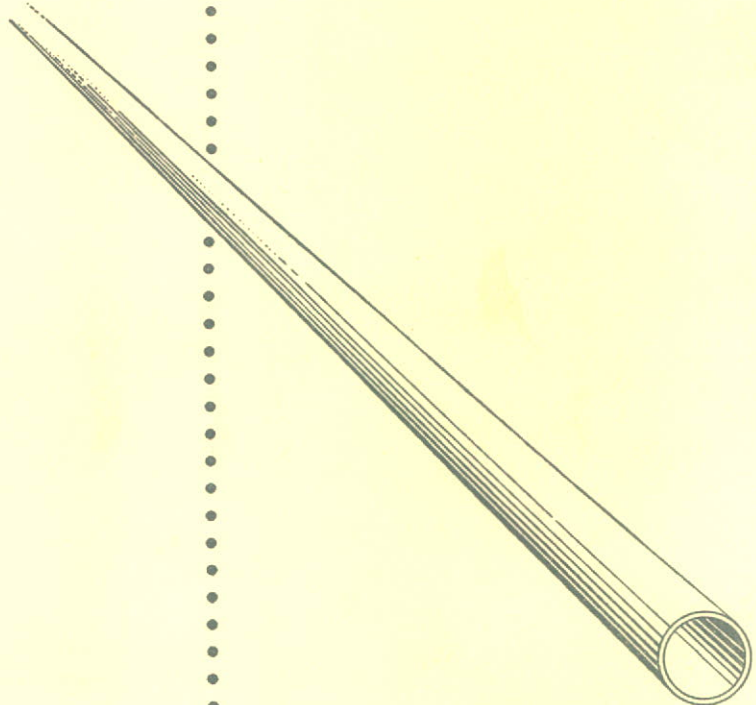


C
stock

INTERPROVINCIAL
PIPE LINE COMPANY



Annual Report

...
NINETEEN FORTY-NINE

PURVIS HALL
LIBRARIES
JUN 24 1954
MCGILL UNIVERSITY

INTERPROVINCIAL
PIPE LINE COMPANY

Annual Report

NINETEEN HUNDRED AND FORTY-NINE

INTERPROVINCIAL PIPE LINE COMPANY

Directors

C. E. CARSON

O. B. HOPKINS

F. G. HALL

T. S. JOHNSTON

A. E. HALVERSON

L. F. KAHLE

J. R. WHITE

Officers

O. B. HOPKINS

President

L. F. KAHLE

Executive Vice-President

T. S. JOHNSTON

Vice-President

F. G. HALL

Vice-President

R. D. MURRAY

Secretary

D. W. MCGIBBON

Treasurer

Head Office

EDMONTON, ALBERTA

INTERPROVINCIAL PIPE LINE COMPANY

Annual Report to the Shareholders

CONSIDERATION was first given to a pipe line to move Alberta crude oil eastward shortly after the crude discovery at Leduc in February, 1947. Subsequent investigations indicated that such a project would be economically sound and that if there were enough crude oil reserves, the line should run from the neighbourhood of Edmonton to the Great Lakes.

In November, 1948, an engineering group was formed to design a line from Edmonton to Regina and a commitment for enough pipe to construct this 450-mile stretch was made. This was a first step in moving oil eastward, but the steel situation at the time precluded the possibility of further extension.

By the spring of 1949, rapid growth of crude reserves indicated that the line should be extended to the Great Lakes as soon as possible and, at the same time, the steel situation had become easier. Reconnaissance work had already established the general route and had revealed that the most direct and economical route to the head of the lakes was to Gretna, Manitoba, and then to the Duluth-Superior region rather than an alternative northern route which involved increased distances and additional cost because of the almost impassable terrain.

Your company at once expanded its planning and organization to include the requirements of this 700-mile extension. Incorporation was effected in April of 1949; authorizations to construct the line were granted by the Board of Transport Commissioners in June and September of 1949; financing was carried out in September, 1949; and, as outlined in the following pages, all the other steps leading toward prompt construction were taken in order that laying of the 1,150 miles of pipe might begin as early in 1950 as weather permitted. Subsequently, with the addition of the Redwater extension the line was increased to 1,180 miles in length.

INCORPORATION AND FINANCING

On April 30, 1949, by a special Act of the Parliament of Canada, Interprovincial Pipe Line Company was incorporated for the purpose of constructing, owning and operating a crude oil pipe line system to provide an outlet for the extensive crude oil reserves discovered in the Province of Alberta.

