TOTAL PETROLEUM (NORTH AMERICA) LTD.

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1987 ANNUAL REPORT

TOTAL

HIGHLIGHTS

	1987	1986
Operating		
Crude oil, condensate, and natural gas liquids production (barrels per day)	**13,575**	11,926
Natural gas sales (thousands of cubic feet per day)	**49,249**	42,860
Proved crude oil reserves (barrels)	**39,895,000**	40,550,000
Proved gas reserves (thousands of cubic feet)	**339,420,000**	333,090,000
Refinery input (barrels per day)	**172,745**	156,458
Refined product sales (barrels per day)	**177,940**	176,438
Financial (U.S. dollars)		
Total revenue	**$1,747,009,000**	$1,597,353,000
Net income (loss)	**(26,823,000)**	37,955,000
Net income (loss) per share	**(1.35)**	1.38
Funds provided by operations ("cash flow")	**50,596,000**	125,490,000
Capital expenditures	**131,941,000**	171,813,000
Shareholders' equity	**308,296,000**	343,682,000
Total assets	**1,014,053,000**	920,212,000

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Corporate Profile

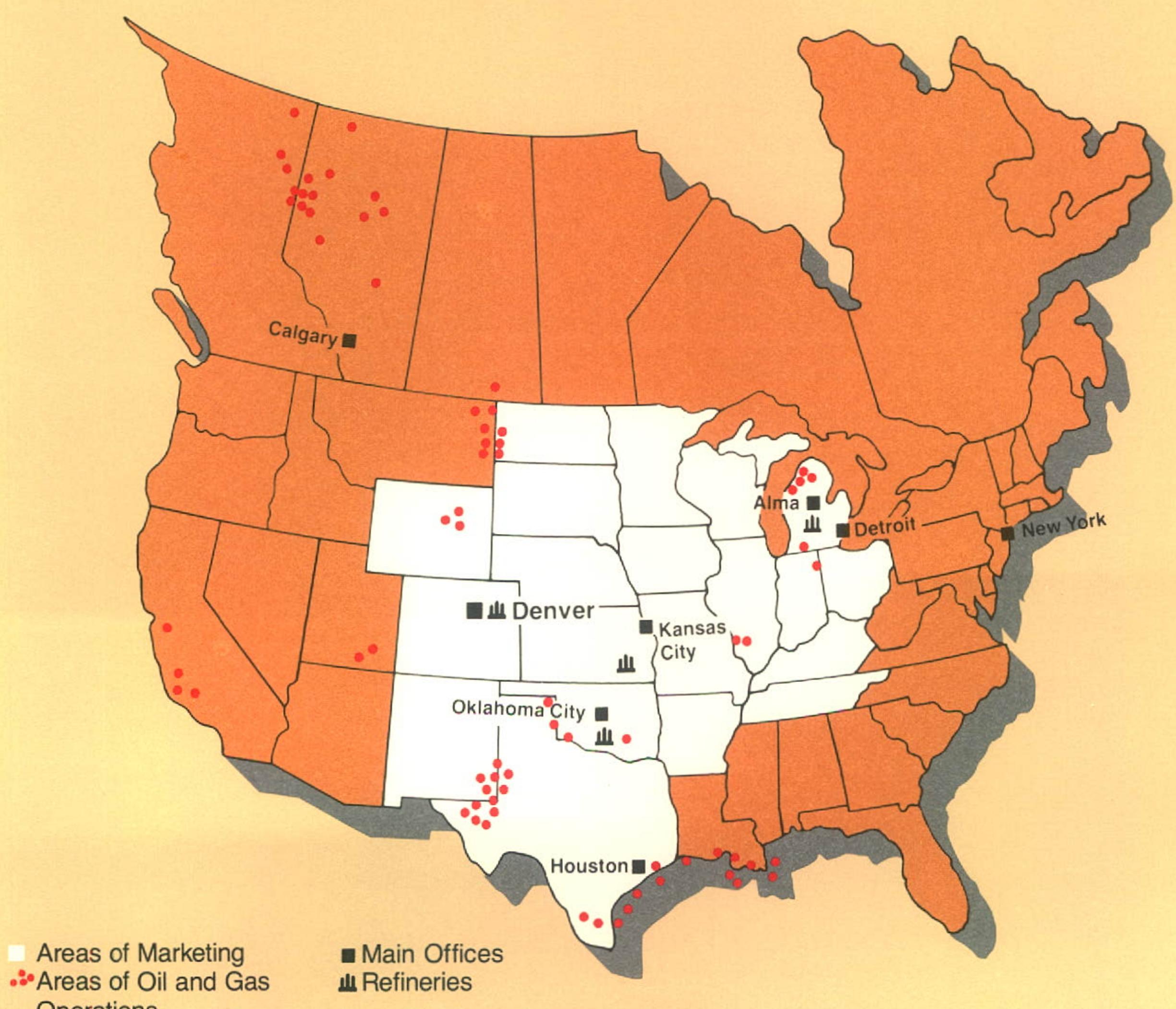
Total Petroleum (North America) Ltd. is an integrated petroleum company with oil and gas operations in the United States and Canada and petroleum products operations in the central United States. Corporate headquarters are located in Denver, Colorado.

Crude oil and natural gas production currently averages approximately 13,500 barrels per day and 50 million cubic feet per day, about evenly divided between the United States and Canada.

The Company operates four refineries having a combined rated capacity of approximately 190,000 barrels of crude oil per day in Alma, Michigan; Ardmore, Oklahoma; Arkansas City, Kansas; and Denver, Colorado.

The Company markets petroleum products in 20 states through Company-operated self-serve stations with convenience stores and through independent distributors, under the brand names APCO, TOTAL and VICKERS.

The Company's shares are listed on the American, Toronto, Montreal and Pacific stock exchanges. TOTAL Compagnie Française des Pétroles of Paris, France owns 50.3% of the voting shares.



The year 1987 was disappointing and frustrating for Total Petroleum (North America) Ltd. In spite of an encouraging recovery in the fall, the whole year was overshadowed by one of the longest and worst cycles of depressed refining margins. This resulted in grossly inadequate cash flow and obscured many positive accomplishments.

Cash flow was $50.6 million, or less than half the 1986 cash flow of $125.5 million and we recorded a net loss of $26.8 million compared to a net income of $38.0 million in 1986.

Our financial flexibility, however, enabled us to fund our capital expenditure program and to pursue our long-term goals of improved competitiveness and growth in modules of moderate size. Capital expenditures in 1987 were $131.9 million, compared to $171.8 million in 1986. In 1986, most of the growth expenditures were in the oil and gas area where we acquired producing properties for $72.7 million. By contrast, the major growth expenditure in 1987 was the $25 million acquisition of our Denver refinery. As a consequence of these developments, debt increased significantly from $304 million at year-end 1986 to $376 million at year-end 1987.

The year 1987, in the wake of the crude oil price collapse of 1986, was highlighted by extreme volatility at all levels: in the refined products markets and the crude oil markets, as well as in the financial markets. However, certain basic long-term competitive factors remain, which will determine the long-term viability of our essential Industry and its individual members. We are monitoring TOTAL's strategies in the light of short-term factors as well as long-term assessments and goals. This report will present the year 1987 from this dual perspective.

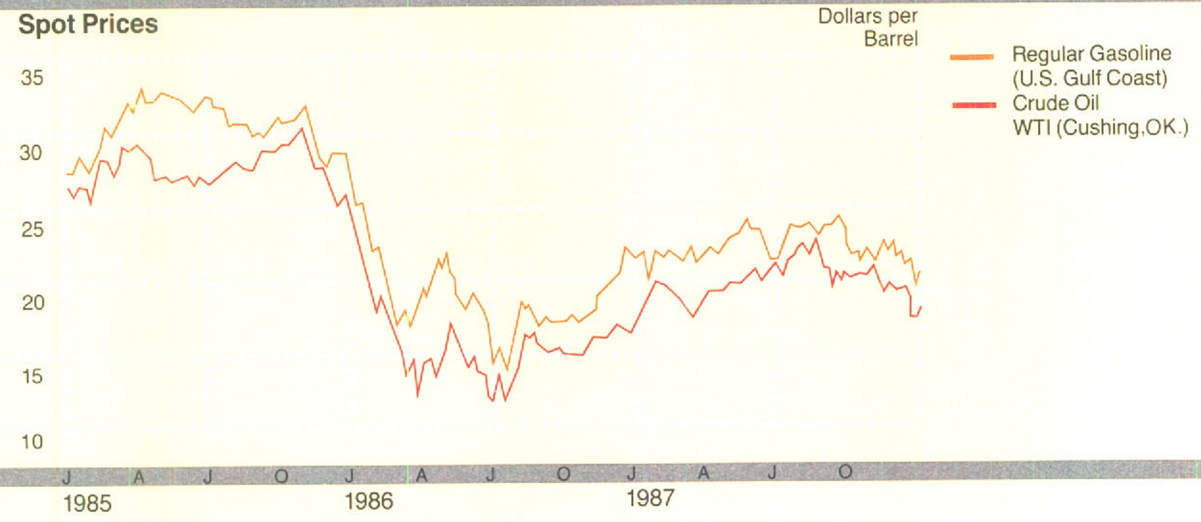
Petroleum Products

Whereas, in 1985 and 1986, the Petroleum Products Division had been the main contributor to TOTAL's good financial results, the adverse market conditions of 1987 caused the poor financial performance of the Petroleum Products Division which affected the entire Company.

Refining gross margins were at a low point (see graphs "Refining Margin Indicator" and "Gross Margin – Operating Costs – Petroleum Products Cash Flow"), under the combined effect of several factors.

- Crude oil prices crept up slowly during the first half year. At the same time, the Industry's refinery runs remained high relative to demand and gasoline inventories swelled. This exerted a downward pressure on product prices which hampered the pass through of the steady crude oil cost increases.
- The summer season of gasoline sales began with an overhang of excess inventories which severely limited the seasonal increase in margins.
- By fall, inventories and refinery runs had fallen back in line, margins were firming up, and it appeared that the Industry was on its way out of yet another "downcycle."
- Then, in early December, the inconclusive OPEC meeting revived a psychology of "price collapse" which extended to products as well as crude oil and stopped the margin recovery.

Spot Prices



• In addition, during the first three quarters, under the weight of excess inventories, the price differential between our Mid-Continent markets—where two-thirds of our refined products are sold—and the Gulf Coast was significantly reduced, temporarily eliminating the Mid-Continent "niche" advantage. Meanwhile, in Michigan and Colorado, product prices retained their historical differentials with the Gulf Coast.

It is interesting to note that most of the factors which, a year ago, we expected to contribute to firming up and stabilizing refining margins—reduced refining capacity, increased octane requirements, reduced upstream cash flow of the integrated majors—could not stem the volatility of the refining business.

As the Refining Industry rides the roller coaster of futures-dominated markets in the short-term, supply and demand and industrial competitiveness are bound to determine the Industry's long-term performance and should provide, over time, a reasonable profitability for efficient companies. Looking back at the years 1982 through 1986 following decontrol, various studies indicate that the average performance of most of the survivors has been satisfactory. This includes TOTAL, especially since 1984 when our post-decontrol improvement programs began to make a significant impact.

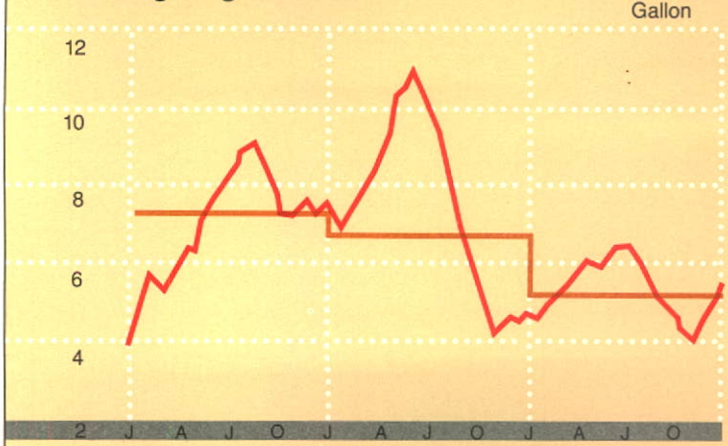
We continue to monitor all the factors of our long-term competitiveness, such as operating costs, yields, and product mix, and to identify areas of improvement. Overall operating costs leveled off in 1987 after three years of decline. The annual consultants' surveys of refinery performance for 1986 indicate that we have essentially maintained our relative position in the middle of the pack.

