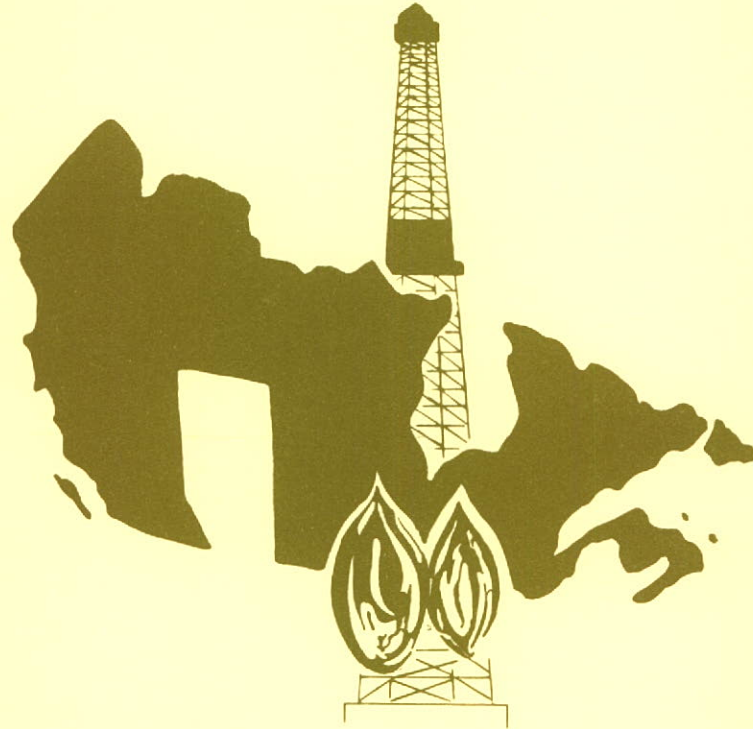


annual report

june 30, 1977



MIDCON  
OIL & GAS

LIMITED

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# MIDCON OIL & GAS LIMITED

## OFFICERS AND DIRECTORS

|                  |   |
|------------------|---|
| OFFICERS         | J. DOUGLAS STREIT..... <i>President</i><br>R. G. PRICE..... <i>Vice-President</i><br>W. E. REARDEN..... <i>Secretary-Treasurer</i><br>T. P. FISCHER..... <i>Asst. Secretary-Treasurer</i> |
| DIRECTORS        | H. C. KERR, Q.C..... <i>Toronto</i><br>C. W. STREIT..... <i>Toronto</i><br>R. G. PRICE..... <i>Calgary</i><br>W. E. REARDEN..... <i>Toronto</i><br>J. DOUGLAS STREIT..... <i>Toronto</i>  |
| AUDITORS         | MCCORMACK, PARKER..... <i>Toronto, Ontario</i>  |
| BANKERS          | CANADIAN IMPERIAL BANK OF COMMERCE..... <i>Toronto, Ontario</i>   |
| TRANSFER AGENTS  | GUARANTY TRUST COMPANY OF CANADA..... <i>Toronto and Calgary</i>  |
| HEAD OFFICE      | 717 - 7TH AVENUE S.W. .... <i>Calgary, Alberta T2P 0Z3</i>  |
| EXECUTIVE OFFICE | ROOM 1000, 360 BAY ST. .... <i>Toronto, Ontario M5H 2W3</i>   |



## 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 June 30th, 1977.

### GAS PRODUCTION OPERATIONS

The principal assets of Midcon 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 natural gas reserves owned by Midcon in the area covered by Map #1 estimated as of July 1, 1977 to be as follows:

| <u>Field</u>                              | <u>Midcon Shares of Reserves</u> |
|---|----------------------------------|
| Etzikom .....                             | 1.861 B.C.F.                     |
| 7 Persons Unit (Medicine Hat Field) ..... | 48.880 B.C.F.                    |
| Crowfoot Area (Medicine Hat Field) .....  | 4.039 B.C.F.                     |
| Total .....                               | 54.780 B.C.F.                    |

The above reserves will be subject to sliding scale crown royalties (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.

Midcon sells natural gas under two long term contracts to the City of Medicine Hat and to Western Co-operative Fertilizers Ltd. For the year ended June 30th, 1977, the Midcon share of natural gas sales to Western Co-operative Fertilizers Ltd. (at 18.5 cents/M.C.F. from October 1st, 1976) and to the City (at 13 cents/M.C.F.) totalled 1.648/B.C.F. or an average of 4.5 million cubic feet per day.

The Alberta Government has instituted a system of "export bonuses" for all Alberta natural gas producers. Midcon now receives about 26 cents/M.C.F. export bonus on all gas sold which has raised the total City gas price to about 39 cents/M.C.F. and the Western Co-operative gas price to about 44.5 cents per M.C.F. A further slight increase in export bonus is expected in September 1977 when new higher export prices for Canadian natural gas go into effect.

The average price paid for natural gas in Alberta has escalated sharply in the last few years. Inter-Rock Oil Co. of Canada Ltd. (a Midcon subsidiary) now receives about \$1.33 per M.C.F. for gas produced from the Nevis gas field and sold to Trans-Canada Pipelines Ltd. for export from Alberta. This is about the average field price for Alberta gas.

Several years ago the Alberta Provincial Government by withholding permission for additional gas export from the province forced gas exporters such as Trans-Canada Pipelines to renegotiate all fixed price gas contracts and substantially increase gas prices but no such action was taken on intra-Provincial gas contracts. Midcon is therefore still suffering under low priced gas sales contracts with no price renegotiation clause.

Midcon management is taking all possible steps to attempt to rectify this situation.

We have currently before the Supreme Court of Alberta, an application for an interpretation of our gas contract with the City of Medicine Hat. If successful, we should be able to stop all further development of City gas reserves on economic grounds and fairly quickly substantially reduce gas deliveries to the City.

Midcon has also been attempting to renegotiate the contract price with Western Co-operative Fertilizers Limited but to date without success. Our gas reserves, however, are dedicated only to that particular fertilizer plant which is an old plant, small by today's standards and which manufactures fertilizers not now in great demand. We have reason to believe that even with low priced gas supplies, the plant may be becoming uneconomic.

The gas reserves owned by Midcon are capable of producing gas at a much higher rate than is now the case. Obviously, if we are able to renegotiate our gas contracts to attain average provincial gas prices and then increase our rate of gas production, we could increase Midcon gas production income very substantially.

#### **EXPLORATION AND DEVELOPMENT**

Midcon management believes we will obtain relief from our low priced gas sales contracts within the next year and on this basis during the past year we have participated to the extent of 42.48% in the drilling of 19 successful development gas wells in the 7 Persons Unit in the Medicine Hat gas field. These wells have not yet been placed on production but could quickly be tied in if higher gas prices were available.

