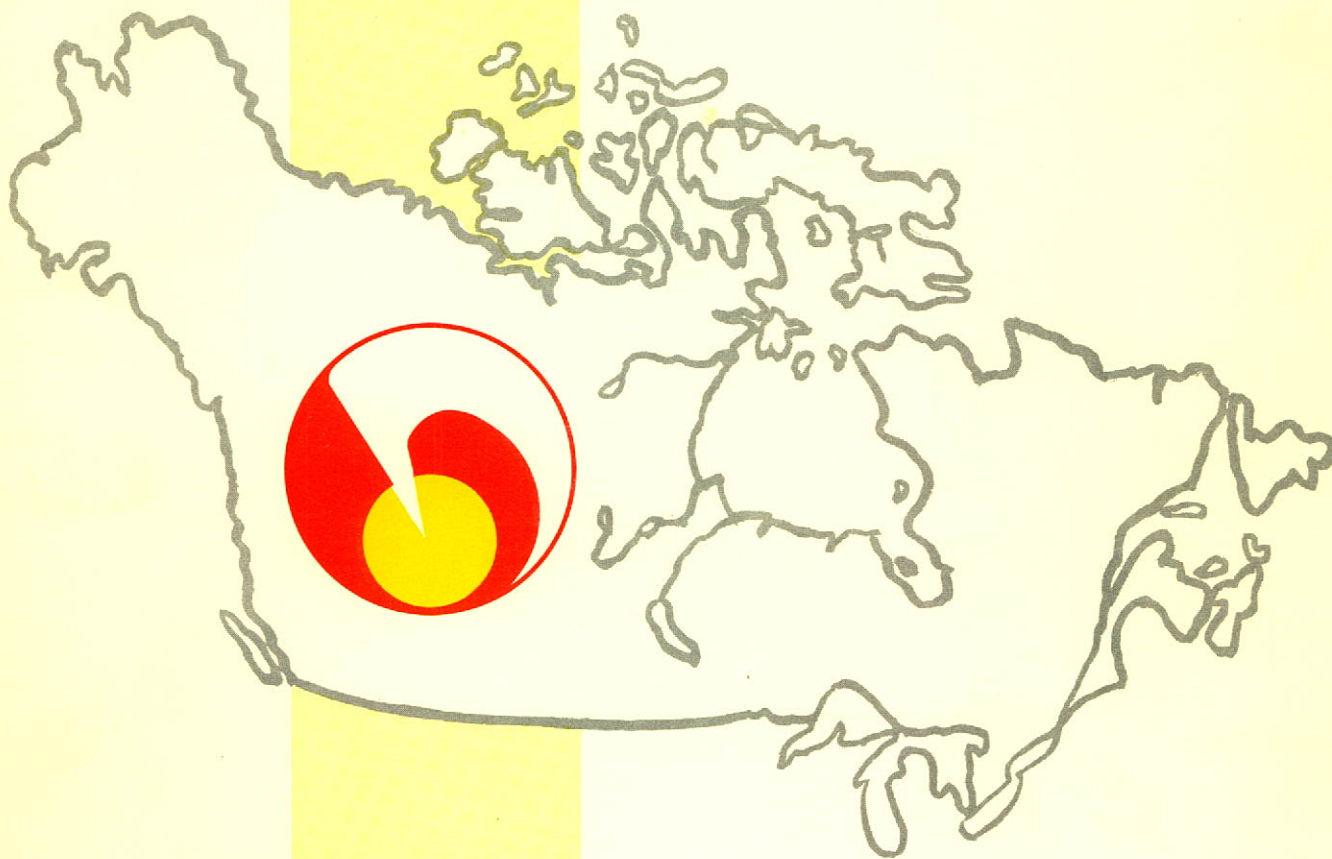


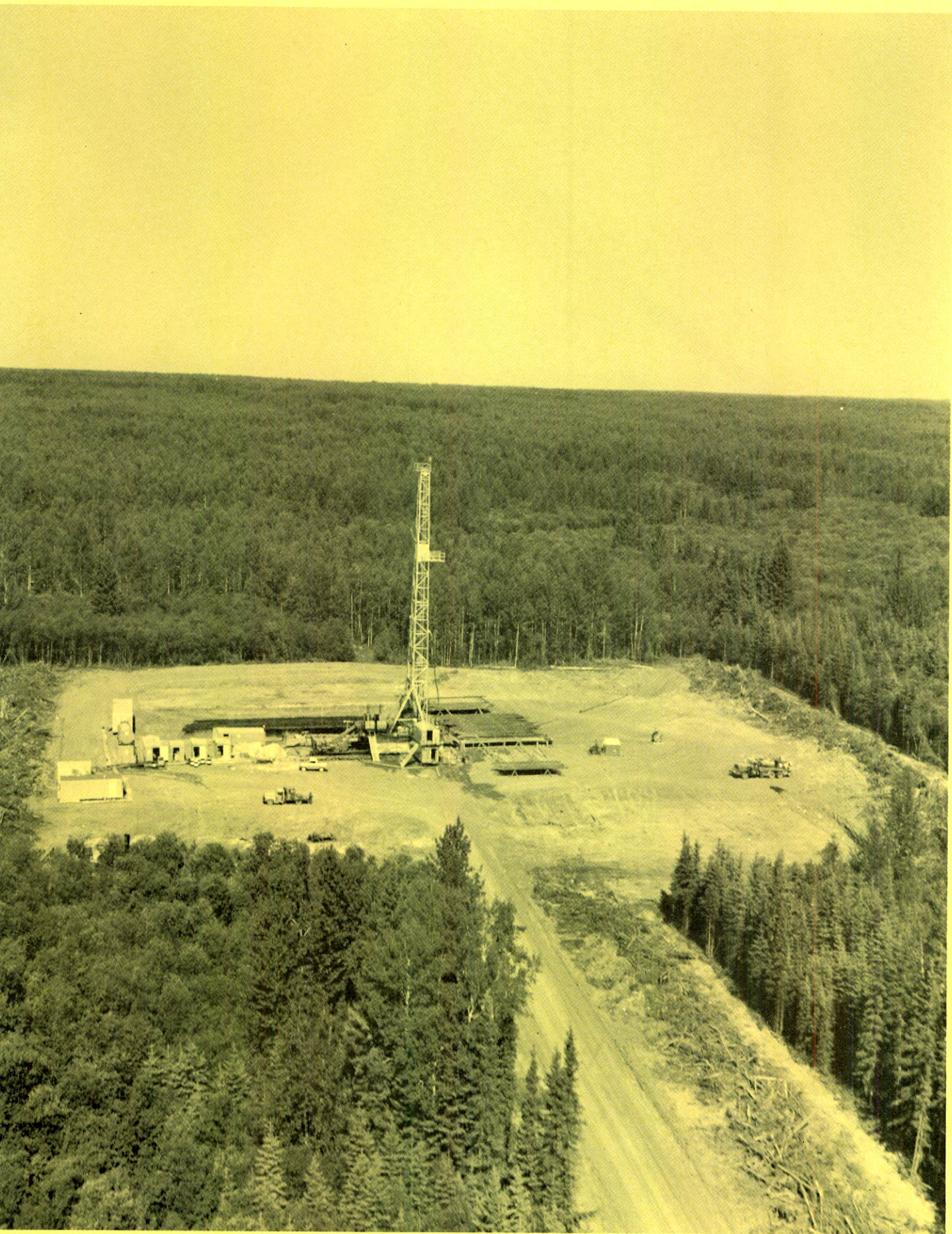
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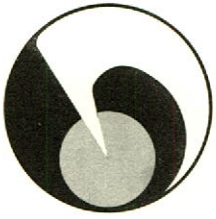
# AQUITAINE COMPANY OF CANADA LTD.



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1965





## DIRECTORS

Gilbert Rutman	Pau, France
Louis J. Pradal	Calgary, Alberta
Neil F. Phillips	Montreal, Quebec

## OFFICERS

Gilbert Rutman	President
Louis J. Pradal	Executive Vice-President and Secretary-Treasurer
Jacques Borocco	Assistant Secretary
Neil F. Phillips	Assistant Secretary

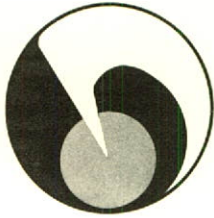
## HEAD OFFICE

320 - 7th Avenue S.W.,  
CALGARY, ALBERTA, CANADA

## AUDITORS

Touche, Ross, Bailey & Smart





## AQUITAINE COMPANY OF CANADA LTD.

The major discovery of oil at Rainbow Lake highlights the review of the 1965 activities of the Company, contained in this, the Second Annual Report of Aquitaine Company of Canada Ltd., which is the wholly owned Canadian subsidiary of Société Nationale des Pétroles d'Aquitaine.

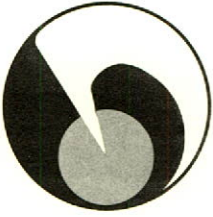
Aquitaine Company of Canada Ltd. commenced operations in early 1964, and first achieved a stake in Western Canadian oil and gas through the purchase of a substantial share interest in Banff Oil Ltd. In partnership with Banff, who acted as operator, Aquitaine acquired and explored several prospects in Saskatchewan and Southern Alberta, and by the end of 1964 held a small but significant acreage position, including interests in a few productive wells and certain land options.

For 1965 the Company trebled its exploration and development budget, concentrating particularly on Northwest Alberta and the surrounding territory. In these northern areas of high operating cost, Aquitaine and Banff continued to operate together, with Aquitaine bearing the major share of cost.