Refining capital expenditures, excluding acquisitions, amounted to $41.8 million in 1987 compared to $40.6 million in 1986. Major projects completed in 1987 included a new crude unit at Arkansas City, an Isomerization Unit at Alma, and new gas processing facilities at Alma. The major capital projects for 1988 are primarily directed to upgrading product values.

Our largest single refining capital investment in 1987 was the $25 million acquisition of the Asamera refinery in Denver. This refinery has an effective capacity of about 30,000 barrels per day. It is in good mechanical and environmental condition. It serves a market where we already have a significant presence, with 45 retail outlets in Colorado. It was easily integrated into our operations with minimal incremental overhead. Because of the availability of Rocky Mountain crude oil and the deficit of refined products in the Denver area, the refinery has a market "niche". In spite of the generally poor market conditions in 1987, the Denver refinery yielded a satisfactory cash flow.

As in previous years, retail marketing operations continued to make a steady contribution to cash flow and experienced only attenuated effects of the volatility of refining margins. Retail marketing contributed $17.1 million to cash flow in 1987, significantly less than the record amount of 1986, but not out of line with historical performance and with expectations. Stability of cash flow, however, does not mean

Refining Margin Indicator

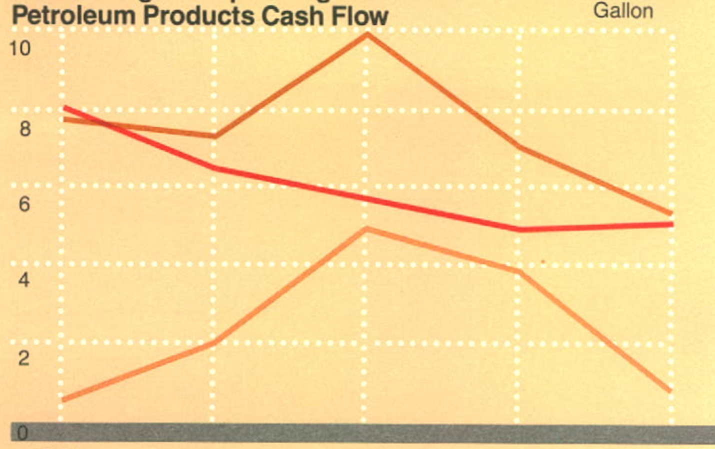


U.S. Gulf Coast Spot Product Prices (⅔ gasoline, ⅓ fuel oil) less WTI Crude Oil Price on the NYMEX.

Three Month Moving Average

Yearly Average

Gross Margin—Operating Costs—Petroleum Products Cash Flow



Gross Margin (1)*

Operating Costs (1)

Petroleum Products Division Cash Flow (2)

*Sales Revenue Less Cost of Raw Materials and Purchased Products

(1) Excluding Retail
(2) Including Retail

static operations. Gasoline marketing continues to experience a revolution, and is increasingly drawn into the world of retail merchandising and dependent on merchandising success for its profitability. We have placed increased emphasis in 1987 on remodeling our stores, expanding into fast food, and modernizing our brand images. Results have been gratifying, with merchandise profits continuing to grow. Consultants' surveys continue to place us at or near the top of the Industry in most categories. Retail marketing capital expenditures nearly tripled to $18.9 million in 1987, compared to 1986, with a major portion of the increase allocated to the addition of new sites through new construction and acquisitions.

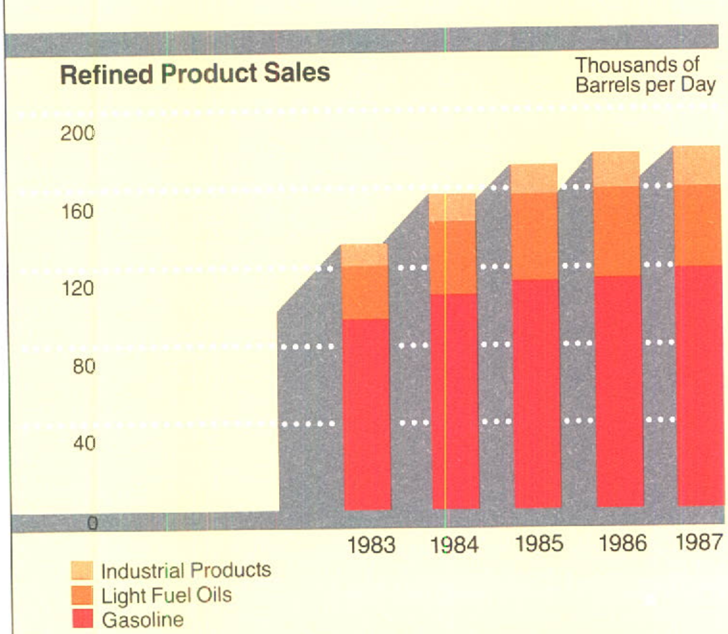
To date, the year 1988 has begun in a climate of continuing volatility, which can—as it has in the past—benefit TOTAL in the upward cycles. One of our biggest challenges is to improve our performance in dealing with this volatile environment, and even generate opportunities from it. But for our long-term success, we continue to rely primarily on programs to improve our competitiveness in the refining as well as the marketing business.

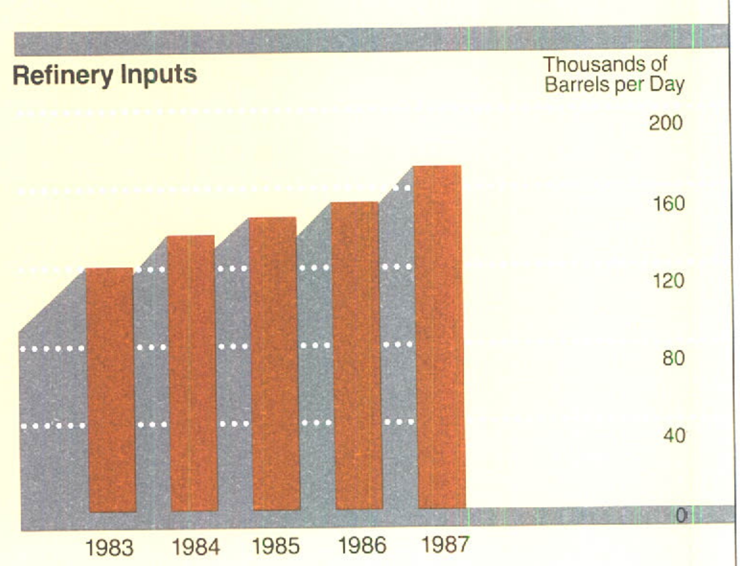
Oil and Gas

The year 1987 began in the atmosphere of restraint and caution that followed the 1986 oil price collapse and the fledgling attempts of OPEC to restore and stabilize prices in the $18 per barrel range. As the year progressed, crude oil prices, though volatile in the short-term, kept on a firming trend, and confidence grew in the Industry that, indeed, a new equilibrium was emerging. Meanwhile, natural gas prices continued their decline because of competitive factors within the gas market itself.

These developments had different effects on TOTAL's oil and gas strategies in Canada and in the U.S.

In Canada, we have consistently had geologic opportunities to discover new reserves at a cost of $3 to $5 per barrel of oil equivalent ("BOE"). The profitability is determined by sales prices, and taxes and royalties. The tax and royalty reductions, as well as the incentives enacted by the Federal and Provincial Governments in late 1986, made it economically attractive again to explore in Canada in the 1987 price environment. At midyear, we adopted a three-year plan to step up our exploration and development programs, beginning with a strengthening of our staff and increased land acquisitions. Exploration and development expenditures in 1987 were still a reduced $14.9 million, down from $19.8 million in 1986 and $29.1 million in 1985, but are projected to increase about 50% in 1988. In spite of reduced capital expenditures, reserves of both oil and gas continued a five-year increasing trend. Reserve additions, in BOE, amounted to more than twice





the year's production. Production of both oil and gas reached record levels, mainly as a result of the increased gas and liquids sales from our new gas plants at Wembley and Hythe. Increased production, together with the tax and royalty reductions, offset the effect of the 1986 price collapse, so that cash flow returned to the level of 1985. As part of our efforts to find new markets for our large gas reserves, we entered into a long-term agreement to supply natural gas to a new fertilizer plant in Alberta, while taking a 50% equity participation in the plant. Our share of the plant amounts to a $6.2 million investment, financed in part by a $3.6 million non-recourse loan, of which $2.5 million is guaranteed by the Alberta government. The plant is expected to come on stream in the first quarter of 1988.

Increasing natural gas sales in a decontrolled environment remains a major objective in Canada. The three-year plan includes additional export sales, supplied by our existing reserves, and additional reserves to be discovered or acquired.

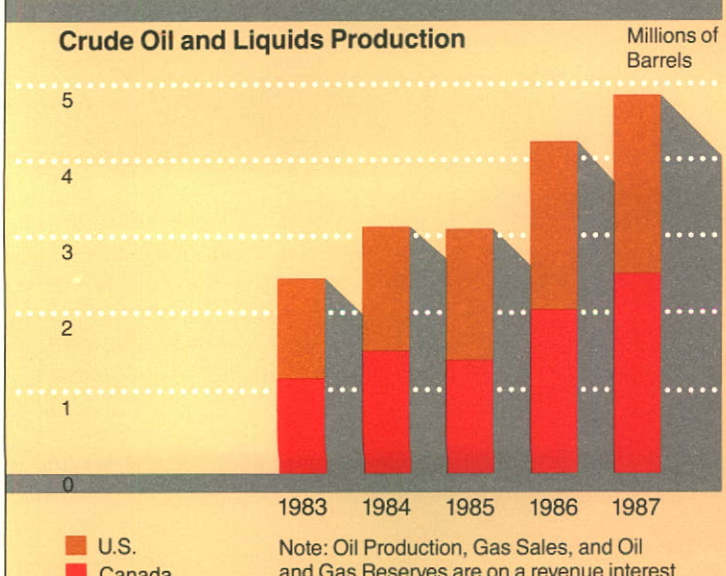
In the U.S., the partial oil price recovery of 1987 was not sufficient to warrant the resumption of a large-scale exploration program. Our exploration and development activities were limited to the follow up of a few prospects with high probability of success and low costs. Consequently, exploration and development expenditures continued to decline to $7.2 million, from $20.9 million in 1986 and $35.9 million in 1985. This limited program yielded a good oil discovery in the Powder River Basin of Wyoming, near a similar discovery made in 1986.

The price recovery of 1987, on the other hand, raised expectations of future price increases in the market for producing properties. Consequently, transaction prices in dollars per equivalent barrel rose significantly over the levels at which we had made $63 million of acquisitions in the U.S. in 1986. Although we reviewed a large number of property packages and bid on a few of them, we were successful bidders for only a handful of properties. Rising price expectations were such that we received unsolicited offers to buy some of our properties at attractive multiples of cash flow. We accepted offers resulting in $6.6 million of property sales.

The effect of this unusual year was a net capital expenditure of $1.8 million for an addition to reserves of 1 million BOE. This obviously did not replace production, which reached record levels for both oil and gas as a result of our 1986 acquisitions. However, the economic value of our U.S. oil and gas operations has been enhanced in the process.

