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Front cover: A dramatic formation in an Arctic ice pressure ridge frames a northern worker with binoculars, and a drilling rig, in this montage depicting BP's frontier exploration.

This is the first Annual Report of the new BP Canada Limited, a corporation resulting from the amalgamation on October 18, 1972 of the former BP Canada Limited and its partly owned subsidiary, BP Oil and Gas Ltd. It presents the combined financial statements and operating results for the year ended December 31, 1972 of the two amalgamating companies and their subsidiaries, with comparative figures for previous years stated on the same basis.

BP Canada is now a fully integrated oil company, approximately 34.4% of whose common shares are held by the public. Shares are held by approximately 10,000 shareholders, of whom some 85% are resident in Canada.

The Company has working interests in more than 18 million net acres of exploration holdings in Canada. Refineries in Oakville, Ontario (Trafalgar Refinery) and Ville d'Anjou, Quebec (Montreal Refinery) have a total capacity of 113,000 barrels per day.

Petroleum products under the BP and Supertest brand names are sold to the public in Ontario and Quebec through more than 3,000 service stations and to the home heating, agricultural, industrial and transportation markets.

*Pour copie de ce rapport annuel
en français, écrire au:
Service des affaires publiques
BP Canada Limitée
1245 ouest, rue Sherbrooke
Montréal 109, Québec*



Highlights for the year 1972

with 1971 figures shown
on a comparable basis

*From left, D. F. Mitchell, President;
F. A. McKinnon, Vice-President,
Exploration and Production;
R. W. D. Hanbidge, Executive
Vice-President; and D. C. Smith,
Vice-President, Finance discuss the
exploration capital expenditure program.*

Financial

	1972	1971	% change
	(Thousands of dollars)		
Revenue — sales and services	\$271,436	\$257,666	+ 5.3
Net revenue	256,500	244,690	+ 4.8
Total funds derived from operations	38,727	37,290	+ 3.9
Net income for the year	19,679	17,998	+ 9.3
Net income per share	93¢	85¢	+ 9.3
Working capital at end of year	28,131	17,827	+ 57.8
Additions to property, plant and equipment	24,322	29,729	- 18.2
Long term debt at end of year	56,170	65,184	- 13.8
Shareholders' equity at end of year	246,059	230,376	+ 6.8
Total assets at end of year	360,607	357,125	+ 1.0

Operating

	(Barrels per day)		
Refined product sales			
Marketing	94,680	94,400	+ 0.3
Refinery sales to other oil companies	20,265	23,296	- 13.0
Crude oil processed at refineries	98,743	99,079	- 0.3
Refined product purchased from another refiner	15,842	17,630	- 10.1
Net sales of crude oil and natural gas liquids	23,977	22,132	+ 8.3
	(Thousands of cubic feet per day)		
Net sales of natural gas	86,363	80,125	+ 7.8



Report to the Shareholders

1972 was an active and encouraging year for BP Canada, with net income showing an increase of 9.3%, notwithstanding deteriorating trading conditions in the latter part of the year. In the early months, the cost of imported crude oil rose in response to the devaluation of the dollar in accordance with the Geneva Agreement with the Organization of Petroleum Exporting Countries. Whilst this was initially reflected in higher product prices, competitive pressures during the second half of the year resulted in serious erosion of the prices of all major products.

Since November 1972, both domestic and imported crude oil prices have increased and a further increase in the latter is expected in the near future following the realignments of world currencies. It is to be hoped, however, that the developing tightness in worldwide oil supplies will support somewhat better margins as 1973 progresses.

Throughout the year we have been heavily engaged in reshaping our affairs to accommodate the Supertest merger and to accomplish the amalgamation with BP Oil and Gas.

Major changes have been made in our management structure and operating procedures. These have inevitably resulted in some disruption and changes in locations for many of our staff and I thank those affected for their unfailing help and cooperation. This process will continue in 1973 as our accounting activities are consolidated at our new offices at Don Mills, Ontario. At the same time, we shall commence to implement a program for phasing out the use of the Supertest brand over a two-year period. The latter will be coordinated with an ongoing program for the upgrading of our retail gasoline network involving the construction of a number of new high volume service stations and the progressive elimination of less economic outlets. Overall, the effect will be to increase the sales potential for BP gasoline through a reduced number of outlets.