The two partners had in 1964 begun to acquire lands in Northwest Alberta in the course of a Middle Devonian reef play. The search was rewarded in March of 1965 when the Aquitaine-Banff team completed the Rainbow Lake discovery well in Isd 7-32-109-8 W6, on a government reservation farmed out from Socony Mobil Oil of Canada Ltd. After encountering substantial gas shows in the Slave Point and Sulphur Point formations, the well found oil in the Muskeg formation, and gas and oil in the Keg River formation, which was its primary objective. Subsequent development indicates that Aquitaine's recoverable reserves of oil in the area of the discovery well are in excess of 31,000,000 barrels. Further information on the Company's holdings in the Rainbow area is contained elsewhere in this report.

The Rainbow Lake discovery has opened to re-examination a large area of Alberta and other parts of Western Canada. For Aquitaine it has meant enlargement of its proposed operations, and the Company has been faced with greatly increased exploration and development expenditures.

Temporarily subordinating its prospects of lesser interest, Aquitaine doubled its planned expenditures in order to conduct intensive exploration and development operations at Rainbow. New funds were made available for land acquisition. The Company purchased Crown permits in Northeastern B.C. and the Northwest Territories in addition to further lands at Rainbow, and also acquired an interest in a spread of land some 85 miles north-east of Rainbow, in the Bistcho Lake area, where much of the attention of the industry is now directed.




