GULF OIL CANADA LIMITED 1976 Annual Report

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Contents

Annual Meeting

The Annual Meeting of Shareholders will be held in the Concert Hall of the Royal York Hotel, Toronto, at 2:00 p.m. E.S.T., Thursday, April 28, 1977.

Front Cover

The hour glass symbolizes one of Gulf Canada's current corporate advertising messages – "Working against time to find new energy."

On peut obtenir ce rapport annuel en français sur demande.

Highlights of operations

Financial	1976	1975
	(Millions of dollars)	
Earnings for the year	$ 165.9	$ 176.6
Taxes and other government revenues generated	$ 738.5	$ 667.8
Total dividends declared	$ 45.5	$ 43.2
Shareholders' equity at year-end	$1,152.1	$1,031.7
Capital expenditures	$ 260.2	$ 165.1
Working capital	$ 473.7	$ 439.9
Long term debt	$ 167.1	$ 115.9
Return on average capital employed	11.9%	14.5%
Per Share Data		
Earnings for the year	$ 3.65	$ 3.88
Total dividends declared	$ 1.00	$ .95
Shareholders' equity at year-end	$ 25.32	$ 22.68
Operating		
	Barrels per day	
Crude and natural gas liquids produced		
– gross	118,000	131,000
– net	81,000	91,000
Crude oil processed by and for the Company	295,000	303,000
Petroleum products sold	262,000	265,000
	Thousands of cubic feet per day	
Natural gas produced and sold		
– gross	440,000	470,000
– net	323,000	369,000
	Pounds per day	
Petrochemical sales	2,392,000	1,774,000

Report to the shareholders

During 1976 the oil and gas industry, in common with most other segments of Canadian business, experienced slow market growth and increased government regulation.

Canada's national economy expanded at a disappointingly slow rate compared to previous periods of recovery from recession. Weak demand conditions, in conjunction with high inventories, resulted in industrial production at levels substantially less than the designed capacity of plant and equipment. Although the rate of unemployment rose, wage rates – particularly in the public sector – continued to increase faster than the general inflation rate. Low volumes, depressed market prices resulting from a severe competitive situation, and rising costs left many businesses with unexpectedly weak profits.

The situation in Canada's oil and gas industry parallelled these economic trends. Sales volumes generally expanded in step with the sluggish national economy, but demand in some markets was adversely affected by a continuation of strikes and depressed conditions from the previous year. In many instances, refinery production was below capacity. Inventories of unsold product which accumulated in various parts of Canada resulted in depressed market prices. Low market realizations lessened profit levels and reduced rates of return for refiners and marketers.

Most Canadians experienced the effect of increased government regulation during 1976 in the form of the wage and price controls of the anti-inflation program. However, the oil and gas industry has been subject to a broader and even more commanding array of government regulations.

Perhaps the most significant government regulatory action was the new crude oil price announced by the federal government on May 18. At that time, in the government's strategy to move toward world prices, it was declared that there would be a $1.05 a barrel increase in the wellhead price of crude oil effective July 1, 1976, and a further 70 cent a barrel raise effective January 1, 1977. Similar adjustments were made for natural gas.

Two aspects of the federal pricing decision in particular affected the performance of Canada's petroleum industry. First, approximately 75 per cent of the price increase did not go to the industry, but rather to governments in the form of royalties and tax payments. Second, prices for products manufactured from these crude raw materials were frozen for 60 days so that inventories of older product would be used up.

During 1976 the federal government abandoned as unrealistic the objective of making Canada self-sufficient in energy. An Energy Strategy for Canada was published, adopting as its overall objective energy self-reliance, which was defined as not being dependent on imports for more than one-third of total requirements. In recent years the discovery of domestic oil and gas reserves has not kept pace with growing requirements, and Canada faces increasing reliance on foreign sources of energy and a steadily worsening balance of petroleum trade.

The movement of Western Canada oil into Quebec through the new Sarnia-to-Montreal pipeline, which was completed in mid-year, displaced some imports and increased Canada's self-reliance on domestic sources of crude oil. In order to accommodate this additional domestic demand, an equivalent volume of domestically-produced crude was diverted from the export market. This reduction in exported crude corresponds with a broader government policy to phase out all crude oil exports from Canada by 1981.

Of particular importance to Canada's future energy supply situation are the National Energy Board hearings on the proposed Mackenzie Valley natural gas pipeline. Continued delay in the approval process has had the effect of raising the capital cost of construction and deferring completion of the pipeline system until at least 1982.

The long-awaited draft guidelines for frontier exploration were announced during the year and some of these proposed regulations fall far short of establishing a climate conducive to a full effort in finding new energy resources. For instance, the Canadian content rule is a potential restraint on joint venture exploration activities since many current and potential partners do not meet the 25 per cent Canadian equity regulation. Gulf Canada feels strongly that the task of locating frontier reserves is so challenging and so essential that every effort should be made to encourage rather than to restrict exploration.

While 1976 was a difficult year for the petroleum industry, the Company was encouraged by sympathetic government action with regard to royalties. More favorable royalty rates have been implemented in Alberta in association with enhanced recovery programs; and the federal government has granted a resource allowance in lieu of a deduction for crown royalties.

Gulf Canada continues to emphasize the need for further cooperation by both business and government to encourage the search for energy supplies to meet Canada's future requirements.

Consolidated net earnings for 1976 amounted to $165.9 million, or $3.65 per share, compared with $176.6 million, or $3.88 per share, for 1975. The profit decline reflected sharply reduced earnings from refining and marketing operations as a result of severe price competition which did not allow full recovery of higher costs. Production earnings were improved by higher prices which more than offset the effects of lower volumes of crude oil and natural gas produced and higher exploration expenditures. The financial and operating results are given in detail later in this report.

L. P. Blaser, Executive Vice-President of Gulf Canada, was elected a Director at the Annual Meeting last April, succeeding E. B. Walker III. It is with regret that we record the death of Robert A. Laidlaw, a Director of our Company for over 17 years prior to becoming a Director Emeritus in 1968.

Also since the last Annual Report, J. C. Phillips has been elected Senior Vice-President of Gulf Canada. Joining the Company in 1956, he was appointed General Counsel in 1964 and Vice-President and Corporate Secretary in 1971. W. M. Winterton, formerly Associate General Counsel for Western Canada, succeeded Mr. Phillips as General Counsel and Secretary.

S. K. McWalter was elected a Vice-President, effective April 1, 1977, responsible for the Company's Planning and Control functions. He succeeded R. T. Brown who accepted an executive appointment with Gulf Oil Corporation. Mr. McWalter joined Gulf Canada in 1948 and most recently was President of the Korea Gulf Oil Company.

Effective March 1, 1977, R. C. Beal, previously Vice-President–Refining, assumed executive responsibility for New Business Development. In addition, Mr. Beal is responsible for the Chemicals Department, succeeding H. W. Peterson who resigned.

Two other appointments will become effective April 1, 1977. K. C. Reeves, who joined the Company in 1949 and most recently was General Manager–Distribution, was elected a Vice-President with executive responsibility for the Refining Department. J. D. DeGrandis, who joined the Company 34 years ago and most recently was General Manager–Crude and Products Supply, was appointed a Vice-President with executive responsibility for the Supply and Distribution Department, succeeding J. F. Runnalls who is retiring on May 1 after 48 years of Company service.

Through the years, a great many dedicated and talented employees have made important contributions to the success of Gulf Canada. For their efforts, and the continuing support and confidence of our shareholders and dealer organization, we are most grateful.

On behalf of the Board,

Chairman of the Board.

President.

Toronto, Ontario, March 25, 1977.

The year in review

Exploration and production

A decline in Gulf Canada's 1976 crude oil and natural gas liquids production resulting from lower export volumes to the United States was partially offset by higher domestic requirements coincident with the opening of the Interprovincial pipeline extension from Sarnia to Montreal. Before-royalty volumes averaged 118,000 barrels daily, 9.1 per cent less than in 1975. A drop of 6.1 per cent in natural gas sales to 440 million cubic feet daily before royalty was attributed to lower production in older fields as well as a temporary gas surplus which affected volumes from plants with excess capacity.

Despite lower production volumes and high levels of provincial royalties, wellhead earnings improved through higher prices. As a direct result, Gulf Canada stepped up its overall spending to record levels in Western Canada. Exploration expenditures were concentrated mainly in the Alberta foothills, where the Company was particularly successful in the Beaverhill Lake oil and gas area at Pass Creek. In addition, development drilling is underway or planned at a number of earlier discoveries in the foothills such as Stolberg and Erith. The Company's exploration program included extensive seismic work in British Columbia to delineate locations to be drilled in 1977.

In addition to exploration and development of new reserves, steps were taken to arrest the decline of production from older fields and to place previously uneconomic gas reserves on stream. Major programs included additional inlet compression at the Rimbey plant and construction of pipeline and other facilities to market Berland River and other shallow gas in northeastern Alberta. In the Parsons Lake area of the Mackenzie Delta where the Company has a 75 per cent interest, gas now has been tested in eleven wells at flow rates varying from 9 to 35 million cubic feet per day. Five of these wells were added during the 1976 drilling season, along with the Kamik D-48 light oil discovery which flowed at daily rates up to 2,800 barrels. Discoveries at Parsons Lake confirmed proven gas reserves of 1.4 trillion cubic feet. These reserves are sufficient to support a major gas processing plant in the area, contingent on the approval of an appropriate delivery system such as the Arctic Gas pipeline. Three wells underway at year-end will further delineate the Parsons Lake gas reserves and establish the significance of the oil discovery.