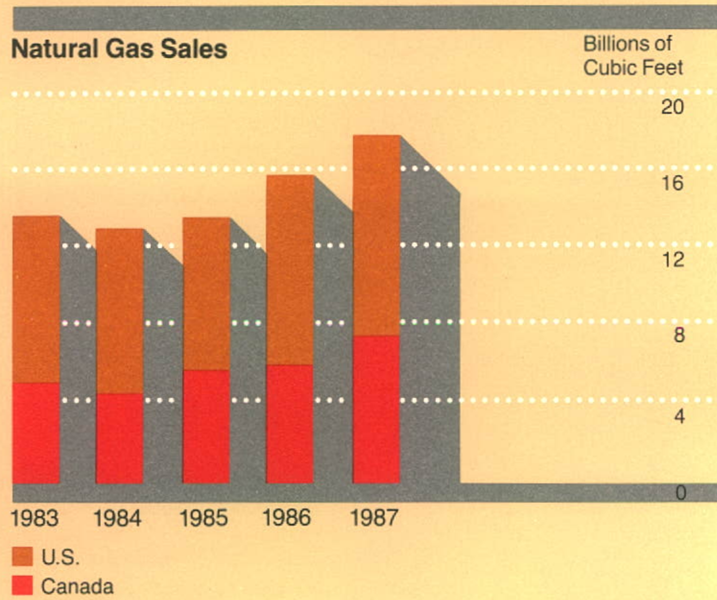
For the Company as a whole, thanks to the significant increase of reserves in Canada, reserve additions replaced production at an average cost of about $2.70 per BOE.

Crude Oil and Liquids Production



Note: Oil Production, Gas Sales, and Oil and Gas Reserves are on a revenue interest basis, net of royalties.

Natural Gas Sales



In 1988, we will continue with an opportunistic approach in the U.S., to maximize the economic value of our operations by a combination of selective exploration and development, acquisitions, and disposition of uneconomic properties. In Canada, we will proceed with the implementation of our stepped-up exploration, development and acquisition program.

Financial

TOTAL's financial flexibility was successfully tested in 1987 as debt increased by $72 million, to $376 million, to fund our capital expenditures in the face of depressed cash flow.

Our requirements were financed entirely with the facilities in place at the beginning of the year. We still have approximately $80 million of unused committed bank lines, and no principal repayments are due for the next four years, so that our financial flexibility remains intact.

However, because of the poor operating results of 1987, the coverage ratio of interest by cash flow before interest and taxes fell to 2.5, and the ratio of debt to debt plus equity increased to 55%.

Total capital expenditures of $131.9 million were allocated 22% to the Oil and Gas segment and 78% to Petroleum Products, compared to 66% and 34%, respectively, in 1986. This reflects the high amount of U.S. oil and gas acquisitions in 1986, the reduction of exploration and development expenditures in 1987, the acquisition of the Asamera refinery in 1987, and the increased marketing expenditures in 1987. For 1988, the amount of capital expenditures required to maintain and enhance the competitiveness of our operations remains around $100 million. How much and in what area we will invest in additional expenditures for growth will depend on available opportunities and the degree of financial risks we consider appropriate.

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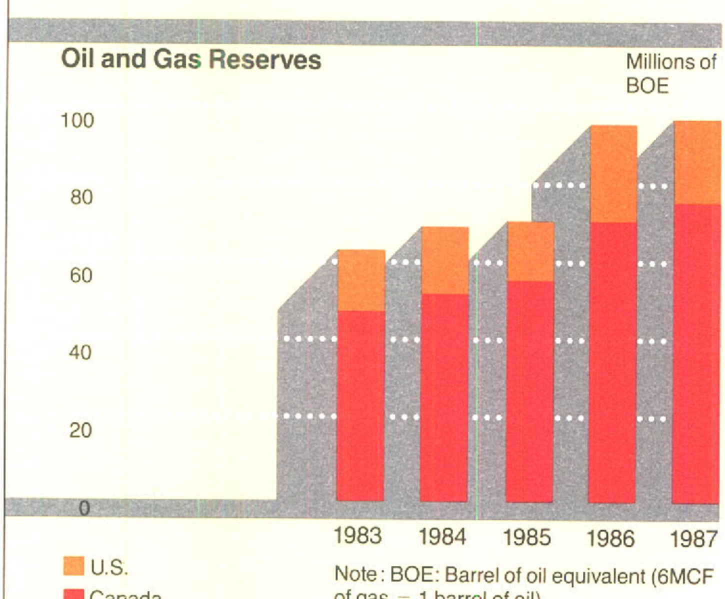
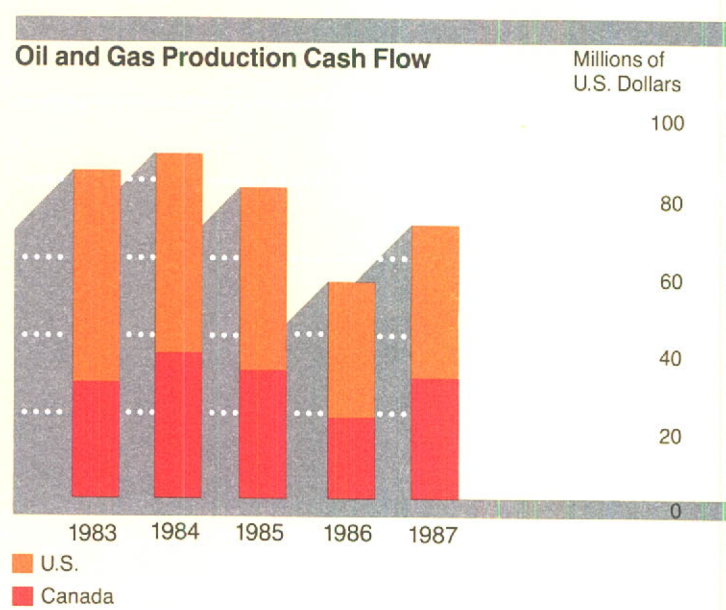
Paradoxically, for TOTAL, the year 1987 constituted a sort of after-shock to the earthquake that shook the Industry in 1986. Factors that have gained importance in influencing our strategies are increased competition and increased volatility. It is becoming more and more imperative to reinforce, and grow in, our areas of strength. A continued assessment of our strengths and weaknesses will determine areas of emphasis in upgrading and expanding operations in our competitive "niches."

This competitive world provides ever-renewed challenges for our management and staff. We wish to acknowledge that, in spite of the Company's unsatisfactory financial results of 1987, there has been a great amount of dedication and continuous effort to respond to these challenges at an ever-higher level of professionalism. Therein resides the main reason for our confidence in the future success of Total Petroleum (North America) Ltd.



Note: BOE: Barrel of oil equivalent (6MCF of gas = 1 barrel of oil).



SELECTED FIVE-YEAR DATA

		1987	1986	1985	1984	1983
Financial (Thousands of U.S. dollars except per share amounts)	Revenues	**$1,747,009**	$1,597,353	$2,372,129	$2,274,156	$2,071,957
	Net income (loss)	**(26,823)**	37,955	88,070	12,928	(37,912)
	Net income (loss) per share	**(1.35)**	1.38	3.42	.31	(2.32)
	Dividends per Common Share (Can. $)	**.09**	.33	.24	.24	.24
	Dividends per Common Share (U.S. $)	**.30**	—	—	—	—
	Funds provided by operations	**50,596**	125,490	180,145	93,641	48,120
	Cash dividends	**15,013**	11,321	9,661	10,120	10,283
	Capital expenditures[1]	**131,941**	171,813	111,936	76,029	60,844
	Total assets	**1,014,053**	920,212	883,139	875,386	843,691
	Long-term debt	**375,445**	299,200	233,648	303,938	313,114
	Long-term debt and short-term obligations	**375,765**	304,489	237,960	308,485	324,427
	Interest expense	**30,338**	26,554	27,111	36,309	41,959
	Shareholders' equity	**308,296**	343,682	278,908	203,049	201,758
	Ratio of debt to debt plus equity	**55%**	47%	46%	60%	61%
Operating Oil and Gas (Stated in U.S. dollars and revenue interest quantities)	Crude oil, condensate, and natural gas liquids (thousands of barrels)—					
	Canada:					
	Proved reserves at year-end	**29,928**	29,073	19,940	18,844	16,143
	Production during year	**2,568**	2,083	1,467	1,532	1,209
	Average sales price per barrel	**$14.45**	$12.41	$26.08	$26.12	$26.00
	United States:					
	Proved reserves at year-end	**9,967**	11,485	6,833	7,174	6,241
	Production during year	**2,387**	2,270	1,635	1,606	1,315
	Average sales price per barrel	**$17.67**	$13.99	$26.08	$28.75	$29.75
	Natural gas (millions of cubic feet)—					
	Canada:					
	Proved reserves at year-end	**264,746**	248,623	215,041	202,702	195,927
	Sales during year	**7,409**	5,823	5,605	4,746	4,953
	Average sales price per MCF	**$1.22**	$1.63	$2.14	$2.47	$2.55
	United States:					
	Proved reserves at year-end	**74,674**	84,474	49,551	52,127	48,725
	Sales during year	**10,567**	9,821	7,954	8,246	8,883
	Average sales price per MCF	**$1.93**	$2.46	$3.06	$3.36	$3.26
Petroleum Products (Thousands of barrels except number of outlets)	Refinery input	**63,052**	57,107	53,781	51,210	45,245
	Manufactured gasoline	**39,168**	35,502	33,167	31,965	29,545
	Refined products sales	**64,948**	64,400	62,306	58,109	50,232
	Gasoline sales	**43,233**	41,944	42,338	39,133	36,158
	Company-operated retail outlets	**430**	422	445	470	480
	Jobber-operated retail outlets	**1,538**	1,493	1,497	1,377	1,383

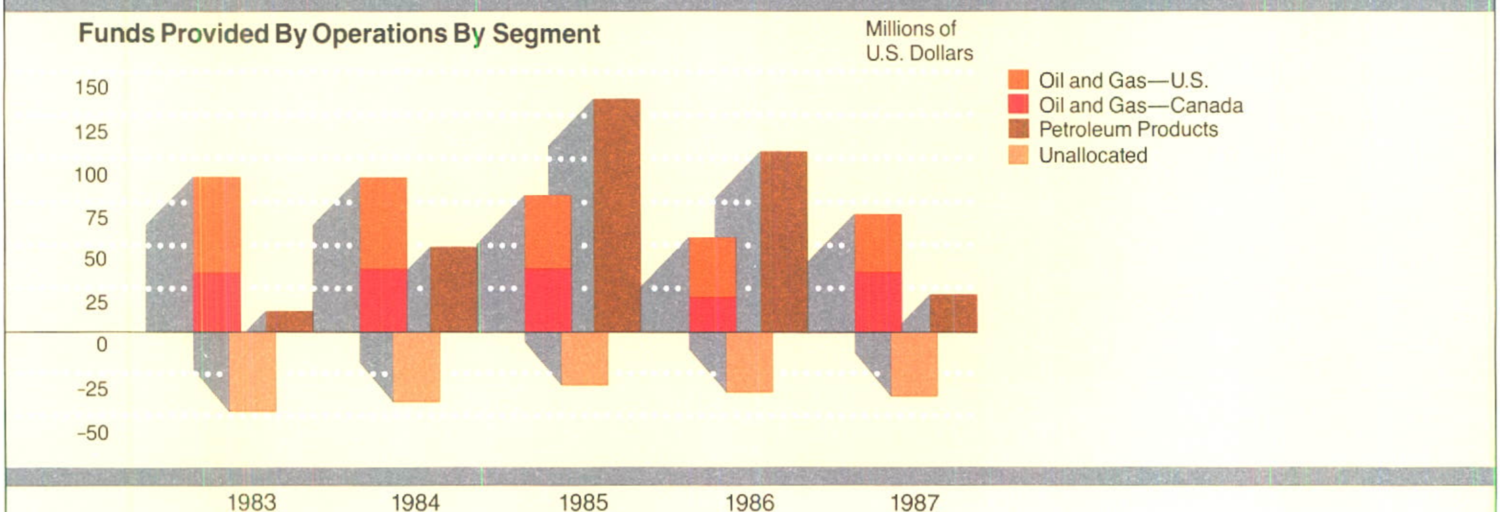
[1] Includes exploration costs.