With Banff as partner and operator, Aquitaine acquired several hundred thousand net acres in a Winnipegosis reef play in Saskatchewan. This reef objective, thought to be similar to that at Rainbow, will undoubtedly be tested by a number of industry wells over the next several months.

Notwithstanding its emphasis on Rainbow and the other areas referred to, Aquitaine plans to continue its search for oil in other parts of Western Canada, wherever prospects for oil or gas appear favorable.

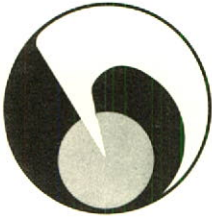
The year 1965 also saw the commencement of a 20" pipeline from the Rainbow area to Nipisi. This 240 mile line, which is expected to be in operation in April 1966, is owned by Rainbow Pipe Line Company Ltd. in which Aquitaine has a 30% share interest.

Over the past year, the Company's share interest in Banff Oil Ltd. was slightly increased. At year end 1965 Aquitaine held approximately 44% of the outstanding common shares of Banff. The Company's investment in Banff, shown at cost on the accompanying balance sheet, has noticeably growth in worth. At current market value Aquitaine's holdings in Banff represent an important part of its assets.

It is expected that Banff will continue to act as operator of the joint lands of the two companies, an arrangement which over the past two years has proved mutually advantageous.



G. Rutman President



# EXPLORATION

## **Saskatchewan**

In the Estevan area of Saskatchewan, Aquitaine took a 25% share in a ten-well exploration farmout which was undertaken in an effort to secure un-prorated production from that Province. Success was achieved in only one of these wells, Bromhead 7-25-3-13 W2, which is a Midale oil well at a depth of 5,675 feet. Of the abandoned wells, seven were drilled to the Mississippian, one to the Devonian and one to the Ordovician. An eleventh Saskatchewan well, at Browning was abandoned in the Mississippian.

## **Alberta**

The disappointments in Saskatchewan were, however, more than offset by the results of exploratory drilling in Northwest Alberta, where Aquitaine had a 90% share in a farmout of 92,000 reservation acres at Rainbow Lake.

The initial Rainbow discovery in lsd 7-32-109-8 W6 was followed by a Keg River reef oilwell in lsd 3-10-109-8 W6 and a multi-zone gas well in lsd 11-27-108-8 W6, proving the existence of three separate pools. The possibility of future land sales in the area precludes the publication of data on these wells, but the initial discovery well has been disclosed to have 23 feet of net gas pay in the Slave Point formation, 17 feet of net gas pay in the Sulphur Point formation, 48 feet of net oil pay in the Muskeg formation, and 251 feet of gas cap and 435 feet of oil pay in the Keg River reef. Five exploratory wells in the Rainbow area were abandoned.

Three seismic crews have been kept active in the Rainbow area, with good results being borne out by the subsequent drilling.

Further exploration of the Keg River or equivalent formation is intended, with emphasis on the Rainbow area, but including also portions of the Northwest Territories, B.C. and Saskatchewan.

In other areas of Alberta, Aquitaine participated in four wells. One Gilwood sand test at Bison, one Basal Blairmore test at Jenner, and one Leduc D3 test at Spotted Lake were drilled and abandoned. Another Leduc D3 well at Spotted Lake was completed as a producer.

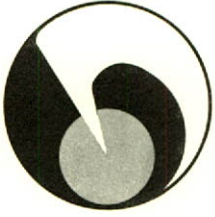
In addition, a stratigraphic test was drilled to the Gilwood sand in the Salt Creek area.

## **British Columbia**

Exploration in B.C. has so far been limited to photo-geological studies in the Steamboat Mountain area.

## **Manitoba Oil Shales**

During the year the Company conducted surface sampling, stratigraphic studies, and oil content analyses on its oil shales reservation in Manitoba.



## DEVELOPMENT

At the beginning of the year development activity was divided between the Bashaw field in Alberta, and fields in the South eastern portion of Saskatchewan. By the end of the year the development effort was centered at Rainbow, where four rigs were operating in December.

At Bashaw, two wells were drilled and completed as D3 Leduc oil wells.

In South East Saskatchewan, five wells were drilled to the Mississippian reservoirs, with dry holes at Pinto and Parkman, and producers at Weyburn, Midale and Fletwode.

In the Rainbow area, three development wells were drilled, one dry and two oil producing from the Keg River reef.

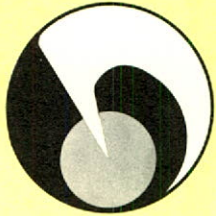
## PRODUCTION

In the Rainbow area Aquitaine had, at the end of 1965, a 45% net interest in four Keg River oil wells, including one which is intended to be used as a gas injection well and is so shown on the summary of drilling activity. With pipeline connections to market scheduled for completion in early 1966, the Rainbow wells were not placed on production in 1965.

In other parts of Alberta the Company has a 25% interest in eight producing wells, five at Matziwin and three at Spotted Lake-Bashaw.

In Saskatchewan, the Company has interests varying between 12.5% and 34%, in six wells.

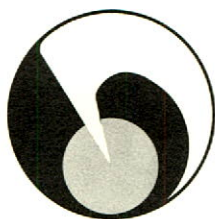
Total net production of Aquitaine in 1965 was 34,231 barrels, from 14 gross (3.75 net) producing wells.