Midcon and its subsidiary Inter-Rock Oil Co. of Canada Limited purchased a 50% interest in two Petroleum Licenses last year adjacent to the South Alberta Pipeline south of Medicine Hat as shown on Map #1.

On the Murray Lake license (5760 acres) we have this year drilled one natural gas discovery well and one new heavy oil discovery well which has just been placed on production. Further follow up oil development drilling will be delayed until we have some oil production history from the discovery well. One dry hole was drilled on the Peigan Creek License (5120 acres).

In the Parma Creek area of Northwestern Alberta, Midcon holds a 5% interest in a 21,441 acre natural gas license on which we drilled three successful shallow natural gas wells last winter. These wells indicate at least the major portion of this reservation should be gas productive. Further drilling in this area, however, will have to await development of a market for this gas.

**SOUTH ALBERTA PIPE LINES LTD.**

Midcon owns a 50% interest in South Alberta Pipe Lines Ltd. Map #1 shows the South Alberta Pipe Lines system including a 45 mile, ten inch diameter, main transmission line from the now largely depleted Etzikom gas field to the City of Medicine Hat. Until 1976 this system was used exclusively to gather and transmit gas reserves of its owners, Midcon and Pembina Pipe Lines Ltd.

During the past few years, substantial new gas discoveries have been made south of Medicine Hat, close to the South Alberta Pipe Line. As a result, South Alberta has now gone into the gas transmission business and has extended its pipeline north to tie in to the Alberta Gas Truck Line (A.G.T.L.) provincial grid. South Alberta has now contracted to transmit gas for producers such as Telstar, Great Basins, Bow Valley, etc. We expect to be carrying up to 25 million cubic feet a day of contract gas by November 1, 1977 and by upgrading the pressure rating and adding compression, South Alberta throughout, could be increased to 60 million cubic feet per day. We are now charging a flat 6 cents/M.C.F. "postage stamp" rate for all gas transmitted through this pipeline. Prospects for additional gas transmission contracts through this line appear good and our 50% interest in South Alberta Pipelines Ltd. should soon become a significant revenue producer for Midcon.

**INTER-ROCK OIL CO. OF CANADA LIMITED**

Midcon owns a 59.07% interest in this company which is operated by Midcon management.

Inter-Rock owns a 0.28363% interest in the Nevis Gas field and sells its Nevis Gas Production to Trans-Canada Pipelines Ltd. The sales price of this Nevis gas increased from \$1.16/M.C.F. to \$1.33/M.C.F. on August 1, 1977 and a further gas price increase is expected February 1, 1978. 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 the seven D-3 oilwells in the Erskine field.

Inter-Rock holds an 11.11% interest in the Hunt-Inter-Rock 3-27 capped D-3 gas well located between the Buffalo Lake oilfield and the Nevis Gas field. We have recently arranged to build a gas pipeline from Buffalo Lake to Nevis to pick up gas from our 3-27 well which we hope to place on production late this year.

Respectfully submitted,

On behalf of the Board of Directors

J DOUGLAS STREIT,  
President.

August 23, 1977.

## Consolidated Balance Sheet - as at June 30, 1977

## ASSETS

|  | 1977               | 1976               |
|--|--------------------|--------------------|
| CURRENT ASSETS   |                    |                    |
| Bank Balances and Interest Bearing Term Deposits .....   | \$ 210,968         | \$ 659,798         |
| Sundry Receivables and Prepayments .....   | <u>144,551</u>     | <u>84,911</u>      |
|  | <u>355,519</u>     | <u>744,709</u>     |
| INVESTMENT (Note 1)  |                    |                    |
| Yellowknife Bear Mines Limited - Shares at cost<br>(Market value 1977, \$600,000; 1976, \$427,500) ..... | 507,747            | 507,747            |
| South Alberta Pipelines Ltd. - Shares and<br>debentures on the equity basis .....                        | 510,745            | 366,102            |
| Northwest Nitro Chemicals Ltd. - Shares at cost .....  |                    | 1                  |
| Other Shares - at cost less amounts written off .....  | <u>6,001</u>       | <u>6,001</u>       |
|  | <u>1,024,493</u>   | <u>879,851</u>     |
| Property, Plant and Equipment - at cost .....  | 2,966,852          | 1,877,187          |
| Accumulated Depreciation, Depletion and Amortization .....   | <u>690,433</u>     | <u>560,740</u>     |
|  | <u>2,276,419</u>   | <u>1,316,447</u>   |
| OTHER ASSETS   |                    |                    |
| Deposits re: performance of work (Note 2) .....  | 3,505              | 3,505              |
|  | <u>\$3,659,936</u> | <u>\$2,944,512</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 June 30, 1977 and the consolidated statements of income and deficit 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.



MIDCON OIL & GAS LIMITED

(Incorporated under the laws of the Province of Alberta)

**LIABILITIES**

|  | 1977               | 1976               |
|--|--------------------|--------------------|
| <b>CURRENT LIABILITIES</b>                 |                    |                    |
| Accounts Payable and Accrued Charges ..... | \$ 73,364          | \$ 11,869          |
| Bank Loan .....                            | 25,000             |                    |
| Income Taxes Payable .....                 | 570                | 56,985             |
|  | <u>98,934</u>      | <u>68,854</u>      |
| Deferred Income Taxes .....                | 427,000            | 185,250            |
| Minority Interest .....                    | <u>190,776</u>     | <u>178,435</u>     |
| <br>                                       |                    |                    |
| <b>SHAREHOLDERS' EQUITY</b>                |                    |                    |
| CAPITAL STOCK                              |                    |                    |
| AUTHORIZED                                 |                    |                    |
| 5,000,000 Common Shares no Par Value       |                    |                    |
| ISSUED FULLY PAID                          |                    |                    |
| 4,300,000 Shares .....                     | 3,353,505          | 3,353,505          |
| <b>Deficit</b> .....                       | <u>410,279</u>     | <u>841,532</u>     |
|  | <u>2,943,226</u>   | <u>2,511,973</u>   |
|  | <u>\$3,659,936</u> | <u>\$2,944,512</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 June 30, 1977 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  
July 28, 1977

McCORMACK, PARKER  
Chartered Accountants

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1977**

**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, 1977 the company owned 59.07% 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. South Alberta Pipe Lines Limited changed its method of calculating depreciation of fixed assets effective April 1, 1976 with the result that the company's interest in the equity at that date was increased by \$232,770. This resulted in a retroactive adjustment to deficit at June 30, 1976. The interest of this company in the equity of South Alberta based on the audited financial statements of that company as at March 31, 1977 amounted to \$191,245. The company also holds \$355,000 5% first mortgage bonds of South Alberta at a cost of \$319,500.