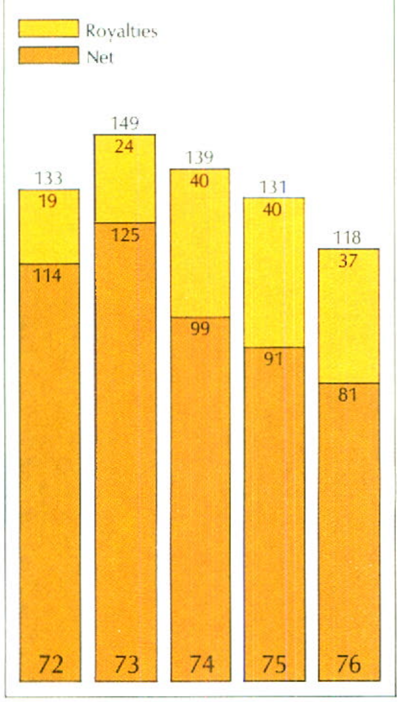
The Mackenzie Valley hearings before the Berger Commission have concluded, and pipeline hearings are still underway before the National Energy Board. Providing the necessary approvals are obtained for construction of a transportation facility by Arctic Gas in late 1977, gas sales from Parsons Lake could start by about mid-1982. Engineering and design work for gas development and processing at Parsons Lake is already underway.

Offshore in the Beaufort Sea, Gulf Canada and Gulf Oil Corporation share a 33.69 per cent working interest in the first wildcat drilled in this hostile environment, Dome Gulf Tingmiark K-91. The well was drilled to 10,000 feet in 1976, and may be drilled to target depth later this year.

Off the coast of Labrador, Gulf probably has the strongest land position of any company. A 16⅔ per cent interest in some 28 million acres is shared equally by

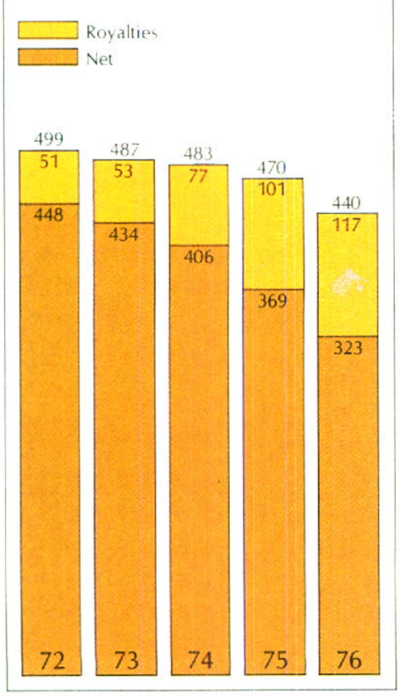
Crude and natural gas liquids produced

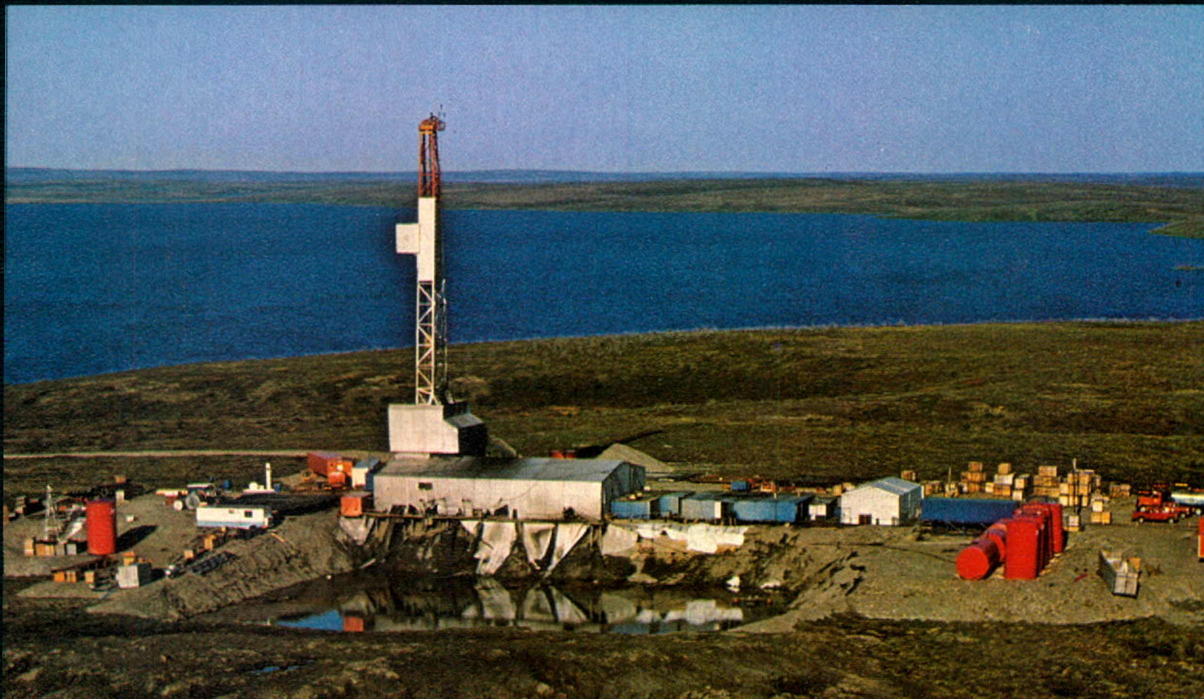
Thousands of barrels per day



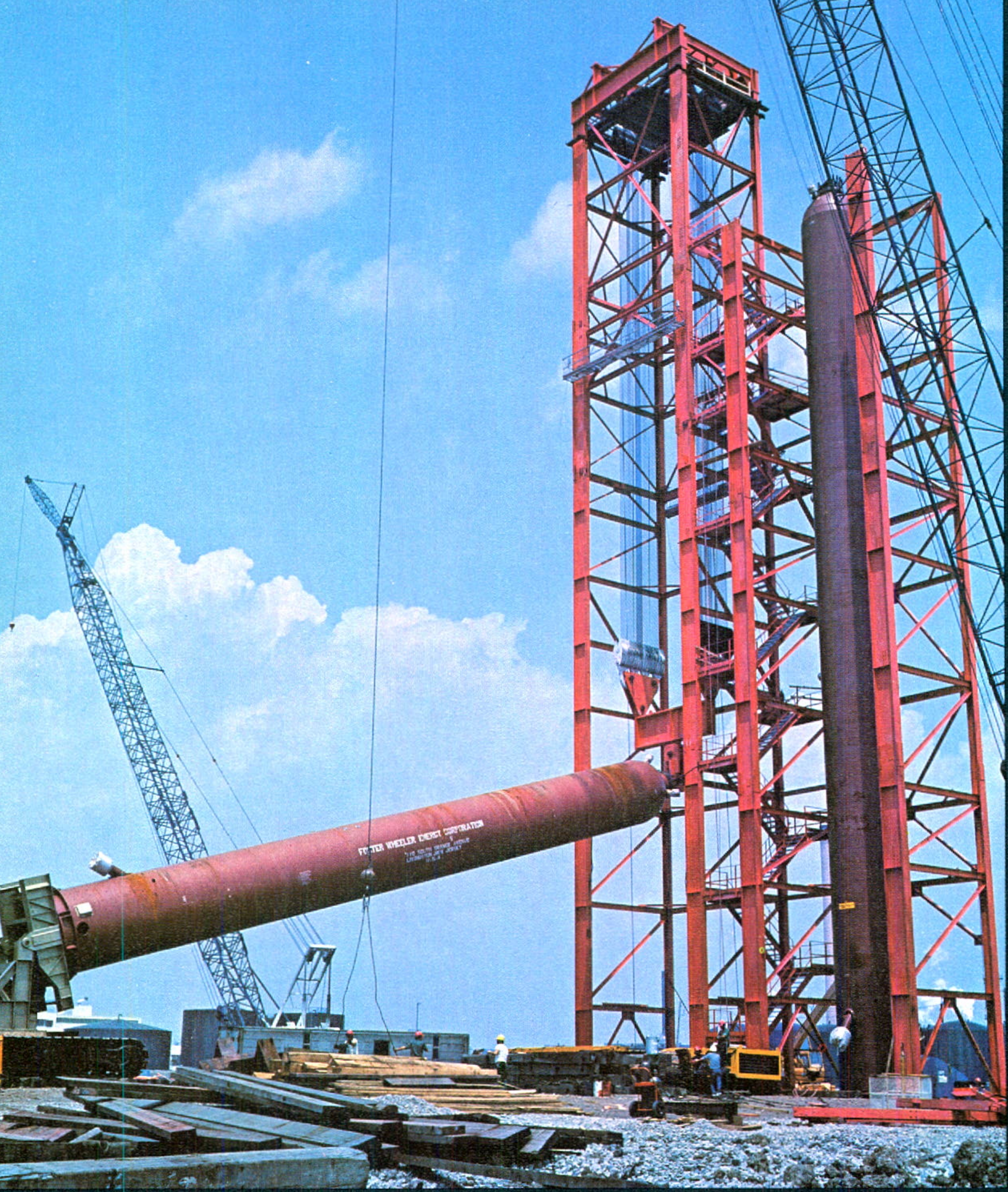
Natural gas produced and sold

Millions of cubic feet per day





Top: In the summer of 1976 Gulf Canada participated in the first exploratory well to be drilled in the deeper waters of the Beaufort Sea. Gulf Canada and Gulf Oil Corporation have equal shares in a 33.69 per cent interest. *Lower:* Gulf Canada's drilling program in the Parsons Lake area has established sufficient proved reserves to support a major gas processing plant. Eleven wells have tested gas and one well has discovered light oil.



Top: Two reactors, weighing a total of 1,200 tons, are lifted into position as part of the modernization and expansion of Clarkson refinery's lubricating oil facilities. *Lower:* Major automotive manufacturers will be a prime market for the fourfold lube oil production which will be available from Clarkson late in 1978.