## Summary of Drilling Activity

<b>Exploratory Wells</b>	Aquitaine % of cost	Aquitaine % working interest	Number
<b>Dry Holes</b>			
Alberta	90%	45%	1
	45%	45%	5
	50%	25%	1
	25%	25%	1
Saskatchewan	25%	12½%	9
	25%	25%	1
<b>Oil Wells</b>			
Alberta	45%	45%	1
	50%	25%	1
Saskatchewan	25%	12½%	1
<b>Gas Wells</b>			
Alberta	45%	45%	1
<b>Gas Injection Wells (capable of oil production)</b>			
Alberta	90%	45%	1
Total Exploratory Wells			23
Total Exploration Footage: Gross 149,557; Net, on basis of cost, 66,711			
<b>Development Wells</b>			
<b>Dry Holes</b>			
Alberta	45%	45%	1
Saskatchewan	28%	17%	1
<b>Oil Wells</b>			
Alberta	45%	45%	2
	50%	25%	2
Saskatchewan	50%	34%	1
	40%	24%	1
	50%	30%	1
Total Development Wells			10
Total Development Footage: Gross 54,634; Net, on basis of cost, 24,596			





## Acreage Holdings, December 31, 1965

PETROLEUM AND NATURAL GAS LEASES	GROSS	NET
Alberta Block A	85,987	39,796
Alberta Outside Block A	26,560	13,248
Saskatchewan	25,280	3,933
RESERVATION, DRILLING RESERVATIONS, PERMITS*		
Alberta Block A	14,240	3,560
Alberta Outside Block A**	579,700	238,711
Saskatchewan	1,540,062	628,041
British Columbia	201,142	166,929
Northwest Territories	536,060	482,454
BITUMINOUS SANDS LEASE	49,743	24,871
MANITOBA OIL SHALE RESERVATION	118,859	118,859
POTASH PERMIT	65,160	32,580
TOTAL PETROLEUM & NATURAL GAS	3,009,031	1,576,672
TOTAL	3,242,793	1,752,982

\*Upon completion of certain exploratory operations, the Company is entitled to select leases on approximately one-half of these lands.

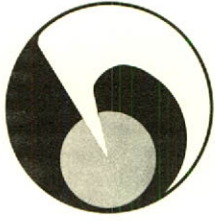
\*\*Including 124,160 gross reservation acres (103,680 at Rainbow) which remain to be earned by drilling in 1966, following which the corresponding net reservation acreage will be 55,892 (46,656 at Rainbow).

