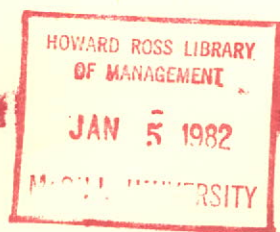


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**Plains  
Petroleums  
Limited  
Annual  
Report  
1981**



# Plains Petroleum Limited

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

## BOARD OF DIRECTORS

W. H. Waddell, Calgary, Alberta  
D. E. Deakin, Calgary, Alberta

## SENIOR OFFICERS

W. P. Wilder, Chief Executive Officer  
W. H. Waddell, Senior Vice-President,  
Exploration and Production  
H. Alfaro, Vice-President, Production  
D. E. Deakin, Vice-President, Finance  
E. C. Hambrook, Vice-President, Administration  
J. P. Leeson, Vice-President, Exploration  
R. G. Watkins, Vice-President,  
Corporate Development  
T. S. Hoar, Secretary  
E. Jorgensen, Treasurer  
G. K. Palmer, Comptroller

## REGISTRAR AND TRANSFER AGENT

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

## STOCK EXCHANGE LISTINGS

Alberta Stock Exchange  
Vancouver Stock Exchange

## ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on Tuesday, February 9, 1982, at 9:30 a.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.

## FINANCIAL HIGHLIGHTS

### STATEMENT OF EARNINGS

	Year Ended September 30,	
	1981	1980
		(unaudited)
REVENUE		
Operating .....	\$1,623,547	\$1,511,884
Investment .....	1,767	1,786
	<u>1,625,314</u>	<u>1,513,670</u>
EXPENSES		
Operating and general .....	503,654	457,007
Depletion and depreciation .....	294,009	253,418
Interest .....	733,258	240,351
	<u>1,530,921</u>	<u>950,776</u>
EARNINGS BEFORE TAXES .....	<u>94,393</u>	<u>562,894</u>
TAXES		
Current .....	(153,600)	(150,106)
Deferred .....	82,703	235,729
Petroleum and gas revenue tax .....	81,114	—
	<u>10,217</u>	<u>85,623</u>
NET EARNINGS .....	<u>84,176</u>	<u>477,271</u>
EARNINGS PER SHARE .....	<u>0.4¢</u>	<u>2.3¢</u>

### STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30,	
	1981	1980
		(unaudited)
FUNDS WERE OBTAINED FROM		
Operations .....	\$ 460,888	\$ 966,446
Advances from parent company .....	—	1,305,000
Deferred production revenue .....	111,450	32,792
	<u>572,338</u>	<u>2,304,238</u>
FUNDS WERE USED FOR		
Property, plant and equipment .....	1,732,846	3,238,343
Repayment of advances .....	—	1,305,000
Other .....	10,502	3,279
	<u>1,743,348</u>	<u>4,546,622</u>
DECREASE IN WORKING CAPITAL POSITION .....	<u>\$1,171,010</u>	<u>\$2,242,384</u>



## TO THE SHAREHOLDERS

The Company's 1980 fiscal period covered the nine months ended September 30, 1980. However, the current year's results are compared with results for the twelve months ended September 30, 1980 to provide meaningful comparisons.

### Exploration and Production

During the year ended September 30, 1981, the Company participated in the drilling of 2 exploratory and 6 development wells.

Exploratory drilling resulted in 2 gas wells, while development drilling resulted in 3 oil wells, 1 gas well and 2 wells still drilling at September 30, 1981.

The Shell Home Waterton 6-3 exploratory well in which the Company retains a 3.5% gross overriding royalty was successfully completed as a Devonian gas well.

Two Dunvegan sandstone oil wells and 1 Cardium development oil well were drilled at Gold Creek/Latornell while a successful development stepout (Company interest 9.05%) to the Coleman gas field was tied into production after testing gas at 15 million cubic feet per day from the Devonian.

During the year ended September 30, 1981, production of crude oil and natural gas liquids averaged 10 cubic metres (63 barrels) per day up from 9 cubic metres (56 barrels) per day produced a year ago. Average daily gas sales decreased from 59.8 thousand cubic metres (2,122 Mcf) per day compared to 52.9 thousand cubic metres (1,878 Mcf) per day. Sulphur sales averaged 10 tonnes per day compared with 18.6 tons per day established during the same period in 1980. Low nominations for gas from the Coleman field accounted mainly for the decline in gas sales.

### Reserves

The Company's gross proven crude oil, natural gas liquids, natural gas and sulphur reserves as of September 30, 1981 and 1980 are summarized in the table below. The Company's gross proven reserves are defined as the Company's share of reserves from working interests and overriding royalties before the deduction of any royalty interest.