The section of the pipe line system located in the U.S., including the crude storage and shipping terminal at Superior, Wisconsin, will be owned and operated by Lakehead Pipe Line Company Incorporated. To comply with the laws of the states in which Lakehead operates, the formation of an intermediary company, Lake Superior Pipe Line Corporation was necessary. This intermediary company wholly owns Lakehead and it, in turn, is wholly owned by Interprovincial Pipe Line Company.

Provision for raising capital funds to carry out the construction of the pipe line system was undertaken through the public issue of securities. Financing was accomplished through the issue of \$37,000,000 of First Mortgage and Collateral Trust Bonds and \$17,000,000 of Convertible Debentures in Canada and \$35,000,000 of First Mortgage and Collateral Trust Bonds in the United States. Subsequent to the above financing, plans for the extension of the line from Edmonton to the Redwater field were approved and additional financing is being arranged to cover the cost of this construction, estimated at about two and one-half million dollars.

POWERS OF THE COMPANY

On June 10, 1949, the Board of Transport Commissioners for Canada granted a permit to Interprovincial Pipe Line Company to construct a pipe line from Edmonton to Regina. At a later hearing on September 15, 1949, this Board granted a permit to the company to construct an extension of the line from Regina to Gretna, Manitoba. Permission to construct a 30-mile extension from Edmonton to Redwater was granted by the Board on March 6, 1950.

To construct the connecting link from the international boundary to the terminal at Superior it was not necessary to secure the consent of any government authority in the United States.

SURVEYS AND LOCATION

In planning the original Edmonton-Regina project, an aerial reconnaissance was made to determine the best route for the line. Following this, an aerial photographic survey was made of the area considered most suitable. Assembly of the photographs and a detailed examination aided the engineering group to select the route which would be most practicable from a construction standpoint.

The aerial survey not only disclosed the best route for the line to follow, but sloughs, ravines, lakes and even small buildings showed up clearly on the photographs and the route was plotted to avoid these obstacles.

While the route was being planned, engineers were studying the hydraulic design of the pipe line proper. Subsequently in the spring of 1949, when the line was projected to the lakehead, both these studies were enlarged to cover the extension of the line from Regina to Superior.

From the original work it was decided that the initial capacity out of Edmonton would be 95,000 barrels a day, and out of Regina it would be 70,000 barrels. Of this 70,000, some would be delivered to refineries in Manitoba and the balance would go on to Superior. The design contemplates expansion and it is estimated that by adding six more pumping stations to the original seven including the Redwater station, approximately 130,000 barrels a day could be moved through the Edmonton-Regina section and 100,000 barrels per day from Regina to Superior.