## Summary of Reserves

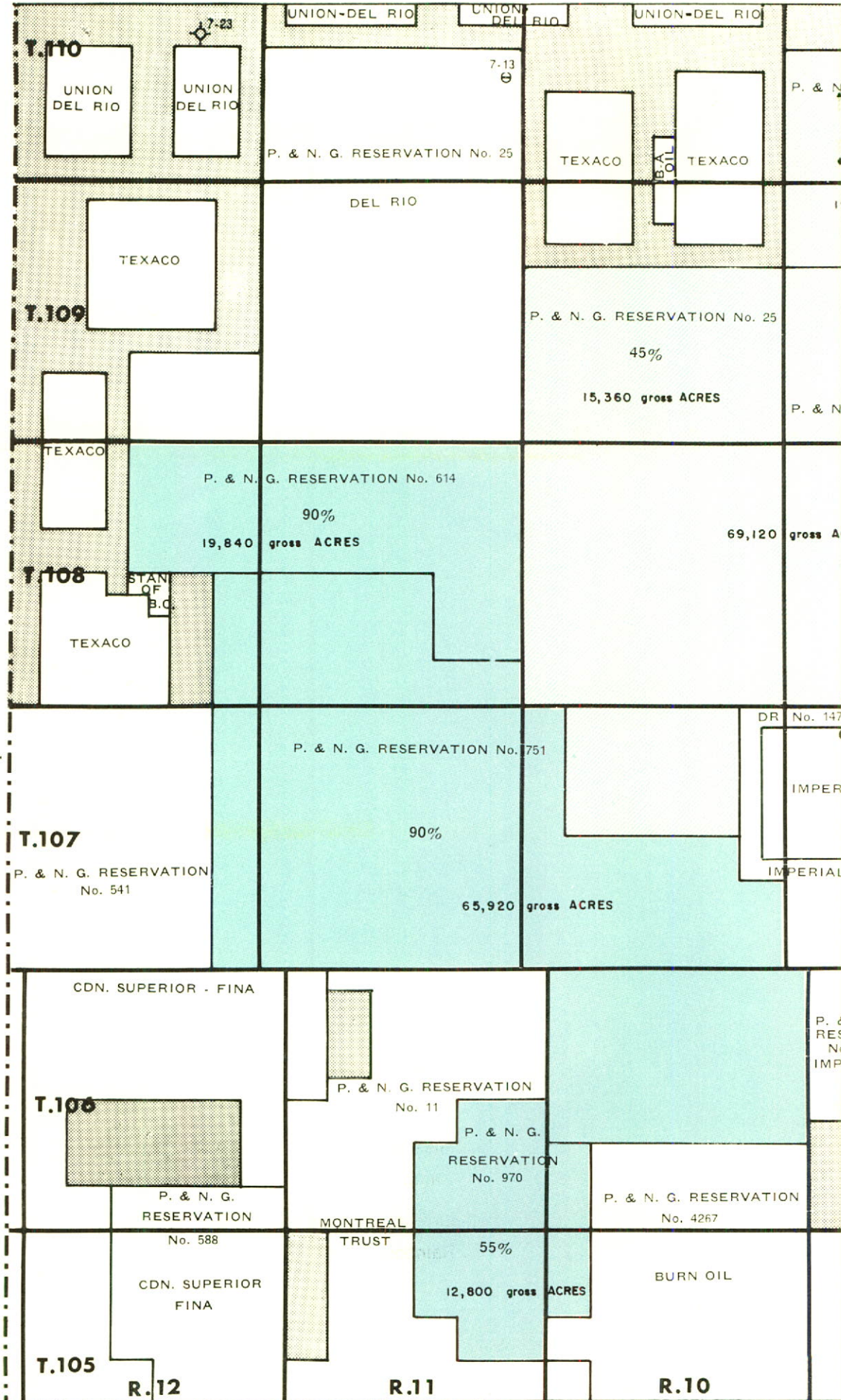
AT DECEMBER 31, 1965

after deduction of interests of partners and royalty

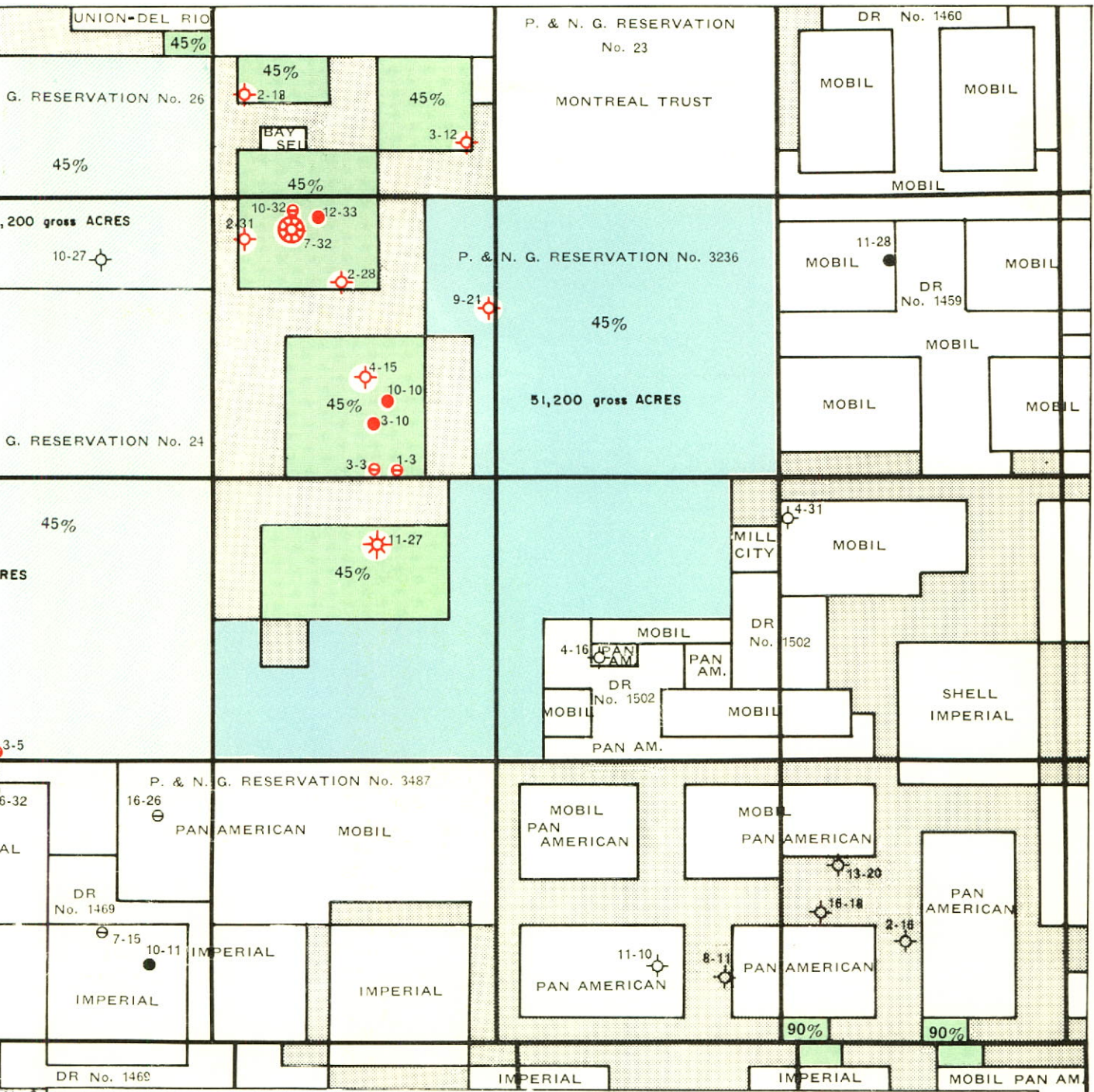
Crude Oil: net bbls	
Rainbow	31,170,000
Other Alberta	280,000
Saskatchewan	150,000
Total	31,600,000
Natural Gas: net mmcf	
Rainbow	40,500
Other Alberta	3,000
Total	43,500
Condensates: net bbls	
Rainbow	363,000
Sulphur: net long tons	
Rainbow	75,000



# RAINBOW



1 mile = 1.60 Km  
 1 square mile = 2.59 Km<sup>2</sup>  
 1 square mile = 640 acres  
 1 acre = 4047 m<sup>2</sup>



**LEGEND**

**Scale**

PERCENTAGES SHOWN ARE AQUITAINE INTEREST



- AQUITAINE LEASES
- AQUITAINE RESERVATIONS
- RESERVATIONS FARMED OUT TO AQUITAINE ET AL
- OTHER COMPANIES' LAND
- CROWN LAND