Statement of Information by Industry Segment and Geographic Area

Total Petroleum (North America) Ltd. and Subsidiaries (Thousands of U.S. dollars)

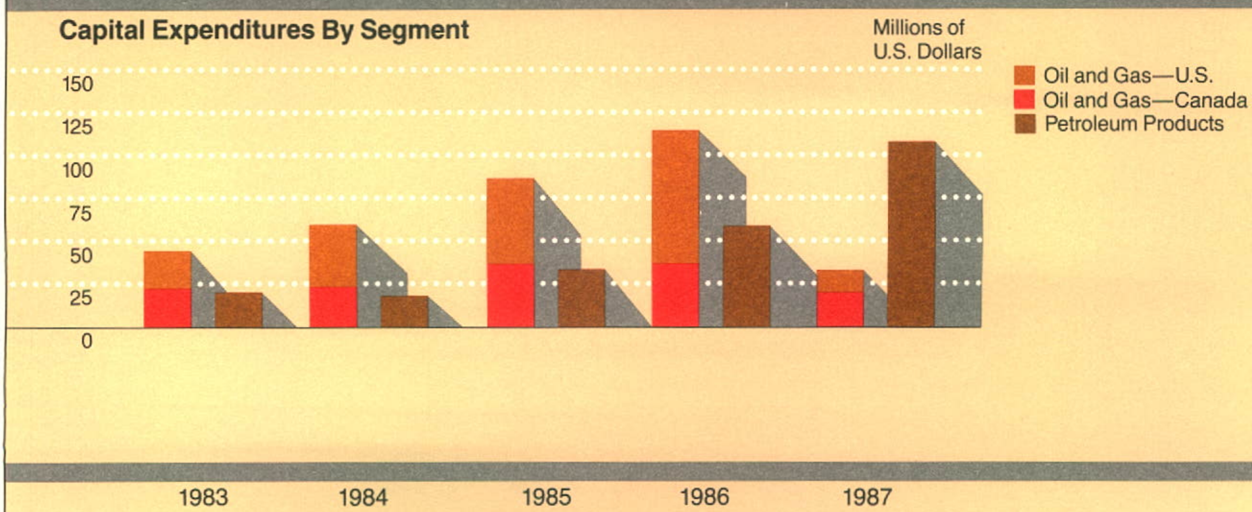
		1987	1986	1985	1984	1983
Revenues	Oil and gas:					
	Canada	**$ 43,642**	$ 34,269	$ 44,228	$ 45,134	$ 37,772
	U.S.	**62,370**	56,942	64,560	72,896	70,855
	Petroleum products	**1,641,992**	1,505,951	2,260,323	2,156,533	1,964,262
	Unallocated	**(995)**	191	3,018	(407)	(932)
		$1,747,009	$1,597,353	$2,372,129	$2,274,156	$2,071,957
Funds Provided By Operations	Oil and gas:					
	Canada	**$ 33,801**	$ 21,218	$ 34,891	$ 37,245	$ 30,798
	U.S.	**35,424**	34,060	44,056	51,440	54,063
	Petroleum products	**20,615**	105,112	132,460	49,072	11,544
	Unallocated:					
	Interest	**(30,338)**	(26,554)	(26,753)	(35,843)	(40,742)
	Administrative	**(11,740)**	(10,717)	(6,601)	(3,708)	(4,613)
	Income taxes	**3,829**	2,180	(926)	(4,158)	(1,998)
	Other	**(995)**	191	3,018	(407)	(932)
		$ 50,596	$ 125,490	$ 180,145	$ 93,641	$ 48,120
Operating Profit (Loss)	Oil and gas:					
	Canada	**$ 17,665**	$ 7,830	$ 19,286	$ 22,565	$ 20,227
	U.S.	**5,373**	(4,566)	3,089	21,473	26,839
	Petroleum products	**(9,669)**	74,774	102,225	18,076	(20,165)
	Unallocated expenses	**(43,694)**	(37,701)	(30,988)	(40,424)	(47,505)
		$ (30,325)	$ 40,337	$ 93,612	$ 21,690	$ (20,604)
Depreciation And Depletion	Oil and gas:					
	Canada	**$ 7,669**	$ 6,420	$ 5,041	$ 4,742	$ 3,058
	U.S.	**27,829**	25,896	21,225	17,506	16,505
	Petroleum products	**34,309**	30,338	29,594	29,600	30,128
		$ 69,807	$ 62,654	$ 55,860	$ 51,848	$ 49,691

Funds Provided By Operations By Segment



Total Petroleum (North America) Ltd. and Subsidiaries		(Thousands of U.S. dollars)				
		1987	1986	1985	1984	1983
Capital Expenditures (Includes exploration costs)	Oil and gas:					
	Canada	**$ 21,113**	$ 29,350	$ 35,266	$ 20,402	$ 19,602
	U.S.	**8,391**	84,094	47,751	37,365	21,310
	Petroleum products:					
	Refining	**67,485**	40,618	17,464	9,005	3,503
	Marketing	**18,863**	7,071	6,415	4,458	9,736
	Supply and transportation	**11,921**	7,264	3,991	3,943	4,059
	Other	**4,168**	3,416	1,049	856	2,634
		$ 131,941	$ 171,813	$ 111,936	$ 76,029	$ 60,844
Acquisitions (Included in Capital Expenditures above)	Oil and gas:					
	Canada	**$ —**	$ 9,545	$ —	$ —	$ —
	U.S.	**1,233**	63,197	11,824	—	—
	Petroleum products:					
	Refining	**25,696**	—	—	2,630	—
	Marketing	**3,765**	1,351	953	—	6,803
	Supply and transportation	**3,752**	—	—	—	—
		$ 34,446	$ 74,093	$ 12,777	$ 2,630	$ 6,803
Sale Of Properties	Oil and gas:					
	Canada	**$ 763**	$ —	$ —	$ 210	$ —
	U.S.	**6,556**	508	828	730	219
	Petroleum products	**528**	8,681	14,328	4,331	2,182
		$ 7,847	$ 9,189	$ 15,156	$ 5,271	$ 2,401
Assets At December 31	Oil and gas:					
	Canada	**$ 136,406**	$ 130,100	$ 115,387	$ 100,184	$ 101,917
	U.S.	**143,537**	166,736	121,425	116,918	109,793
	Petroleum products	**716,479**	607,025	630,623	625,461	613,167
	Unallocated	**17,631**	16,351	15,704	32,823	18,814
		$1,014,053	$ 920,212	$ 883,139	$ 875,386	$ 843,691

Capital Expenditures By Segment



TOTAL's performance in 1987 was disappointing relative to the strong results of recent years. The Company experienced a net loss of $26.8 million in 1987 compared to net income of $38.0 million in 1986 and $88.1 million in 1985. Funds provided by operations declined to $50.6 million in 1987 compared to $125.5 million in 1986 and $180.1 million in 1985. The Company continued to pursue its long-range goals of maintaining and upgrading its existing assets and of seeking opportunities to expand in its areas of competitive strengths. This was evidenced by capital expenditures of $131.9 million in 1987, $171.8 million in 1986, and $111.9 million in 1985.

As a consequence of these factors, total debt increased to $375.8 million from $304.5 million at year-end 1986 and $238.0 million at year-end 1985. Shareholders' equity fell to $308.3 million from $343.7 million at year-end 1986, but was still in excess of the year-end 1985 level of $278.9 million.

The weak performance of 1987 is primarily attributable to the decline in refining margins to recent historical lows which severely lowered the results of the Petroleum Products Division.

Results of Operations: The Company has two operating segments: the Petroleum Products Division and the Oil and Gas Division. Certain administrative expenses and amounts included in "revenues, other net" are incurred at the corporate level and, accordingly, are not allocated to the Divisions. Interest and income taxes also are not allocated. Significant factors that affected the results of the Company's two operating segments are reviewed later in this discussion. There are several factors not directly related to the operating segments that are important for an understanding of the Company's results and are discussed below.

Results of Operations as presented in the Consolidated Financial Statements are based on the "successful efforts" method of accounting for the Company's oil and gas operations which was adopted in 1986. Management believes that this method, as compared with the "full-cost" method previously used, results in a more conservative presentation of oil and gas activities and is the more appropriate method in light of current and uncertain future crude oil prices. Results of 1985 and prior years were restated at year-end 1986 to reflect the change to this method; therefore, all prior years' results referenced in this discussion are those after restatement.

During 1987, the Company satisfied certain pension obligations with the purchase of annuity contracts which resulted in a noncash gain of $3.6 million. Gains from the sale of service stations of $3.5 million and $5.6 million are included in the 1986 and 1985 results, respectively. Also included in the 1986 results is a net gain of approximately $4.0 million from the settlement of certain matters with the Department of Energy.

An income tax benefit for book purposes in the United States was recognized only to the extent of allowable operating loss carrybacks of $6.4 million. The offsetting $2.9 million of tax expense relates to Canadian operations. The loss in the Company's U.S. operations has created potential tax benefits in the form of tax credit carryforwards of $8.0 million, which can be recognized for book purposes to the extent of future income. For tax purposes, there are $81.2 million of net operating losses and $21.2 million of unused tax credits available to reduce future tax payments. Included in the 1985 results is an extraordinary credit of $33.4 million reflecting the benefits from utilization of operating loss carryforwards in the U.S. (See Note 4 to the Consolidated Financial Statements for further discussion of income tax matters.)

The Financial Accounting Standards Board has issued the *Statement of Financial Accounting Standards No. 96,* "Accounting for Income Taxes." This statement will require the Company to record deferred taxes under the liability method as opposed to the currently applicable deferred method. The liability method requires deferred taxes to be adjusted to reflect changes in income tax rates. The reduction in U.S. corporate tax rates is not expected to result in recognizable income because deferred taxes designated for timing differences in the U.S. at December 31, 1987, are relatively small. The Company will adopt this standard by 1989.

A discussion of significant factors affecting the results of the Company's two operating segments and the Company's liquidity and capital resources begins below. The reader may find it helpful to refer to the table of Selected Five-Year Data on page 7, the Statement of Information by Industry Segment and Geographic Area on pages 8 and 9, and the Consolidated Financial Statements which begin on page 16.

Petroleum Products Division: Funds provided by operations of the Petroleum Products Division fell to $20.6 million from $105.1 million in 1986 and $132.5 million in 1985. This significant decline in 1987 was mainly due to extremely poor refining margins which were primarily the result of an oversupply of petroleum products and the gradual increase in the price of crude oil. The decline in 1986 funds provided was also mainly the result of lower margins.

During 1987, the Industry's refinery runs were high relative to demand, resulting in an oversupply of product inventories. At the same time, the price of crude oil was gradually rising. This situation made recovery of these additional costs through the increase of product prices quite difficult, especially so through the early part of 1987. As presented in the graphs "Gross Margin –Operating Costs–Petroleum Products Cash Flow" and "Refining Margin Indicator" on page 3, refined products margins were at a recent historical low.

Operating costs, which had been reduced in each of the prior three years, leveled off in 1987 at 1986 levels, as can be seen in the Operating Costs graph referred to above.

Capital expenditures for the Petroleum Products Division increased in 1987 to $98.3 million from $55.0 million in 1986 and $27.9 million in 1985. The acquisition of the Denver refinery from Asamera Oil (U.S.) Inc. for $25.0 million was the largest single investment in 1987. This acquisition added approximately 30,000 barrels per day to the Division's refining capacity. Other expenditures in the refining area of $42.5 million in 1987 and $40.6 million in 1986 were made to improve yields, upgrade product values, and reduce plant operating costs. Expenditures were increased in the marketing area from $7.1 million in 1986 to $18.9 million in 1987 mainly for remodeling and expanding the Division's retail stores and for new retail sites. Capital expenditures for 1988 will continue to emphasize projects to improve product mix and product values at the refineries and for improvements in the retail network. However, the total amount is expected to be below the 1987 level.