Gulf Canada and Gulf Oil Corporation. A semi-submersible rig and two drill-ships were employed on five locations on this spread during the drilling season between July and October. The Snorri J-90 well, suspended in 1975, was re-entered and tested gas; three locations were abandoned, and one suspended. Gulf Canada has a ten per cent interest in other Labrador Shelf acreage on which the Indian Harbour well was drilled and abandoned in 1976.

In the Arctic Islands, Gulf Canada's exploratory operations were confined to participation in the second year of an extensive group geophysical survey. However, negotiations were concluded late in 1976 in which Gulf Canada, as a member of a four-company group, will participate in an $80-million exploratory program to be carried out over the next four to six years. The group will earn an interest in 33 million gross acres. Gulf Canada holds a 25 per cent interest in the group and will earn 2.9 million net acres.

On the West Greenland concession where Gulf Canada holds a 29.17 per cent interest in 1.3 million acres, the Kangamiut No. 1 wildcat was drilled and abandoned. This well was the first in a large untested region in which the Company is optimistic about future prospects.

Pilot testing on heavy oil acreage in northeastern Alberta is developing the technology necessary to produce these deposits by other than conventional methods. This program involved in-situ recovery testing at Wabasca and preliminary work for a pilot project at Cold Lake.

Gulf Canada has a 5.1 per cent interest in the Rabbit Lake uranium mine and mill facility operated by Gulf Minerals Canada Limited. Total production from this northern Saskatchewan operation is expected to amount to 4.5 million pounds of uranium oxide "yellowcake" in 1977. The Company also has a ten per cent interest in prospective mineral lands in Saskatchewan on which a continuing exploration program has been encouraging, and a 50 per cent interest in all other Canadian exploration activities undertaken by Gulf Minerals.

Improved industry economics, in conjunction with incentive schemes, have stimulated increased activity in the conventional areas. In addition, under the new Alberta land regulations which shortened the lease term to encourage

Well Completion Data

	1976	1975	1974	1973	1972
Exploratory					
Gross Wells	1976	1975	1974	1973	1972
Successful—oil	2	—	—	1	—
—gas	12	5	3	11	2
Frontier discoveries	6	3	4	4	1
Dry holes	20	22	20	40	19
Total	40	30	27	56	22
Net Wells					
Successful—oil	1	—	—	—	—
—gas	7	3	1	8	1
Frontier discoveries	4	1	2	2	1
Dry holes	8	10	11	25	11
Total	20	14	14	35	13
Development					
Gross Wells	1976	1975	1974	1973	1972
Successful—oil	14	16	30	24	35
—gas	53	33	20	10	11
Dry holes	17	15	7	6	6
Total	84	64	57	40	52
Net Wells					
Successful—oil	10	9	12	7	5
—gas	19	13	6	3	3
Dry holes	10	9	5	5	3
Total	39	31	23	15	11

Estimated Recoverable Reserves as at December 31, 1976

	(1) Gross 1976	(1) Gross 1975	(2) Net 1976	(2) Net 1975
Crude oil and natural gas liquids (millions of barrels)	449	484	316	342
Syncrude (millions of barrels)	191	191	(3)	
Marketable natural gas (4) (trillions of cubic feet)	2.6	2.8	2.0	2.2
Sulphur (millions of long tons)	4.5	4.7	4.2	4.3

(1) Gross reserves are before deducting royalties. The reserve estimates include only those volumes considered to be proven and which appear with reasonable certainty to be recoverable in the future from known oil and gas reservoirs under existing economic and operating conditions.

(2) Government royalty rates can vary depending on prices, production volumes, the timing of initial production and changes in legislation. Net reserves have been calculated on the basis of the royalty rates experienced in late 1976.

(3) Synthetic crude oil reserves resulting from Gulf Canada's interest in the Syncrude Canada Ltd. project are shown in gross barrels only. The Alberta government's share from the Syncrude project is 50 per cent of net profits, as defined in an agreement between the project participants and the government, with an option to convert to a 7.5 per cent gross royalty. On either basis, the Alberta government has the right to take its share in kind. These reserves will be extracted by mining and processing tar sands.

(4) Natural gas reserves in the Mackenzie Delta are not included as their recovery depends on approval and construction of a pipeline to transport the gas to markets. Gulf Canada's share of gross reserves in the Parsons Lake area of the Mackenzie Delta are estimated to be approximately one trillion cubic feet.

exploration, all exploratory land can now be converted to lease instead of the previous 50 per cent.

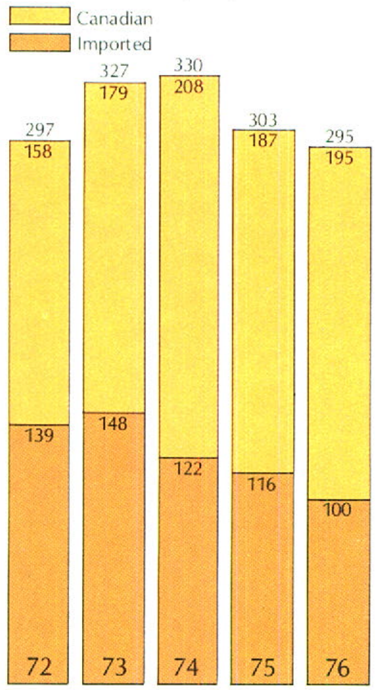
Proposed new federal land regulations for Canada's frontier areas, however, have not been as encouraging. While industry now has some guidelines, the issues of a minimum Canadian content, together with the pre-emptive rights and wide ministerial discretion in favor of Petro-Canada, may be deterrents in sustaining the massive exploration outlays required for the frontier areas. Future activity will depend not only on the discovery and development of large reserves and suitable technology, but also on appropriate land regulations and the necessary economic incentives.

Syncrude Canada Ltd., in which Gulf Canada has a 16.75 per cent equity interest, announced that construction of its 125,000-barrel-per-day synthetic crude oil plant, located 25 miles north of Fort McMurray, had reached 60 per cent completion at the year-end. Four 85-cubic-yard draglines are being erected and two of them will be in operation when the plant starts up in mid-1978. Of the $1.2 billion committed to date, 75 per cent has been spent in Canada.

During the year the work force at the site peaked at 7,100 men and women, making it the largest construction project in Canada and the second largest in North America. In addition to the on-site work force, the managing contractor had almost 1,700 employees in Edmonton doing pre-assembly work. Syncrude is currently recruiting some 2,500 permanent employees to staff the plant.

Crude oil processed by and for the Company

Thousands of barrels per day



Refining

The total volume of crude oil processed at Gulf Canada refineries in 1976 dropped two per cent from the previous year's level to 108 million barrels. Slow economic recovery and intense competition contributed to the decline.

Refineries operated at 78.5 per cent of capacity, with Point Tupper and Edmonton showing significantly lower throughput.

The $180-million modernization and expansion of lubricating oil facilities at Clarkson refinery is on schedule and on budget. At year-end over 80 per cent of the engineering had been completed, and a labor force of 700 was engaged in field work. Approximately 1,400 people will be working on site next summer when construction activity reaches its peak.

Seventy per cent of all material for the expansion came from Canadian sources, with most of the other purchases not available in Canada. The project, to be completed in the third quarter of 1978, will increase Gulf Canada's lube oil production almost fourfold to two million barrels annually and will be a major factor in filling the shortfall in Canadian supply currently met by imports.

Refining Capacity

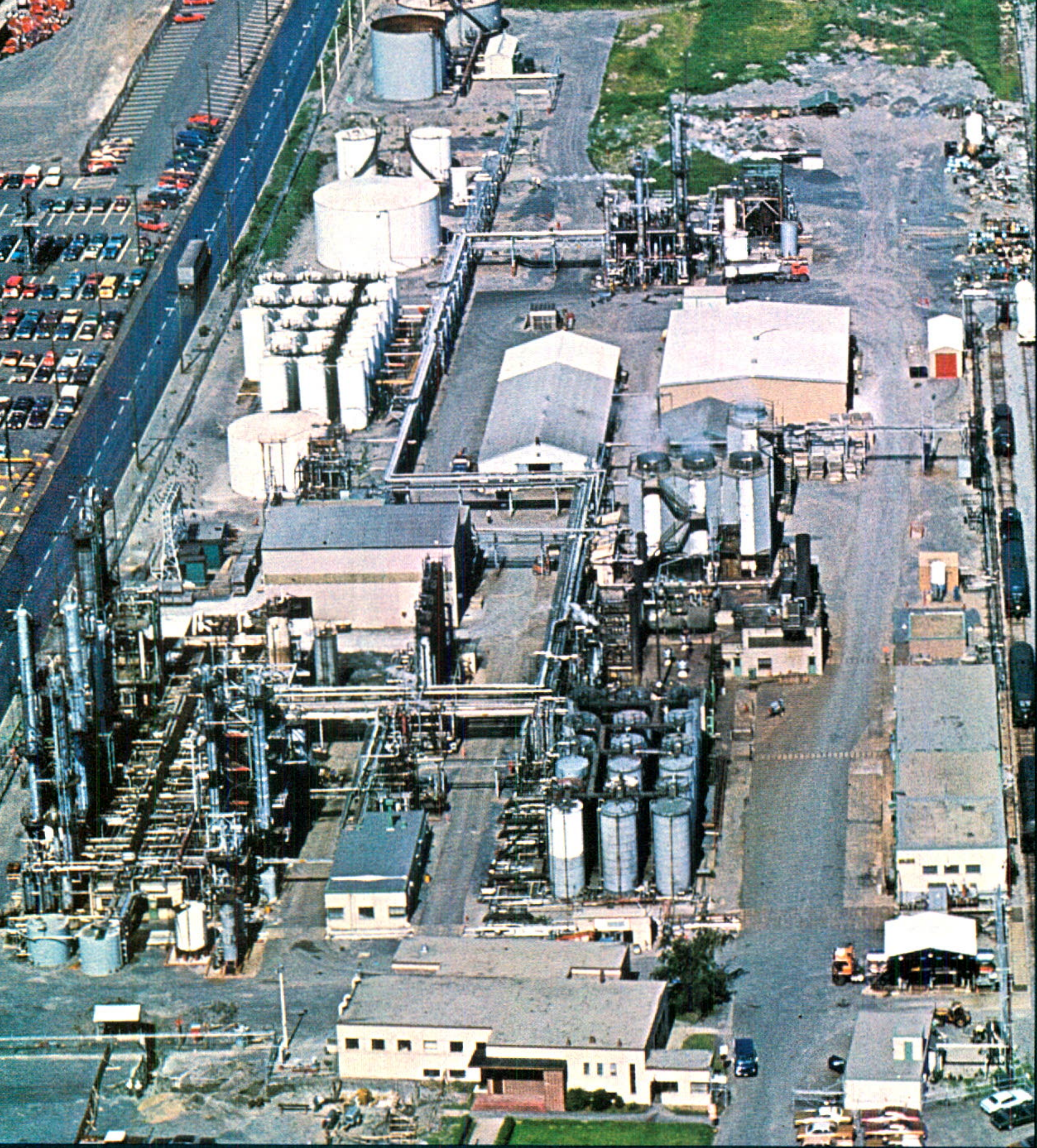
	Barrels per calendar day
Point Tupper, Nova Scotia	81,000
Montreal East, Quebec	77,300
Clarkson, Ontario	79,100
Moose Jaw, Saskatchewan*	9,300
Calgary, Alberta*	8,700
Edmonton, Alberta	74,500
Kamloops, British Columbia	7,700
Port Moody, British Columbia	37,200
Total	374,800