*Exploration and Development Costs*

Exploration expenditures, non-productive development expenses, dry-hold 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 that 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 year ended June 30, 1977 was \$44,450.

**CONSOLIDATED STATEMENT OF INCOME AND DEFICIT**  
**FOR THE YEAR ENDED JUNE 30, 1977**

|   | 1977             | 1976             |
|---|------------------|------------------|
| Gross Oil and Gas Revenue .....   | \$934,101        | \$601,570        |
| Deduct Royalties .....  | <u>144,731</u>   | <u>79,398</u>    |
|   | \$789,370        | \$522,172        |
| Well Supervision .....  | 6,600            | 6,600            |
|   | <u>795,970</u>   | <u>528,772</u>   |
| <b>Deductions</b>   |                  |                  |
| Production, Processing and<br>Transportation Costs .....  | 195,055          | 180,413          |
| General and Administrative Expenses .....   | <u>114,457</u>   | <u>69,534</u>    |
|   | 309,512          | 249,947          |
| <b>Operating Profit</b> .....   | 486,458          | 278,825          |
| <b>Other Income</b>   |                  |                  |
| Interest Earned .....   | 54,569           | 59,446           |
| Dividends Received .....  | 12,000           | 12,000           |
| Share of Profit - South Alberta<br>Pipe Lines Limited .....   | 1,873            | 1,500            |
| Profit on Sale of Investments .....   | 30,958           |                  |
| Profit on Sale of Fixed Assets .....  |                  | <u>302</u>       |
|   | <u>99,400</u>    | <u>73,248</u>    |
|   | 585,858          | 352,073          |
| <b>Other Deductions</b>   |                  |                  |
| Depreciation, Depletion and Amortization ...  | 129,691          | 41,324           |
| Income applicable to Minority Interests .....   | 18,650           | 26,638           |
| Cost of purchase of additional interest in<br>subsidiary in excess of book value .....                      | <u>4,020</u>     | <u>3,860</u>     |
|   | 152,361          | 71,822           |
|   | <u>433,497</u>   | <u>280,251</u>   |
| Provision for Income Taxes<br>(Includes deferred taxes of \$241,750 in 1977<br>and \$114,250 in 1976) ..... | <u>235,014</u>   | <u>163,235</u>   |
| Net Income for the Year .....   | 198,483          | 117,016          |
| Deficit, beginning of the year .....  | 841,532          | 958,548          |
| <b>Deduct:</b> Adjustment of Investment in South<br>Alberta Pipe Lines Limited (Note 1) .....               | <u>232,770</u>   |                  |
| Restated Deficit, beginning of the year .....   | 608,762          | 958,548          |
| Deficit, end of the year .....  | <u>\$410,279</u> | <u>\$841,532</u> |
| Earnings per share .....  | 4.6 cents        | 2.7 cents        |

(See the accompanying notes to the financial statements.)

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 1977**

|  | 1977             | 1976             |
|--|------------------|------------------|
| <b>Source of Funds</b>   |                  |                  |
| Funds from operations* .....   | <u>\$670,395</u> | <u>\$292,749</u> |
| <b>Use of Funds</b>  |                  |                  |
| Purchase of Interest in Petroleum and<br>Natural Gas Leases and Rights ..... | 266,473          | 21,325           |
| Well Development and Equipment Expenditures .....                            | <u>823,192</u>   | <u>12,018</u>    |
|  | 1,089,665        | 33,343           |
| Increase (Decrease) in working capital .....                                 | <u>(419,270)</u> | <u>259,406</u>   |
| <b>Working Capital Changes</b>   |                  |                  |
| Increase (Decrease) in current assets  |                  |                  |
| Bank balances and interest bearing deposits .....                            | (448,830)        | 269,404          |
| Sundry receivables and prepayments .....                                     | <u>59,640</u>    | <u>44,236</u>    |
|  | <u>(389,190)</u> | <u>313,640</u>   |
| <b>Deduct</b>  |                  |                  |
| Increase (Decrease) in current liabilities                                   |                  |                  |
| Accounts payable and accrued charges .....                                   | 61,495           | 5,249            |
| Bank loan .....  | 25,000           |                  |
| Income taxes payable .....   | <u>(56,415)</u>  | <u>48,985</u>    |
|  | <u>30,080</u>    | <u>54,234</u>    |
| Increase (Decrease) in working capital .....                                 | (419,270)        | 259,406          |
| Working Capital, beginning of the year .....                                 | <u>675,855</u>   | <u>416,449</u>   |
| Working Capital, end of the year .....                                       | <u>\$256,585</u> | <u>\$675,855</u> |

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

(See the accompanying notes to the financial statements.)

**CONSOLIDATED STATEMENT OF GENERAL AND  
ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED JUNE 30, 1977**

|  | 1977             | 1976             |
|--|------------------|------------------|
| Head Office Services and Rent .....                | \$ 12,480        | \$ 12,658        |
| Salaries .....                                     | 22,534           | 5,810            |
| Canada Pension Plan .....                          | 549              | 165              |
| Unemployment Insurance .....                       | 609              | 135              |
| Directors' Fees and Salaries .....                 | 22,500           | 8,150            |
| Secretarial Fees and Administrative Services ..... | 14,262           | 15,762           |
| Telephone and Telegraph .....                      | 1,084            | 1,571            |
| Travelling Expenses .....                          | 859              | 1,601            |
| Legal and Audit Fees .....                         | 15,744           | 10,533           |
| Reports to Shareholders .....                      | 6,737            | 3,569            |
| Share Certificates .....                           | 504              |                  |
| Transfer Agents' Fees and Expenses .....           | 5,407            | 5,708            |
| Miscellaneous .....                                | 8,254            | 3,751            |
| Bank Charges and Interest .....                    | 2,934            | 121              |
|  | <u>\$114,457</u> | <u>\$ 69,534</u> |

(See the accompanying notes to the financial statements.)

A. G. T. L.  
LINE


1.5 MILE  
EXTENSION  
5.5 MILE  
LOOP

CITY OF  
MEDICINE HAT


GREAT BASINS  
LATERAL LINE


DUNMORE  
LINE

LEGEND


 Pembina/Midcon

 Telstar

 Bow Valley

 Ashland

 J. S. E.

 Great Basins

TELSTAR  
TIE-IN

MURRAY LAKE  
LICENCE

BOW VALLEY OWNED  
6" LATERAL LINE

PEIGAN CREEK  
LICENCE

ETZIKOM  
COMPRESSOR STN.