	September 30,	
	1981	1980
Crude Oil - m <sup>3</sup> . . . . .	39 990	23 211
Natural Gas Liquids - m <sup>3</sup> . . . . .	22 830	11 831
Natural Gas - 10 <sup>3</sup> m <sup>3</sup> . . . . .	809 650	580 226
Sulphur - tonnes . . . . .	112 690	110 061

### Financial Review

Net earnings for the year ended September 30, 1981 were \$84,176 or 0.4 cents per share compared with earnings of \$477,271 or 2.3 cents per share for the same period in 1980. The decline in earnings is attributable to higher interest charges coupled with the introduction of the Petroleum and Gas Revenue Tax effective January 1, 1981.

Gross revenue, after royalties, for the year ended September 30, 1981 totalled \$1,625,314 compared with \$1,513,670 for the same period a year earlier. Higher oil and gas prices more than offset reduced gas and sulphur sales.

Interest expense increased from \$240,351 to \$733,258 and reflects continuing reliance on bank borrowings to finance the Company's capital programs and the high level of interest rates prevailing during 1981.

Taxes for the year ended September 30, 1981 amounted to \$10,217 compared with \$85,623 for the period a year earlier. Current tax credits of \$153,600 in 1981 and \$150,106 in 1980 represent Alberta Royalty Tax Credits. An amount totalling \$81,114 is provided in respect of the Petroleum and Gas Revenue Tax which is assessed at a rate of 8 percent on the Company's oil and gas production income, before the deduction of crown royalties. This tax is projected to increase to an effective rate of 12 percent on January 1, 1982.

Flow of funds from operations amounted to \$460,888 for the year ended September 30, 1981 compared with \$966,446 for the year ended September 30, 1980. In addition, the Company received \$111,450 compared with \$32,792 under take or pay arrangements.

The Company expended \$1,732,846 (net of Petroleum Incentive Program payments) during the year ended September 30, 1981. The bulk of the capital spending was concentrated in the Gold Creek/Latornell and Coleman areas of Alberta. The Company has accrued credits totalling \$407,637 in respect of Petroleum Incentives Program payments for which claims will be filed following the enactment of the necessary legislation.

The Company's working capital deficiency deteriorated from \$3,375,928 at September 30, 1980 to \$4,546,938 at September 30, 1981. The Company currently has a bank line of credit in the amount of \$5 million of which \$4,879,500 was drawn at September 30, 1981.

### Landholdings

The Company's landholdings at September 30, 1981 are summarized in the following table:

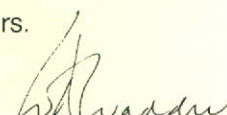
	Gross Acres	Net Acres
<b>Working Interest</b>		
Petroleum and Natural Gas Leases . . . . .	470,385	30,407
Permits and Licences . . . . .	664,562	70,969
Mineral Titles . . . . .	4,420	4,420
	<u>1,139,367</u>	<u>105,796</u>
<b>Royalty Interest</b>		
Gross Overriding Royalties . . . . .	19,866	—

### Corporate

Since the last Annual Report, J. Howard Geddes and A. M. McIntosh resigned as directors of the Company.

Mr. R. F. Haskayne has been appointed President and Chief Executive Officer of the Company, effective January 1, 1982.

Submitted on behalf of the directors.



Calgary, Alberta  
Canada  
December 24, 1981

W. H. Waddell  
Director

Plains Petroleum Limited

STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year Ended September 30, 1981	Nine Months Ended September 30, 1980
REVENUE		
Operating .....	\$1,623,547	\$1,113,210
Investment .....	1,767	1,216
	<u>1,625,314</u>	<u>1,114,426</u>
EXPENSES		
Operating and general .....	503,654	329,795
Depletion and depreciation .....	294,009	224,131
Interest .....	733,258	205,937
	<u>1,530,921</u>	<u>759,863</u>
EARNINGS BEFORE TAXES .....	<u>94,393</u>	<u>354,563</u>
TAXES		
Current .....	(153,600)	(113,141)
Deferred .....	82,703	162,605
Petroleum and gas revenue tax .....	81,114	—
	<u>10,217</u>	<u>49,464</u>
NET EARNINGS .....	84,176	305,099
RETAINED EARNINGS AT BEGINNING OF PERIOD .....	<u>990,329</u>	<u>685,230</u>
RETAINED EARNINGS AT END OF PERIOD .....	<u>\$1,074,505</u>	<u>\$ 990,329</u>
EARNINGS PER SHARE .....	<u>0.4¢</u>	<u>1.4¢</u>



