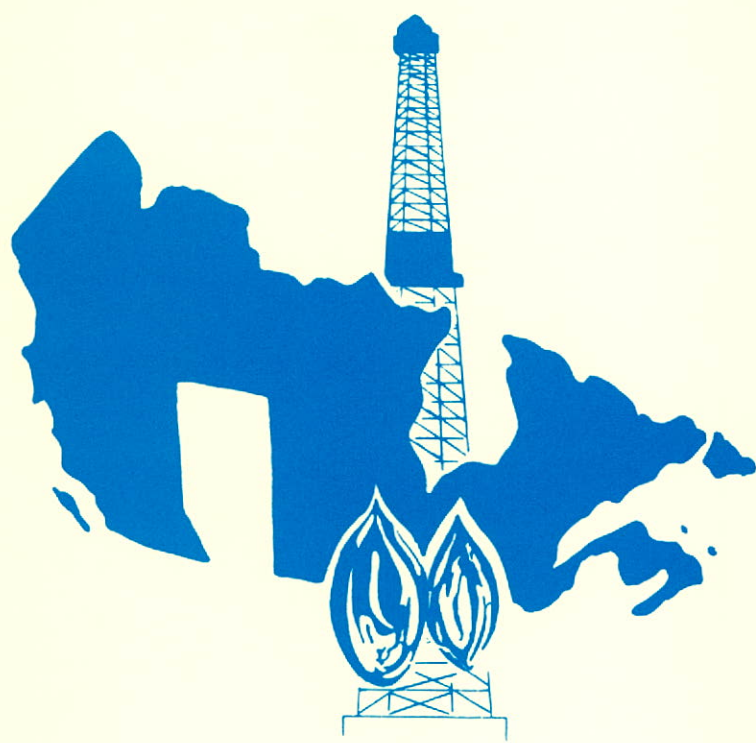


annual report
june 30, 1978



MIDCON
OIL & GAS
LIMITED

HOWARD ROSS LIBRARY
OF MANAGEMENT
NOV 4 1982
MCGILL UNIVERSITY



MIDCON OIL & GAS LIMITED

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting of the shareholders of MIDCON OIL & GAS LIMITED (the "Corporation") will be held at Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Wednesday, the 11th day of October, 1978 at the hour of 11:00 a.m., 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 Corporation for the fiscal year ended June 30, 1978 together with the report of the auditors thereon,
2. to elect directors,
3. to appoint auditors and authorize the directors to fix their remuneration, and
4. to transact all other business which may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the above mentioned Annual Report, 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 14th day of September, 1978.

T. P. FISCHER
Secretary-Treasurer

MIDCON OIL & GAS LIMITED

INFORMATION CIRCULAR

as of September 14, 1978

SOLICITATION OF PROXIES

This information circular is furnished in connection with THE SOLICITATION BY THE MANAGEMENT OF MIDCON OIL & GAS LIMITED (the "Corporation") of proxies to be used at the meeting of the shareholders of the Corporation (and any and all adjournments thereof) to be held at the time and place and for the purposes set forth in the accompanying notice of the meeting. The solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of such solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY ARE NAMED BY MANAGEMENT. A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER, TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING AND HE MAY EXERCISE THIS RIGHT BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE CORPORATION OR TO THE CHAIRMAN OF THE MEETING PRIOR TO VOTING.

A shareholder who has given a proxy may revoke it either (a) by completing a proxy bearing a later date and depositing it with the Corporation not later than the last business day preceding the day of the meeting or with the chairman of such meeting on the day of the meeting, or (b) by completing written notice of revocation, which must be executed by the shareholder or by his attorney authorized in writing and depositing the notice at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or with the chairman of the meeting on the day of the meeting. A proxy may only be revoked with respect to matters that have not been acted on prior to revocation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has outstanding 4,300,000 common shares, each of which is entitled to 1 vote.

No record date has been fixed for the determination of the shareholders who may vote at the meeting. Accordingly shareholders of record on the list prepared pursuant to section 132 of the Canada Business Corporations Act as at the time of the meeting shall be entitled to vote thereat.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns, directly or indirectly, more than 10% of the voting rights attached to all shares of the Corporation other than 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 Corporation. Yellowknife Bear Mines Limited is a public company, the common shares of which are listed on The Toronto Stock Exchange. To the knowledge of the directors and officers of the Corporation there is no person or company who beneficially owns, directly or indirectly, equity shares of Yellowknife Bear Mines Limited which carry more than 10% of the voting rights attached to all shares of that company.

