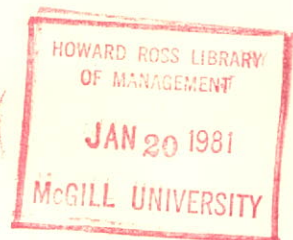


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**Plains  
Petroleums  
Limited  
Annual  
Report  
1980**



# Plains Petroleum Limited

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

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## BOARD OF DIRECTORS

J. Howard Geddes, Calgary, Alberta  
A. M. McIntosh, Calgary, Alberta  
W. H. Waddell, Calgary, Alberta

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## SENIOR OFFICERS

A. M. McIntosh, President and Chief Executive Officer  
J. Howard Geddes, Group Vice-President, Operations  
W. H. Waddell, Group Vice-President, Exploration  
H. Alfaro, Vice-President, Oil and Gas Production  
D. E. Deakin, Vice-President, Finance  
R. G. Watkins, Vice-President, Corporate Development  
T. S. Hoar, Corporate Secretary  
E. Jorgensen, Treasurer  
G. K. Palmer, Comptroller

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## REGISTRAR AND TRANSFER AGENT

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

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## STOCK EXCHANGE LISTINGS

Alberta Stock Exchange  
Vancouver Stock Exchange

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## ANNUAL AND EXTRAORDINARY GENERAL MEETING

The Annual and Extraordinary General Meeting of Shareholders will be held on Friday, February 6, 1981, 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.

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## TO THE SHAREHOLDERS

The Company has changed its year-end from December 31 to September 30, effective September 30, 1980. Accordingly, this Annual Report covers the operations of the Company for the nine months ended September 30, 1980.

### Exploration and Production

During the first nine months of 1980, the Company had interests in 3 exploratory wells and 19 development wells.

The 3 exploratory wells resulted in potential gas wells in the general Gold Creek-Elmworth area of north-western Alberta.

The development drilling resulted in 5 oil wells, 6 gas wells, 1 dry hole, and 7 wells were still drilling at September 30, 1980. Four of the development oil wells were drilled in the Latornell area and 1 at Steep Creek in northwestern Alberta.

The 6 gas wells are located in the general Steep Creek-Elmworth area of northwestern Alberta. The dry hole drilled, plus the 7 wells still drilling at September 30, 1980, are also located in this same general area.

During May, 1980, the Company farmed out its 35% working interest in certain petroleum and natural gas interests in the Carbondale area of Alberta to Home Oil Company Limited ("Home") in return for a 3.5% gross overriding royalty. Under the terms of the farmout agreement Home has undertaken to pay all drilling and other costs associated with the interests. Home beneficially owns approximately 63% of the Company.

Average daily production of crude oil and natural gas liquids for the first nine months of 1980 was 9 cubic metres (56 barrels), down 14 percent from the 10.3 cubic metres (65 barrels) produced in the comparative period in 1979. Average daily gas sales increased to 52.3 thousand cubic metres (1,852 Mcf) from a rate of 50.9 thousand cubic metres (1,807 Mcf). Sulphur sales averaged 19.6 tonnes per day compared with 9.2 tonnes per day established during the same period in 1979. This increase reflects the sale of a portion of sulphur inventory. Additional new oil production from the Latornell field was not sufficient to offset the decline from older fields.

### Reserves

The Company's gross proven crude oil, natural gas liquids, natural gas, and sulphur reserves as of September 30, 1980, and December 31, 1979, 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.

#### GROSS PROVEN RESERVES (Before Deduction of Royalties)

	September 30, 1980	December 31, 1979
Crude Oil - m <sup>3</sup> . . . . .	23,211	20,186
Natural Gas Liquids - m <sup>3</sup> . . . . .	11,831	11,829
Natural Gas - 10 <sup>3</sup> m <sup>3</sup> . . . . .	580,226	613,837
Sulphur - tonnes . . . . .	110,061	76,164

## Landholdings

The Company's landholdings at September 30, 1980 are summarized in the following table:

	Gross Acres	Net Acres
Petroleum and Natural		
Gas Leases . . . . .	586,025	57,476
Permits and Licences . . . . .	632,326	71,574
Mineral Titles . . . . .	8,878	4,232
Total . . . . .	<u>1,227,229</u>	<u>133,282</u>

## Financial Review

The Company's net earnings for the nine months ended September 30, 1980, amounted to \$305,099 or 1.4 cents per share compared with earnings, before an extraordinary item, of \$427,020 or 2.0 cents per share for the year ended December 31, 1979. In 1979, the Company realized an extraordinary gain of \$344,718 or 1.6 cents per share on disposal of its investment in an affiliated company.

Gross revenues for the nine months ended September 30, 1980, advanced 51% to \$1,114,426 compared to the same period in 1979, the increase being mainly attributable to higher prices for oil and gas and increased sulphur sales.

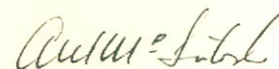
Depletion and depreciation expense increased as a result of the 1980 capital expenditure program. Higher interest costs also resulted from the 1980 capital program.

Funds from operations totalled \$691,835 for the nine months ended September 30, 1980 compared with \$854,298 generated for the year ended December 31, 1979. In 1980, the Company negotiated a bank line of credit aggregating \$5 million of which \$2,817,000 was drawn to September 30, 1980. The proceeds were used to repay advances made by Scurry-Rainbow Oil Limited totalling \$1,305,000 and to finance a portion of the 1980 capital program on which \$2,292,689 was expended to September 30, 1980.

## Corporate

Since the last Annual Report, J. P. Crone resigned as a director of the Company.

Submitted on behalf of the directors.



