Interest paid to Scurry-Rainbow Oil Limited for the year ended September 30, 1982 amounted to \$10,246.

6. COMPARATIVE FIGURES

Certain figures have been reclassified to conform to this year's presentation.

Five Year Review

	Year ended September 30,		Nine months ended September 30,	Year ended December 31,		
	1982	1981	1980	1979	1978	1977
FINANCIAL						
Revenue						
Crude oil	\$ 341,790	\$ 265,888	\$ 151,177	\$ 181,661	\$ 141,153	\$ 156,426
Natural gas liquids	89,493	37,389	21,320	33,975	28,709	21,006
Natural gas	1,360,454	1,160,607	850,548	915,366	732,619	734,258
Sulphur	204,593	159,663	138,203	57,489	46,558	24,020
Other	1,596	1,767	1,216	9,516	40,187	25,036
	1,997,926	1,625,314	1,162,464	1,198,007	989,226	960,746
Expense	2,112,434	1,530,921	841,267	729,705	732,537	621,159
Earnings (loss) before taxes	(114,508)	94,393	321,197	468,302	256,689	339,587
Taxes (recovery)	(332,190)	10,217	39,476	79,350	43,599	68,825
Net earnings before extraordinary item	217,682	84,176	281,721	388,952	213,090	270,762
Extraordinary item	—	—	—	344,718	—	—
Net earnings	\$ 217,682	\$ 84,176	\$ 281,721	\$ 733,670	\$ 213,090	\$ 270,762
Earnings per share	1.0¢	0.4¢	1.3¢	3.5¢	1.0¢	1.3¢
Funds generated from operations	\$ 644,442	\$ 460,888	\$ 660,066	\$ 797,604	\$ 545,265	\$ 580,223
Capital expenditures	\$ 1,282,752	\$ 1,732,846	\$ 2,292,689	\$ 3,366,466	\$ 1,162,486	\$ 466,414
Total assets	\$13,137,336	\$12,144,746	\$10,384,237	\$ 8,195,086	\$ 5,725,071	\$ 4,773,770
Bank indebtedness	\$ 5,065,000	\$ 4,879,500	\$ 2,817,000	\$ 740,000	\$ —	\$ —
Shareholders' equity	\$ 5,684,382	\$ 5,466,700	\$ 5,382,524	\$ 5,100,803	\$ 4,367,133	\$ 4,154,043
Shares outstanding	21,196,776	21,196,776	21,196,776	21,196,776	21,196,776	21,196,776
OPERATING						
Production (before royalties)						
Crude oil and natural gas liquids (barrels per day)	71	63	56	62	64	66
Natural gas (thousands of cubic feet per day)	2,044	1,878	1,889	2,112	1,884	1,835
Sulphur (long tons per day)	14	10	19	13	17	15
Proved reserves (before royalties)						
Crude oil and natural gas liquids (thousands of barrels)	239	395	220	201	122	141
Natural gas (millions of cubic feet)	24,900	28,737	20,594	21,787	16,043	15,127
Sulphur (long tons)	98,300	110,910	108,323	74,961	79,600	140,300
Landholdings						
Gross acreage	1,063,146	1,159,233	1,227,229	1,544,366	1,559,512	1,500,378
Net acreage	101,253	105,796	133,282	162,784	162,615	158,852
Drilling activity						
Gross wells drilled	9	6	15	50	21	4
Gross oil wells	—	3	5	7	—	—
Gross gas wells	9	3	9	41	15	4

The above data incorporates retroactive adjustments.

Auditors

Price Waterhouse
Calgary, Alberta

Registrar and Transfer Agents

Guaranty Trust Company of Canada
Calgary, Toronto, Montreal, Vancouver

Stock Exchange Listings Symbols

Alberta Stock Exchange	PPD
Vancouver Stock Exchange	PPD

CONVERSION FACTORS

1 kilometre	=	0.62 mile
1 metre	=	3.28 feet
1 hectare	=	2.47 acres
1 cubic metre	=	6.29 barrels (petroleum liquids)
1 cubic metre	=	35.494 cubic feet (natural gas)
1 tonne	=	0.984 long tons (sulphur)

Common Share Prices Vancouver Stock Exchange

	<u>High</u>	<u>Low</u>
Year ended September 30, 1981		
1st quarter	\$1.43	\$0.92
2nd quarter	1.30	0.70
3rd quarter	0.90	0.50
4th quarter	0.75	0.40
Year ended September 30, 1982		
1st quarter	\$0.55	\$0.30
2nd quarter	0.59	0.26
3rd quarter	0.35	0.20
4th quarter	0.36	0.21

At September 30, 1982 the Company had 21,196,776 common shares outstanding held by 4,093 shareholders. Scurry-Rainbow Oil Limited owns 72.2 percent of the outstanding common shares.

To date, the Company has not authorized payment of dividends on common shares.