**WELLS**

- | Aquitaine                          | Others               |
|------------------------------------|----------------------|
| <span style="color: red;">●</span> | ● OIL WELL           |
| <span style="color: red;">☀</span> | ☀ GAS WELL           |
| <span style="color: red;">⊗</span> | ⊗ GAS INJECTION-WELL |
| <span style="color: red;">⊕</span> | ⊕ DRY and ABANDONED  |
| <span style="color: red;">⊖</span> | ⊖ DRILLING           |

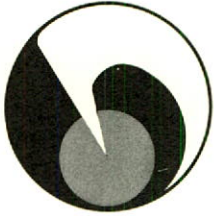
INFORMATION SHOWN AS OF DECEMBER 31, 1965

R.9

R.8

R.7

R.6-W6



# AQUITAINE COMPANY OF CANADA LTD.

(Incorporated as a Private Company under the Laws of Canada)

## BALANCE SHEET AT

(With comparative)

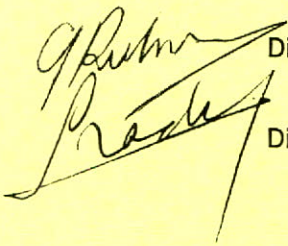
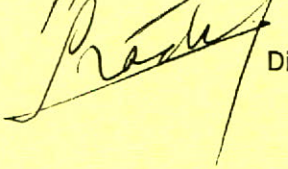
### ASSETS

	1965	1964
<b>CURRENT ASSETS</b>		
Cash .....	\$ 898,986.35	\$ 308,811.48
Accounts receivable .....	97,473.65	12,568.01
Inventory, materials and supplies, at cost .....	111,197.96	—
	<u>1,107,657.96</u>	<u>321,379.49</u>
<b>INVESTMENTS AND OTHER ASSETS, at cost</b>		
Investments		
Shares of Banff Oil Ltd. (Note 2) .....	4,903,610.37	2,000,000.00
Shares of Rainbow Pipe Line Company, Ltd. ....	810,000.00	—
Note receivable .....	90,000.00	—
Refundable deposits .....	106,569.10	4,500.00
	<u>5,910,179.47</u>	<u>2,004,500.00</u>
<b>PROPERTIES AND EQUIPMENT, at cost</b>		
Producing properties .....	3,719,944.28	133,966.82
Production and other equipment .....	313,488.62	62,215.41
Real estate and furnishings .....	184,855.83	71,189.16
	<u>4,218,288.73</u>	<u>267,371.39</u>
Less accumulated depletion and depreciation ....	101,955.67	14,806.55
	<u>4,116,333.06</u>	<u>252,564.84</u>
Non-producing properties .....	2,708,769.25	1,071,237.94
	<u>6,825,102.31</u>	<u>1,323,802.78</u>
	<u>\$ 13,842,939.74</u>	<u>\$ 3,649,682.27</u>

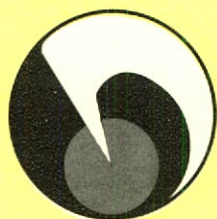
# DECEMBER 31, 1965

(figures for 1964)

## LIABILITIES

	1965	1964
CURRENT LIABILITIES		
Accounts payable .....	\$ 22,221.28	\$ 64,149.58
Mortgage payable .....	—	30,590.33
	<hr/>	<hr/>
	22,221.28	94,739.91
ADVANCES FROM PARENT COMPANY		
Société Nationale des Pétroles d'Aquitaine .....	13,681,174.95	4,842,791.08
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK		
Authorized—3,000,000 shares without nominal or par value		
Issued —1,000,000 shares .....	1,000,000.00	1,000,000.00
DEFICIT .....	(860,456.49)	(2,287,848.72)
	<hr/>	<hr/>
	139,543.51	(1,287,848.72)
Signed on behalf of the Board		
	<hr/>	<hr/>
 Director	\$ 13,842,939.74	\$ 3,649,682.27
 Director		

The accompanying explanatory notes are an integral part of these financial statements.



# AQUITAINE COMPANY OF CANADA LTD.

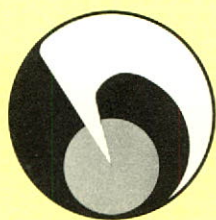
## STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

	1965	1964
Crude oil sales, less royalties .....	\$ 74,813.32	\$ 24,523.89
Production expenses .....	34,600.62	11,748.52
	<hr/> 40,212.70	<hr/> 12,775.37
General and administrative expenses .....	624,660.69	136,090.04
Loss before depletion, depreciation and other write-offs ....	584,447.99	123,314.67
Provision for depletion .....	43,740.62	3,720.16
Provision for depreciation .....	43,408.50	11,086.39
Exploration abandonments .....	34,753.76	7,598.75
Organization costs .....	—	8,385.65
	<hr/> 121,902.88	<hr/> 30,790.95
NET LOSS FOR THE YEAR .....	706,350.87	154,105.62
Adjustment in valuation of investment in shares of Banff Oil Ltd. (Note 2) .....	(2,133,743.10)	2,133,743.10
Deficit at beginning of year .....	2,287,848.72	—
Deficit at end of year .....	<hr/> \$ 860,456.49	<hr/> \$ 2,287,848.72

The accompanying explanatory notes are an integral part of these financial statements.