Calgary, Alberta,  
Canada  
January 5, 1981

A. M. McIntosh  
President and  
Chief Executive Officer

Plains Petroleum Limited

STATEMENT OF EARNINGS

	Nine Months Ended September 30, 1980	Year Ended December 31, 1979
REVENUE		
Operating .....	\$1,113,210	\$1,126,847
Investment .....	1,216	9,516
	<u>1,114,426</u>	<u>1,136,363</u>
EXPENSES		
Operating and general .....	329,795	334,985
Depletion and depreciation .....	224,131	232,097
Interest on advances .....	51,980	1,933
Other interest .....	153,957	43,584
	<u>759,863</u>	<u>612,599</u>
	<u>354,563</u>	<u>523,764</u>
INCOME TAXES		
Current .....	(113,141)	(98,409)
Deferred .....	162,605	195,153
	<u>49,464</u>	<u>96,744</u>
NET EARNINGS BEFORE EXTRAORDINARY ITEM .....	305,099	427,020
EXTRAORDINARY ITEM		
Gain on disposal of investment .....	—	344,718
NET EARNINGS .....	<u>\$ 305,099</u>	<u>\$ 771,738</u>
EARNINGS PER SHARE		
Net earnings before extraordinary item .....	1.4¢	2.0¢
Extraordinary item .....	—	1.6
Net earnings .....	<u>1.4¢</u>	<u>3.6¢</u>

STATEMENT OF RETAINED EARNINGS (DEFICIT)

	Nine Months Ended September 30, 1980	Year Ended December 31, 1979
BALANCE AT BEGINNING OF PERIOD .....	\$ 685,230	\$ (86,508)
Net earnings .....	305,099	771,738
BALANCE AT END OF PERIOD .....	<u>\$ 990,329</u>	<u>\$ 685,230</u>

**Plains Petroleum Limited**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

	Nine Months Ended September 30, 1980	Year Ended December 31, 1979
FUNDS WERE OBTAINED FROM		
Operations .....	\$ 691,835	\$ 854,298
Proceeds on disposal of investment .....	—	595,034
Advances from parent company .....	805,000	500,000
Deferred production revenue .....	30,957	62,485
	<u>1,527,792</u>	<u>2,011,817</u>
FUNDS WERE USED FOR		
Property, plant and equipment .....	2,292,689	3,366,466
Repayment of advances .....	1,305,000	—
Other .....	3,347	2,784
	<u>3,601,036</u>	<u>3,369,250</u>
DECREASE IN WORKING CAPITAL POSITION .....	(2,073,244)	(1,357,433)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD .....	<u>(1,302,684)</u>	<u>54,749</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD .....	<u><u>\$(3,375,928)</u></u>	<u><u>\$(1,302,684)</u></u>

**AUDITORS' REPORT**

To the Shareholders of  
Plains Petroleum Limited

We have examined the balance sheet of Plains Petroleum Limited as at September 30, 1980 and the statements of earnings, retained earnings (deficit) and changes in financial position for the nine months ended September 30, 1980. 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, 1980 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada  
November 18, 1980

Thorne Riddell  
Chartered Accountants

Plains Petroleum Limited

BALANCE SHEET

ASSETS	September 30, 1980	December 31, 1979
CURRENT ASSETS		
Cash .....	\$ 3,908	\$ 21,016
Accounts receivable .....	357,243	229,954
Income taxes recoverable .....	113,115	98,409
	<u>474,266</u>	<u>349,379</u>
PROPERTY, PLANT AND EQUIPMENT,		
at cost (note 3) .....	12,288,141	9,995,452
Accumulated depletion and depreciation .....	2,360,767	2,136,636
	<u>9,927,374</u>	<u>7,858,816</u>
OTHER ASSETS		
	22,404	19,057
	<u>\$10,424,044</u>	<u>\$8,227,252</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank indebtedness (note 4) .....	\$ 2,817,000	\$ 740,000
Accounts payable .....	1,033,194	912,063
	<u>3,850,194</u>	<u>1,652,063</u>
DUE TO PARENT COMPANY .....	—	500,000
DEFERRED PRODUCTION REVENUE .....	165,122	134,165
DEFERRED INCOME TAXES .....	900,712	738,107
<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 .....	990,329	685,230
	<u>5,508,016</u>	<u>5,202,917</u>
	<u>\$10,424,044</u>	<u>\$8,227,252</u>

Approved on behalf of the Board:

 Director

 Director

## NOTES TO 1980 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 expenses, 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 production 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 has changed its year end from December 31, to September 30 and, therefore, the comparative figures relate to the year ended December 31, 1979.

## 3. PROPERTY, PLANT AND EQUIPMENT

	September 30, 1980			December 31, 1979
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas leases and rights, including exploration and development . . . . .	\$11,779,006	\$2,276,062	\$9,502,944	\$7,559,529
Production equipment . .	509,135	84,705	424,430	299,287
	<u>\$12,288,141</u>	<u>\$2,360,767</u>	<u>\$9,927,374</u>	<u>\$7,858,816</u>

## 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 ("Home") owns 88.5% of the issued and outstanding shares of Scurry-Rainbow Oil Limited ("Scurry") which, in turn, owns 72.2% of the issued and outstanding shares of the Company. During the nine months ended September 30, 1980 Home furnished certain accounting, administrative, technical and other services at charges equal to the cost of services rendered.

During the period the Company was advanced various amounts by Scurry upon which interest was paid at a bank prime lending rate plus one percent.

During May, 1980 the Company farmed out its 35% working interest in certain petroleum and natural gas interests in the Carbondale area of Alberta to Home in return for a 3.5% gross overriding royalty. Under the terms of the farmout agreement, Home has undertaken to pay all drilling and other costs associated with the interests.

