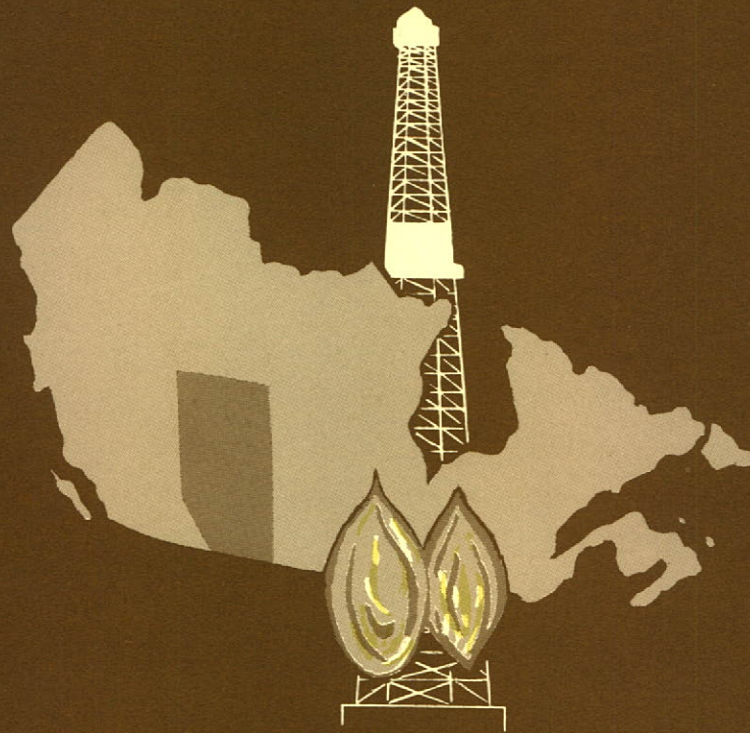


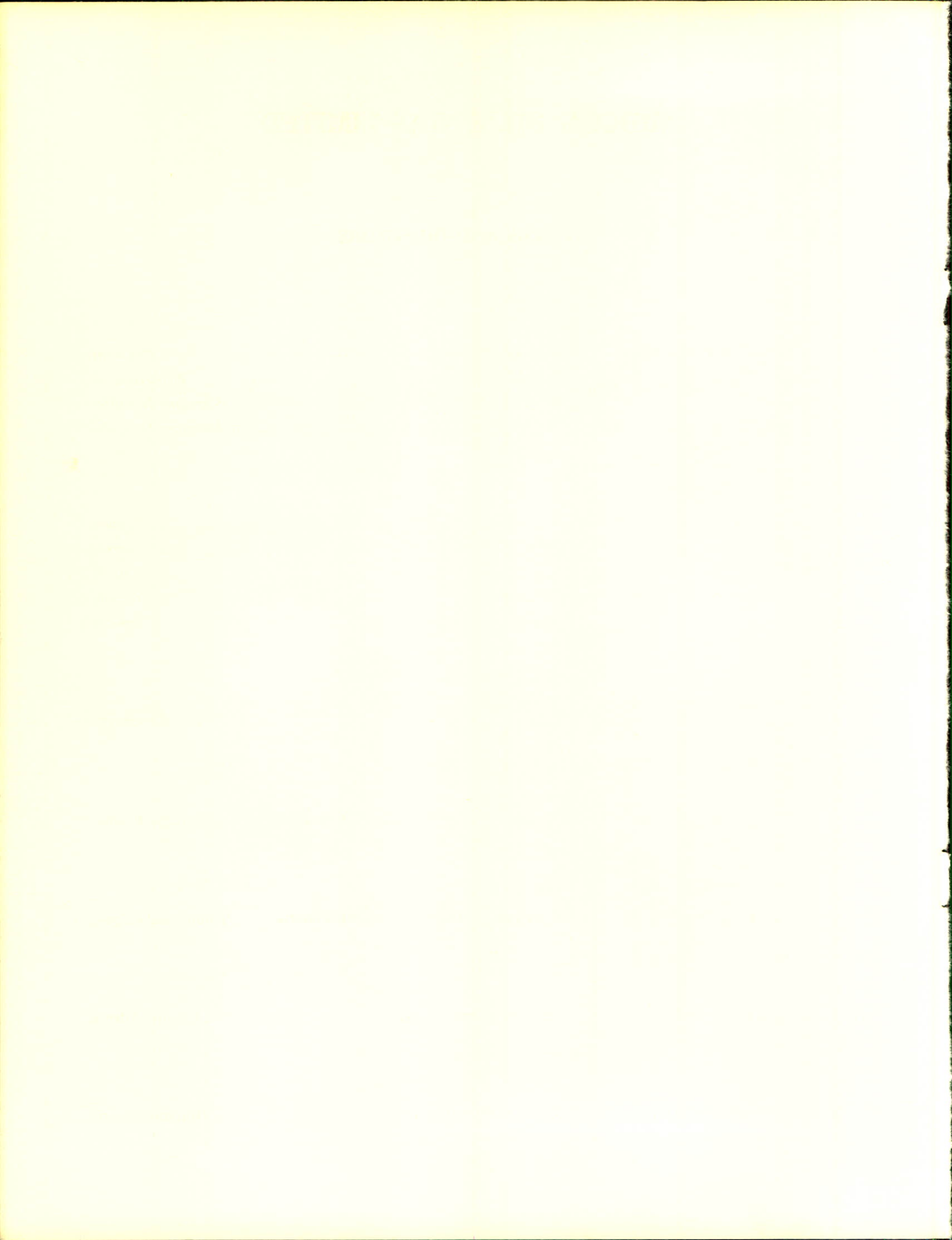
annual report
june 30, 1976



MIDCON OIL & GAS

LIMITED

HOWARD ROSS LIBRARY
DE MANAGEMENT
MAY 24 1977
MCGILL UNIVERSITY



MIDCON OIL & GAS LIMITED



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Midcon Oil & Gas Limited (the "Company") will be held at Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Wednesday, the 29th day of September, 1976, at the hour of 11:00 o'clock in the forenoon (Eastern Daylight Saving Time) for the following purposes:

1. To receive the consolidated balance sheet of the Company and its subsidiary as at March 31, 1976 and June 30, 1976 together with the statement of consolidated income and deficit, the consolidated statement of profit and loss and the consolidated statement of source and application of funds for the year ended March 31, 1976 and the three months ending June 30, 1976, together with the reports of the directors and the auditors on the said consolidated balance sheet and consolidated statements.
2. To elect directors.
3. To appoint auditors and to authorize the directors to fix their remuneration.
4. To transact such other business as may properly come before the said meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 1st day of September, 1976.

BY ORDER OF THE BOARD,

W. E. Rearden,
Secretary-Treasurer.

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by management of Midcon Oil & Gas Limited (hereinafter sometimes called the "Company") for use at the annual general meeting of shareholders of the Company to be held on Wednesday, the 29th day of September, 1976, at Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, Canada, for the purposes set forth in the foregoing notice of meeting.

RIGHT OF REVOCATION

A shareholder executing the enclosed proxy has the power to revoke it at any time before it is exercised.

PERSONS MAKING SOLICITATION AND METHOD THEREOF