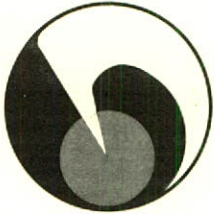


# AQUITAINE COMPANY OF CANADA LTD.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1965  
(With comparative figures for 1964)

	1965	1964
<b>Funds Provided By:</b>		
Crude oil sales, less royalties and production expenses	\$ 40,212.70	\$ 12,775.37
Sale of capital stock .....	—	1,000,000.00
Advances from parent company .....	8,838,383.87	4,842,791.08
	<u>8,878,596.57</u>	<u>5,855,566.45</u>
<b>Funds Applied To:</b>		
General and administrative expenses .....	624,660.69	136,090.04
Organization costs .....	—	8,385.65
Acquisition of shares		
Banff Oil Ltd. ....	769,867.27	4,133,743.10
Rainbow Pipe Line Company, Ltd. ....	810,000.00	—
Acquisition of property .....	1,559,732.81	845,764.62
Exploration and development .....	3,698,529.72	367,038.89
Purchase of production and other equipment .....	251,273.21	62,215.41
Acquisition of real estate and furnishings .....	113,666.67	71,189.16
Refundable deposits .....	102,069.10	4,500.00
Note receivable .....	90,000.00	—
	<u>8,019,799.47</u>	<u>5,628,926.87</u>
Net increase in working capital .....	858,797.10	226,639.58
Working capital at beginning of year .....	226,639.58	—
Working capital at end of year .....	<u>\$ 1,085,436.68</u>	<u>\$ 226,639.58</u>



## Explanatory Notes To Financial Statements

DECEMBER 31, 1965

### 1. ACCOUNTING POLICY

All acquisition, exploration, rental and drilling costs are capitalized as non-producing properties. Costs relating to properties surrendered and costs of unproductive wells remain capitalized unless all properties within the related area are abandoned. If properties prove productive, the related costs are designated as producing properties.

Depletion of producing properties is provided for on an area basis by the unit of production method based on the estimated recoverable reserves. Depreciation of production, other equipment, real estate and furnishings is provided for on the straight line method at various rates corresponding to the estimated useful life of the asset.

### 2. INVESTMENT IN SHARES OF BANFF OIL LTD.

At December 31, 1964, the company's investment in 1,471,590 shares of Banff Oil Ltd. was written down by \$2,133,743.10 in order that the amount shown on the balance sheet would approximate the prevailing market value of the shares at that date. During the year 1965, an additional 527,200 shares of Banff were acquired for a consideration of \$769,867.27. At December 31, 1965 the market value of the Banff shares was considerably in excess of original cost, and consequently the previous write-down has been reversed and the entire investment is now recorded at cost.

## Auditors' Report To The Shareholders

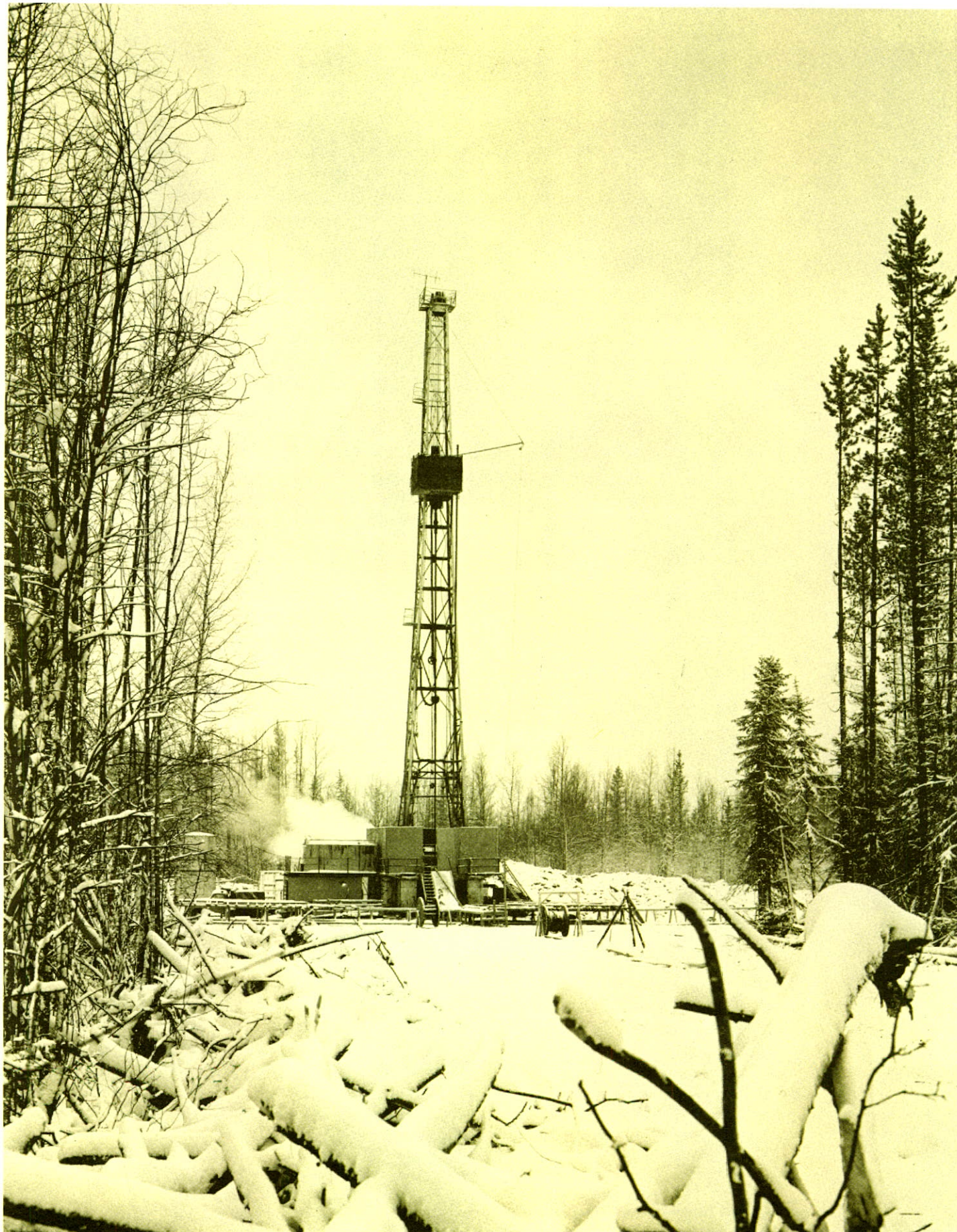
We have examined the balance sheet of Aquitaine Company of Canada Ltd. as at December 31, 1965 and the related statements of income and deficit and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of income and deficit and source and application of funds present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants.