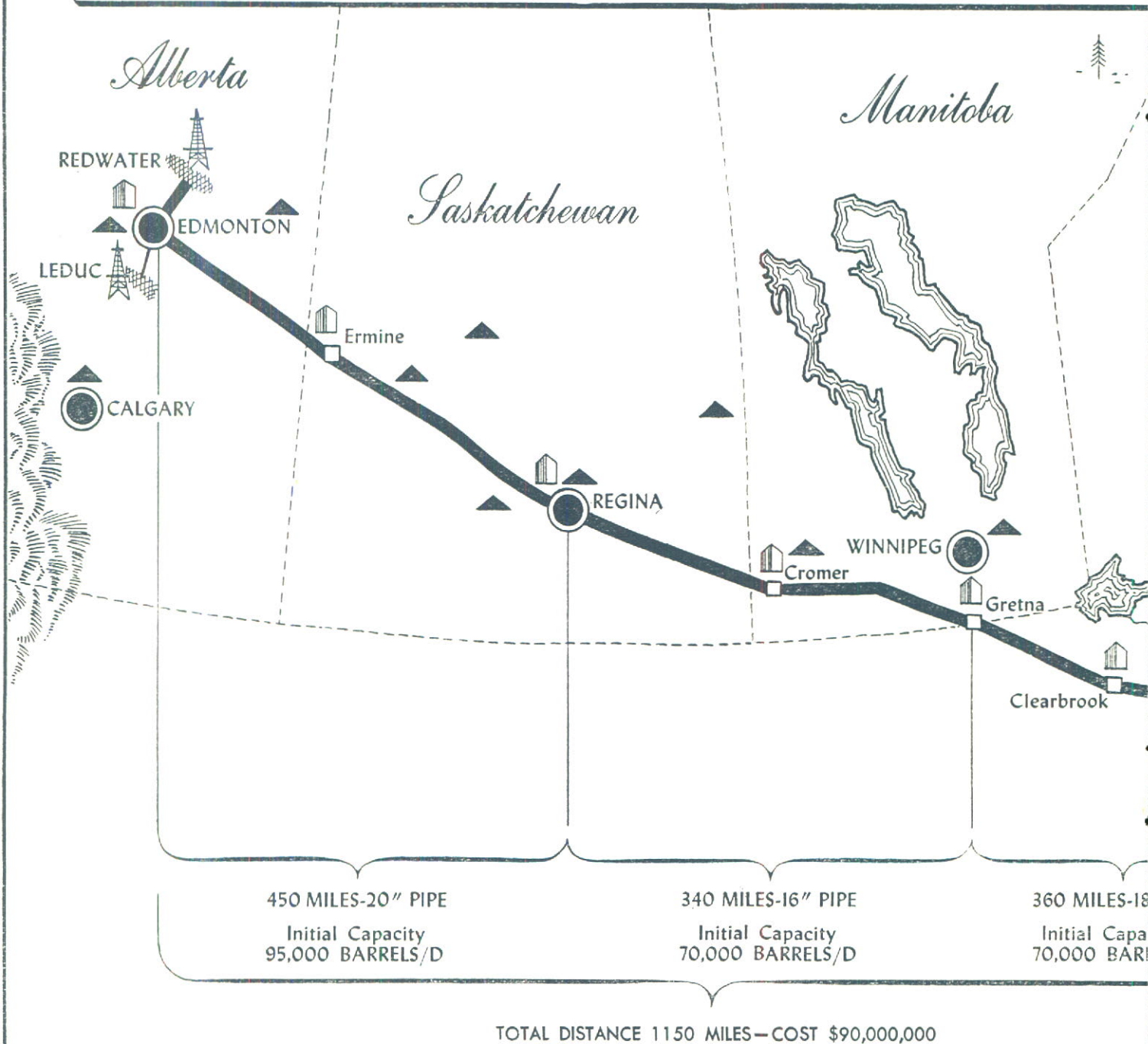
PLAN OF OPERATIONS

Interprovincial's main trunk line will thus extend from Redwater, Alberta, to Superior, Wisconsin, a distance of about 1,180 miles. For purposes of operation, Interprovincial will be set up in three divisions. The Western Division, extending about 480 miles from Redwater to Regina, will have pumping stations at Redwater, Edmonton and Ermine, Saskatchewan, and tankage with 840,000 barrels capacity at Edmonton. Here crude from Leduc will enter the Interprovincial system.

INTERPROVINCIAL PIPE LINE

The route of the Interprovincial Pipe Line Co.'s 1,150-mile line from Edmonton to Superior is shown below along with size, capacity, and other details. The company was sponsored by Imperial Oil Ltd. Total cost will be \$90,000,000. The line to Superior takes the most direct route possible avoiding towns and other pipe line obstacles, thus providing the low-cost transportation necessary to bring western oil into eastern markets. Merely to fill the line will take 1,838,000

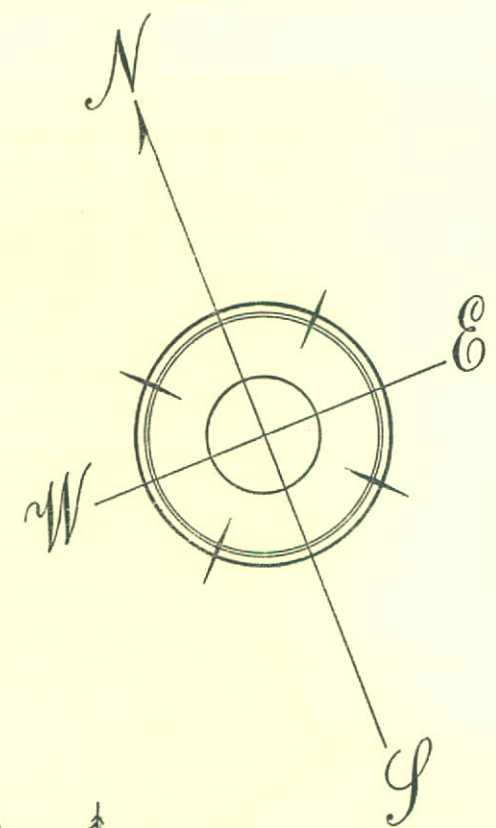
barrels—64,330,000 gallons—and it will take a barrel of oil to move from Edmonton to Superior, Wisconsin. Here storage will be built for the winter accumulation of oil for movement by the seven-month open season. Thus Alberta oil will be made available to the refining centres of the east. Oil should reach Regina in the fall of 1950 and the year end.