*Asphalt plants

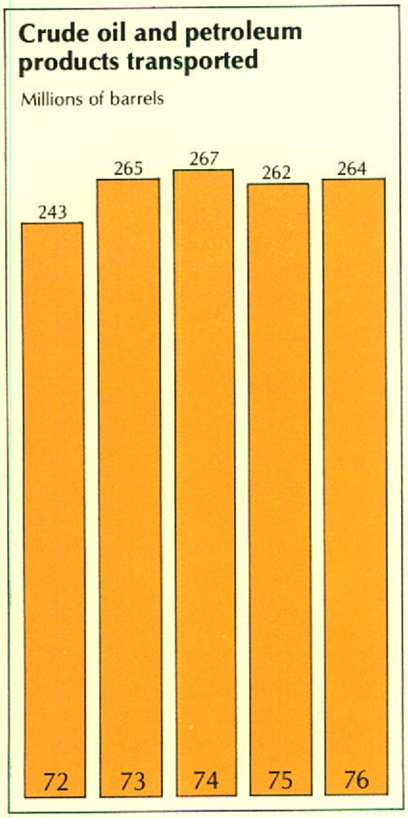
Supply and distribution

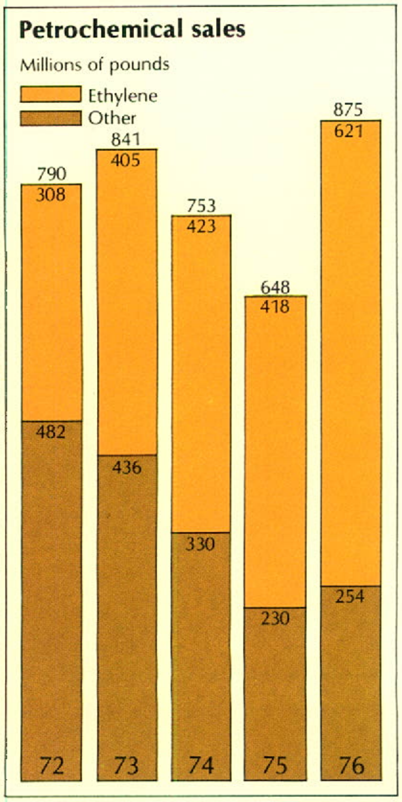
The new Supply and Distribution Department resulted from combining the former transportation section of Supply and Transportation with the physical distribution section of the Marketing Department. Pipeline, marine, rail

Two ice-strengthened tankers were built during 1976 to facilitate product delivery to Company terminals along the St. Lawrence River and in the Atlantic provinces. Here, the *Gulf Gatineau* is at dockside while the *Gulf Mackenzie* takes form in shipyards at Sorel, Quebec.



Top: Gulf Canada's chemicals operations contributed improved profit in 1976. This is an aerial view of the Montreal East chemicals plant which is located near the Company's refinery.
Lower: A growing number of self-serve locations, like this one in Vancouver, expanded their service capabilities, frequently in conjunction with car wash facilities.





and truck transportation are now within one group and cost savings are already evident.

To reduce Gulf Canada's dependence on outside charters, the Company built two 68,000-barrel ice-strengthened ships for moving products on the Great Lakes and along the East Coast. The *Gulf Gatineau* has been in service since her christening in July, and the *Gulf Mackenzie*, christened in December, began service early in 1977.

In May, Gulf Canada became the first company to bring Soviet crude oil to North America. About 350,000 barrels of Romashkinskaya type was landed in Portland, Maine, and pipelined to the Montreal East refinery for processing to test its suitability.

Deliveries of Canadian crude to Montreal via the new Interprovincial pipeline extension began in June. At year-end the delivery rate was up to 250,000 barrels per day with Gulf Canada's share being 36,000 barrels per day. This Canadian feedstock displaces a similar volume of offshore oil, and reduces the amount of Canadian crude oil available for export to the U.S.

The Organization of Petroleum Exporting Countries held the line on prices in 1976 and, as a result, foreign crude costs remained essentially unchanged. Effective January 1, 1977, the OPEC nations announced a two-tier price hike with Saudi Arabia and the United Arab Emirates increasing prices by five per cent, and the other eleven member countries moving up by approximately ten per cent. It remains to be seen if the latter nations will be able to maintain a unified position in 1977 in the face of lower demand and declining cash flow due to the predictable swing to cheaper Saudi Arabian and U.A.E. oils.

Gulf Canada has completed negotiations with Nikko Liquefied Gas for the export of Canadian propane to Japan through 1981, an extension of the initial ten-year agreement which terminated in 1976.

Chemicals

Excluding the provision for shutdown of facilities referred to below, the Chemicals Department contributed approximately six per cent of the Company's consolidated net earnings in 1976, compared with five per cent in 1975. The improved earnings were due in large part to the increased sales and profit in the olefins sector of the business. Higher demands for olefins products permitted greater utilization of the new production capacity installed in the 1975 expansion program at Varennes.

The inorganics sector, which had no labor problems during the year, also contributed to the earnings improvement, partly because only expenditures for ongoing maintenance and safe operation were made at the 75-year-old calcium carbide and acetylene black plant in Shawinigan, scheduled to be shut down early in 1978. The determining factor in the closure, made on a purely economic basis, related to the imminent loss of export markets due to competition from new plants coming on stream elsewhere in the world which employ the latest technology and produce at much lower costs. The Company has provided in the 1976 accounts for estimated severance pay and inventory losses expected to result from the closure.

Marketing

Surplus refining capacity put pressure on product prices and prevented full recovery of increases in crude oil and operating costs.

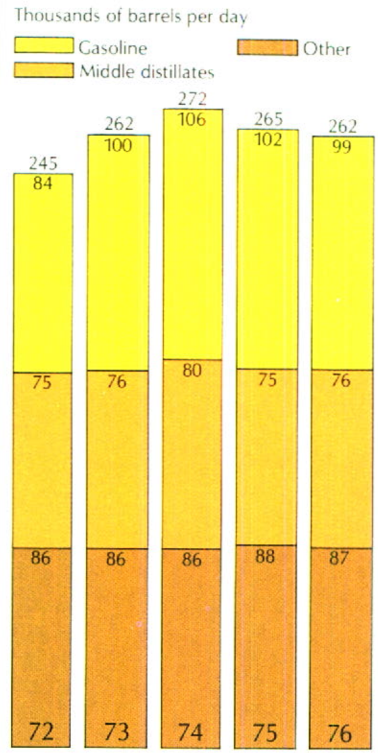
Petroleum prices continued to be regulated by the federal government's anti-inflation program, which Gulf supports as a temporary measure to combat inflation. However, the Company has consistently opposed additional price restraints at the provincial level and was encouraged that by year-end Nova Scotia was the only province to retain controls. Confirming the Company's philosophy that the consumer's best protection is in the maintenance of a competitive industry operating in a free enterprise environment, The Royal Commission on Petroleum Product Prices in Ontario stated that the consumer would be the loser if the present system were replaced by more stringent price controls.

Gulf continued to consolidate its network of retail gasoline outlets into a smaller number of high-volume locations, which provide motorists with modern facilities and good service at low cost. Additional self-serve outlets, opened during 1976, have proven successful in attracting an increasing volume of business. Gulf is also ensuring that facilities for automotive repairs and maintenance are available at strategically located outlets, and many of the new self-serves with service bays are operated by the traditional Gulf dealer.

Superior Propane encountered difficult market conditions during the year. Government regulations, both federal and provincial, legislated retail prices while costs, including rail freight, rose sharply. Fortunately, unexpected strength in the fourth quarter caused annual sales and earnings to exceed expectations.

Production of propane, a non-subsidized fuel, continues to outstrip national requirements and must compete in the marketplace with subsidized fuels. However, as these subsidies are reduced or removed and the use of electricity for space heating becomes less competitive, additional demand for Canada's abundant propane production is anticipated.

Petroleum products sold



Research and development

Introduced into the product line after extensive field testing were a multigrade gear lubricant, an automotive transmission fluid, and a special lubricant compound for use in rotary drilling rigs. A newly-developed electrode pitch binder for use in the aluminum industry, now undergoing plant trials, is expected to replace significant quantities of imported product.

Field testing continued on Gulf Canada's sulphur-asphalt process for paving mixes. To date the experimental roads are holding up well, and considerable interest in the process has been shown by both North American and overseas road builders.