The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The directors of the Company have resolved that the share transfer shall be closed after September 15, 1976 and no transfer of shares will be made until after September 29, 1976. Accordingly, only shareholders of record at the close of business on September 15, 1976, will be entitled to vote at the annual meeting. Each share of the Company is entitled to one vote. The Company has only one class of shares. At August 15, 1976, the Company had outstanding 4,300,000 shares without par value.

To the knowledge of the directors or senior officers of the Company, the following was at August 15, 1976, the only beneficial owner directly or indirectly of equity shares of the Company which carry more than 10% of the voting rights attached to all equity shares of the Company:

<u>Name of Shareholder</u>	<u>Approximate number of shares</u>	<u>Percentage of out- standing equity shares represented</u>
Yellowknife Bear Mines Limited	3,173,216	73.79%

ELECTION OF DIRECTORS

The shareholders will be asked at the annual general meeting to elect five (5) directors. The following are the names of the five persons for whom it is intended that votes will be cast for their election as directors pursuant to the proxy which is hereby solicited: Robert G. Price, C. W. Streit, J. Douglas Streit, William E. Rearden, and H. C. Kerr, Q.C.

The term of office for each director is from the date of the meeting at which he is elected until the annual general meeting next following or until his successor is elected or appointed. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees submitted herewith, it is intended that discretionary authority shall be granted to vote the shares represented by the proxy for the election of any other person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as a director if elected.

J. Douglas Streit is the President, R. G. Price is Vice-President, and W. E. Rearden is the Secretary-Treasurer of the Company at present.