As again demonstrated in 1987, the success of the Petroleum Products Division is largely dependent upon adequate Industry margins. Whether 1988 will see a continuation of the margin "downcycle" or a return to the more adequate levels of 1985 or 1986 is uncertain. However, if the environment for the downstream operation of the Industry improves, TOTAL's results will benefit from past and current programs to enhance competitiveness in the refining and marketing areas.

Oil and Gas Division: Funds provided by operations of the Oil and Gas Division in 1987 were $69.2 million compared to $55.3 million in 1986 and $78.9 million in 1985. Increased production of oil and gas in Canada and the elimination of the Petroleum and Gas Revenue Tax and the reduced royalty rates in Canada in late 1986 were the principal factors resulting in the 1987 increase. The decrease in 1986 from the 1985 level was due to significantly lower prices received for crude oil.

The following table presents an analysis of the changes in funds provided by operations for each year presented compared to the prior year (in thousands):

	1987 Compared to 1986			1986 Compared to 1985		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Increased (decreased) sales revenues (net of royalties) due to:						
Sales quantities	**$ 8,660**	**$ 2,535**	**$11,195**	$ 5,018	$ 15,743	$ 20,761
Sales prices	**3,615**	**1,600**	**5,215**	(14,851)	(23,150)	(38,001)
Other income	**322**	**—**	**322**	(127)	(211)	(338)
	12,597	**4,135**	**16,732**	(9,960)	(7,618)	(17,578)
Increased operating and administrative expenses	**(14)**	**(2,771)**	**(2,785)**	(3,713)	(2,378)	(6,091)
Total increase (decrease) in funds provided	**$12,583**	**$ 1,364**	**$13,947**	$(13,673)	$ (9,996)	$(23,669)

Funds provided by Canadian production for 1987 were $33.8 million as compared to $21.2 million in 1986 and $34.9 million in 1985. Crude oil, condensate, and natural gas liquids production increased in 1987 by 23 percent, following a 42 percent increase in 1986. These increases were mainly due to increased allowables, new production, and condensate and natural gas liquids production from the Elmworth area, in particular from the Wembley gas plant. Gas production volumes increased by 27 percent in 1987 and 4 percent in 1986, primarily due to sales from the Wembley gas plant and an additional small gas-processing unit at Hythe. The increase in funds provided due to sales prices was a result of the increase in the average sales price of crude oil in 1987 to $17.01 per barrel from $13.22 per barrel in 1986. This was largely offset by the decline in the average sales price of natural gas to $1.22 per MCF in 1987 from $1.63 per MCF in 1986. The significant reduction in cash flow in 1986 was the result of the collapse in crude oil prices in early 1986. In spite of increased production, operating expenses remained comparable in 1987 to the prior year. In terms of Canadian dollars, these expenses actually declined by nearly $1.0 million. The increase in operating expenses in 1986 was due to enhanced recovery projects and the start-up of the Wembley unit.

Funds provided by United States production were $35.4 million in 1987 compared to $34.1 million in 1986 and $44.1 million in 1985. Production of crude oil increased in 1987 by 5 percent after an increase in 1986 of 39 percent mainly due to the acquisition of AMR Energy Corporation in early 1986. A new oil field discovered at Hawk Point, Wyoming, contributed about 10 percent of the 1987 production. Natural gas volumes increased by 8 percent in 1987 and 23 percent in 1986, primarily due to the acquisitions of AMR Energy Corporation in early 1986 and Forest Oil Corporation's interest in the Gomez, Texas, gas field in late 1986. The increase in funds provided due to sales prices was the result of the increase in the average sales price of crude oil from $13.99 per barrel in 1986 to $17.67 per barrel in 1987, which was nearly offset by the decline in the average sales price of natural gas from $2.46 per MCF in 1986 to $1.93 per MCF in 1987. The 1986 drop in crude oil prices accounted for the significant reduction in funds provided in 1986. The reduction in cash flow caused by increased operating expenses is mainly due to additional expenses incurred from higher production volumes, new properties put on stream, and increased workover expenses.

Depreciation and depletion increased by 10 percent in 1987 to $35.5 million, following a 23 percent increase in 1986, both increases due to higher production volumes. Exploration expenses, including dry holes, declined significantly to $9.0 million from $19.7 million in 1986 and $30.3 million in 1985. This is due to reduced exploration and development programs and to greater success rates in Canada.

Capital expenditures, including exploration costs, for the Oil and Gas Division in 1987 were $21.1 million in Canada and $8.4 million in the United States, a total of $29.5 million. This compares to $113.4 million in 1986 (including acquisitions of $72.7 million) and $71.2 million in 1985. Reflected here is the Company's strategy to build its oil and gas reserves when they can be found or acquired at costs consistent with current economics. Capital expenditures for exploration and development in 1988 will follow this strategy by reflecting the Company's intention to take advantage of its low finding costs in Canada and are expected to be somewhat higher than in 1987.

Results of the Oil and Gas Division, although improved in 1987, were still limited by the severe drop in crude oil prices of 1986 and the subsequent decline in natural gas prices. Funds provided by the Division in 1988 will be significantly impacted by the price of crude oil and natural gas. Consequently, if natural gas prices stabilize and crude oil prices continue their gradual recovery from the collapse of early 1986, cash flow could increase in 1988.

The Summary of Oil and Gas Activities on pages 27 through 31 provides additional information relative to costs incurred, production volumes, reserve quantities and values, as well as information presenting discounted future net cash flows and changes therein on an after-tax basis.

Liquidity and Capital Resources: Total debt increased in 1987 to $375.8 million from $304.5 million at the end of 1986 and $238.0 million at the end of 1985. The main factor contributing to these increases has been capital expenditures of $131.9 million and $171.8 million in 1987 and 1986, respectively, being in excess of internally generated funds of $50.6 million and $125.5 million for the same periods.

Excluding acquisitions in each year, capital expenditures in 1988 are expected to be somewhat lower than those in 1987. However, Management will be alert to possibilities of increasing the Company's asset base, either in oil and gas properties or in refining and marketing assets, should attractive opportunities become available.

In 1986, working capital significantly increased by $50.3 million caused by the drop in crude oil and product prices that year and the timing of receipts and payments for each. The gradual increase in crude oil and product prices in 1987 caused a reduction in working capital of $13.4 million. If prices reach higher levels in the future, working capital should be reduced further, and the funds from which would be used to reduce debt.

The higher debt levels increased interest expense to $30.3 million in 1987 from $26.6 million in 1986 and $27.1 million in 1985. Average interest rates in 1987 were comparable to 1986.

At year-end 1987, the Company had available committed long-term bank lines of credit of $475.0 million, of which $83.0 million was unused, and an additional $66.9 million of unused uncommitted short-term lines of credit. There are no maturities of debt outstanding under the long-term lines of credit prior to 1992.

During 1987, the Company adopted a Dividend Reinvestment Plan for its shareholders. The Plan will provide holders of record of the Company's Common and Convertible Preferred Shares a simple and convenient method of reinvesting their dividends in the Company's Common Shares at a 5 percent discount from the market price. The Plan became operational for the first quarter 1988 dividend payment. Shareholders interested in enrolling in the Plan should contact National Trust Company, 324 8th Avenue, S.W., Calgary, Alberta T2P 3B2.

Market Information and Dividends

Principal markets for the Company's Common Shares ("TPN") are The Toronto Stock Exchange and the American Stock Exchange, Inc. There were approximately 5,500 holders of the Company's Common Shares on March 7, 1988.

The high and low sales prices of the Common Shares and the dividend paid during each quarterly period were as follows:

		1986				**1987**			
		1	2	3	4	**1**	**2**	**3**	**4**
Toronto Stock Exchange	High	24¾	30¾	27⅞	27	**32⅞**	**31⅝**	**28¼**	**25½**
(Can. $)	Low	19⅛	19⅛	20⅝	21½	**25½**	**25¼**	**24½**	**15⅛**
American Stock Exchange	High	17⅝	22⅜	20¼	19⅝	**25**	**24¼**	**21⅜**	**19⅝**
(U.S. $)	Low	13¾	13¾	14⅝	15⅜	**19⅛**	**19**	**18⅜**	**11¼**
Dividend per share (Can. $)		.06	.09	.09	.09	**.09**	**—**	**—**	**—**
Dividend per share (U.S. $)		—	—	—	—	**—**	**.10**	**.10**	**.10**

The Canadian government imposes no limitations on rights of United States persons holding equity shares in the Company. The Canada-United States reciprocal tax convention provides for a 15 percent withholding tax rate on dividends paid to United States shareholders.

Quarterly Results

The following summarizes certain quarterly financial information for 1987 and 1986 (in thousands of U.S. dollars except per share amounts):

	Quarter Ended			
1987	March 31	June 30	September 30	December 31
Revenues	**$392,238**	**$410,412**	**$486,140**	**$458,219**
Contribution to profit[1]	**(13,207)**	**(747)**	**11,623**	**2,344**
Net income (loss)	**(12,781)**	**(12,482)**	**1,312**	**(2,872)**
Net loss per share	**(.59)**	**(.57)**	**(.01)**	**(.18)**
1986				
Revenues	$458,370	$401,364	$369,970	$367,649
Contribution to profit[1]	8,821	25,025	22,773	10,272
Net income	3,191	17,157	15,107	2,500
Net income per share	.08	.64	.53	.04

[1] Income (loss) before interest charges and income taxes.

Net income per share for the second and third quarters of 1986 is computed after assuming conversion of Convertible Preferred Shares as they are dilutive. Accordingly, net income for these periods requires no adjustment for Preferred dividends.

The third quarter of 1987 includes a gain of $3.5 million from the settlement of certain pension obligations in accordance with Statement of Financial Accounting Standards No. 88.

The third quarter of 1986 includes a gain from the sale of service stations of $2.5 million and a nonrecurring gain of $4 million from litigation settlements.

The second quarter of 1986 includes a pre-tax inventory valuation provision of $13 million to reflect the excess of the recorded cost of crude oil and product inventories over the market prices for crude oil and products. During the fourth quarter, market prices of crude oil and products recovered, and the provision was reversed.

CONSOLIDATED BALANCE SHEET

Total Petroleum (North America) Ltd. and Subsidiaries (Thousands of U.S. dollars)

	December 31	1987	1986
Assets	Cash	**$ 14,882**	$ 12,165
	Accounts and notes receivable	**137,468**	104,904
	Inventories of crude oil and products	**135,862**	133,537
	Inventories of merchandise, materials, and supplies	**19,820**	18,573
	Prepaid expenses and other	**9,055**	8,481
	Total current assets	**317,087**	277,660
	Property, plant, and equipment, net	**690,570**	639,756
	Other assets	**6,396**	2,796
		$1,014,053	$920,212
Liabilities	Accounts payable	**$ 208,484**	$161,453
	Accrued taxes	**22,453**	19,774
	Other accrued liabilities	**35,756**	27,709
	Current portion of long-term debt	**320**	5,289
	Total current liabilities	**267,013**	214,225
	Long-term debt	**375,445**	299,200
Deferred Credits	Deferred income taxes	**50,604**	50,079
	Other	**12,695**	13,026
		63,299	63,105
Shareholders' Equity	Capital Stock:		
	Convertible Preferred Shares	**116,599**	116,599
	Common Shares	**131,247**	130,880
	Capital surplus	**79,439**	79,439
	Retained earnings	**(14,116)**	27,720
	Foreign currency translation adjustment	**(4,873)**	(10,956)
		308,296	343,682
		$1,014,053	$920,212

See Notes to Consolidated Financial Statements.