ELECTION OF DIRECTORS

The board of directors of the Corporation presently consists of 5 directors to be elected annually. 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 unless such authority is withheld. 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 accompanying form of proxy reserve the right to vote for another nominee in their discretion unless authority to vote in the election of directors is withheld. 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 Corporation.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Corporation and any of its significant affiliates now held by them, their principal occupations or employments, the period or periods during which they served as directors of the Corporation and the approximate number of shares of the Corporation and of its holding body corporate beneficially owned, directly or indirectly, by each of them.

<u>Name and Principal Occupation</u>	<u>Positions and Offices with the Corporation</u>	<u>Director of the Corporation during the following period or periods</u>	<u>Shares Beneficially Owned</u>
J. Douglas Streit P. Eng., Geologist President and General Manager of Yellowknife Bear Mines Limited	President and Director	July, 1957	125,853
Robert G. Price Petroleum Engineer Vice-President and Exploration Manager of Yellowknife Bear Mines Limited	Vice-President and Director	July, 1968	10
William E. Rearden Company Executive	Director	July, 1967	21,000
C. William Streit Company Executive	Director	July, 1975	70,000
H. C. Kerr, Q.C. Lawyer	Director	June, 1973	nil (Note 1)

NOTES

- (1) 5,000 shares registered in the name of Mr. Kerr are held by a corporation owned by trusts for his children.
- (2) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (3) All nominees have held the principal occupations indicated for more than the last 5 years.

REMUNERATION OF MANAGEMENT

1. The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to directors of the Corporation in their capacity as directors of the Corporation and its subsidiary was \$21,000.00. The aggregate remuneration paid or payable by the Corporation and its subsidiary during the Corporation's last completed financial year to officers of the Corporation in their capacity as officers or employees of the Corporation and its subsidiary who received an aggregate remuneration per person in excess of \$40,000 in that year was nil.

NATURE OF REMUNERATION EARNED

	Directors' fees	Salaries	Bonuses	Non-accountable expense all.	Others (note 1)	Total
REMUNERATION OF DIRECTORS						
(A) Number of directors: 5						
(B) <i>Body Corporate incurring the expense</i>						
Midcon Oil & Gas Limited	\$2,250.	\$10,000.	nil	nil	nil	\$12,250.
Inter-Rock Oil Co. of Canada Limited	3,750.	5,000.	nil	nil	nil	8,750.
REMUNERATION OF OFFICERS						
(A) Number of directors: 3						
(B) <i>Body Corporate incurring the expense</i>						
Midcon Oil & Gas Limited		18,575.	nil	nil	nil	18,575.
Inter-Rock Oil Co. of Canada Limited		15,825.	nil	nil	nil	15,825.
TOTALS	\$6,000.	\$49,400.	nil	nil	nil	\$55,400.

2. The estimated aggregate cost to the Corporation and its subsidiary in the last completed financial year of all pension benefits proposed to be paid under any pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Corporation or its subsidiary to the persons mentioned in paragraph 1 was nil.
3. The aggregate of all remuneration payments (other than payments of the type reported under paragraph 1 or 2) made during the Corporation's last completed financial year by the Corporation or its subsidiary to each person referred to in paragraph 1 was nil and, the amount proposed to be made in the future, directly or indirectly, by the Corporation or its subsidiary pursuant to any existing plan or arrangement to each person referred to in paragraph 1 is nil excluding payments to be made for, or benefits to be received from, the Canada Pension Plan or similar government plan, group life or accident insurance, group hospitalization or similar group benefits or payments.
4. There are no options to purchase securities of the Corporation or any of its affiliates that, since the commencement of the Corporation's last completed financial year, were granted to or exercised by any of the persons mentioned in paragraph 1.

APPOINTMENT OF AUDITORS

Unless such authority is withheld the persons named in the accompanying form of proxy intend to vote for the appointment of Messrs. McCormack Parker, Chartered Accountants, Toronto, as auditors of the Corporation and the authorization of the directors to fix their remuneration. They or their predecessor firms have been auditors of the Corporation for more than the past 5 years.

MANAGEMENT CONTRACTS

During the last completed fiscal year the Corporation and its subsidiary paid \$12,462.00 for head office rental and secretarial fees to a private company of which J. Douglas Streit, C. William Streit and William E. Rearden (3 of the directors of the Corporation) are officers, directors and shareholders.

GENERAL

On any ballot that may be called for with respect to the election of directors or the appointment of auditors and the authorization of the directors to fix their remuneration, shares represented by each properly executed proxy appointing the persons named by management in the accompanying form of proxy **WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE APPOINTMENT OF AUDITORS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR UNLESS THE SPECIFICATIONS IN THE PROXY DIRECT THE SHARES TO BE WITHHELD FROM VOTING IN CONNECTION THEREWITH.**

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations to matters identified in the accompanying notice of the meeting and other matters that may properly come before the meeting. The management of the Corporation presently knows of no such amendments, variations or other matters to come before the meeting.