INFORMATION CONCERNING NOMINEES AS DIRECTORS

<u>Name and Principal Occupation</u>	<u>Period(s) served as a Director</u>	<u>Shares beneficially owned directly or indirectly as of August 15, 1976</u>
C. W. STREIT, Executive	Since July, 1975	70,000
J. DOUGLAS STREIT, Consulting Geologist	Since July, 1957	125,853
WILLIAM E. REARDEN, Secretary	Since July, 1967	21,000
ROBERT G. PRICE, Petroleum Engineer	Since July, 1968	10
H. C. KERR, Q.C., Lawyer	Since June 8, 1973	5,000

All nominees have held the principal occupations indicated for more than the last five years.

REMUNERATION OF MANAGEMENT

During the fiscal year ended March 31, 1976 and the 3 months ending June 30, 1976, the aggregate direct remuneration paid by the Company and its subsidiary, whose financial statements are consolidated with those of the Company, to directors and senior officers was \$15,860.00. The Company paid \$7,618.63 during such fiscal year, and the 3 months ending June 30, 1976 by way of head office rental to a private company whereof J. Douglas Streit, C. William Streit and W. E. Rearden are officers, directors and shareholders.

APPOINTMENT OF AUDITORS

It is intended to vote the shares represented by the enclosed form of proxy to re-appoint the firm of McCormack, Parker, Chartered Accountants, of Toronto, the present auditors, as the auditors of the Company. They were first appointed auditors of the Company on July 27, 1966.

PARTICULARS OF MATTERS TO BE ACTED UPON AND DISCRETIONARY AUTHORITY

Management is not aware that any matters will be submitted to the forthcoming annual general meeting of shareholders other than the receipt and consideration of the aforesaid consolidated financial statements, the election of directors and the appointment of auditors, all as referred to in the foregoing notice of meeting. If any other matters not now known to management shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the shares represented by the enclosed form of proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy, and discretionary authority necessary in such event is conferred by any person completing the enclosed form of proxy.

MANNER OF VOTING PROXIES

The shares represented by proxies in the form enclosed will be voted, and will be voted in accordance with the statements made above. It is intended that the accompanying instrument of proxy, if signed, dated and returned to the Company prior to the meeting and completed in the names of the persons therein named, will be voted in the election of the board of directors and in favour of the appointment of auditors aforesaid, all as set forth above.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING AND IF USING THE ACCOMPANYING INSTRUMENT, MAY EXERCISE SUCH RIGHT BY INSERTING THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR. A SHAREHOLDER MAY SUBMIT ANY OTHER APPROPRIATE INSTRUMENT OF PROXY.

DATED September 1, 1976

Printed in Canada

MIDCON OIL & GAS LIMITED

OFFICERS AND DIRECTORS

OFFICERS

J. DOUGLAS STREIT *President*
R. G. PRICE *Vice-President*
W. E. REARDEN *Secretary-Treasurer*
T. P. FISCHER *Asst. Secretary-Treasurer*

DIRECTORS

H. C. KERR, Q.C. *Toronto*
C. W. STREIT *Toronto*
R. G. PRICE *Calgary*
W. E. REARDEN *Toronto*
J. DOUGLAS STREIT *Toronto*

AUDITORS

MCCORMACK, PARKER *Toronto, Ontario*

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE *Toronto, Ontario*

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA *Toronto and Calgary*

HEAD OFFICE

727 - 7TH AVENUE S.W. *Calgary, Alberta*

EXECUTIVE OFFICE

ROOM 1000, 360 BAY ST. *Toronto, Ontario*



Report of the Directors

To the Shareholders,

MIDCON OIL & GAS LIMITED.

Your Directors submit for your consideration the Annual Report of your Company with attached Financial Statements, Balance Sheet and Auditors' Report for the fiscal year ended March 31, 1976 and for the three month period ended June 30, 1976. The Report is submitted in this manner, in order to change the Company year end from March 31st, to June 30th, 1976, so that the next fiscal year will be July 1, 1976 to June 30, 1977.

GAS PRODUCTION OPERATIONS

The principal assets of Midcon Oil & Gas Limited are located in Southeastern Alberta in the area covered by Map #1.

They consist of the following:

1. A fifty percent interest in South Alberta Pipe Lines Limited.
2. Remaining recoverable pipeline natural gas reserves owned by Midcon in the area covered by Map #1, estimated as of July 1, 1976, to be as follows:

<u>Field</u>	<u>Midcon Shares of Reserves</u>
Etzikom	2.075 B.C.F.
7 Persons Creek	50.023 B.C.F.
Crowfoot Area	4.311 B.C.F.
Total	56.409 B.C.F.