Calgary, Alberta  
March 24, 1966



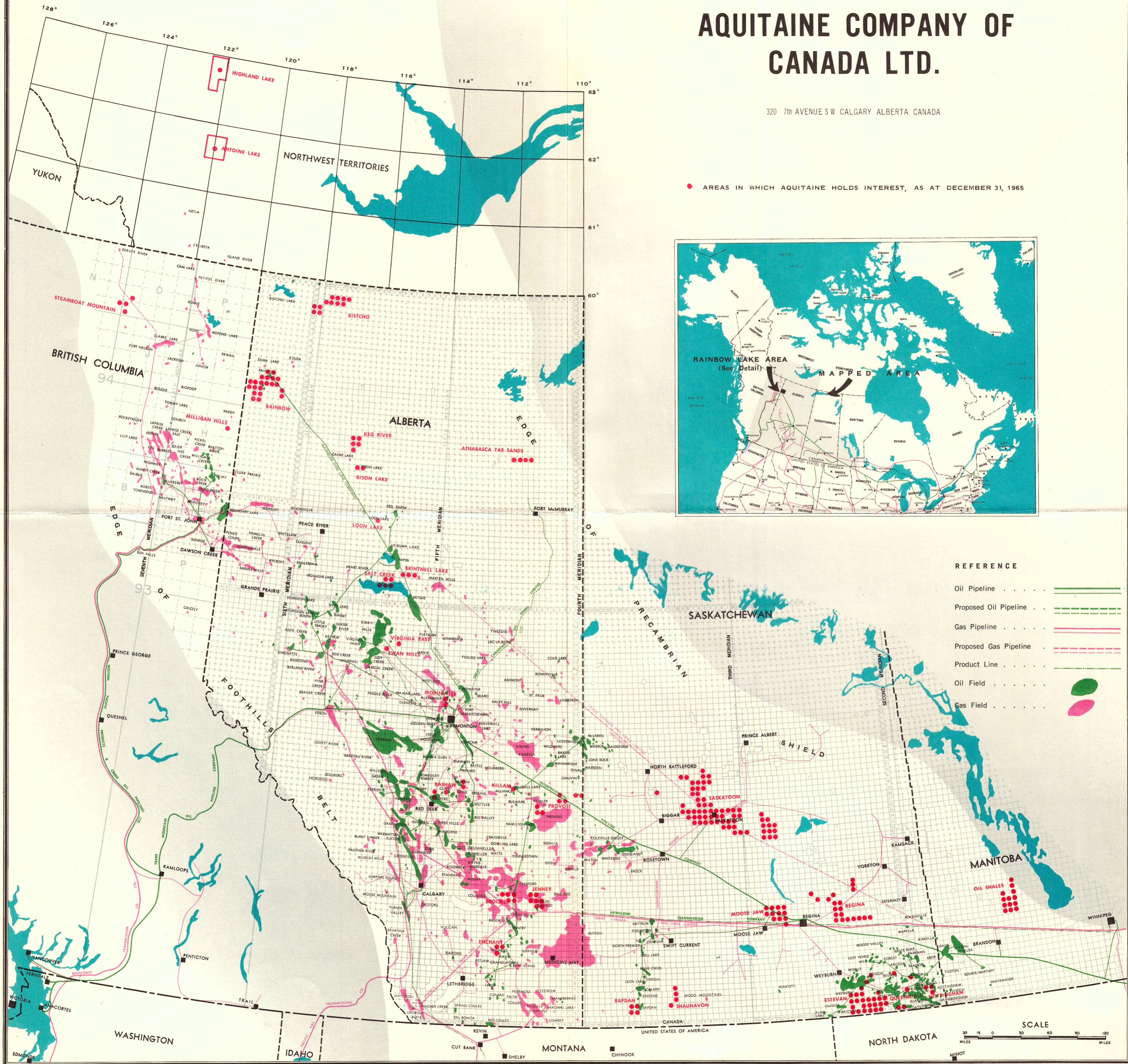




# AQUITAIN COMPANY OF CANADA LTD.

320 7TH AVENUE S W CALGARY ALBERTA CANADA

• AREAS IN WHICH AQUITAINE HOLDS INTEREST, AS AT DECEMBER 31, 1965



- REFERENCE**
- Oil Pipeline . . . . .
  - Proposed Oil Pipeline . . . . .
  - Gas Pipeline . . . . .
  - Proposed Gas Pipeline . . . . .
  - Product Line . . . . .
  - Oil Field . . . . .
  - Gas Field . . . . .