The Research and Development Department is compiling data for use in the design of natural gas producing, processing and transmission facilities at Parsons Lake. Gas and liquid samples were analyzed from several Arctic wells and pilot plant studies also included the Kamik D-48 oil well.

Top: Some 45 associations in all units of Company operations provide educational, recreational and social activities for employees. *Lower:* A total of 337 young people across Canada have benefitted from more than one million dollars awarded over the past 12 years by the Company's fellowship, scholarship and bursary program.

In all existing and planned operations, Gulf Canada recognizes its environmental responsibilities. The most effective waste control equipment is incorporated into the design of the Company's facilities and research is constantly being directed toward developing new methods to improve environment technology.

During the year the Company's environmental improvement program was active at all major facilities. Special attention was given to sulphur recovery at gas plants where a mobile laboratory, equipped with a minicomputer to expand its capability, was employed. Air quality studies were carried out at Port Moody, Edmonton, Clarkson, Nevis, Rabbit Lake and Shawinigan Falls, while the water conservation trailer tested effluent streams at Varennes, Montreal East and Clarkson.

Realty

Construction of the third and final addition to the Company's regional office facilities at Mount Pleasant and Davisville in Toronto began in November. The five-storey structure will be integrated into the existing complex to relieve space congestion and enable the consolidation of a number of functions temporarily housed elsewhere.

A 20-storey office-retail complex in Calgary is being planned to accommodate Gulf employees at one location. By means of a unique energy-conservation system, the building will consume less than half the energy required by equivalent structures of conventional design. Occupancy is scheduled for 1980.

Corporate affairs

Dialogue continued with governments through submissions, presentations and contacts with officials, agencies, committees and commissions. A wide range of subjects was discussed including dealer relations, pricing, conservation, resource development, and the future supply of energy.

Considerable progress is being made to further the use of the French language in Gulf Canada's Quebec operations. Instruction in French is being given by ten professors at four locations and a staff of translators is working to ensure the availability of all corporate manuals and documents in French.

An assessment of external factors for use in corporate planning includes the monitoring of the social, economic, political and competitive environments in which Gulf Canada operates.

Employee and public relations

One-year labor agreements providing for a 10.2 per cent increase in 1976 were signed with all bargaining groups. In addition, OCAW contracts running to February, 1978, were settled in December with an eight per cent increase. During the year, 23 submissions requesting approval of wage and salary settlements were made to the Anti-Inflation Board; at year-end, ten had been approved, six modified, and seven remained unsettled.

In the Company's loss control program, injury, damage and loss incidents were investigated, and in-depth studies were made to determine corrective management action to avoid similar losses in the future.

The President's Safety Incentive Award was won by 1,436 employees in 18 units across Canada, and 259 men and women were honored at 25-year service award dinners.

An expanded human resources development program continues to develop the skills and knowledge of selected people for future placement in all levels of management.

During the year the retirement income plan was upgraded to maintain the relative value of pensions being paid, and a series of audio-visual presentations explained this and other improved benefits to employees.

Gulf Canada, as a participant in the tar sands project, is helping to provide Syncrude with personnel for its headquarters in Edmonton, and with technical, engineering and managerial people for the Fort McMurray plant.

Complex energy issues, particularly questions concerning product prices and future supply sources, called for a continuing effort to communicate such information externally to various public sectors and internally through publications for employees, dealers and shareholders. Prompt response to media enquiries, television and radio interviews, and employee participation in local business groups contributed to an improved understanding of some of the current problems and challenges facing the petroleum industry.

In the field of education, Gulf Canada's scholarship-fellowship program, now in its twelfth year, has passed the million-dollar mark and assisted 337 students with graduate fellowships, undergraduate scholarships and bursaries. In 1976 the number of scholarship winners chosen annually was raised from ten to 15, while bursaries awarded went up from 15 to 20 and were increased in value.

Corporate gifts were directed to universities, hospitals, United Way appeals, cultural, social and community endeavors, while employees were encouraged to involve themselves in community affairs and to contribute personal time and effort in support of worthwhile associations and events.

Financial review

Earnings for the year 1976 of $165.9 million, or $3.65 per share, were down six per cent from the $176.6 million, or $3.88 per share, earned in 1975.

The major factor contributing to the decline in earnings was substantially lower profits from refining and marketing operations due to severe market competition and unusual refinery operating problems. This factor was offset to a large extent by improvements in other areas, particularly production operations where higher crude oil and natural gas prices resulted in increased earnings despite lower volumes.

Details of net revenues, which rose $223.7 million to $1,953.6 million, are shown in Table I. Expenses before taxes rose $242.8 million with $172.8 million of the increase attributable to purchases of crude oil, products and merchandise. Higher operating and general expenses, together with increased expenditures on exploration, accounted for the balance.

Income and other taxes charged to earnings amounted to $233.4 million, compared with $241.8 million in 1975. As shown in Table II, total taxes together with royalties and other amounts paid to governments rose to $391.9 million in 1976, while the taxes collected from customers on behalf of governments totalled $346.6 million.

Dividends declared and paid during 1976 amounted to $45.5 million, or $1.00 per share. As permitted under the anti-inflation regulations, the quarterly dividend payable April 1, 1977, was increased to 27 cents per share.

Table III provides details of capital expenditures which amounted to $260.2 million, compared with $165.1 million in 1975.

The 1976 earnings represent a rate of return of 11.9 per cent on average capital employed, compared with the 14.5 per cent return realized in the previous year. To some extent the decline is due to the high level of investment in facilities under construction, mainly the Syncrude project and the Clarkson lubricating oil plant. These rates of return are a measure of earnings based on historical dollars. Obviously, following the high inflation which has prevailed in recent years, they must be increased if adequate funds are to be available to finance the high cost of plant replacement, new capital projects, exploration programs and the rising investment in inventories.

In this connection, the accounting profession has been attempting for several years to develop appropriate methods of accounting for inflation and bring about improvements in financial reporting. Gulf Canada is actively considering the implications of Current Value Accounting and is co-operating with the accounting profession and other authorities in studies related to the practical problems involved in its implementation. During 1976 the Company developed replacement cost information for some of its assets to assist Gulf Oil Corporation to meet new requirements of the Securities and Exchange Commission. The Company does not believe such information, prepared in accordance with S.E.C. requirements, could be used to impute the effects of inflation on financial results, since it covers only a portion of the total productive capacity and does not take into account several other factors which should be considered when measuring the effects of inflation.

As pointed out in Note 13 to the financial statements, the Company, in view of the heavy exploration and capital program planned for the next few years, borrowed $125 million of U.S. funds early in February, 1977.

Table I – Net Revenues

	1976	1975	1974
	(millions of dollars)		
Refined products	$1,317.0	$1,169.7	$1,036.5
Natural gas, natural gas liquids and crude oil	316.5	275.2	195.3
Chemicals	125.7	101.8	94.8
Other operating revenues	164.9	154.5	150.2
Investment and sundry income	29.5	28.7	39.4
Total	$1,953.6	$1,729.9	$1,516.2

Table II – Taxes and Other Government Revenues

	1976	1975	1974
	(millions of dollars)		
From Gulf Canada			
Income taxes – current	$ 84.7	$ 125.1	$ 115.6
– deferred	37.6	18.6	8.9
Other taxes	111.1	98.1	80.9
Petroleum and natural gas lease payments	18.2	8.0	12.4
*Crown royalties, less incentive credits	140.3	116.3	83.8
Sub-Total	$ 391.9	$ 366.1	$ 301.6
Collected for Governments			
Gasoline, fuel and excise taxes	$ 333.8	$ 268.1	$ 209.6
Crude oil export taxes	12.8	33.6	64.9
Sub-Total	$ 346.6	$ 301.7	$ 274.5
Grand Total	$ 738.5	$ 667.8	$ 576.1

*Included in purchased crude oil, products and merchandise in the consolidated statement of earnings.

Table III – Expenditures on Property, Plant and Equipment

	1976	1975	1974
	(millions of dollars)		
Production	$ 52.7	$ 27.1	$ 46.1
Syncrude project	97.4	67.0	15.1
Transportation	14.1	7.0	3.4
Refining	57.4	27.6	13.2
Petrochemicals	2.8	5.6	9.7
Marketing	31.8	29.7	27.4
Other	4.0	1.1	1.0
Total	$ 260.2	$ 165.1	$ 115.9

Table IV – Earnings by Quarter

	1976	1975	1974
	(millions of dollars)		
1st Quarter	$ 41.4	$ 41.8	$ 41.8
2nd Quarter	34.7	42.9	40.5
3rd Quarter	42.0	43.8	37.1
4th Quarter	47.8	48.1	41.6
Total	$ 165.9	$ 176.6	$ 161.0

Gulf Oil

Consolidated

December

Assets

Current:	1976	1975
	(millions of dollars)	
Cash	$ 3.1	$ 9.1
Marketable securities, at cost (approximates market value)	131.1	68.6
Accounts receivable	455.8	425.0
Inventories of crude oil, products and merchandise	357.9	302.5
Materials, supplies and prepaid expenses	31.5	30.9
Total current assets	979.4	836.1
Investments, Long Term Receivables and Other Assets:		
Investments in associated and other companies (note 3)	15.5	18.2
Deposits, long term receivables and other assets	41.6	41.9
	57.1	60.1
Property, Plant and Equipment at Cost (note 4) less accumulated depreciation, depletion and amortization	1,008.7	830.3
	$2,045.2	$1,726.5

(See accompanying notes to financial statements)

Auditors' report

To the Shareholders of
Gulf Oil Canada Limited:

We have examined the consolidated balance sheet of Gulf Oil Canada Limited as at December 31, 1976 and the consolidated statements of earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Canada Limited

balance sheet

31, 1976

Liabilities

	1976	1975
	(millions of dollars)	
Current:		
Short term loans	$ 25.9	$ 25.7
Accounts payable and accrued liabilities (note 9)	404.7	288.9
Income and other taxes payable	50.8	69.5
Current portion of long term debt	13.0	.8
Dividends payable	11.3	11.3
Total current liabilities	505.7	396.2
Long Term Debt (note 6)	167.1	115.9
Deferred Income Taxes	220.3	182.7

Shareholders' equity

	1976	1975
Capital stock (note 7)	280.9	280.9
Retained earnings	871.2	750.8
Total shareholders' equity	1,152.1	1,031.7
	$2,045.2	$1,726.5

On behalf of the Board:

Beverley Matthews, Director

C. D. Shepard, Director

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1977.