GATHERING  
FACILITIES

SOUTH ALBERTA  
PIPE LINES LTD.  
PIPE LINE SYSTEM

MIDCON OIL & GAS LIMITED

Notice of Annual and General Meeting  
of Shareholders

TAKE NOTICE that the annual and general meeting of the shareholders of MIDCON OIL & GAS LIMITED (the "Company") will be held at the Hotel Toronto, Toronto, Ontario, on Monday, the 17th day of October, 1977, at the hour of 11:00 o'clock in the forenoon, Toronto time, for the following purposes:

1. to receive and consider the Annual Report including the report of the directors and the financial statements of the Company for the fiscal year ended June 30, 1977 together with the report of the auditors thereon,
2. to elect directors,
3. to appoint auditors and to authorize the directors to fix their remuneration,
4. to consider and, if thought fit, to pass a special resolution authorizing the Company to apply for a certificate of continuance under the Canada Business Corporations Act,
5. to consider and, if thought fit, to pass a by-law in the form of by-law 100 accompanying this notice as a by-law of the Company,
6. to consider and, if thought fit, to pass a by-law in the form of by-law 101 accompanying this notice as a by-law of the Company, and
7. to transact all other business which may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the above mentioned financial statements, special resolution and by-laws and an Information Circular are enclosed. Shareholders who are unable to be present in person are requested to fill in, sign, date and return the accompanying form of proxy in the envelope provided for that purpose.

DATED at Toronto, Ontario, this 23rd day of September, 1977.

BY ORDER OF THE BOARD,

W. E. Rearden,  
Secretary-Treasurer.





MIDCON OIL & GAS LIMITED

INFORMATION CIRCULAR

as of September 23, 1977

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Midcon Oil & Gas Limited (the "Company") of proxies to be used at the meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the foregoing notice of meeting. 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. The cost of such solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are presently directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY INSERTING THE NAME OF SUCH PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND STRIKING OUT THE NAMES OF THE PERSONS SPECIFIED OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE SECRETARY OF THE COMPANY.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been taken pursuant to the authority conferred by such proxy, by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting, or adjournment thereof.

#### EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE APPOINTMENT OF AUDITORS AND AUTHORIZATION OF THE DIRECTORS TO FIX THE AUDITORS' REMUNERATION, FOR THE PASSAGE OF THE SPECIAL RESOLUTION, FOR THE PASSAGE OF BY-LAW 100 AND FOR THE PASSAGE OF BY-LAW 101, AS SET OUT UNDER THOSE HEADINGS IN THIS CIRCULAR.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of the meeting and with respect to other matters which may properly come before the meeting. At the time of mailing this circular, the management of the Company knows of no such amendment, variation or other matters to come before the meeting other than the matters referred to in the notice of the meeting but if any such matter should come before the meeting the shares in respect of which a proxy has been delivered will be voted in accordance with the best judgment of the person voting it.

#### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company has outstanding 4,300,000 common shares without par value, each entitled to one vote.

To the knowledge of the directors and senior officers of the Company, the only person or company who beneficially owns, directly or indirectly, more than 10% of the shares of the Company is Yellowknife Bear Mines Limited, 360 Bay Street, Toronto, Ontario which owns of record and beneficially 3,173,216 (73.8%) of the outstanding common shares of the Company.

#### ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the election, as directors, of the nominees whose names are set forth below. Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is otherwise

duly elected in accordance with the by-laws of the Company.

| Name and Principal Occupation              | Positions and Offices with the Company | Became Director | Shares Beneficially Owned |
|--|--|-----------------|---------------------------|
| J. Douglas Streit<br>Pro. Eng. - Geologist | President and Director                 | July , 1957     | 125,853                   |
| Robert G. Price<br>Petroleum Engineer      | Vice President and Director            | July , 1968     | 10                        |
| William E. Rearden<br>Company Executive    | Secretary-Treasurer and Director       | July , 1967     | 21,000                    |
| C. William Streit<br>Company Executive     | Director                               | July , 1975     | 70,000                    |
| H. C. Kerr, Q.C.<br>Lawyer                 | Director                               | June , 1973     | nil (Note 1)              |

Note 1 - 5,000 shares registered in the name of Mr. Kerr are held by a corporation owned by trusts for his children.

All nominees have held the principal occupations indicated for more than the last 5 years.

#### REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers of the Company during the last completed fiscal year was . . . . . \$ 45,034.00

Note: During the last completed fiscal year the Company and its subsidiary paid \$ 12,480.00 for head office rental and secretarial fees to a private company of which J. Douglas Streit and C. William Streit (two of the directors of the Company) are officers, directors and shareholders.

#### APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of McCormack, Parker, Chartered Accountants, Toronto, as auditors of the Company. They or their predecessor firms have been auditors of the Company for more than the past 5 years.

## SPECIAL RESOLUTION

The purpose of the special resolution is to authorize an application pursuant to section 181 of the Canada Business Corporations Act for a certificate of continuance under that Act and to replace the Memorandum of Association of the Company with the Articles of Continuance referred to in the special resolution. The special resolution will change the Company from an Alberta company which is now subject to The Companies Act (Alberta), as amended, to a Federal corporation which will be subject to the Canada Business Corporations Act. Management considers this change desirable in view of the newly enacted provisions of The Companies Act (Alberta) which would require that at least half of the directors of the Company be resident Albertans and that no business of the Company be transacted at a meeting of the board of directors unless at least half of the members of the board of directors present at that meeting are resident Albertans. The effect of these provisions would involve substantial costs to the Company for consequent travelling expenses. The Company has obtained a ruling under the Income Tax Act (Canada) to the effect that the continuation of the Company under the Canada Business Corporations Act will not result in

- (a) a disposition of the assets of the Company, nor
- (b) a disposition by the shareholders of their shares in the Company.

Passage of the special resolution requires a majority of not less than 3/4 of the votes cast by the shareholders who vote in respect of the special resolution.

### BY-LAW 100

By-law 100 relates generally to the business and affairs of the Company and repeals all other prior similar by-laws of the Company. Management considers this by-law necessary in order to fully implement the continuance of the Company under the Canada Business Corporations Act. Passage of by-law 100 requires a majority of 3/4 of the votes cast by the shareholders who vote in respect of by-law 100.

### BY-LAW 101

By-law 101 relates to the borrowing of money, the issuing of debt obligations and the securing of liabilities of the Company, all as provided in the Canada Business Corporations Act. Passage of by-law 101 requires a majority of not less than 3/4 of the votes cast by the shareholders who vote in respect of by-law 101.

### PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

Management knows of no matters to come before the meeting other than those referred to in the notice of the meeting. Receipt at the meeting of reports of the directors and auditors of the Company and the Company's financial statements will not constitute approval or disapproval of any matters referred to therein.