The above reserves will be subject to sliding scale crown royalties on gas produced from crown lands (the higher the sales price, the higher the royalty) and to fixed royalty rates of from 12½% to 15% on gas produced from freehold leases.

South Alberta Pipelines Ltd., gathers, compresses and transports natural gas principally from gas wells owned by Midcon and by Pembina Pipelines Ltd. (the two 50-50 owners of South Alberta) to the City of Medicine Hat and to the Western Co-operative Fertilizers Limited, a fertilizer manufacturing plant in Medicine Hat.

Midcon sells natural gas under two long term contracts to the City of Medicine Hat and to Western Co-operative Fertilizers Ltd. Neither of our gas contracts contain a price re-negotiation clause, however, both customers urgently require additional gas supplies. In both cases we have advised them that we have substantial undeveloped gas reserves available, but that we cannot justify any further development drilling at present gas contract prices. We have also advised them that we are unable to even justify sufficient development drilling to maintain present gas production. Deliveries to the City have declined to less than 2 million feet per day compared to the 6.3 million they wish to purchase. The Western Co-op. are now also aware that they face a reduction in gas deliveries unless we spend additional funds to maintain existing production rates and we cannot justify such expenditures at existing gas contract prices.

We have had some discussions recently with both the City of Medicine Hat and the Western Co-op with regard to the possibility of either selling them our gas reserves or rewriting the present gas contracts to include a price re-negotiation clause, but so far with no concrete results. The gas supply squeeze on both the City and Western Co-op. will, we believe force both parties to re-negotiate the prices of our gas contracts to a competitive level, but failing this we have no alternative but to cease all development drilling and wait out the term of these contracts at steadily declining production rates. We believe our gas sales contracts do not require us to maintain production if it is not economic to do so, but our customers may test this in court.

For the year ended March 31, 1976 the Midcon share of natural gas sales to Western Co-operative Fertilizers (at 17.5 cents per MCF) and to the City (at 11.5 cents per MCF) totalled 1.45 BCF, or an average of 4 MCF per day. This was a decline in annual gas sales of about 10% from the previous year.

The average prices paid for natural gas in Alberta have escalated sharply in the past few years. Inter-Rock Oil Co. of Canada (a Midcon subsidiary) now receives about 97 cents per MCF for gas produced from the Nevis gas field and sold to TransCanada Pipelines Ltd.

During the past year, a system of "export bonuses" was instituted for all Alberta natural gas producers. Midcon now receives about 22 cents per MCF export bonus on all gas sold which has raised the total City gas price to about 33.5 cents per MCF and the Western Co-op. gas price to about 39.5 cents per MCF. An expected export bonus boost, plus a 1.5 cent per MCF escalation in both contract prices should raise these prices to about 40 cents per MCF for City gas sales and 46.0 cents per MCF for Western Co-op gas sales by January 1, 1977. This is a great improvement over the prices of 11.5 cents per MCF and 17.5 cents per MCF which Midcon was receiving one year ago, but is still far below present average Alberta gas prices of 95 cents per MCF and still further below projected average field prices of \$1.20 per MCF expected by January 1, 1977.

The Province of Alberta recently set up a task force to study the depressed prices under certain domestic gas sales contracts such as ours and to recommend ways to raise these prices to average Alberta gas prices. Alberta evidently has an agreement with the Federal Government which prevents any legislative action to overcome this problem until March 31, 1977, but we are hopeful that at that time our gas prices will be raised to average Alberta field prices.

SOUTH ALBERTA PIPE LINE LTD.

Map #1, shows the South Alberta Pipe Lines system including a 45 mile 10 inch line from the now largely depleted Etzikom gas field to the City of Medicine Hat. In South Eastern Alberta a few miles south of Etzikom Canadian Montana Power has a pipeline system which until two years ago collected and exported some 40 million cubic feet per day of gas to Montana. The original Montana Power export permit from the Canadian National Energy Board expired in May 1974 and today their exports from this area have been reduced to 10 million cubic feet per day under a temporary one year permit, which expires in May 1977. Montana Power have been warned by the Canadian National Energy Board to find other sources of supply to replace dwindling Canadian gas deliveries. It appears highly probable that within the next few years Canada will withdraw permission for further export of gas from South Eastern Alberta by Montana Power. When that happens the logical and only existing way to pipeline this gas reserve to Canadian Markets would be via our Etzikom pipeline, which could easily handle an additional 40 million feet of gas per day. If this situation does develop, Midcon can look forward to considerable additional utility earnings from its 50% ownership of South Alberta Pipe Lines Ltd.