Clarkson, Gordon & Co.,
Chartered Accountants.

Gulf Oil Canada Limited

Consolidated statements of earnings

Year Ended December 31, 1976

Earnings

	1976	1975
	(millions of dollars)	
Revenues:		
Gross sales and other operating revenues	$3,613.8	$3,302.5
Deduct – Crude oil sales (note 1)	(1,343.1)	(1,299.6)
– Taxes collected for governments	(346.6)	(301.7)
Net sales and other operating revenues	1,924.1	1,701.2
Investment and sundry income	29.5	28.7
Net revenues	1,953.6	1,729.9
Expenses:		
Purchased crude oil, products and merchandise (note 1)	933.0	760.2
Operating expenses	201.1	172.1
Exploration, dryhole and other frontier area expenditures (note 2)	63.2	53.9
Selling, general and administrative expenses	276.1	245.5
Depreciation, depletion and amortization (note 5)	73.2	71.0
Interest on long term debt	7.7	8.8
	1,554.3	1,311.5
Earnings before income and other taxes	399.3	418.4
Taxes		
Taxes other than taxes on income	111.1	98.1
Income taxes (includes deferred taxes of $37.6 in 1976; $18.6 in 1975)	122.3	143.7
	233.4	241.8
Earnings for the Year	$ 165.9	$ 176.6
Earnings per share	$ 3.65	$ 3.88

Retained earnings

	1976	1975
Balance, beginning of the year	$ 750.8	$ 617.4
Add earnings for the year	165.9	176.6
	916.7	794.0
Deduct dividends on common shares	45.5	43.2
Balance, end of the year	$ 871.2	$ 750.8

(See accompanying notes to financial statements)

Gulf Oil Canada Limited

Consolidated statement of changes in financial position

Year Ended December 31, 1976

	1976	1975
	(millions of dollars)	
Source of Funds:		
From operations*	$ 277.3	$ 266.8
Sales of properties	10.6	10.5
Long term obligations	65.6	16.7
Sales of investments	.4	.2
Other (net)	2.2	(.1)
	356.1	294.1
Use of Funds:		
Additions to property, plant and equipment	260.2	165.1
Reduction in long term debt	16.6	3.6
Dividends	45.5	43.2
	322.3	211.9
Increase in working capital	$ 33.8	$ 82.2
Working Capital Changes:		
Increase (decrease) in current assets –		
Cash and marketable securities	$ 56.5	$ (67.3)
Accounts receivable	30.8	17.6
Inventories and materials	56.0	60.6
	143.3	10.9
Increase (decrease) in current liabilities –		
Short term loans	.2	25.7
Accounts and dividends payable	115.8	2.8
Income and other taxes payable	(18.7)	(43.8)
Current portion of long term debt	12.2	(56.0)
	109.5	(71.3)
Increase in working capital	$ 33.8	$ 82.2
Working capital, beginning of the year	439.9	357.7
Working capital, end of the year	$ 473.7	$ 439.9

*Earnings for the year adjusted for charges or credits not affecting working capital.

(See accompanying notes to financial statements)

Gulf Oil Canada Limited

Notes to consolidated financial statements

Year Ended December 31, 1976

1. Accounting Policies

Principles of consolidation—
The accounts of the company and all subsidiary companies are included in the financial statements.

Investments in joint venture companies owned 50% or less are accounted for on the equity basis.

U.S. dollar liabilities—
Liabilities in U.S. dollars have been translated to Canadian dollars at year end rates of exchange. Gains or losses are included in earnings.

Inventories—
Inventories of crude oil, products and merchandise are valued generally at the lower of cost applied on a "first-in, first-out" basis or market value determined on the basis of replacement cost or net realizable value. Materials and supplies are valued at cost or lower, depending on the condition of the items.

Exploration and development costs—
Exploration expenditures, including geological and geophysical costs, annual rentals on exploratory acreage and dry hole costs are charged to expense. Costs of drilling successful wells in remote frontier areas where future production is not reasonably assured, together with other frontier area expenditures, are also charged to expense.

The initial acquisition costs of oil and gas properties together with the costs of drilling and equipping successful wells (other than wells in remote frontier areas) are capitalized.

Depreciation, depletion and amortization—
Capitalized costs of oil and gas properties and drilling and equipping wells are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Charges are made against earnings for depreciation of investment in plant and equipment based on the estimated remaining useful lives of the assets using either the straight-line or the unit-of-production method, whichever is appropriate.

Income taxes—
The company provides for income taxes on the tax allocation basis whereby the provision for income taxes each year is computed on the basis of the revenues and expenses reflected in the statement of earnings. A portion of the income taxes provided is not currently payable as income tax legislation permits the deduction of certain costs prior to the year they are recorded as expenses for financial statement purposes. The portion not currently payable is reflected as deferred income taxes.

Investment tax credits have been applied to reduce the cost of the related fixed assets.

Crude oil transactions—
In addition to its own net production, the company purchases large volumes of crude oil from other producers and sells whatever crude oil is not required for its own refineries to other companies in the oil industry. It is the company's practice to offset such crude oil sales against crude oil purchases and thus exclude these transactions from both net revenues and costs.

Oil import compensation program—
Under the oil import compensation program the federal government compensates eligible importers with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintains prices for products obtained from imported petroleum at the level suggested by the government. Compensation received or recoverable under this program is reflected as a reduction of the cost of purchased crude oil.

2. Exploration, Dry Hole and Other Frontier Area Expenditures

Exploration, dry hole and other frontier area expenditures include the costs of drilling successful wells in remote frontier areas in the amount of $14.2 million in 1976 ($3.5 million in 1975).

3. Investment in Associated and Other Companies

	1976	1975
	(millions of dollars)	
At cost:		
With quoted market value (based on closing prices at end of each year) 1976 – $36.0 million; 1975 – $31.0 million	$ 4.2	$ 4.3
Without quoted market value	.1	.1
	4.3	4.4
At equity:		
Investment in joint venture companies at cost plus equity in undistributed earnings	11.2	13.8
	$15.5	$18.2

4. Property, Plant and Equipment

	Range of depreciation rates	Gross invest-ment at cost (1)	Accumulated depreciation, depletion and amortization	Net invest-ment 1976	Net invest-ment 1975
			(millions of dollars)		
Production	(3)	$ 574.9	(2) $ 296.3	$ 278.6	$ 255.4
Syncrude Project	—	180.4	—	180.4	82.9
Transportation	4% to 10%	52.9	20.4	32.5	19.8
Refining and Petrochemicals	(4)	623.0	314.8	308.2	275.3
Marketing	2.5% to 10%	335.9	142.8	193.1	183.7
Other	2.5% to 10%	28.4	12.5	15.9	13.2
		$1,795.5	$ 786.8	$1,008.7	$ 830.3

(1) Additions during the year have been reduced by investment tax credits of $9.4 million ($2.2 million in 1975).
(2) Includes accumulated depletion of $44.2 million with respect to the acquisition cost of productive properties.
(3) Unit of production.
(4) Processing units on unit of production, other items from 2.5% to 10%.

5. Depreciation, Depletion and Amortization

Depreciation, depletion and amortization in the statement of earnings consists of:

	1976	1975
	(millions of dollars)	
Depreciation of plant and equipment	$60.5	$58.8
Depletion of acquisition costs of productive properties	2.6	2.9
Amortization of non-producing properties, drilling costs and other intangible assets	10.1	9.3
	$73.2	$71.0

6. Long Term Debt (see note 13)

	Maturity	Amount
		(millions of dollars)
Debentures (1)		
5⅛%, Series A	1977	$ 5.2
5¾%, Series B	1982	3.5
5¼%, Series C (2)	1982	7.9
7⅜%, Series D	1978	10.0
7⅜%, Series E	1988	34.4
8½%	1989	4.2
8½%	1990	3.7
8⅛% Loan re Syncrude (3)		57.4
Interest free loans (4)		47.0
Other long term obligations	varying dates	6.8
		$180.1
Less instalments due within one year included in current liabilities		13.0
		$167.1

(1) All debenture issues except Series D require sinking fund payments by the companies.
(2) Payable in U.S. dollars. Amount outstanding was U.S. $7.8 million.
(3) The Syncrude loan from the Government of Alberta is evidenced by an 8⅛% Convertible Debenture which, at the Government's option, may be converted into a portion of the company's equity interest in the Syncrude Project on the basis of the amount of the loan converted relative to the total cost of the project. In the event that the conversion option is not exercised, the loan is repayable in ten equal annual instalments commencing no earlier than 1984.
(4) Under the terms of an agreement for exploration and development of certain properties, $25 million of these loans is repayable in varying amounts commencing no earlier than 1978. The remaining $22 million is repayable in annual instalments over the three years 1977, 1978 and 1979.

Approximate annual instalments of long term debt due (including maximum amounts that are repayable under (4) above) in the next five years are (millions of dollars):

1977 – $13.0, 1978 – $26.2, 1979 – $18.0, 1980 – $3.9, 1981 – $9.8

7. Capital Stock

Shares without nominal or par value:

Authorized – 68,000,000
Issued – 45,492,906

The company's incentive stock option plan provides for the granting of options to purchase common shares of the company at the market price on the day when the options are granted. Under the plan, options become exercisable after one year's continuous employment immediately following the date the options are granted and are for a period of ten years. No options were granted or exercised in 1976.