LINE

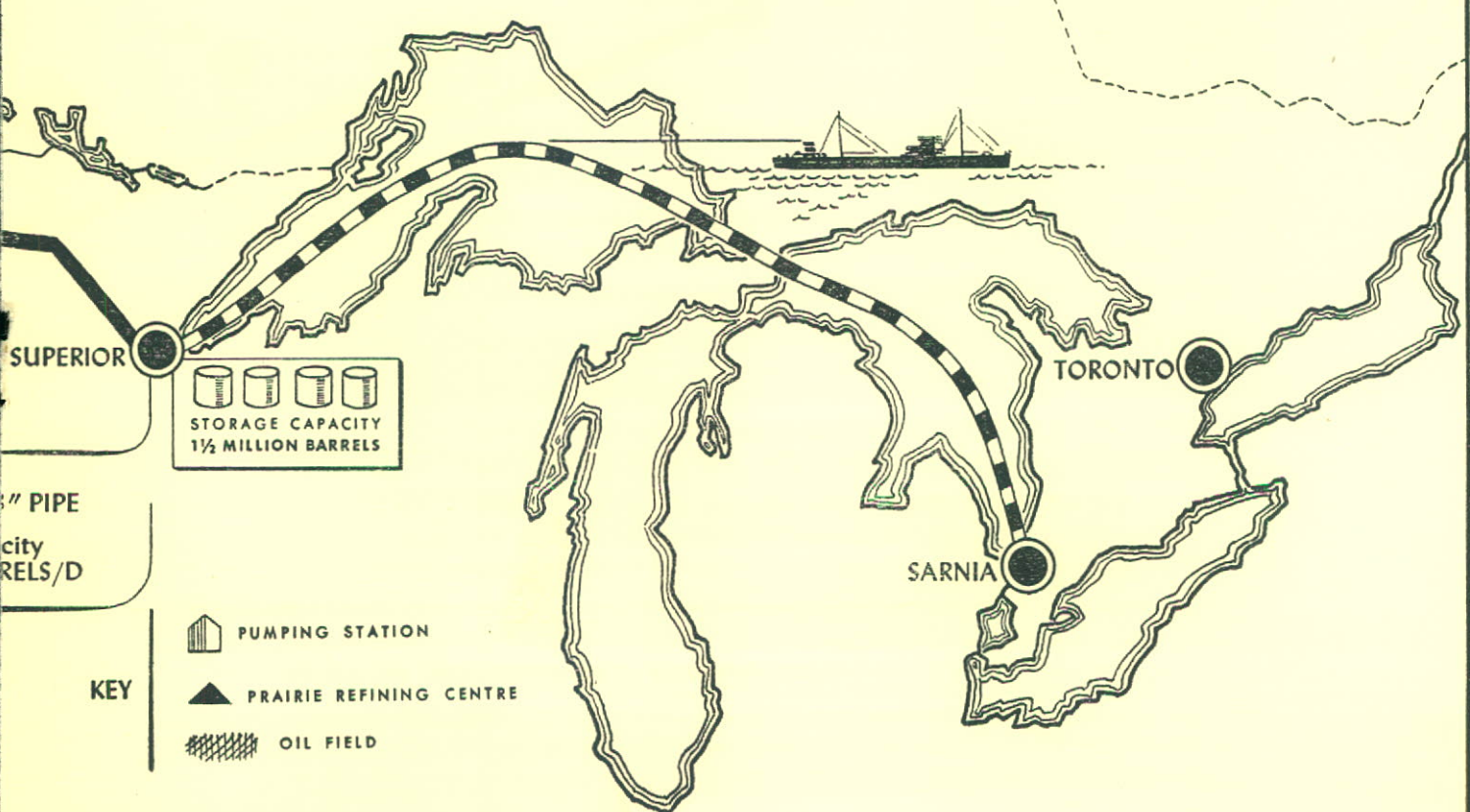
26 days for
 the terminus at
 built to permit
 tanker during
 ta crude will
 Ontario. First
 nd Superior by

Hudson Bay



Ontario

Quebec



SUPERIOR

TORONTO

SARNIA

STORAGE CAPACITY
 1½ MILLION BARRELS

PIPE
 Capacity
 REELS/D

KEY

- PUMPING STATION
- PRAIRIE REFINING CENTRE
- OIL FIELD

The Central Division covers a distance of about 340 miles from Regina to Gretna, Manitoba, on the international boundary. In this section pumping stations will be built at Regina, Cromer and Gretna.