NEW DEVELOPMENTS

At an Alberta Government Gas Licence Sale on March 18, 1976, Midcon purchased a 5% interest in a 21,441 acre natural gas licence located in the Parma Creek Area of Northern Alberta in Twp. 108, Range 23, W5M in partnership with Yellowknife Bear Mines Limited and Western Decalta Petroleum Ltd., Northern Development Company, Wintershall Oil of Canada and several other companies. The total cost of the Licence was \$359,677.80, so that Midcon's 5% share was just under \$18,000.00.

During the winter drilling season, starting next December when the muskeg in this area freezes over, we expect to drill some 10 to 20 (two thousand foot) deep gas wells on this Licence which is already offset by shallow gas production on all sides.

INTER-ROCK OIL CO. OF CANADA LIMITED

Inter-Rock owns a 0.28363% interest in the Nevis gas field and sells its Nevis gas production to TransCanada Pipelines Limited. The sales price of Inter-Rock gas will increase from its present 97 cents per MCF to about \$1.20 per MCF by January 1, 1977.

In addition to its Nevis gas interest, Inter-Rock also owns a 2.08333% interest in the Buffalo Lake Oilfield and a 12½% interest in 7 D-3 oilwells in the Erskine field.

Inter-Rock oil production income from these interests will benefit from a crude oil price increase of 1.05 cents per bbl. on July 1, 1976 and a further increase of 0.70 cents per bbl. on January 1, 1977, which will raise the total price to \$9.75 per bbl. by the beginning of next year.

Respectfully submitted,

On behalf of the Board of Directors

J. DOUGLAS STREIT,
President.

July 27, 1976.

Consolidated Balance Sheet - as at March 31, 1976

ASSETS

	<u>1976</u>	<u>1975</u>
CURRENT ASSETS		
Bank Balances and Interest Bearing Term Deposits	\$ 491,427	\$ 327,567
Sundry Receivables and Prepayments	103,418	52,793
	<u>594,845</u>	<u>380,360</u>
INVESTMENTS (Note 1)		
Yellowknife Bear Mines Ltd. - Shares at cost (Market value 1976, \$363,000; 1975, \$302,990)	507,747	503,359
South Alberta Pipe Lines Ltd. - Shares and Debentures on the equity basis	365,526	363,372
Northwest Nitro Chemicals Ltd. - Shares at cost	1	1
Other Shares - at cost less amounts written off	6,001	6,001
	<u>879,275</u>	<u>872,733</u>
Property, Plant and Equipment - at cost	1,876,937	1,848,067
Accumulated Depreciation, Depletion and Amortization	551,679	514,458
	<u>1,325,258</u>	<u>1,333,609</u>
OTHER ASSETS		
Deposits re: Performance of Work (Note 2)	3,505	3,505
	<u>\$2,802,883</u>	<u>\$2,590,207</u>

AUDITORS' REPORT

To the Shareholders,
MIDCON OIL & GAS LIMITED,

We have examined the consolidated balance sheet of Midcon Oil & Gas Limited and subsidiary company as at March 31, 1976 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

MIDCON OIL & GAS LIMITED

(Incorporated under the laws of the Province of Alberta)

LIABILITIES

	<u>1976</u>	<u>1975</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Charges	\$ 13,590	\$ 4,841
Income Taxes Payable	44,485	
	<u>58,075</u>	<u>4,841</u>
Deferred Income Taxes	123,250	62,000
Minority Interest	<u>171,574</u>	<u>152,309</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
AUTHORIZED		
5,000,000 Common Shares No Par Value		
ISSUED FULLY PAID		
4,300,000 Shares	3,353,505	3,353,505
Deficit	<u>903,521</u>	<u>982,448</u>
	<u>2,449,984</u>	<u>2,371,057</u>
	<u>\$2,802,883</u>	<u>\$2,590,207</u>

Approved on behalf of the Board

J. DOUGLAS STREIT, Director.
WILLIAM E. REARDEN, Director.

(See the accompanying notes to the financial statements)

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1976 and the results of their operations and the changes in their 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, Ontario
May 31, 1976

McCORMACK, PARKER
Chartered Accountants

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1976**

1. Accounting Policies

Principles of Consolidation

The accounts of the company and its subsidiary, Inter-Rock Oil Co. of Canada Limited are included in the financial statements. At March 31, 1976 the company owned 57.28% of the voting stock of Inter-Rock.