At December 31, 1976, an option was outstanding under the plan on 4,500 shares at a price of $18 11/16 a share with an option expiry date of October 4, 1977.

8. Pension Plans

The company has pension plans covering substantially all employees. The contributions by employees, together with those made by the company, are deposited with insurance companies and/or trustees according to the terms of the plans. Pensions at retirement are related to remuneration and years of service. The amounts charged to income (including amounts paid to government pension plans and amortization of prior service costs) were $10.0 million during 1976 and $7.8 million during 1975.

The plans were amended in 1976, with a further amendment effective January 1, 1977, to provide for increases in retirement benefits. The effective unfunded prior service pension costs at December 31, 1976, after giving effect to the 1977 amendments, were approximately $59.6 million (of which approximately $48.5 million represents the actuarially computed value of vested benefits). These will be funded and charged to earnings over the next 15 years.

9. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of business, were $105.3 million and $5.1 million respectively at December 31, 1976 ($42.8 million and $16.8 million respectively at December 31, 1975).

10. Commitments and Contingent Liabilities

Syncrude Project – The company has a 16.75 per cent interest in a project (operated by Syncrude Canada Ltd.) for the extraction of oil from Athabasca Oil Sands leases in the Province of Alberta. Total project costs for the construction of the 125,000 barrel-a-day plant, expected to be completed in 1978, are estimated to approximate $2.0 billion. Based on these estimated project costs, the company's interest involves a commitment of $335 million, of which approximately $187 million had been expended to December 31, 1976. Part of the company's commitment is being financed through a convertible loan of $100 million from the Government of Alberta. Through options held by the Government of Alberta in connection with the above loan and options held by the Alberta Energy Company, the company's interest in the project could be reduced to about nine per cent with a corresponding reduction in its investment.

Clarkson Lube Plant – The company is engaged in the replacement and modernization of the lubricating oil facilities at Clarkson Refinery. The total cost of this new facility is estimated at $180 million of which approximately $56 million had been spent to December 31, 1976.

The company has stated its intention of purchasing common shares in Canadian Arctic Gas Pipeline Limited to an aggregate purchase price of $50 million, and under certain conditions has agreed to provide an additional amount, not exceeding $18 million, all subject to the necessary government approvals being granted and certain other conditions.

The company has other commitments in the ordinary course of business (for the acquisition or construction of properties and the purchase of materials and services) and contingent liabilities under various guarantees, all of which are not significant in relation to net assets.

Rentals under long term leases for real property and other facilities approximate $20.0 million annually. Under certain of these long term leases, the company has the option to purchase the leased assets and is obligated to make advances from time to time which will be applied against the purchase price if the option is exercised. It is estimated that such advances will aggregate approximately $19.5 million over the terms of the lease agreements (which expire in 1982). Advances to December 31, 1976, amounted to $10.8 million and during the next five years will aggregate approximately $7.4 million of which $1.3 million will be payable in 1977.

11. Remuneration of Directors and Officers

The aggregate remuneration in 1976 of the company's twelve directors as directors was $86,128. Three directors were also officers of the company during the same period. The aggregate remuneration during 1976 of the company's officers (including eleven past officers) as officers was $1,866,003. No directors or officers of the company received any remuneration from a subsidiary of the company.

12. Anti-Inflation Program

Under the federal government's Anti-Inflation Act (presently scheduled to be in force until December 31, 1978), the company is subject to mandatory compliance with legislation which controls prices, profit margins (excluding crude oil and natural gas operations which are controlled under the Petroleum Administration Act), employee compensation and shareholder dividends. Management is of the opinion that the company is in compliance with the requirements of the anti-inflation legislation.

13. Subsequent Financing

Subsequent to the year end, the company sold U.S. $125,000,000 principal amount of 8⅜% Notes, due February 1, 1997, to certain institutional investors in a private placement. These Notes are unsecured and no repayment of principal is required before 1983.

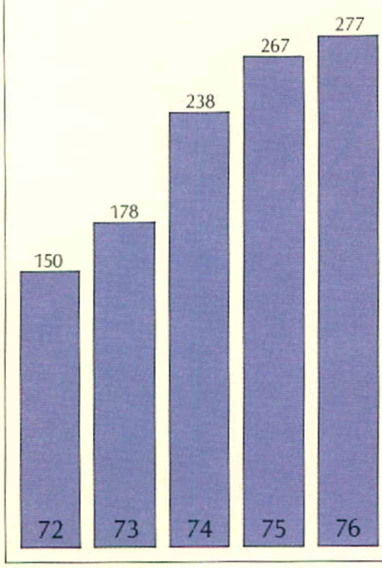
Five year financial summary

Amounts, except for unit statistics, expressed in millions of dollars

	1976	1975	1974	1973	1972
Balance Sheet					
Current assets	$ 979.4	$ 836.1	$ 825.2	$ 595.2	$ 422.4
Deduct: Current liabilities	505.7	396.2	467.5	243.7	161.1
Working capital	473.7	439.9	357.7	351.5	261.3
Property, plant and equipment – net	1,008.7	830.3	746.1	714.2	722.7
Investments, long term receivables and other assets	57.1	60.1	59.9	57.9	63.0
Capital employed	1,539.5	1,330.3	1,163.7	1,123.6	1,047.0
Deduct: Long term debt	167.1	115.9	102.6	196.0	195.4
Deferred income taxes	220.3	182.7	162.8	153.9	146.3
Shareholders' equity	$1,152.1	$1,031.7	$ 898.3	$ 773.7	$ 705.3
Per share	$ 25.32	$ 22.68	$ 19.75	$ 17.01	$ 15.51
Capital Expenditures					
New property, plant, and equipment	$ 260.2	$ 165.1	$ 115.9	$ 67.6	$ 58.3
Fixed assets of acquired subsidiaries	—	—	—	—	2.5
	$ 260.2	$ 165.1	$ 115.9	$ 67.6	$ 60.8
Earnings					
Net revenues	$1,953.6	$1,729.9	$1,516.2	$1,060.0	$ 874.4
Deduct:					
Exploration and dry hole costs	63.2	53.9	48.9	29.1	28.1
Depreciation, depletion and amortization	73.2	71.0	70.4	72.3	65.6
Purchases and other expenses	1,417.9	1,186.6	1,030.5	730.5	635.1
	1,554.3	1,311.5	1,149.8	831.9	728.8
Earnings before taxes	399.3	418.4	366.4	228.1	145.6
Taxes:					
Taxes, other than income taxes	111.1	98.1	80.9	68.0	50.1
Income taxes	122.3	143.7	124.5	59.9	29.1
	233.4	241.8	205.4	127.9	79.2
Earnings for the year	$ 165.9	$ 176.6	$ 161.0	$ 100.2	$ 66.4
Rate of Return (per cent)					
On average capital employed	11.9	14.5	14.7	10.0	7.3
On average shareholders' equity	15.2	18.3	19.3	13.6	9.7
Funds from Operations	$ 277.3	$ 266.8	$ 237.8	$ 178.1	$ 149.9
Dividends Paid	$ 45.5	$ 43.2	$ 36.4	$ 31.8	$ 27.3
Per Share					
Earnings for the year	$ 3.65	$ 3.88	$ 3.54	$ 2.20	$ 1.46
Cash dividends	$ 1.00	$ .95	$ .80	$ .70	$ .60