**Plains Petroleum Limited**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

	<b>Year Ended September 30, 1981</b>	<b>Nine Months Ended September 30, 1980</b>
<b>FUNDS WERE OBTAINED FROM</b>		
Operations .....	\$ 460,888	\$ 691,835
Advances from parent company .....	—	805,000
Deferred production revenue .....	111,450	30,957
	<u>572,338</u>	<u>1,527,792</u>
<b>FUNDS WERE USED FOR</b>		
Property, plant and equipment .....	1,732,846	2,292,689
Repayment of advances .....	—	1,305,000
Other .....	10,502	3,347
	<u>1,743,348</u>	<u>3,601,036</u>
DECREASE IN WORKING CAPITAL POSITION .....	1,171,010	2,073,244
WORKING CAPITAL DEFICIENCY AT BEGINNING OF PERIOD .....	3,375,928	1,302,684
WORKING CAPITAL DEFICIENCY AT END OF PERIOD .....	<u>\$4,546,938</u>	<u>\$3,375,928</u>

**AUDITORS' REPORT**

To the Shareholders of  
Plains Petroleum Limited

We have examined the balance sheet of Plains Petroleum Limited as at September 30, 1981 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at September 30, 1981 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 applied on a basis consistent with that of the preceding period.

Calgary, Canada  
November 17, 1981

Thorne Riddell  
Chartered Accountants

Plains Petroleum Limited

BALANCE SHEET

	September 30,	
	1981	1980
<b>ASSETS</b>		
CURRENT ASSETS		
Cash .....	\$ 22,907	\$ 3,908
Accounts receivable		
Trade .....	261,779	357,243
Petroleum Incentives Program .....	407,637	—
Income taxes recoverable .....	153,600	113,115
	<u>845,923</u>	<u>474,266</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (note 3) .....	14,020,988	12,288,141
Accumulated depletion and depreciation .....	2,654,777	2,360,767
	<u>11,366,211</u>	<u>9,927,374</u>
OTHER ASSETS	32,906	22,404
	<u>\$12,245,040</u>	<u>\$10,424,044</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank indebtedness (note 4) .....	\$ 4,879,500	\$ 2,817,000
Accounts payable .....	513,361	1,033,194
	<u>5,392,861</u>	<u>3,850,194</u>
DEFERRED PRODUCTION REVENUE .....	276,572	165,122
DEFERRED INCOME TAXES .....	983,415	900,712
<b>SHAREHOLDERS' EQUITY</b>		
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 .....	1,074,505	990,329
	<u>5,592,192</u>	<u>5,508,016</u>
	<u>\$12,245,040</u>	<u>\$10,424,044</u>

Approved on behalf of the Board

 Director

 Director

## 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 costs of exploring for and developing oil and gas and related reserves are capitalized and charged against earnings as set out below. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities.

Costs are depleted using the unit of production method based upon estimated proven developed reserves, as determined by Company engineers. Natural gas reserves and production are converted to equivalent cubic metres of crude oil based on the relative energy content.

**Depreciation**

Depreciation of plant and equipment has been provided in the accounts of the Company on a straight-line basis at rates which are estimated to amortize the costs of the assets less salvage value over their useful lives.

## 2. CHANGE IN YEAR END

The Company changed its year end from December 31 to September 30 effective September 30, 1980. Accordingly, these financial statements present the statement of earnings and retained earnings and the statement of changes in financial position for the year ended September 30, 1981 and the nine months ended September 30, 1980.

## 3. PROPERTY, PLANT AND EQUIPMENT

	September 30, 1981			September 30, 1980
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas leases and rights, including exploration and development . . . . .	\$12,784,400	\$2,538,366	\$10,246,034	\$9,502,944
Production equipment . .	1,236,588	116,411	1,120,177	424,430
	<u>\$14,020,988</u>	<u>\$2,654,777</u>	<u>\$11,366,211</u>	<u>\$9,927,374</u>

Included in petroleum and natural gas exploration and development costs at September 30, 1981 are credits of \$407,637 receivable under the proposed Petroleum Incentives Program.

## 4. BANK INDEBTEDNESS

Bank indebtedness is secured by accounts receivable and interests in certain petroleum and natural gas leases.

## 5. RELATED PARTY TRANSACTIONS

Home Oil Company Limited 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, 1981, Home provided certain management, accounting, administrative, technical and other services at charges equal to the cost of services rendered.