Investments

The investment in shares of Yellowknife Bear Mines Ltd. previously included in current assets has been re-classified as a long-term investment. The carrying value has been adjusted to cost. The 1975 accounts have been re-stated to reflect this adjustment in the amount of \$200,369.

The company owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited which owns and operates a gas pipeline in the Medicine Hat area of Alberta. The company also owns 50% of the issued and outstanding 5% First Mortgage Redeemable Sinking Fund Bonds of that company. Repayment of the balance of the principal of these bonds, which was due on May 1, 1966 has been postponed with the consent of the bond holders, Pembina Pipe Lines Limited and Midcon Oil & Gas Limited. This investment is now being accounted for on the equity basis. This results in a retroactive debit of \$145,602 to deficit as at March 31, 1974. The 1975 accounts have been re-stated to reflect the company's share of the 1975 income of South Alberta Pipe Lines Limited.

The company owns 21,500 common shares of Northwest Nitro-Chemicals Limited which company is controlled by Commercial Solvents Corporation. The investment is carried at cost which is not intended to reflect present or future values. The securities are not listed on a stock exchange and the market is therefore restricted to quotations in respect to unlisted securities which are not considered to be representative of market values.

Exploration and Development Costs

Exploration expenditures, non-productive development expenses, dry-hole costs and the carrying charges on properties are charged to expense. Property acquisition costs are capitalized.

Depreciation, Depletion and Amortization

Capitalized costs of oil and gas properties, and well costs are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Depreciation of other plant and equipment is based on the estimated service lives of the assets calculated on the diminishing balance method.

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 depreciation and other charges reflected in the statement of income rather than on the related amounts claimed in the company's tax returns.

A recalculation of deferred income taxes has resulted in a retroactive credit of \$415,651 to the deficit account as at March 31, 1974. The 1975 accounts have been re-stated to reflect an adjustment of \$38,756 in the 1975 provision for income taxes.

2. The company has a drilling deposit of \$3,505 with the Province of Alberta.
3. The aggregate direct remuneration paid to the directors and the senior officers of the company and its subsidiary in the year ended March 31, 1976 was \$10,760.

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1976

	1976	1975
Gross Oil and Gas Revenue	\$467,471	\$394,165
Deduct Royalties	59,089	39,715
	\$408,382	\$354,450
Well Supervision	6,600	6,600
	414,982	361,050
Deductions		
Production, Processing and Transportation Costs	168,113	172,851
Exploration Expense		750
General and Administrative Expense	63,199	58,318
	231,312	231,919
Operating Profit	183,670	129,131
Other Income		
Interest Earned	54,650	46,831
Dividends Received	11,960	9,748
Share of Profit - South Alberta Pipe Lines Ltd.	2,154	19,474
Profit on Sale of Fixed Asset	302	
	69,066	76,053
	252,736	205,184
Other Deductions		
Depreciation, Depletion and Amortization ...	41,623	39,991
Income Applicable to Minority Interest	23,494	37,980
Cost of purchase of additional interest in subsidiary in excess of book value	2,957	7,805
	68,074	85,776
	184,662	119,408
Provision for Income Taxes (includes deferred taxes of \$61,250 in 1976 and \$25,000 in 1975)	105,735	25,000
	78,927	94,408
Investments Written Off		10
Interest in leases and well costs written off		15,338
		15,348
Net Income for the Year	\$ 78,927	\$ 79,060
Earnings per share	1.8 cents	1.8 cents

(See the accompanying notes to the financial statements)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 1976**

1. Accounting Policies

Principles of Consolidation

The accounts of the company and its subsidiary, Inter-Rock Oil Co. of Canada Limited are included in the financial statements. At June 30, 1976 the company owned 57.57% of the voting stock of Inter-Rock.

Investments

The investment in the shares of Yellowknife Bear Mines Limited is classified as a long term investment and is carried at cost.

The company owns 50% of the issued and outstanding common shares of South Alberta Pipe Lines Limited which owns and operates a gas pipeline in the Medicine Hat area of Alberta. The company also owns 50% of the issued and outstanding 5% First Mortgage Redeemable Sinking Fund Bonds of that company. Repayment of the balance of the principal of these bonds, which was due on May 1, 1966 has been postponed with the consent of the bond holders, Pembina Pipe Lines Limited and Midcon Oil & Gas Limited. This investment is accounted for on the equity basis.

The company owns 21,500 common shares of Northwest Nitro Chemicals Limited which company is controlled by Commercial Solvents Corporation. The investment is carried at cost which is not intended to reflect present or future values. The securities are not listed on a stock exchange and the market is therefore restricted to quotations in respect to unlisted securities which are not considered to be representative of market values.