Funds from operations

Millions of dollars

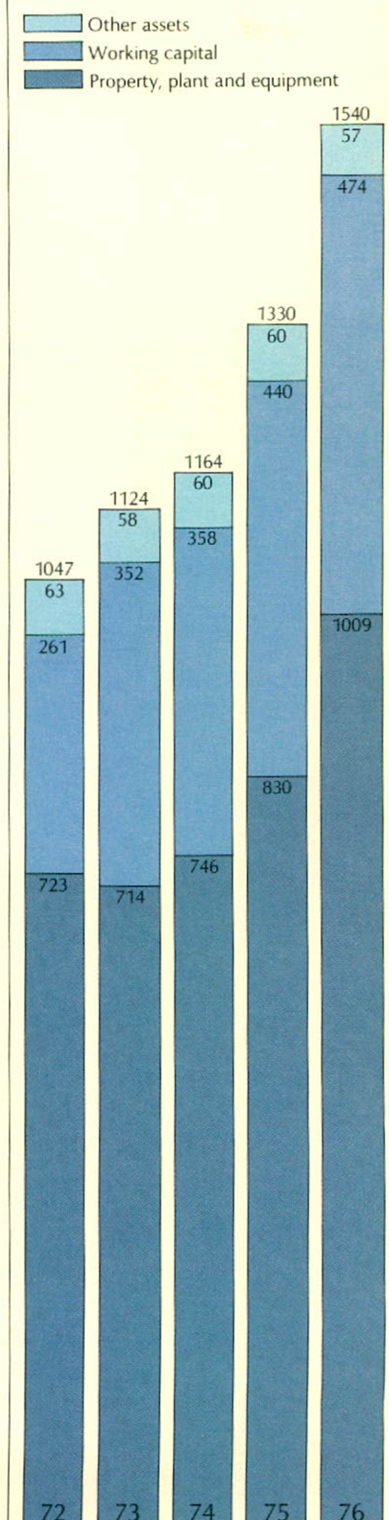


Capital and exploration expenditures

Millions of dollars

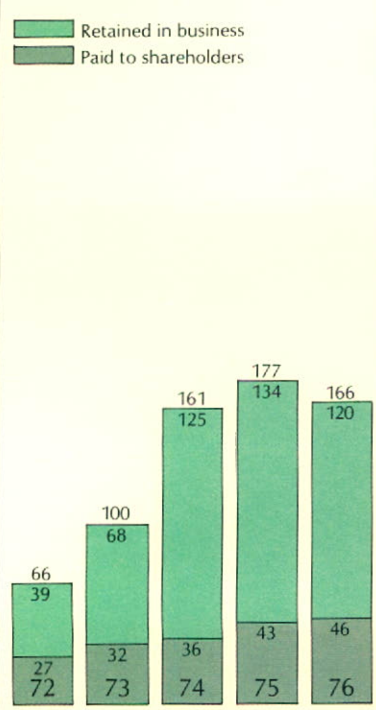
Capital employed

Millions of dollars



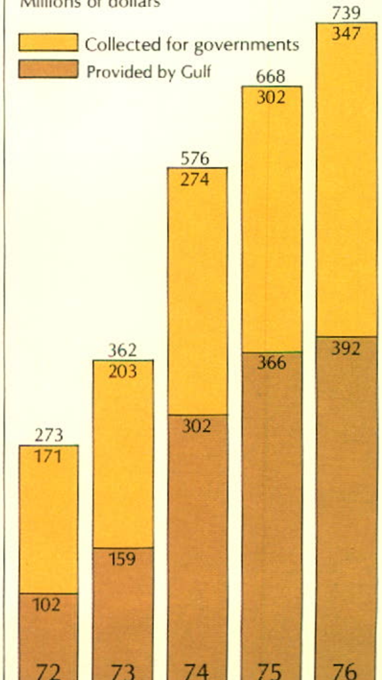
Net earnings

Millions of dollars



Taxes and other government revenues

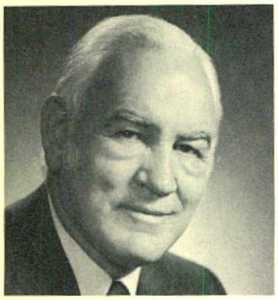
Millions of dollars



Five year summary of operations

	1976	1975	1974	1973	1972
Crude and Natural Gas Liquids Produced *(thousands of barrels)*					
Gross	43,310	47,657	50,784	54,476	48,514
Net	29,546	33,125	36,210	45,613	41,662
Per day – gross	118	131	139	149	133
– net	81	91	99	125	114
Crude Oil Processed by and for the Company *(thousands of barrels)*					
Total	108,107	110,750	120,623	119,413	108,780
Per day	295	303	330	327	297
Petroleum Products Sold *(thousands of barrels)*					
Total	96,022	96,904	99,426	95,550	89,852
Per day	262	265	272	262	245
Natural Gas Produced and Sold *(millions of cubic feet)*					
Gross	161,071	171,603	176,473	177,789	182,680
Net	118,083	134,779	148,011	158,510	164,140
Per day – gross	440	470	483	487	499
– net	323	369	406	434	448
Petrochemical Sales *(thousands of pounds)*					
Total	875,322	647,624	752,827	841,204	790,239
Per day	2,392	1,774	2,063	2,305	2,159
Sulphur Sales *(long tons)*					
Total	254,525	202,741	272,985	203,079	176,471
Per day	695	556	748	556	482
Net Wells (Bore Holes) Capable of Producing at Year-End	1,437	1,400	1,400	1,415	1,430
Net Wells Drilled	59	45	37	50	24
Net Acreage under Lease, Reservation and Option *(thousands of acres)*	25,561	26,077	24,631	25,668	24,090

Directors



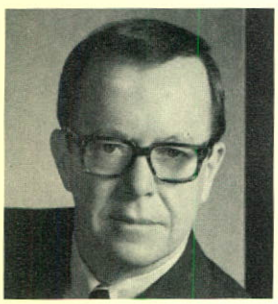
L. P. Blaser
Executive Vice-President, Gulf Oil Canada Limited, Toronto, Ontario. Director: Interprovincial Pipe Line Limited; Trans Mountain Pipe Line Company Limited.

***R. J. Butler**
Chairman of the Board, The T. Eaton Co. Limited, Toronto, Ontario. Director: National Trust Company Limited.

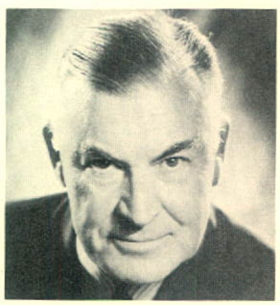
*Resigned as a Director of Gulf Canada on March 31, 1977.

E. H. Crawford
President, The Canada Life Assurance Company, Toronto, Ontario. Director: Canadian Imperial Bank of Commerce; Moore Corporation Limited.

E. F. Crease
Chairman, Alfred J. Bell & Grant Limited, Halifax, Nova Scotia. Director: Canada Permanent Trust Company.



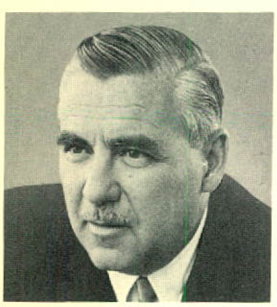
J. Peter Gordon
Chairman and Chief Executive Officer, The Steel Company of Canada, Limited, Toronto, Ontario. Director: The International Nickel Company of Canada Limited; Bank of Montreal; Canadian General Electric Company Limited; Sun Life Assurance Company of Canada.



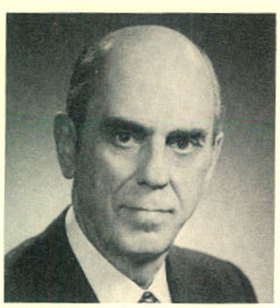
Beverley Matthews, Q.C.
Senior Partner, McCarthy & McCarthy, Toronto, Ontario. Director: Brascan Limited; Westinghouse Canada Limited; The Canada Life Assurance Company; Canada Permanent Mortgage Corporation; Gulf Oil Corporation.

Gérard Plourde
Chairman and Chief Executive Officer, UAP Inc., Montreal, Quebec. Vice-President and Director: Alliance Compagnie Mutuelle d'assurance-vie; The Toronto-Dominion Bank. Director: Bell Canada; Editions du Renouveau Pedagogique Inc.; Northern Telecom Ltd.; The Molson Companies Limited; Rolland Paper Company Limited; Steinberg's Limited.

Alfred Powis
President and Chief Executive Officer, Noranda Mines Limited, Toronto, Ontario. Director: British Columbia Forest Products Limited; Canadian Imperial Bank of Commerce; Placer Development Limited; Simpsons Limited; Sun Life Assurance Company of Canada.



R. G. Rogers
Chairman of the Board and Chief Executive Officer, Crown Zellerbach Canada Limited, Vancouver, British Columbia. Director: Canadian Imperial Bank of Commerce; Genstar Limited; Hilton Canada Limited; Royal General Insurance Company of Canada.



C. D. Shepard
Chairman of the Board and Chief Executive Officer, Gulf Oil Canada Limited, Toronto, Ontario. Director: The Toronto-Dominion Bank; The Carborundum Company.

J. L. Stoik
President and Chief Operating Officer, Gulf Oil Canada Limited, Toronto, Ontario.

W. H. Young
President, The Hamilton Group Limited, Burlington, Ontario. Director: The Steel Company of Canada, Limited; Gore Mutual Insurance Company; National Trust Company Limited; Drummond, McCall & Co. Ltd.

Gulf Oil Canada Limited

Directors

L. P. Blaser
*R. J. Butler
E. H. Crawford
E. F. Crease
J. Peter Gordon
Beverley Matthews, Q.C.
Gérard Plourde
Alfred Powis
R. G. Rogers
C. D. Shepard
J. L. Stoik
W. H. Young

*Resigned as a Director March 31, 1977

Officers

C. D. Shepard, Chairman of the Board and Chief Executive Officer
J. L. Stoik, President and Chief Operating Officer
L. P. Blaser, Executive Vice-President
J. C. Phillips, Q.C., Senior Vice-President
F. D. Aaring, Vice-President
R. C. Beal, Vice-President
*R. T. Brown, Vice-President
**J. D. DeGrandis, Vice-President
W. H. Griffin, Vice-President
R. E. Harris, Vice-President
D. S. Lyall, Vice-President
**S. K. McWalter, Vice-President
S. G. B. Pearson, Vice-President
*H. W. Peterson, Vice-President
**K. C. Reeves, Vice-President
J. F. Runnalls, Vice-President
C. G. Walker, Vice-President
W. M. Winterton, General Counsel and Secretary
W. H. Burkhiser, Treasurer
J. A. Scobie, Comptroller

*Resigned April 1, 1977
**Effective April 1, 1977

Head Office
800 Bay Street, Toronto, Ontario

Marketing Region Offices
Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Chemicals
Headquarters: Montreal, Quebec
Plants: Montreal East and Varennes, Quebec

Accounting and Data Processing Centres
Montreal, Quebec; Toronto, Ontario; Calgary, Alberta

Research and Development Centre
Sheridan Park, Ontario

Exploration and Production
Headquarters: Calgary, Alberta
Operated gas plants: Gilby, Morrin-Ghost Pine, Nevis, Pincher Creek, Rimbey, Strachan and Swalwell, Alberta

Pipelines
Operated pipelines: Alberta Products, Gulf Alberta, Gulf Saskatchewan, Rimbey, Saskatoon, Shawinigan and Valley

Refineries
Point Tupper, Nova Scotia; Montreal East, Quebec; Clarkson, Ontario; Edmonton, Alberta; Kamloops and Port Moody, British Columbia

Asphalt Plants
Moose Jaw, Saskatchewan; Calgary, Alberta

Principal Affiliates (wholly-owned)
SERVICO LIMITED
Head Office: Quebec, Quebec
President: W. H. Griffin

SUPERIOR PROPANE LIMITED
Head Office: Toronto, Ontario
President: R. G. Samworth

Registrar
Canada Permanent Trust Company, Toronto

Transfer Agents
Canada Permanent Trust Company — Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, N.B., Charlottetown, Halifax, St. John's, Newfoundland

Registrar and Transfer Company — New York

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