The contents of this circular and the sending of same to each director and shareholder of the Corporation and to the auditors of the Corporation has been approved by the directors of the Corporation.

J. DOUGLAS STREIT
President

MIDCON OIL & GAS LIMITED

OFFICERS AND DIRECTORS

OFFICERS

J. DOUGLAS STREIT *President*
R. G. PRICE *Vice-President*
T. P. FISCHER *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

717 - 7TH AVENUE S.W. *Calgary, Alberta T2P 0Z3*

EXECUTIVE OFFICE

ROOM 1000, 360 BAY ST. *Toronto, Ontario M5H 2W3*



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, 1978.

FINANCIAL

During the fiscal year ending June 30, 1978 Midcon's net income increased to \$340,100.00 (compared to \$198,483.00 for the previous year) and cash flow increased to \$881,371.00 (compared to \$585,858.00 for the previous year). This represented a cash flow of approximately 20 cents per share.

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 Ltd.
2. Remaining recoverable natural gas reserves owned by Midcon in the area covered by Map #1 estimated as of July 1, 1978 to be as follows:

<u>Field</u>	<u>Midcon Shares of Reserves</u>
Etzikom	1.772 B.C.F.
7 Persons Unit (Medicine Hat Field)	46.560 B.C.F.
Crowfoot Area (Medicine Hat Field)	<u>3.847 B.C.F.</u>
TOTAL	52.179 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. Effective August 1, 1978, the minimum Alberta Crown Royalty rate on low production gas wells was reduced from 22½% to 5% and this change should be of some direct benefit to Midcon during the coming year.

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 30, 1978 the Midcon share of natural gas sales to Western Co-operative Fertilizers Ltd. (at 18.5 cents/M.C.F.) and to the City (at 13 cents/M.C.F.) totalled 2.60/B.C.F. or an average of 7.126 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 30 cents/M.C.F. export bonus on all gas sold which has raised the total City gas price to about 43 cents/M.C.F. and the Western Co-operative gas price to about 48.5 cents per M.C.F.

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 \$1.48 per M.C.F. (including export bonus) for gas produced from the Nevis gas field and sold to TransCanada 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 TransCanada 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.

Midcon has invoked a reserve redetermination clause in its gas sales contract with the City of Medicine Hat and this study is now underway. By this action we hope to be able to substantially reduce gas deliveries to the City which is now very short of low-priced natural gas supplies. This in turn would put us in a position to force the City to renegotiate our gas sales contract if it wishes to maintain present gas delivery rates.

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, which manufactures fertilizers not now in great demand. We have reason to believe that even with low-priced gas supplies, the plant may be 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.

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. South Alberta now carries over 30 million cubic feet a day of contract gas and by upgrading the pressure rating and adding compression, South Alberta throughput could be increased to 70 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 pipe line. 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 TransCanada PipeLines Ltd. 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 expect to place on production in November 1978. We have signed a gas sales contract for this gas with TransCanada PipeLines Limited.

Respectfully submitted,

On behalf of the Board of Directors.

J. DOUGLAS STREIT,
President.

Toronto, Ontario,
August 28, 1978.

Consolidated Balance Sheet - as at June 30, 1978

ASSETS

	1978	1977
CURRENT ASSETS		
Bank Balances and Interest Bearing Term Deposits	\$ 673,317	\$ 210,968
Sundry Receivables and Prepayments	<u>171,850</u>	<u>144,551</u>
	845,167	355,519
INVESTMENT (Note 1)		
Yellowknife Bear Mines Limited — Shares at cost (Market value 1978, \$787,500; 1977, \$600,000)	507,747	507,747
South Alberta Pipelines Limited — Shares and debentures on the equity basis	732,166	510,745
Other Shares — at cost less amounts written off	<u>6,001</u>	<u>6,001</u>
	1,245,914	1,024,493
Property, Plant and Equipment — at cost	3,069,336	2,966,852
Accumulated Depreciation, Depletion and Amortization	<u>788,419</u>	<u>690,433</u>
	2,280,917	2,276,419
OTHER ASSETS		
Deposits re: performance of work (Note 2)	<u>3,505</u>	<u>3,505</u>
	<u>\$4,375,503</u>	<u>\$3,659,936</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, 1978 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.