MIDCON OIL & GAS LIMITED

SPECIAL RESOLUTION

WHEREAS the Company was incorporated on September 17, 1942 by Memorandum of Association and is now subject to The Companies Act (Alberta), as amended;

RESOLVED as a special resolution that the directors be and they are hereby authorized to apply under section 181 of the Canada Business Corporations Act for a certificate of continuance and, in connection therewith, to file Articles of Continuance in the form on the reverse hereof.

PASSED by the directors on August 26, 1977.

"J. D. Streit"  
President

"W. E. Rearden"  
Secretary-Treasurer

ARTICLES OF CONTINUANCE

1. Name of Corporation:  
MIDCON OIL & GAS LIMITED
  
2. The place in Canada where the registered office is to be situated:  
Municipality of Metropolitan Toronto,  
Ontario
  
3. The classes and any maximum number of shares that the Corporation is authorized to issue:  
Common shares without nominal or par value
  
4. Restrictions if any on share transfers:  
None
  
5. Number (or minimum and maximum number) of directors:  
The board of directors shall consist of a minimum of 3 and a maximum of 7 directors.
  
6. Restrictions, if any, on businesses the Corporation may carry on:  
None
  
7. Other provisions, if any:  
None

| Date   | Signature | Description of Office |
|--------|-----------|-----------------------|
| , 1977 |           | Secretary-Treasurer   |

BY-LAW NO. 101

A by-law relating generally to  
the regulation of the business  
and affairs of

MIDCON OIL & GAS LIMITED

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BE IT ENACTED as a by-law of this Corporation as follows:

## SECTION I

### INTERPRETATION

1.01 Definitions - The terms used in this by-law and all other by-laws and resolutions of the Corporation, unless the context otherwise requires, have the same meaning as those used in the Act, except that

"Act" means the Canada Business Corporations Act and any act that may be substituted therefor, as from time to time amended;

"board" means the board of directors of the Corporation;

"by-law" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" includes an annual or special meeting of shareholders, and "meeting of shareholders" includes a meeting of any class or classes of shareholders;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the Interpretation Act, and any act that may be substituted therefor, as from time to time amended;

"recorded address" means, in the case of a shareholder, his address as recorded in the register of shareholders and, in the case of a director, officer, auditor or member of a committee of the board, his address as recorded in the records of the Corporation; and

"signing officer" means, in relation to any instrument, any person authorized by this by-law or by a resolution of directors to sign the same on behalf of the Corporation.

Words importing the singular number include the plural and vice versa, words importing the masculine gender include the feminine and neuter genders and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

1.02 Headings - The headings of sections and paragraphs in this by-law and all other by-laws and resolutions of the Corporation shall be used for convenience of reference only and shall not be referred to for the purpose of interpretation.

## SECTION II

### BUSINESS OF THE CORPORATION

2.01 Registered Office - The registered office of the Corporation shall be within the municipality designated by the articles and at such address in such municipality as is designated by the articles or by resolution of the board.

2.02 Corporate Seal - Until changed by resolution of the board, the corporate seal of the Corporation shall be in the form impressed hereon.

2.03 Financial Year - Until changed by resolution of the board the financial year of the Corporation shall end on in each year.

2.04 Execution of Instruments - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by 2 persons, one of whom holds the office of chairman of the board, president, vice-president, managing director, general manager or director and the other of whom holds one of the said offices or the office of secretary, treasurer, assistant secretary or assistant treasurer or any other office created by by-law or the board. In addition, the board by resolution may direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal thereto.

2.05 Banking Arrangements - The banking business of the Corporation, or any part thereof, shall be transacted with such bank, trust company or other firm or corporation carrying on a banking business as the board may designate, appoint or authorize. All such banking business shall be transacted on behalf of the Corporation by such one or more officers or other persons as the board may designate, direct or authorize. Such banking business shall include, without restricting the generality of the foregoing, the operation of the accounts of the Corporation; the making, signing, drawing, accepting, endorsing, negotiating, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money; the giving of receipts for and orders relating to any property of the Corporation; the execution of any agreements relating to any such banking business and defining the rights and powers of the parties thereto; and the authorizing of any officer of such banker to do any act or thing on behalf of the Corporation to facilitate such banking business.

2.06 Purchase of Business as of Past Date - Where any business is bought by the Corporation as from a past date (whether such date be before or after the incorporation of the Corporation) upon terms that the Corporation shall as from that date take the profits and bear the losses of the business, such profits or losses, as the case may be, at the discretion of the board, shall be credited or debited wholly or in part to revenue account, and the amount so credited or debited, for the purpose of ascertaining the fund available for dividends, shall be treated as a profit or loss arising from the business of the Corporation.

2.07 Voting Rights in Other Bodies Corporate - The signing officers of the Corporation may execute and deliver forms of proxy and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such forms, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers signing or arranging for them. In addition, the board may direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.08 Withholding Information from Shareholders - No shareholder shall be entitled to discovery of any information respecting any details or conduct of the business of the Corporation which, in the opinion of the board, it would be inexpedient in the interests of the shareholders or the Corporation to communicate to the public. The board may determine whether and to what extent and at which time and

place and under what conditions or regulations the accounts, records and documents of the Corporation or any of them shall be open to the inspection of shareholders and no shareholder shall have any right of inspecting any account, record or document of the Corporation except as conferred by the Act or authorized by the board or by resolution passed at a general meeting of shareholders.

### SECTION III

#### DIRECTORS

3.01 Number of Directors and Quorum - Until changed in accordance with the Act, the board shall consist of that number of directors as is specified in the articles, or if a minimum and maximum number of directors is specified in the articles, such number of directors (not less than such minimum number nor more than such maximum number) as the directors shall determine from time to time. A majority of such number shall constitute a quorum for the transaction of business.

3.02 Qualification - Each director shall be 18 or more years of age and shall otherwise meet the requirements of the Act with respect to qualification but need not be a shareholder of the Corporation.

3.03 Election and Term - Directors shall be elected yearly to hold office until the next annual meeting of shareholders and until their successors shall have been duly elected or appointed. The whole board shall be elected at each annual meeting, and all the directors then in office shall retire, but, if qualified, are eligible for re-election. The election may be by resolution of the shareholders determined by a show of hands unless a ballot is demanded or required. Any director may resign by notice in writing delivered or mailed to the Corporation at its registered office. Such resignation shall be effective on the date of receipt or the date specified in the notice, whichever is the later date.

3.04 Vacancy - Any vacancy in the number or minimum number of directors required by the articles shall be filled in accordance with the provisions of the Act.