The Eastern Division will extend about 360 miles from the International border to the terminal at Superior. A pumping station will be erected at Clearbrook, Minnesota. Initially, 1,500,000 barrels of tankage will be constructed at Superior to provide crude storage during the time navigation is closed on the Great Lakes. A dock has been acquired and during the summer of 1950 it will be equipped with loading facilities for the tankers which will carry the crude oil to Ontario refineries.

RIGHT-OF-WAY

To obtain a right-of-way for the pipe line, it was first necessary to define the exact route by a ground survey. This task was undertaken and completed on the Canadian sections during the summer of 1949 and on the U.S. section it has been under way throughout the winter. As the survey progressed field men began to take options for a right-of-way through the land required from private and public owners. This task is one of considerable difficulty for some of the lands are almost inaccessible in winter, owners are located in many parts of the world, and the field men have been operating in one of the coldest winters in many years.

However, by use of all methods of transportation—including aircraft and snowmobile and horse-drawn sleds—options for easements at this date have been obtained on some 90 per cent of the Canadian section and about 75 per cent of the U.S. section.

Over the entire length of the line, permission has been obtained to dig through or tunnel under roads, railroads and highways. Permission to clear right-of-way, cut timber and burn slash on private, state and federal properties is being included in the rights obtained with the easements. Actual right-of-way clearing both in Canada and the U.S. has begun with 70 miles cleared south of Edmonton and 30 miles cleared in Minnesota.

In December 1948, orders were placed in Canada for steel plate and arrangements were made later for rolling the plate into 16-inch pipe—the largest size the manufacturer considered practicable to make. Since it was larger than any pipe ever before made in Canada, a new pipe rolling mill had to be built and this was set up and equipped by Page Hersey Tubes Inc. at Welland, Ontario.

Subsequently larger size pipe became available in the U.S. market. It also became apparent, with the growth in reserves in Alberta, that 20-inch pipe should be laid from Edmonton to Regina and the 16-inch pipe installed from Regina eastward. However, additional engineering studies of the U.S. section indicated that an 18-inch line and one pumping station could be installed at the same cost and still have the same capacity as a 16-inch line with two pump stations. This resulted in saving the cost of operating one station and explains why the 18-inch pipe was used on the outlet end of the line.

A total of about 179,000 tons of high-test steel pipe will be needed for the 1,180 mile line.

In the spring of 1949 orders were placed with Canadian firms for the diesel engines and centrifugal pumps for the Edmonton-Regina section of the line. In the fall of 1949 supplementary orders were issued for similar equipment for the extension to the lakehead.

CONSTRUCTION CONTRACTS

In November 1949, major contracts for the two Canadian sections and for the U.S. section of the line were awarded, the work to start in the spring of 1950. This gave contractors the time necessary to organize personnel and assemble equipment for a project of this size. These contracts involve the employment of large numbers of men and mechanized equipment to clear the right-of-way; to dig the ditch five feet deep; move the pipe to the site; weld the lengths together; coat and wrap the pipe with protective materials; lower the continuous line into the ditch and refill the trench. These contracts call for the completion of the entire line during the period from May to October, 1950.

Specifications and construction drawings have been completed as a basis for contractors' bids on the six main line pumping stations to be built in 1950. Construction drawings for the erection of the loading pumphouse at Superior are being completed and the major pumping equipment has been ordered.

A contract for erection of 1,500,000 barrels of tankage at the Superior terminal has been awarded. At Edmonton the site of the tank farm and pumping station has been graded and work has been started on the erection of six 140,000 barrel tanks.

Pipe for the line has already started to move from the mills. At mid-March, more than 50 miles of 16-inch pipe from Canadian mills and 80 miles of 20-inch pipe from U.S. mills had been shipped to convenient points along the route. Sixty-five miles of 18-inch pipe for the Lakehead section is scheduled for delivery in April. Fabrication of all sizes of pipe is scheduled for completion during August.

Since work can be done more easily from the ice, the construction of a major water crossing—the South Saskatchewan river—is now under way and the ditching and pipe laying is expected to be completed before the spring break-up. The crossing of the North Saskatchewan river on the Edmonton-Redwater extension is also being undertaken before the spring break-up. Heavy, thick-walled pipe for both of these crossings is on hand.