Approved on Behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Total Petroleum (North America) Ltd. and Subsidiaries (Thousands of U.S. dollars)

		1987	1986	1985
Funds Provided By Operations	Income (loss) before extraordinary item	**$ (26,823)**	$ 37,955	$ 54,694
	Income charges not affecting funds:			
	Depreciation and depletion	**69,807**	62,654	55,860
	Exploration, including dry holes	**8,992**	19,698	30,306
	Deferred credits and other	**(1,380)**	5,183	5,909
	Extraordinary item—utilization of operating loss carryforward	**—**	—	33,376
		50,596	125,490	180,145
Sources (Uses) Of Funds Excluding Financing Activities	Property sales	**7,847**	5,310	9,761
	Accounts and notes receivable	**(34,504)**	62,767	5,069
	Inventories	**(3,572)**	(10,198)	(25,178)
	Prepaid expenses and other	**(574)**	(3,463)	(608)
	Accounts payable and accrued liabilities	**55,078**	(95,719)	(1,008)
	Accrued taxes	**2,679**	(3,227)	764
	Tax benefit from exercise of stock options	**134**	552	—
	Other, net	**514**	(233)	(302)
		27,602	(44,211)	(11,502)
Funds Used For	Capital expenditures, including exploration costs	**131,941**	171,813	111,936
	Dividends	**15,013**	11,321	9,661
		146,954	183,134	121,597
Total Funds Provided (Used) Before Financing Activities		**(68,756)**	(101,855)	47,046
Funds Provided By (Used In) Financing Activities	Additional long-term debt	**76,528**	73,452	—
	Payments reducing long-term debt	**(5,288)**	(6,923)	(70,883)
	Issuance of equity securities	**233**	36,754	1,751
		71,473	103,283	(69,132)
	Increase (decrease) in cash	**$ 2,717**	$ 1,428	$ (22,086)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Total Petroleum (North America) Ltd. and Subsidiaries (Thousands of U.S. dollars except per share amounts)

		1987	1986	1985
Revenues	Net sales of refined products and merchandise	**$1,640,972**	$1,497,321	$2,252,151
	Net sales of crude oil and natural gas	**107,211**	90,801	108,252
	Other, net	**(1,174)**	9,231	11,726
		1,747,009	1,597,353	2,372,129
Expenses	Purchased crude oil, products, and merchandise	**1,383,280**	1,172,417	1,881,762
	Operating	**176,954**	163,360	180,607
	Exploration, including dry holes	**8,992**	19,698	30,306
	Selling and administrative	**107,963**	112,333	102,871
	Depreciation and depletion	**69,807**	62,654	55,860
	Interest	**30,338**	26,554	27,111
	Income taxes	**(3,502)**	2,382	38,918
		1,773,832	1,559,398	2,317,435
Net Income (Loss)	Income (loss) before extraordinary item	**(26,823)**	37,955	54,694
	Extraordinary item	—	—	33,376
	Net income (loss)	**$ (26,823)**	$ 37,955	$ 88,070
Per Share	Income (loss) before extraordinary item	**$(1.35)**	$1.38	$2.12
	Net income (loss)	**$(1.35)**	$1.38	$3.42

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

Total Petroleum (North America) Ltd. and Subsidiaries (Thousands of U.S. dollars)

	Convertible Preferred Shares	Common Shares	Capital Surplus	Retained Earnings	Foreign Currency Translation Adjustment	Total Shareholders' Equity
Balance on December 31, 1984	$116,599	$ 91,823	$79,439	$(77,323)	$ (7,489)	$203,049
Net income				88,070		88,070
Dividends				(9,661)		(9,661)
Foreign currency translation adjustment					(4,301)	(4,301)
Issuance of shares		1,751				1,751
Balance on December 31, 1985	116,599	93,574	79,439	1,086	(11,790)	278,908
Net income				37,955		37,955
Dividends				(11,321)		(11,321)
Foreign currency translation adjustment					834	834
Tax benefit from the exercise of stock options		552				552
Issuance of shares		36,754				36,754
Balance on December 31, 1986	116,599	130,880	79,439	27,720	(10,956)	343,682
Net loss				**(26,823)**		**(26,823)**
Dividends				**(15,013)**		**(15,013)**
Foreign currency translation adjustment					**6,083**	**6,083**
Tax benefit from the exercise of stock options		**134**				**134**
Issuance of shares		**233**				**233**
Balance on December 31, 1987	**$116,599**	**$131,247**	**$79,439**	**$(14,116)**	**$ (4,873)**	**$308,296**

See Notes to Consolidated Financial Statements.

1. Accounting Policies and Other Matters

The significant accounting policies followed by the Company and other matters are presented here to assist the reader in evaluating the financial information contained herein. The Company's accounting policies are in accordance with generally accepted accounting principles in the United States. Any material differences between those principles and the principles recommended by the Canadian Institute of Chartered Accountants are disclosed in Note 8 to the Consolidated Financial Statements.

Principles of Consolidation The Consolidated Financial Statements include the accounts of all subsidiaries. All intercompany accounts and transactions have been eliminated.

Business Segments The Company's operations can be divided into two business segments: Oil and Gas, and Petroleum Products. Other income (principally financial) and expenses incurred at the corporate level, including income taxes, are not allocated to the segments. Unallocated assets are cash, short-term investments, and taxes receivable.

The information by industry segment and geographic area for 1987, 1986, and 1985 is incorporated by reference from pages 8 and 9 of this annual report.

Reclassification Certain amounts presented for prior periods have been reclassified from exploration expense to depreciation and depletion expense to conform to 1987 presentation.

Inventories Inventories are valued at the lower of cost or net realizable value. Cost of inventories of crude oil and products is determined by the last-in, first-out ("LIFO") method. Cost of other inventories is determined by the first-in, first-out ("FIFO") method with respect to merchandise and by the average cost method for materials and supplies. It is impractical to separate inventory values by classification. The replacement cost of inventories approximated the book value at December 31, 1987 and 1986.

Property, Plant, and Equipment The Company follows the "successful efforts" method of accounting for its oil and gas activities whereby acquisition and development costs are capitalized. Exploratory costs for geological and geophysical work and annual lease rentals are expensed as incurred. Capitalized costs related to unproved properties are subject to a periodic review for impairment, and if necessary, a valuation allowance is provided. Depletion of capitalized costs for producing properties is provided on the units-of-production method.

Depreciation of equipment is provided using the straight-line method based on estimated useful lives.

Maintenance and repairs are expensed as incurred except significant deferred maintenance (turnaround) at the refineries which is accrued. Major improvements are capitalized, and the assets replaced are retired.

Foreign Currency Translation Amounts recorded in foreign currencies are translated in accordance with Statement of Financial Accounting Standards No. 52. The U.S. dollar is the functional currency for all operations except for Canadian operations whose functional currency is the Canadian dollar.

Net Income (Loss) Per Share The computation of net income (loss) per share is based upon the weighted average Common Shares and dilutive Common Share equivalents outstanding during the period. When the assumed conversion of Convertible Preferred Shares is not dilutive, net income (loss) is adjusted by the amount of dividends paid on Convertible Preferred Shares.

Income Taxes The Company does not provide for taxes which would be payable upon transfer of undistributed earnings of subsidiaries since management believes that either such earnings will not be transferred in the foreseeable future or no tax expense would be incurred because of available credits or deductions. At December 31, 1987, undistributed earnings of subsidiaries amounted to $16,285,000.

Investment tax credits have been accounted for by the flow-through method.

Other Matters In June 1987, subsidiaries of the Company acquired the U.S. refining operations of Asamera Oil (U.S.) Inc. for approximately $25,000,000. The transaction was recorded using the purchase method of accounting. The Consolidated Financial Statements include the results of the acquisition from June 1, 1987, the effective date of the transaction. Pro forma results for 1987, 1986, and 1985 are not presented as they would not be materially different than the results currently reported.

Excise and sales taxes collected from customers are excluded from net sales of refined products.

Sales of purchased crude oil are deducted from the related purchases.

"Other revenues, net" in 1986 and 1985 includes gains from the sale of service stations of $3,500,000 and $5,600,000, respectively. In addition, a net gain of $4,000,000 from litigation settlements was recorded in 1986.

2. Property, Plant, and Equipment

Property, plant, and equipment at December 31 is as follows (in thousands):

	1987		1986	
	Gross	Net	Gross	Net
Oil and gas:				
Canada	$ 172,027	$131,421	$ 152,563	$119,509
U.S.	282,084	120,173	293,552	148,625
Petroleum products:				
Refining	422,491	267,719	355,383	222,929
Marketing	142,116	95,084	124,307	82,966
Supply and transportation	100,340	64,822	88,418	57,029
Other	20,602	11,351	17,006	8,698
	$1,139,660	$690,570	$1,031,229	$639,756

3. Debt

The following summarizes the consolidated long-term debt at December 31 (in thousands):

	1987	1986
Revolving credit facilities	$369,026	$294,952
Other loans due through 2000	6,739	9,537
	375,765	304,489
Less current maturities	320	5,289
	$375,445	$299,200

Based on the current level of borrowings, pursuant to debt agreements, there are no maturities of indebtedness in the next five years, other than the current maturities noted above and $36,000,000 in 1992.

Revolving credit facilities provide for borrowings, which accrue interest at short-term market rates, and the issuance of Letters of Credit. These facilities expire throughout the period 1991 through 1996 and at year-end totaled $475,000,000, of which $83,000,000 was not utilized.

During 1987, the Company purchased interest rate collars, covering a notional amount of $100,000,000, in order to limit interest rate exposure. These agreements, expiring in equal amounts in 1990 and 1992, provide for receipt or payment of interest when short-term market rates exceed or fall below specified levels. The costs are amortized over the life of the agreements.

The Company had previously entered into $135,000,000 of interest rate exchange agreements in which the Company pays fixed interest rates and into $75,000,000 of interest rate exchange agreements in which the Company receives fixed interest rates. These agreements expire through 1991. The agreements increased the cost on all borrowings to an effective interest rate of 9.2 percent during 1987.

Uncommitted short-term lines of credit aggregating $85,000,000 are available to the Company with borrowings and Letters of Credit thereunder at mutually agreeable pricing. Of these lines, $66,900,000 were unused at December 31, 1987.

4. Taxes

The provision for income tax expense (benefit) is as follows (in thousands):

	1987	1986	1985
Current payable:			
Canada	**$(3,829)**	$(2,180)	$ 926
Deferred taxes:			
U.S.	**(6,450)**	5,162	34,095
Canada	**6,777**	(600)	3,897
	$(3,502)	$ 2,382	$38,918

The 1987 income tax benefit in the U.S. reflects the amount recognized through the release of previously recorded deferred taxes.

The 1986 provision for income tax expense in the U.S. consists entirely of deferred taxes. The extraordinary credit of $33,376,000 in 1985 reflects the tax benefit to the Company from the utilization of operating loss carryforwards against the U.S. portion of the tax provision.

At December 31, 1987, there is a U.S. tax net operating loss of approximately $81,200,000 and certain unused tax credits of approximately $21,200,000, which may be carried forward to future periods to reduce U.S. taxes which would otherwise be payable subject to the limitations of the Tax Reform Act of 1986. The earliest expiration year for any of these carryforward items is 1989. Book credit carryforwards of approximately $8,000,000 may provide tax benefits to the extent of tax on book income in future periods.

The Canadian deferred tax provision for the years ended December 31, 1987, 1986, and 1985, results primarily from the deduction of oil and gas expenditures permitted by tax legislation. The Company has approximately $46,500,000 of deductions available to reduce future Canadian taxable income. To the extent utilized, these carryforwards will result in a credit to deferred income taxes.

The components of U.S. deferred income taxes for the years ended December 31 are as follows (in thousands):

	1987	1986	1985
Oil and gas costs	$ —	$(6,830)	$ 181
Depreciation expense	—	8,663	909
Utilization of loss (carryback) carryforwards	(6,450)	—	33,376
Forward contracts	—	3,636	(373)
Other	—	(307)	2
	$(6,450)	$ 5,162	$34,095

The Internal Revenue Service has substantially completed its examination of the Company's U.S. tax returns for the years 1979 through 1983. The Company has successfully disposed of the significant portion of the proposed total gross adjustments referred to in previous financial statements. Management is of the opinion that an adequate provision has been made for all tax deficiencies for the years examined, and that it is remote that any final adjustments will have a material effect on the financial position of the Company.