LIABILITIES

	1978	1977
CURRENT LIABILITIES		
Accounts Payable and Accrued Charges	\$ 31,116	\$ 73,364
Bank Loan		25,000
Income Taxes Payable		570
	31,116	98,934
DEFERRED INCOME TAXES	853,500	427,000
MINORITY INTERESTS	207,561	190,776
 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	70,179	410,279
	3,283,326	2,943,226
	\$4,375,503	\$3,659,936

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, 1978 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 25, 1978

McCORMACK, PARKER
Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1978

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, 1978 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 holds 50% of the issued and outstanding 10½% Floating Charge Debenture due March 1, 1985 at a cost of \$500,000.00. This investment is accounted for on the equity basis. The interest of this company in the equity of South Alberta Pipe Lines Limited based on the interim financial statements of that company as at June 30, 1978 amounted to \$232,166.00.

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. Depreciation on production equipment is calculated on the straight line method. Depreciation of other plant and equipment is 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 \$3,505.00 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, 1978 was \$55,225.00.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
FOR THE YEAR ENDED JUNE 30, 1978

	1978	1977
Gross Oil and Gas Revenue	\$1,335,873	\$934,101
Deduct Royalties	<u>260,473</u>	<u>144,731</u>
	\$1,075,400	\$789,370
Well Supervision	<u>6,600</u>	<u>6,600</u>
	1,082,000	795,970
Deductions		
Production, Processing and Transportation Costs	212,244	195,055
General and Administrative Expenses	<u>131,872</u>	<u>114,457</u>
	<u>344,116</u>	<u>309,512</u>
Operating Profit	737,884	486,458
Other Income		
Interest Earned	55,066	54,569
Dividends Received	12,000	12,000
Share of Profit — South Alberta Pipe Lines Limited	40,921	1,873
Profit on Sale of Investments	<u>35,500</u>	<u>30,958</u>
	<u>143,487</u>	<u>99,400</u>
	881,371	585,858
Other Deductions		
Depreciation, Depletion and Amortization ...	97,986	129,691
Income Applicable to Minority Interests	16,785	18,650
Cost of Purchase of Additional Interest in Subsidiary in Excess of Book Value	<u> </u>	<u>4,020</u>
	<u>114,771</u>	<u>152,361</u>
	766,600	433,497
Provision for Income Taxes (Includes deferred taxes of \$426,500 in 1978 and \$241,750 in 1977)	<u>426,500</u>	<u>235,014</u>
Net Income for the Year	340,100	198,483
Deficit, beginning of the Year	<u>410,279</u>	<u>608,762</u>
Deficit, end of the Year	<u>\$ 70,179</u>	<u>\$410,279</u>
Earnings per Share		
Income before Deferred Income Taxes	17.8 cents	10.00 cents
Net Income	7.9 cents	4.6 cents

(See the accompanying notes to the financial statements.)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1978

	1978	1977
Source of Funds		
Funds from Operations*	<u>\$1,159,950</u>	<u>\$ 670,395</u>
Use of Funds		
Purchase of Investments	500,000	
Purchase of Interest in Petroleum and Natural Gas Leases and Rights ..		266,473
Well Development and Equipment Expenditures	<u>102,484</u>	<u>823,192</u>
	<u>602,484</u>	<u>1,089,665</u>
Increase (Decrease) in Working Capital	<u>557,466</u>	<u>(419,270)</u>
Working Capital Changes		
Increase (Decrease) in Current Assets		
Bank Balances and Interest Bearing Term Deposits	462,349	(448,830)
Sundry Receivables and Prepayments	<u>27,299</u>	<u>59,640</u>
	<u>489,648</u>	<u>(389,190)</u>
Add		
Decrease (Increase) in Current Liabilities		
Accounts Payable and Accrued Charges	42,248	(61,495)
Bank Loan	25,000	(25,000)
Income Taxes Payable	<u>570</u>	<u>56,415</u>
	<u>67,818</u>	<u>(30,080)</u>
Increase (Decrease) in Working Capital	557,466	(419,270)
Working Capital, beginning of the year	<u>256,585</u>	<u>675,855</u>
Working Capital, end of the year	<u>\$ 814,051</u>	<u>\$ 256,585</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, 1978**

	1978	1977
Head Office Services and Rent	\$ 13,075	\$ 12,480
Salaries	34,400	22,534
Canada Pension Plan	497	549
Unemployment Insurance	555	609
Directors' Fees and Salaries	21,000	22,500
Secretarial Fees and Administrative Services	14,262	14,262
Telephone and Telegraph	1,084	1,084
Travelling Expenses	660	859
Legal and Audit fees	24,106	15,744
Reports to Shareholders	6,546	6,737
Share Certificates		504
Transfer Agents' Fees and Expenses	5,513	5,407
Miscellaneous	9,350	8,254
Bank Charges and Interest	824	2,934
	<u>\$131,872</u>	<u>\$114,457</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