Providing the weather is favourable, construction will start during April on all three sections of the line. This work is expected to employ between 1,000 and 1,500 men, working out from as many as 10 different points. Work on the pump stations will start later in the spring.

The present construction schedule anticipates that crude oil will enter the line at Edmonton this fall and will reach Superior by the end of the year, where it will be stored in readiness for delivery to lake tankers at the opening of navigation in the spring of 1951.

While there have been pipe line projects of greater magnitude than the Interprovincial line, none has had such a short working period set for completion. Everything possible is being done to complete the work as scheduled—particularly in view of the importance to the Canadian economy of an additional crude outlet.

By order of the Board,

O. B. HOPKINS, *President*.

Edmonton, Alberta,
March 15, 1950.

INTERPROVINCIAL
AND ITS WHOLLY-
LAKEHEAD PIPE
CONSOLIDATED BALANCE

ASSETS

INVESTMENTS, *at cost*:

Carrier property, representing expenditures for land, right-of-way, facilities, materials, engineering, interest during construction, etc. incurred to date in the construction of an oil pipe line system from Edmonton, Alberta, to Superior, Wisconsin.	\$ 4,853,670.97
Cost of organization	45,806.04
Other investments	6,077.50
	\$ 4,905,554.51

SPECIAL FUNDS:

Unexpended proceeds of debentures, held by trustee in the pipe line construction fund—	
Cash	\$ 65,519.38
Dominion of Canada bonds at cost plus accrued interest	11,476,606.16
	11,542,125.54

CURRENT ASSETS:

Cash in banks	\$ 2,010,304.94
Note receivable	2,960.00
Accounts receivable	491.64
	2,013,756.58

DEFERRED DEBITS:

Working fund advances	\$ 22,754.46
Leasehold improvements	28,730.34
Discount and expenses on funded debt, less amortization included in carrier property	583,192.72
Other deferred debits	266.77
	634,944.29

\$19,096,380.92

NOTE (1) The companies have undertaken to construct an oil pipe line system from Edmonton, Alberta, to Superior, Wisconsin, at an estimated completed cost of \$85,000,000.00, exclusive of premium which may be payable on expenditures made in United States funds.

NOTE (2) All figures expressed in Canadian Currency.

PIPE LINE COMPANY

OWNED SUBSIDIARY
LINE COMPANY, INC.

SHEET, DECEMBER 31, 1949

LIABILITIES

CAPITAL STOCK:

Authorized—\$200,000,000 divided into 4,000,000 shares having a par value of \$50.00 each, of which 339,980 shares are reserved for issuance from time to time upon conversion of the convertible debentures.

Issued—20,036 shares \$ 1,001,800.00

FUNDED DEBT:

First Mortgage and Collateral Trust Bonds—

Authorized—no fixed limitation

Subscribed for, and to be issued in 1950:

Series A—3½% Bonds due January 1, 1970,
payable in Canadian funds \$37,000,000.00

Series B—3½% Bonds due January 1, 1970,
payable in United States funds \$35,000,000.00

Convertible Debentures—

Authorized \$25,000,000.00

Issued—

4% Convertible Sinking Fund Debentures,
Series A, due October 1, 1970 \$17,000,000.00

Less—Redeemed by conversion into shares of capital stock 1,000.00

16,999,000.00

CURRENT LIABILITIES:

Accounts payable \$ 925,590.92

Unmatured interest accrued on debentures 169,990.00

1,095,580.92

APPROVED ON BEHALF OF THE BOARD:

OLIVER B. HOPKINS, *Director*

LOREN F. KAHLE, *Director*

\$19,096,380.92

NOTE (3) All of the companies' activities for the period from incorporation in 1949 to December 31, 1949, relate to financing and construction and there are, therefore, no statements of profit and loss or surplus.

NOTE (4) The Auditor's Report to the Shareholders appears on page 12.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of

INTERPROVINCIAL PIPE LINE COMPANY:

We have examined the consolidated balance sheet of Interprovincial Pipe Line Company and its wholly-owned subsidiary, Lakehead Pipe Line Company, Inc., as at December 31, 1949 and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

In our opinion, the above consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1949, according to the best of our information and the explanations given to us and as shown by the books of the companies.

(Signed) PRICE, WATERHOUSE & CO.,

CALGARY, March 1, 1950.

Auditors.