Exploration and Development Costs

Exploration expenditures, non-productive development expenses, dry-hole costs and the carrying charges on properties are charged to expense. Property acquisition costs are capitalized.

Depreciation, Depletion and Amortization

Capitalized costs of oil and gas properties, and well costs are charged against earnings on the unit-of-production method using estimated recoverable oil and gas reserves. Depreciation of other plant and equipment is based on the estimated service lives of the assets calculated on the diminishing balance method.

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 depreciation and other charges reflected in the statement of income rather than on the related amounts claimed in the company's tax returns.

2. The company has a drilling deposit of \$3,505 with the Province of Alberta.
3. The aggregate direct remuneration paid to the directors and the senior officers of the company and its subsidiary in the three months ended June 30, 1976 was \$5,100.00.

CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED JUNE 30, 1976

	<u>1976</u>	<u>1975</u> (Unaudited)
Gross Oil and Gas Revenue	\$223,349	\$89,250
Deduct Royalties	<u>32,037</u>	<u>11,728</u>
	\$191,312	\$77,522
Well Supervision	<u>1,650</u>	<u>1,650</u>
	192,962	79,172
Deductions		
Production, Processing and Transportation Costs	44,038	31,738
General and Administrative Expenses	<u>17,303</u>	<u>10,968</u>
	<u>61,341</u>	<u>42,706</u>
Operating Profit	131,621	36,466
Other Income		
Interest Earned	16,215	11,419
Dividends Received	6,000	5,960
Share of Profit - South Alberta Pipe Lines Limited	<u>576</u>	<u> </u>
	<u>22,791</u>	<u>17,379</u>
	154,412	53,845
Other Deductions		
Depreciation, Depletion and Amortization ...	9,061	9,360
Income applicable to Minority Interest	8,026	4,882
Cost of purchase of additional interest in subsidiary in excess of book value	<u>836</u>	<u>(67)</u>
	<u>17,923</u>	<u>14,175</u>
	136,489	39,670
Provision for Income Taxes (Includes deferred taxes of \$62,000 in 1976 and \$9,000 in 1975)	<u>74,500</u>	<u>17,000</u>
Net Income for the Three Months	61,989	22,670
Deficit - March 31	903,521	982,448
Deficit - June 30	<u>\$841,532</u>	<u>\$959,778</u>
Earnings per share	1.4 cents	.5 cents

(See the accompanying notes to the financial statements)

**CONSOLIDATED STATEMENT OF GENERAL AND
ADMINISTRATIVE EXPENSES
FOR THE THREE MONTHS ENDED JUNE 30, 1976**

	<u>1976</u>	<u>1975</u>
Head Office Services and Rent	\$ 3,120	(Unaudited) \$ 3,286
Salaries	1,600	600
Canada Pension Plan	62	13
Unemployment Insurance	62	12
Directors' Fees	3,500	1,300
Secretarial Fees and Administrative Services	4,165	4,165
Telephone and Telegraph	541	303
Travelling Expenses	301	(981)
Legal and Audit Fees	1,725	100
Reports to Shareholders	2	478
Transfer Agents' Fees and Expenses	1,060	953
Miscellaneous	1,156	733
Bank Charges	9	6
	<u>\$17,303</u>	<u>\$10,968</u>