3.05 Calling of Meetings - Meetings of the board shall be held at such place, at such time and on such day as any director may determine. The secretary shall call meetings when directed or authorized by any director. Notice of the time and place of every meeting so called shall be given to each director not less than 48 hours before the time when the meeting is to be held. Notice of any meeting of directors may be waived or the time for the notice may be waived or abridged with the consent in writing of all the directors, whether before or after the time prescribed. No notice of a meeting is necessary if all the directors are present and consent to the holding of the meeting. No notice of the meeting at which a director is elected to fill a vacancy need be given to such director.

3.06 Regular Meetings - The board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the board fixing the place and time of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting unless specified in such resolution.

3.07 First Meeting of New Board - If a quorum of directors is present each newly elected board, without notice,

may hold its first meeting for the purpose of organization and the election and appointment of officers immediately following the meeting of shareholders at which such board was elected.

3.08 Place of Meetings - Subject to the Act, meetings of the board may be held at the registered office of the Corporation or any other place.

3.09 Meetings by Telephone - A director may, if all the directors of the Corporation consent, participate in a meeting of directors or of a committee of directors by means of such telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means is deemed for the purposes of the Act to be present at that meeting.

3.10 Chairman - The chairman of the board, if such an officer has been elected and is present, otherwise the president, if a director and present, otherwise a vice-president who is a director, otherwise the managing director (if any) shall be chairman of any meeting of the board. If no such officer is present, the directors present shall choose one of their number to be chairman.

3.11 Voting - Action of the board shall be authorized by the vote of a majority of the directors present at the time of the vote and entitled to vote on the question if there is a quorum present. In case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

3.12 Conflict of Interest - No director or officer shall be disqualified by reason of his office from contracting with the Corporation or a subsidiary of the Corporation. Subject to the Act, no director or officer shall by reason only of his office be accountable to the Corporation or to its shareholders for any profit or gain realized from a contract in which he has an interest, and such contract shall not be voidable by reason only of such interest; provided that, if a declaration and disclosure of such interest is required by the Act, such declaration and disclosure shall have been made and, if required by the Act, the director shall have refrained from voting as a director on the contract and shall not have been counted in the quorum and the contract shall have been approved by the directors or shareholders of the Corporation and shall have been reasonable and fair to the Corporation at the time it was approved.

3.13 Remuneration of Directors - The directors, as directors, shall be paid such remuneration, if any, as may be authorized in accordance with the provisions of the Act. Any remuneration so payable to a director who is also an officer or employee of the Corporation or who serves it in a professional capacity shall be in addition to his salary as such officer or employee or to his professional fees, as the case may be. In addition, the board may award special remuneration out of the funds of the Corporation to any director who performs any special work or service for, or undertakes any special mission on behalf of the Corporation outside the work or services ordinarily required of a director of the Corporation and may reimburse or agree to reimburse any director, officer or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any corporation controlled by it for any expenses incurred in connection with such undertaking and may secure any such director, officer or other person for such expenses by giving him by way of security a mortgage or charge upon all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Corporation. The directors shall also be paid such sums in respect of their out-of-pocket

expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties as the board may determine.

#### SECTION IV

##### COMMITTEES

4.01 Appointment - Subject to the Act, the board may appoint from their numbers a committee of directors and delegate to such committee any of the powers of the directors.

4.02 Proceedings of Committees - In the exercise of its duties and powers each committee appointed by the board shall conform to any regulations which may be imposed upon it by the board, and in the absence of such regulations the proceedings of any such committee shall be governed by the provisions contained in this by-law for regulating the meetings and proceedings of the board so far as the same may be applicable. Any action taken with the written approval of all members of such committee shall be as valid and effectual as if it had been approved at a meeting of that committee duly called and constituted. Each such committee shall keep minutes of its proceedings and report the same to the board.

#### SECTION V

##### OFFICERS

5.01 Appointment - The board may appoint either or both a chairman of the board and a managing director from among themselves. The board may appoint a president, a secretary, one or more vice-presidents (to which title may be added words indicating seniority or function), a general manager, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so elected or appointed. Subject to section 5.02 one person may hold more than one office.

5.02 Chairman of the Board - The chairman of the board shall, if present, preside at all meetings of the board and, in the absence of the president, at all meetings of shareholders. In addition, the board may assign to him any of the powers and duties that, by any provisions of this by-law, are assigned to the president or the managing director, and he shall have such other powers and duties as the board may prescribe. During the absence or disability of the chairman of the board, the president shall assume all his powers and duties. The chairman of the board shall not hold the office of secretary.

5.03 President - The president shall be the chief executive officer of the Corporation and, subject to the authority of the board, shall have general supervision of the affairs and business of the Corporation. Except when the board has elected or appointed a managing director or a general manager the president shall also have the powers and be charged with the duties of those offices.

5.04 Vice-President - During the absence or disability of the president, his duties shall be performed and his powers exercised by the vice-president or, if there are more than one, by the vice-president designated by the board or the president. A vice-president shall have such other powers and duties as the board or the president may prescribe.

5.05 Managing Director - Subject to the Act, the board may delegate to the managing director any of the powers of the directors.

5.06 General Manager - Subject to the authority of the board and the supervision of the president, the general manager shall have general supervision of the business and affairs of the Corporation and the power to appoint and remove any and all employees and agents of the Corporation not elected or appointed by the board and to settle the terms of their employment and remuneration. He shall have such other duties as the board or the president may prescribe.

5.07 Secretary - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at such meetings. He shall give or cause to be given, as and when instructed, all notices to directors, shareholders, auditors and members of committees of the board. He shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation except when some other officer or agent has been appointed for that purpose. He shall have such other duties as the board or the president may prescribe.

5.08 Treasurer - The treasurer shall keep proper accounting records in compliance with the Act and, under the direction of the board, shall control the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. He shall render to the board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation. He shall have such other duties as the board or the president may prescribe.

5.09 Duties of Other Officers - The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or as the board or the president may prescribe. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the president otherwise directs.

5.10 Variation of Duties - The board may vary, add to or limit the powers and duties of any officer.

5.11 Term of Office - The board, at its pleasure, may remove any officer of the Corporation without prejudice to such officer's rights under any employment contract. Otherwise each officer elected or appointed by the board shall hold office until his successor is elected or appointed.

5.12 Terms of Employment and Remuneration - The terms of employment and the remuneration of officers elected or appointed by the board shall be settled by it from time to time.

5.13 Agents and Attorneys - The board shall have power to appoint agents or attorneys for the Corporation in or out of Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

5.14 Fidelity Bonds - The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their duties, in such form and with such surety as the board may prescribe.