Income (loss) before income taxes and income tax expense (benefit) at rates other than the statutory U.S. income tax rate are as follows (in thousands):

	1987	1986	1985
Income (loss) before income taxes:			
U.S.	$ (42,137)	$ 46,392	$82,594
Canada	11,812	(6,055)	11,018
	(30,325)	40,337	93,612
Statutory rate	40%	46%	46%
Tax (benefit) provision at statutory rate	(12,130)	18,555	43,061
Differences:			
Canadian taxes at rates higher than U.S. rates	837	5	555
Operating loss not recognized	9,682	—	—
Investment and other tax credits	(2,280)	(15,488)	(4,076)
Other	389	(690)	(622)
	$ (3,502)	$ 2,382	$38,918

Other taxes incurred by the Company are as follows (in thousands):

	1987	1986	1985
Wellhead	$ 3,388	$ 5,159	$ 18,081
Payroll	7,281	7,018	6,890
Property	4,321	4,255	4,010
Environmental	4,366	—	456
Other	1,575	1,512	1,882
	20,931	17,944	31,319
Consumer excise[1]	211,676	177,655	170,982
	$232,607	$195,599	$202,301

[1]Excise taxes are excluded from both revenues and expenses.

5. Capital Stock

The Company's authorized capital at December 31, 1987, consists of 12,800,000 Preferred Shares and 10,000,000 Second Preferred Shares without nominal or par value, issuable in series, and an unlimited number of Common Shares without nominal or par value.

At December 31, 1987, 2,800,000 of the authorized and issued Preferred Shares were designated as $2.88 Cumulative Redeemable Convertible Preferred Shares ("Convertible Preferred Shares") with 2,798,590 shares outstanding. The holders of the Convertible Preferred Shares are entitled to receive fixed cumulative preferential cash dividends, if and when declared by the Board of Directors, at an annual rate of $2.88 (Can.) per share payable quarterly. The Convertible Preferred Shares are convertible into Common Shares at any time at the option of the holder at a conversion rate of 1.43 Common Shares for each Convertible Preferred Share. These shares may be redeemed by the Company during 1988 for $50.60 (Can.) per share.

Changes in issued Common Shares are as follows (in thousands of dollars):

	1987		1986		1985	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Balance at January 1	**24,271,182**	**$130,880**	21,808,587	$ 93,574	21,645,489	$91,823
Exercise of stock options	**26,033**	**233**	321,546	3,568	130,550	1,409
Exercise of warrants	—	—	2,141,049	33,186	—	—
Tax benefit from exercise of stock options	—	**134**	—	552	—	—
Issuance under employee savings plan	—	—	—	—	32,548	342
Balance at December 31	**24,297,215**	**$131,247**	24,271,182	$130,880	21,808,587	$93,574

TOTAL Compagnie Française des Pétroles, a French corporation, owns approximately 50.3 percent of the voting shares of the Company. Voting shares consist of both Common and Convertible Preferred Shares.

During 1986, 2,141,049 Warrants, which were due to expire on June 30, 1986, each with the right to purchase one Common Share at $15.50 (U.S.), were exercised.

Under the 1975 Stock Option Plan for Employees, the Company has authorized 1,400,000 Common Shares for options that may be granted to employees. On November 23, 1987, the Board of Directors granted options to purchase 366,500 Common Shares for $14.13 (U.S.) per share. Options to purchase 430,085 Common Shares at prices ranging from $10.63 (Can.) to $14.13 (U.S.) were outstanding and exercisable at December 31, 1987, and 91,000 Common Shares at prices ranging from $10.63 (Can.) to $16.43 (Can.) were outstanding and exercisable at December 31, 1986. At December 31, 1987 and 1986, 167,322 and 534,000 Common Shares, respectively, were available for the granting of future options through November 30, 1990. During 1987, 26,033 options were exercised at prices ranging from $8.88 (U.S.) to $16.25 (Can.).

6. Pension Plans

The Company has several defined benefit pension plans covering most employees. Plan benefits are generally based on employees' years of service and compensations prior to retirement. Contributions are made annually to the pension plans that will at least satisfy the minimum funding requirements.

During 1987, the Company adopted a nonqualified Supplemental Executive Retirement Plan to provide supplemental retirement benefits for certain key personnel selected by the Board of Directors.

Effective January 1, 1987, the Company conformed to the pension accounting principles set forth in Statements of Financial Accounting Standards Nos. 87 and 88. The effect of adopting Statement No. 87 was not significant to 1987 results. In accordance with Statement No. 88, the settlement of certain pension obligations during 1987 resulted in a gain of $3,560,000. Pension data as previously reported for 1986 and 1985 have not been restated. The components of 1987 net pension income are as follows (in thousands):

Service cost benefits earned during the year	$ 1,697
Interest cost	3,410
Actual return on plan assets	(2,577)
Net amortization and deferral	(4,343)
Net pension income	$(1,813)

At December 31, 1987, the assumptions used for estimating the benefit obligations and the expected return on plan assets were as follows:

Assumed discount rates	9.0%
Assumed rates for compensation increases	7.0%
Expected return on plan assets	10.0%

The pension plan assets consist primarily of common stocks, bonds, guaranteed investment contracts, and cash equivalents. The plans' funded status and the amounts recognized in the Company's balance sheet at December 31, 1987, are presented in the following tables (in thousands):

	Plans For Which Assets Exceed Accumulated Benefits	Plans For Which Accumulated Benefits Exceed Assets
Actuarial present value of accumulated benefit obligations:		
Vested	$(26,101)	$ —
Nonvested	(3,437)	(3,629)
Total	$(29,538)	$(3,629)
Plan assets at fair value	$ 50,776	$ —
Projected benefit obligations	(38,276)	(5,353)
Projected benefit obligations less than (in excess of) plan assets	12,500	(5,353)
Unrecognized net (asset) obligation at January 1, 1987, to be amortized over 15 years	(15,951)	5,353
Unrecognized net loss	3,449	—
Unrecognized prior service cost	1,195	—
Prepaid pension cost	$ 1,193	$ —

7. Contingencies

The Company is the subject of, or party to, various lawsuits and actions involving a variety of matters. The Company believes it is remote that liabilities, if any, from the resolution of all known contingencies will have a material effect on the financial position of the Company.

8. Canadian Accounting Principles

The Canadian Institute of Chartered Accountants requires investment tax credits to be deferred and recognized in income as the related assets are depreciated or depleted. Applying this method, the Company would have deferred the benefit realized under the flow-through method and recognized it through reduced depreciation and depletion in future years. This would have resulted in decreased net loss in 1987 of approximately $4,300,000 and in decreased net income in 1986 and 1985 of approximately $8,300,000 and $2,400,000, respectively.

Under Canadian accounting principles, including the adjustment discussed above, net income (loss) per share in 1987, 1986, and 1985 would be:

	Income (Loss) Before Extraordinary Item		Net Income (Loss)	
Years	**Basic**	**Fully Diluted**	**Basic**	**Fully Diluted**
1987	**$(1.18)**	**$ (.79)**	**$(1.18)**	**$ (.79)**
1986	$ 1.03	$ 1.07	$ 1.03	$ 1.07
1985	$ 2.14	$ 1.99	$ 3.67	$ 3.24

Basic net income (loss) per share does not recognize the potentially dilutive effect of Common Share equivalents. The fully dilutive computation assumes net income (loss) is increased by earnings, net of tax, realized from the investment of proceeds obtained from the conversion of dilutive Common Share equivalents. The Company's Convertible Preferred Shares and options are considered Common Share equivalents for the fully diluted computation.

Report of Management

The financial statements and related information in this annual report are the responsibility of management. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts that are based on informed judgments and management's estimates. Other financial information in the report is consistent with that in the financial statements.

Management depends upon the Company's system of internal accounting controls in meeting its responsibilities for reliable financial statements. The system provides reasonable assurance that transactions are properly recorded and executed in accordance with management's authorization and that assets are safeguarded.

The independent accounting firm, Price Waterhouse, has examined the financial statements as described in their report included herein. Their role is to render an independent professional opinion on management's financial statements to the extent required by generally accepted auditing standards.

The Audit Committee of the Board of Directors, which includes a majority of directors who are not employees of the Company, is responsible for reviewing the financial statements and the accounting principles and practices employed by the Company. The Audit Committee meets periodically with the independent accountants and management to review the work of each and to ensure that each is properly discharging its responsibilities.

The Board of Directors has approved this Report of Management.

Report of Independent Accountants

To the Shareholders of
Total Petroleum (North America) Ltd.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in financial position and of shareholders' equity present fairly the financial position of Total Petroleum (North America) Ltd. and its subsidiaries at December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Denver, Colorado
January 25, 1988

Summary of Oil and Gas Activities

The following unaudited supplementary information is disclosed in accordance with the Statement of Financial Accounting Standards No. 69.

Results of Operations for Producing Activities

The results of operations for oil and gas producing activities are summarized in the following table (in thousands):

	1987			1986			1985		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total	Canada	U.S.	Total
Revenues	**$46,866**	**$61,078**	**$107,944**	$34,269	$56,942	$91,211	$44,228	$64,560	$108,788
Production expenses	**11,576**	**22,434**	**34,010**	11,479	22,115	33,594	8,272	19,780	28,052
Exploration expenses	**5,243**	**3,749**	**8,992**	6,968	12,730	19,698	10,564	20,922	31,486
Depreciation and depletion	**7,669**	**27,829**	**35,498**	6,420	25,896	32,316	5,041	20,045	25,086
	22,378	**7,066**	**29,444**	9,402	(3,799)	5,603	20,351	3,813	24,164
Income tax expense (benefit)	**11,400**	**3,200**	**14,600**	5,300	(2,100)	3,200	11,600	1,800	13,400
Results of operations	**$10,978**	**$ 3,866**	**$ 14,844**	$ 4,102	$ (1,699)	$ 2,403	$ 8,751	$ 2,013	$ 10,764

1. Statutory income tax expense (benefit) is adjusted for the effects of permanent differences and tax credits.
2. Exploration expenses include geological and geophysical work, delay rentals, and unsuccessful exploratory drilling.

Capitalized Costs

Capitalized costs at December 31 related to the Company's oil and gas activities and related accumulated depreciation and depletion are as follows (in thousands):

	1987			1986		
	Canada[1]	**U.S.**	**Total**	Canada	U.S.	Total
Proved properties	**$158,705**	**$272,984**	**$431,689**	$143,502	$274,508	$418,010
Unproved properties	**7,104**	**9,100**	**16,204**	9,060	19,045	28,105
	165,809	**282,084**	**447,893**	152,562	293,553	446,115
Accumulated depreciation and depletion	**40,606**	**161,911**	**202,517**	33,053	144,928	177,981
Net capitalized costs	**$125,203**	**$120,173**	**$245,376**	$119,509	$148,625	$268,134

[1]Excludes costs related to the Company's interest in the Peace River Fertilizer Plant of $6,218,000.

Costs Incurred

The following costs were incurred in oil and gas producing activities for the years ended December 31 (in thousands):

	Canada	U.S.	Total
1987—Property acquisition:			
Proved	**$ —**	**$ 1,233**	**$ 1,233**
Unproved	**2,383**	**466**	**2,849**
Exploration	**6,562**	**3,422**	**9,984**
Development	**5,950**	**3,270**	**9,220**
Total	**$14,895**	**$ 8,391**	**$ 23,286**
1986—Property acquisition:			
Proved	$ 9,571	$62,657	$ 72,228
Unproved	1,319	3,141	4,460
Exploration	10,211	12,963	23,174
Development	8,249	5,333	13,582
Total	$29,350	$84,094	$113,444
1985—Property acquisition:			
Proved	$ —	$11,939	$ 11,939
Unproved	3,289	5,897	9,186
Exploration	12,851	21,742	34,593
Development	19,126	8,173	27,299
Total	$35,266	$47,751	$ 83,017

1. Exploration costs include geological and geophysical work, delay rentals, and exploratory drilling regardless of the success of such drilling.
2. Development costs include developmental drilling and equipment and facilities for extracting, treating, and storing the oil and gas.
3. Excludes costs related to the Company's interest in the Peace River Fertilizer Plant of $6,218,000.