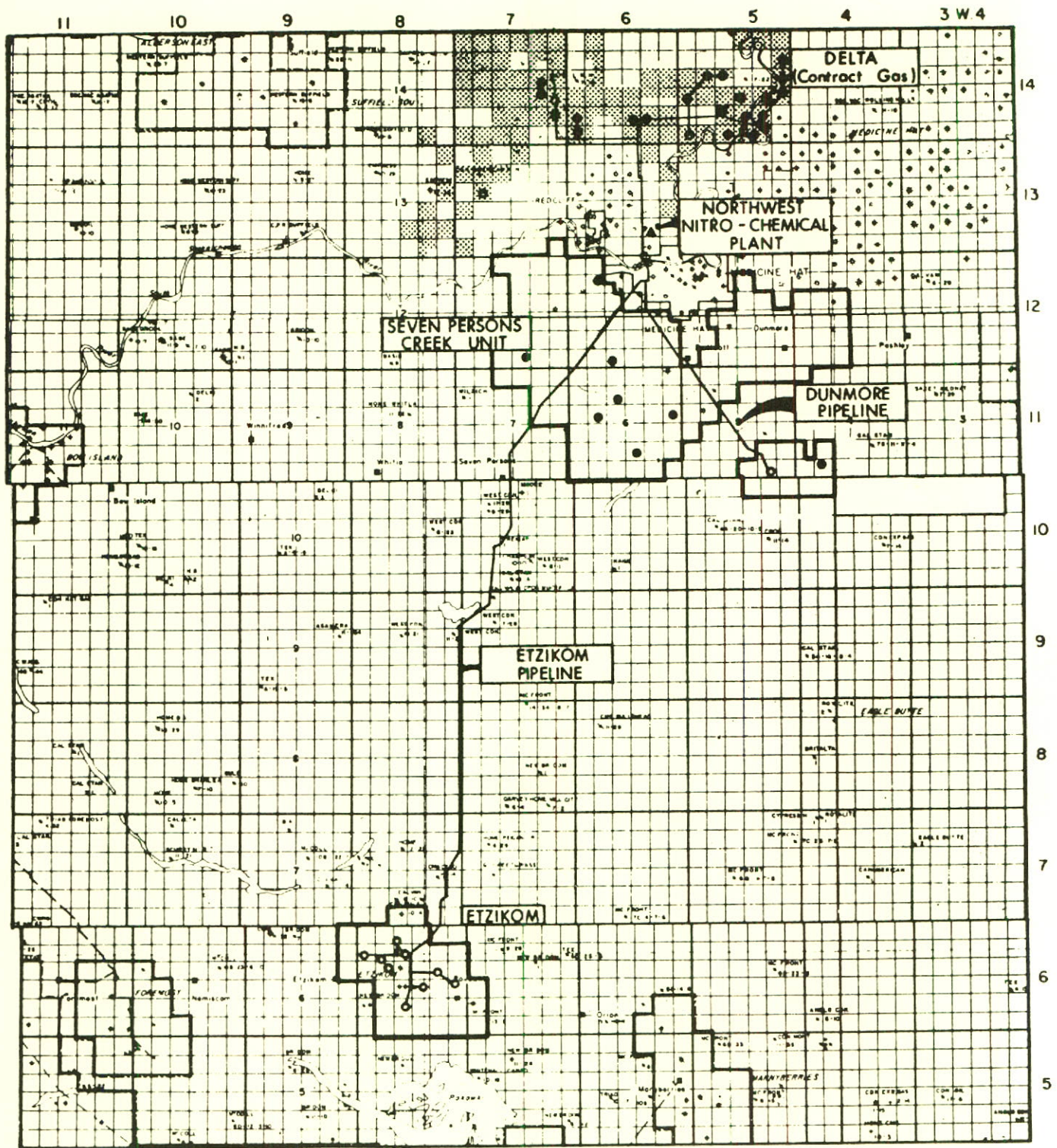
(See the accompanying notes to the financial statements)

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE THREE MONTHS ENDED JUNE 30, 1976

	<u>1976</u>	<u>1975</u> (Unaudited)
Source of Funds		
Funds from Operations*	\$139,335	\$ 45,497
Use of Funds		
Purchase of Investments		4,387
Additions to Property, Plant and Equipment	250	180
	<u>250</u>	<u>4,567</u>
Increase in Working Capital	<u>139,085</u>	<u>40,930</u>
Working Capital Changes		
Increase (Decrease) in current assets		
Bank Balances and Interest-bearing Deposits	168,371	62,827
Sundry Receivables and Prepayments	(18,507)	(12,118)
	<u>149,864</u>	<u>50,709</u>
Deduct		
Increase (Decrease) in current liabilities		
Accounts Payable and Accrued Charges	(1,721)	1,779
Income Taxes Payable	12,500	8,000
	<u>10,779</u>	<u>9,779</u>
Increase in working capital	139,085	40,930
Working Capital, beginning of the period	<u>536,770</u>	<u>375,519</u>
Working Capital, end of the period	<u>\$675,855</u>	<u>\$416,449</u>

*Net Income adjusted for charges or credits not affecting working capital.

(See the accompanying notes to the financial statements)



MIDCON HOLDINGS

OWNED INTERESTS

ETZIKOM PIPELINE	50%
DUNMORE PIPELINE	50%
ETZIKOM GAS FIELD	40%
SEVEN PERSONS CREEK UNIT	42.48%

CONTRACT INTEREST

DELTA GAS CONTRACT	50%
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MIDCON OIL & GAS LIMITED

HOLDINGS IN

ETZIKOM - MEDICINE HAT AREA