## SECTION VI

### DIVISIONS AND DEPARTMENTS

6.01 Authority to Create and Transact Business - The board may cause the business and operations of the Corporation to be divided into divisions based upon character or type of operations, geographical territories, manufactured products, method of distribution, type of product or products manufactured or distributed or upon such other basis of division as the board may determine to be advisable and may cause the business and operations of any such division to be further divided into subdivisions or departments if deemed advisable by the board and upon such basis and under such names as the board may determine. The Corporation may transact business and execute contracts under its own corporate name, or, if authorized by the board, under one or more trade names approved for such purpose in such manner as may be authorized by the board. Any division, region, department or subdivision into which any of the business or operations of the Corporation may have been divided may transact business and execute contracts and other legal documents and sign cheques and do all other acts and things necessary or appropriate for and on behalf of the Corporation under one or more trade names if approved by the board and in such manner as may be authorized by the board.

6.02 Designation and Appointment of Officers - The board may designate and appoint officers assigned to a particular division, region, department or subdivision into which any of the activities of the Corporation may be divided, with such official titles as the board may determine. Such appointed officers shall not be general officers of the Corporation except upon appointment to such additional corporate office. Such appointed officers shall serve in such respective capacities at the pleasure of the board.

6.03 Duties of Officers - The duties, responsibilities and limitations of the officers of divisions, regions, departments or subdivisions of the Corporation shall be such as the board may deem proper and the authority of such officers shall be limited to acts and transactions pertaining to the business which such division, region, department or subdivision is authorized to transact and perform; provided, that if the same individual is elected to a general office of the Corporation, the foregoing shall not limit his acts under the general powers and duties of such general office.

## SECTION VII

### PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability - Subject to the Act, no director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by order of the board for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for

any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own wilful neglect or default or by his own dishonesty.

7.02 Indemnification - Except in respect of an action by or on behalf of the Corporation or body corporate to procure a judgment in its favour, the Corporation may indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of such Corporation or body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

7.03 Indemnification in Derivative Actions - The Corporation may with the approval of a court indemnify a person referred to in section 7.02 in respect of an action by or on behalf of the Corporation or body corporate to procure a judgment in its favour, to which he is made a party by reason of being or having been a director or an officer of the Corporation or body corporate, against all costs, charges and expenses reasonably incurred by him in connection with such action if he fulfils the conditions set out in paragraphs (a) and (b) of section 7.01.

7.04 Right to Indemnify - The Corporation shall indemnify any person referred to in section 7.02 who has been substantially successful in the defence of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or body corporate against all costs, charges and expenses reasonably incurred by him in respect of such action or proceeding.

## SECTION VIII

### MEETINGS OF SHAREHOLDERS

8.01 Annual Meetings - Subject to the Act, the annual meeting of shareholders shall be held at such time and on such day in each year as the board may determine, for the purpose of receiving the reports and statements required by the Act to be laid before the annual meeting, electing directors, appointing auditors and fixing or authorizing the board to fix their remuneration, and for the transaction of such other business as may properly be brought before the meeting.

8.02 Special Meetings - Subject to the Act, the board, the chairman of the board or the president shall have power to call a special meeting of shareholders at any time.



8.03 Place of Meetings - Subject to the Act, meetings of shareholders may be held at any place.

8.04 Notices - No public notice or advertisement of any meeting of shareholders shall be required, but notice of the time, place and purpose of each such meeting shall be given within the time provided in the Act to each person who, at the close of business on the day next preceding the day on which notice is given or sent (or, if there is a record date for notice, at the close of business on such record date) appears on the records of the Corporation as a shareholder entitled to notice of the meeting. Each director of the Corporation and the auditor of the Corporation is entitled to receive all notices and communications relating to meetings of shareholders.

8.05 Chairman, Secretary and Scrutineers - The president or, in his absence, the chairman of the board, if such an officer has been elected or appointed and is present, otherwise a vice-president who is a shareholder of the Corporation, otherwise the managing director (if any) shall be chairman of any meeting of shareholders. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

8.06 Persons Entitled to be Present - The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

8.07 Quorum - A quorum for the transaction of business at any meeting of shareholders shall be 2 persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for an absent shareholder so entitled.

8.08 Right to Vote - At any meeting of shareholders every person shall be entitled to vote who, at the time of the taking of the vote (or, if there is a record date for voting, at the close of business on such record date), is entered in the register of shareholders as the holder of one or more shares carrying the right to vote at such meeting.

8.09 Proxies - Every shareholder, including a shareholder that is a body corporate, entitled to vote at a meeting of shareholders, by means of a proxy, may appoint a person, who need not be a shareholder, as his nominee to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. Subject to the Act, the proxy may be in such form as the directors may prescribe or in such other form as the chairman of the meeting may accept as sufficient and shall be deposited with the secretary of the meeting before any vote is cast under its authority or at such earlier time and in such manner as the directors may prescribe in accordance with the Act.

8.10 Votes to Govern - At any meeting of shareholders every question shall be determined by the majority of the votes cast on the question, unless otherwise required by the Act or the articles or by-laws. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

8.11 Show of Hands - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a poll is required or demanded with respect to such question. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a poll thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of such question and the result of the vote so taken shall be the decision of the shareholders upon such question.

8.12 Polls - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairman may require, or any person entitled to vote on the question may demand, a poll thereon. A poll so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a poll may be withdrawn at any time prior to the taking of the poll. Upon a poll each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the poll so taken shall be the decision of the shareholders upon such question.

8.13 Adjournment - The chairman at a meeting of shareholders, with the consent of the meeting and subject to such conditions as the meeting may decide, may adjourn the meeting from time to time and from place to place.

## SECTION IX

### SHARES

9.01 Allotment - Subject to the Act and the articles, shares of the Corporation may be issued at such times, to such persons and for such consideration as the directors may determine.

9.02 Transfer Agent and Registrar - The board may appoint or remove a transfer agent and registrar (who may, but need not be the same individual or company) and one or more branch transfer agents and registrars (who may, but need not be the same individual or company) for the securities of the Corporation and may provide for the transfer of securities in one or more places and may provide that securities will be interchangeably transferable or otherwise.

9.03 Registration of Transfers - Subject to the Act, no transfer of shares shall be registered in a register of transfers or branch register of transfers except upon surrender of the certificate (if any) representing such shares and a transfer thereof duly executed by the registered holder or by his attorney or successor duly appointed, together with such assurance or evidence of signature, identification and authority to transfer as the board may prescribe, and upon payment of all applicable taxes, compliance with such restric-

tions on transfer as are authorized by the articles and satisfaction of any lien provided for in the articles.

9.04 Enforcement of Lien - Any lien on a share of the Corporation provided for in the articles may be enforced by resolution of the board

- (a) prohibiting the registration of any transfer of such share until such lien has been fully satisfied,
- (b) requiring that all dividends and other distributions payable with respect to such share be retained by the Corporation in satisfaction pro tanto of such lien,
- (c) requiring that such share be sold upon not less than 15 days notice to the registered holder of such share in such manner and for such price as is specified in the resolution and that the net proceeds of such sale be applied in satisfaction pro tanto of such lien.