Reserve Quantities

The following table presents the estimated quantities of net proved reserves of crude oil, including natural gas liquids ("NGLs"), and natural gas as prepared by independent petroleum consultants. Proved reserves are the estimated quantities which geological and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reservoirs under economic and operating conditions existing at the date of the estimate. Reserve quantities exclude royalties. The Company cautions that there are many uncertainties inherent in estimating proved reserve quantities and in projecting future production rates and the timing of development expenditures. In addition, estimates of new discoveries are more imprecise than those of properties with an established production history. Accordingly, these estimates are expected to change in the future as additional information becomes available.

Crude oil and NGLs in millions of barrels	Canada			U.S.		Total	
Gas in billions of cubic feet	NGLs	Oil	Gas	Oil	Gas	Oil/NGLs	Gas
Proved developed and undeveloped reserves:							
Reserves at December 31, 1984	2.28	16.56	202.70	7.17	52.13	26.01	254.83
Increase (decrease) in 1985 due to:							
Revisions of previous estimates	—	.78	5.90	(.46)	(.45)	.32	5.45
Extensions and discoveries	—	1.79	12.04	.74	2.75	2.53	14.79
Production	—	(1.47)	(5.60)	(1.64)	(7.95)	(3.11)	(13.55)
Purchases of reserves in place	—	—	—	1.02	3.07	1.02	3.07
NGLs	.16	(.16)	—	—	—	—	—
Reserves at December 31, 1985	2.44	17.50	215.04	6.83	49.55	26.77	264.59
Increase (decrease) in 1986 due to:							
Revisions of previous estimates	4.10	2.74	19.33	(.80)	1.15	6.04	20.48
Extensions and discoveries	.14	1.05	4.18	.58	2.72	1.77	6.90
Production	(.28)	(1.80)	(5.82)	(2.27)	(9.82)	(4.35)	(15.64)
Purchases of reserves in place	3.18	—	15.89	7.14	40.87	10.32	56.76
Reserves at December 31, 1986	9.58	19.49	248.62	11.48	84.47	40.55	333.09
Increase (decrease) in 1987 due to:							
Revisions of previous estimates	**.48**	**2.25**	**7.78**	**.25**	**1.03**	**2.98**	**8.81**
Extensions and discoveries	**—**	**.80**	**15.85**	**.62**	**1.13**	**1.42**	**16.98**
Production	**(.58)**	**(1.99)**	**(7.41)**	**(2.39)**	**(10.57)**	**(4.96)**	**(17.98)**
Purchases of reserves in place	**—**	**—**	**—**	**.17**	**.64**	**.17**	**.64**
Sales of reserves in place	**—**	**(.10)**	**(.09)**	**(.16)**	**(2.03)**	**(.26)**	**(2.12)**
Reserves at December 31, 1987	**9.48**	**20.45**	**264.75**	**9.97**	**74.67**	**39.90**	**339.42**
Proved developed reserves included above:							
December 31, 1984	2.28	16.56	202.70	7.05	51.91	25.89	254.61
December 31, 1985	2.44	17.50	215.04	6.71	49.33	26.65	264.37
December 31, 1986	9.58	19.49	248.62	10.90	82.97	39.97	331.59
December 31, 1987	**9.48**	**20.45**	**264.75**	**9.13**	**69.62**	**39.06**	**334.37**

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

The Standardized Measure of Discounted Future Net Cash Flows is determined in accordance with Statement of Financial Accounting Standards No. 69. Other assumptions could be used in this computation producing substantially different results. The standardized measure information is not representative of the fair market value of the Company's proved oil and gas reserves. The Company cautions readers that actual future net cash flows may vary dramatically from these estimates. The volatility of crude oil prices during 1986 and 1987 reinforces the possibility that significant revisions in the computation may occur in the future.

Future cash inflows are calculated by applying year-end prices to estimated future production of net proved oil and gas reserve quantities. Price escalations are considered only to the extent provided by existing contractual arrangements. Future development and production costs represent estimated expenditures to develop and produce proved reserves based on year-end costs. Future income tax expense is computed by applying the statutory tax rates at year-end, with consideration of future tax rates specified by existing statutes, to the future net cash flows adjusted for the remaining tax basis of the properties, permanent differences, and tax credits. The resulting future net revenues are reduced to present value at the required 10 percent discount rate.

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves at December 31 (in thousands):

	1987			1986			1985		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total	Canada	U.S.	Total
Future cash inflows	**$ 685,160**	**$ 328,835**	**$1,013,995**	$ 731,238	$ 343,181	$1,074,419	$ 848,244	$ 323,107	$1,171,351
Future production and development costs	**(224,463)**	**(118,116)**	**(342,579)**	(197,208)	(125,055)	(322,263)	(232,420)	(114,064)	(346,484)
Future income tax expense	**(169,834)**	**(45,917)**	**(215,751)**	(184,687)	(48,000)	(232,687)	(242,000)	(65,400)	(307,400)
Future net cash flows	**290,863**	**164,802**	**455,665**	349,343	170,126	519,469	373,824	143,643	517,467
10% annual discount for estimated timing of cash flows	**(150,116)**	**(56,182)**	**(206,298)**	(187,506)	(58,770)	(246,276)	(213,852)	(40,206)	(254,058)
Standardized measure of discounted future net cash flows	**$ 140,747**	**$ 108,620**	**$ 249,367**	$ 161,837	$ 111,356	$ 273,193	$ 159,972	$ 103,437	$ 263,409

The following are the principal sources of change in the standardized measure of discounted future net cash flows:

	1987			1986			1985		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total	Canada	U.S.	Total
Sales of oil and gas produced, net of production costs	**$ (35,752)**	**$ (41,767)**	**$ (77,519)**	$ (23,378)	$ (40,468)	$ (63,846)	$ (36,241)	$ (47,521)	$ (83,762)
Net changes in prices, production, and development costs	**(46,566)**	**16,107**	**(30,459)**	(152,919)[1]	(44,537)[1]	(197,456)[1]	23,032[1]	(17,937)[1]	5,095[1]
Extensions and discoveries, less related costs	**10,075**	**6,343**	**16,418**	9,060	5,753	14,813	22,885	17,932	40,817
Revisions of previous quantity estimates	**11,444**	**2,743**	**14,187**	95,161	(6,456)	88,705	8,776[1]	(8,660)	116[1]
Accretion of discount	**24,739**	**14,268**	**39,007**	26,569	15,053	41,622	22,444	17,520	39,964
Net change in income taxes	**9,982**	**3,964**	**13,946**	24,825	15,734	40,559	15,457	11,459	26,916
Purchases of reserves in place	**—**	**1,611**	**1,611**	19,344	65,895	85,239	—	13,844	13,844
Sales of reserves in place	**(597)**	**(4,020)**	**(4,617)**	—	—	—	—	—	—
Changes in production rates and other	**5,585**	**(1,985)**	**3,600**	3,203[1]	(3,055)[1]	148[1]	(12,107)[1]	145[1]	(11,962)[1]
Change in standardized measure of discounted future net cash flows	**$ (21,090)**	**$ (2,736)**	**$ (23,826)**	$ 1,865	$ 7,919	$ 9,784	$ 44,246	$ (13,218)	$ 31,028

[1] Restated to conform to 1987 presentation.

Directors and Officers

Directors

Richard S. Aberg	Management Consultant Calgary, Alberta
Fraser H. Allen	President, Petro-Economics, Incorporated Evergreen, Colorado
Alain Brion	Senior Vice President, TOTAL Compagnie Française des Pétroles, Paris, France
Pierre Capoulade	Senior Vice President, TOTAL Compagnie Française des Pétroles, Paris, France
Louis Deny	Executive Vice President and Deputy Chairman, TOTAL Compagnie Française des Pétroles, Paris, France
Philippe Dunoyer	Chairman, President and Chief Executive Officer Denver, Colorado
Vernon L. Horte	President, V.L. Horte Associates Ltd. Calgary, Alberta
Alain Le Menestrel	Treasurer, TOTAL Compagnie Française des Pétroles, Paris, France
William G. Milliken	Former Governor of Michigan Traverse City, Michigan
David L. Torrey	Vice Chairman, Dominion Securities, Inc. Toronto, Ontario
Pierre Vaillaud	Senior Vice President, TOTAL Compagnie Française des Pétroles, Paris, France
Arthur W. Winter	Petroleum Consultant Littleton, Colorado

Principal Officers of the Company and Subsidiaries

Philippe Dunoyer	Chairman, President and Chief Executive Officer
Kenneth R. Buckler	Vice President, Petroleum Products; Executive Vice President, Petroleum Products of Total Petroleum, Inc.
Philippe Magnier	Vice President, Oil and Gas; Executive Vice President, Oil and Gas of Total Petroleum, Inc. and Total Petroleum Canada Ltd.
Raymond C. F. Leeks	Vice President, Finance, Treasurer and Controller
Gilbert M. Kiggins	Vice President and Secretary
Ward M. Clark	Vice President, Oil and Gas Operations of Total Petroleum, Inc.
Robert C. Findsen	Vice President, Raw Materials Supply of Total Petroleum, Inc.
Wilfred B. Heiland	Vice President, Retail Operations of Total Petroleum, Inc.
C. Gary Jones	Vice President, Marketing of Total Petroleum, Inc.
Lamar L. Loyd	Vice President, Oil and Gas Administration of Total Petroleum, Inc.
Ross S. Marzolf	Vice President, Petroleum Products Administration of Total Petroleum, Inc.
Louis M. McCormick	Vice President, Exploration of Total Petroleum, Inc.
James H. McCoy	Vice President, Product Supply and Wholesale Sales of Total Petroleum, Inc.
Reggie L. Medley	Vice President, Natural Gas Marketing and Transportation of Total Petroleum, Inc.
Robert J. Newman	President, Total Pipeline Corporation and Total Crude Oil Transport, Inc.
Leo R. Reinkemeyer	Vice President, Refining Operations of Total Petroleum, Inc.
Thomas A. Richards	Vice President, Personnel of Total Petroleum, Inc.
L. C. Ross	Vice President, Secretary and General Counsel of Total Petroleum, Inc.
Donald T. West	Vice President and General Manager of Total Petroleum Canada Ltd.

Corporate Information

Registrars	National Trust Company Calgary, Regina, Winnipeg, Toronto, Vancouver, and Montreal, Canada
	Morgan Shareholder Services Trust Company New York, New York
Transfer Agents	National Trust Company Calgary, Regina, Winnipeg, Toronto, Vancouver, and Montreal, Canada
	Morgan Shareholder Services Trust Company New York, New York
Independent Accountants	Price Waterhouse Denver, Colorado
Exchange Listings (TPN)	American Stock Exchange Toronto Stock Exchange Montreal Stock Exchange Pacific Stock Exchange
Form 10-K	Copies of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K are available without charge upon request to the Corporate Communication Office of the Company at P.O. Box 500, Denver, Colorado 80201, U.S.A.
Annual Meeting	Shareholders are cordially invited to attend TOTAL's Annual Meeting to be held this year at the King Edward Hotel, 37 King Street East, Toronto, Ontario, on Tuesday, May 10, 1988, at 11:00 a.m.
Head Office	639 Fifth Avenue, S.W. Calgary, Alberta T2P 0M9 (403) 267-3000
Principal Executive Office	Denver Place, North Tower, Suite 2201 999 18th Street Denver, Colorado 80202 (303) 291-2000
Investor Relations	70 Pine Street Suite 3310 New York, New York 10270 (212) 482-8460

Total Petroleum (North America) Ltd.
Denver Place, North Tower, Suite 2201
999 18th Street
Denver, Colorado 80202

APCO TOTAL Vickers