9.05 Non-recognition of Trusts - The Corporation shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share or to recognize any other claim to or interest in such share on the part of any person other than the registered holder of such share, except as ordered by a court of competent jurisdiction or as required by statute.

9.06 Share Certificates - Every shareholder shall be entitled to a share certificate stating the number and class of shares held by him as shown by the books of the Corporation. Share certificates shall be in such form or forms as the board shall approve and as may be permitted by the Act. Unless otherwise ordered by the board, share certificates shall be signed by the chairman of the board or the president or a vice-president or the managing director and by the secretary or an assistant secretary or the treasurer or an assistant treasurer and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent and registrar (which term shall include a branch transfer agent and registrar) have been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and registrar. The corporate seal of the Corporation and the signature of one of the signing officers, or in the case of share certificates representing shares in respect of which a transfer agent and registrar have been appointed, the signatures of both signing officers, may be printed, engraved, lithographed or otherwise mechanically reproduced in facsimile upon share certificates and for all purposes every such facsimile signature shall be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. Share certificates so executed in facsimile shall be valid notwithstanding that one or both of the officers whose signature appears thereon no longer holds office at the date of issue or delivery of the certificate.

9.07 Replacement of Share Certificates - The board or any officer or agent designated by the board, in its or his discretion, may direct the issue of a new share certificate in lieu of and upon cancellation of a share certificate that has been mutilated or in substitution for a share certificate that has been lost, stolen or destroyed

on payment of such fee as may be permitted by the Act and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may prescribe, whether generally or in any particular case.

9.08 Joint Shareholders - If 2 or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect of such share, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect of such share or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

9.09 Deceased Shareholders - Upon the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the register of shareholders with respect to such share or to make payment of any dividends on such share except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agent.

## SECTION X

### DIVIDENDS AND RIGHTS

10.01 Dividends - Subject to the Act and the articles, the board may declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Any such dividend may be paid in money or property or by issuing fully paid shares of the Corporation.

10.02 Dividend Cheques - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by ordinary mail, postage prepaid, to such registered holder at his address appearing on the register of shareholders, unless such holder otherwise directs. In the case of joint holders, unless such joint holders otherwise direct, the cheque shall be made payable to the order of all of such joint holders and mailed to them at the address appearing on the register of shareholders in respect of such joint holding, or to the first address so appearing if there are more than one. The mailing of such cheque as aforesaid, unless it is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

10.03 Non-receipt of Dividend - In the event of non-receipt of any dividend by the person to whom it is sent the Corporation may issue to such person a replacement dividend for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may prescribe, whether generally or in any particular case.

10.04 Unclaimed Dividends - Interest - Any dividends unclaimed after a period of 12 years from the date on which it was declared to be payable shall be forfeited and shall revert to the Corporation. No dividend shall bear interest as against the Corporation.

## SECTION XI

### NOTICES

11.01 Method of Giving Notices - Any notice (which term includes any communication or document) to be given, sent, delivered or served pursuant to the Act, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid air or ordinary mail, or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or at the recorded address as aforesaid. A notice so mailed shall be deemed to have been given when deposited in a post office or public letter box. A notice sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer or auditor in accordance with any information believed by him to be reliable.

11.02 Notice to Joint Shareholders - If 2 or more persons are registered as joint holders of any share, notice to one of such persons shall be sufficient notice to all of them. Any notice shall be addressed to all of such joint holders and the address to be used for the purposes of section 14.01 shall be the address appearing on the register of shareholders in respect of such joint holding, or the first address so appearing if there are more than one.

11.03 Computation of Time - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

11.04 Omissions and Errors - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board, or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.05 Persons Entitled by Death or Operation of Law - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which shall have been duly given to a person from whom he derives his title to such share previously to his name and address being entered on the register of shareholders, whether such notice was given before or after the happening of the event upon which he became so entitled.

11.06 Waiver of Notice - Any shareholder (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the board may waive any notice required to be given to him under any provision of the Act, the articles, the by-laws or otherwise and such waiver, whether given before

or after the meeting or other event of which notice is required to be given, shall cure any default in giving such notice.

SECTION XII

EFFECT

12.01 This by-law and by-law 102 shall become effective upon the issuance to the Corporation of articles of continuance under the Canada Business Corporations Act and thereupon the present articles of association of the Corporation adopted pursuant to The Companies Act (Alberta) shall be rescinded.

PASSED by the directors this 26th day of August, 1977.

"J. D. Streit"  
\_\_\_\_\_  
President

"W. E. Rearden"  
\_\_\_\_\_  
Secretary-Treasurer

C.S.

BY-LAW NO. 102

A by-law respecting the borrowing of money, the issuing of debt obligations and the securing of liabilities by

MIDCON OIL & GAS LIMITED

BE IT ENACTED as a by-law of this Corporation as follows:

1. Borrowing Powers - The directors of the Corporation may without authorization of the shareholders

- (a) borrow money upon the credit of the Corporation,
- (b) issue, reissue, sell or pledge debt obligations of the Corporation, and
- (c) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any debt obligation of the Corporation.

"debt obligation" as used in this paragraph means a bond, debenture, note or other evidence of indebtedness or guarantee of the Corporation, whether secured or unsecured.

2. Delegation - The directors may delegate to any director or directors or officer or officers of the Corporation authority

- (a) to make arrangements with respect to moneys borrowed or to be borrowed by the Corporation, the terms and conditions of such borrowing and the securities to be given therefor, with power to vary or modify such arrangements, terms and conditions,
- (b) to give such additional securities for any moneys borrowed or remaining due by the Corporation as the directors of the Corporation may have specified in the grant of authority,
- (c) to manage, transact and settle the borrowing of money by the Corporation,
- (d) to execute and where the director or directors or officer or officers of the Corporation so executing deem necessary or advisable to affix the seal of the Corporation to, and to deliver for and on behalf of the Corporation such instruments, assurances, undertakings, certificates, acknowledgments and documents as may be required in connection with any such borrowing, all in such form as the director or directors or officer or officers of the Corporation executing the same may approve, such approval to be conclusively evidenced by such execution and delivery and to be binding upon the Corporation.

3. Powers Supplementary - The borrowing powers conferred by this by-law shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its directors or officers independently of this by-law.

PASSED by the directors this 26th day of August,  
1977.

"J. D. Streit"  
\_\_\_\_\_  
President

"W. E. Rearden"  
\_\_\_\_\_  
Secretary-Treasurer

C.S.