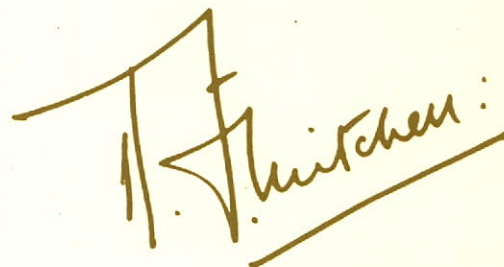
In the course of the year, plans were completed and contracts let for the doubling of the capacity of Trafalgar Refinery by late 1974, at an estimated cost of some \$60 million, of which some \$50 million will be spent in Canada. Financing for this expansion was arranged early in 1973 by means of a private placing of \$50 million of debentures in Canada and U.S.A. and a loan from a consortium of United Kingdom banks of £3,150,000.

In the exploration sector, we are continuing an active program in Western Canada and our plans are well advanced for drilling our East Coast offshore acreage. In the Arctic Islands, however, our experience to date has been disappointing.

The oil industry is going through a period of rapid evolution and adjustment. As the gap between demand for petroleum and available supplies in North America widens and consumption the world over steadily grows, so does the pressure increase from host governments to enlarge their take. The comparative stability of the 60's is giving way to a decade likely to be characterized by rising prices for petroleum and growing government interest in the industry's affairs, both at the political and at the technical levels.

The best assurance the consumer can have of obtaining his energy needs at the lowest possible price is for the industry to be accorded the full support of governments in its search for new sources of hydrocarbons and the freedom to conduct its operations with efficiency and economy.

BP Canada stands ready to play its part in meeting the energy needs of the future.

A handwritten signature in dark ink, reading "D. F. Mitchell". The signature is written in a cursive style with a large, stylized initial "M". A horizontal line is drawn underneath the signature.

D. F. Mitchell, President.
March, 1973

Exploration and Production



In 1972, BP Canada's exploration expenditures were approximately \$9.3 million. A major part was devoted to the traditional areas of Western Canada to maintain production levels and cash flow, while exploration continued in the Arctic and East Coast frontier areas.

During the year, exploration holdings were increased by 3.4 million gross acres (1.3 million net acres). East Coast offshore holdings were increased by 2.1 million gross acres, northeastern British Columbia holdings by 260,000 gross acres and Alberta holdings by 750,000 gross acres.

Drilling and Reserves. Of the 63 exploratory wells in which BP participated, 15 were successful. In addition, 12 wells were drilled by others adjacent to BP lands optioned to the drilling parties, resulting in four gas wells. BP also participated in 48 development wells, of which 35 were successfully completed.

Additions to reserves and certain revisions in 1972 added 2.5 million barrels of new oil and natural gas liquids but, with the high rate of withdrawal, total proven reserves declined by a net 6.3 million barrels. Natural gas reserves at year end were almost unchanged, at 782 billion cubic feet.

Production and Sales. Sales of crude oil and natural gas liquids were 23,977 barrels per day, an increase of 8.3%. Increased production in Alberta, in particular at Redwater, Swan Hills, Sturgeon Lake and Chauvin more than offset declines in production in British Columbia and Saskatchewan.

Sales of natural gas increased 7.8% to 86.4 million cubic feet per day through improved operation of the Edson Plant and increased sales from the Bellis Field.

The average daily throughput for the BP Chauvin-Hardisty pipeline increased 24% to 4,460 barrels per day as a result of increased production by BP and other companies.

Sulphur sales of 35,000 long tons were lower than in 1971 in a continuing weak market. Sulphur inventory, at year end, stood at 209,000 long tons.

Exploration and Development in Traditional Areas. In the Alberta foothills, BP has a 20% interest in the successful Gulf Sun BP Stolberg 6-1 gas well. This well has a deliverability of 9 million cubic feet per day. Development drilling on the structure is planned in 1973.

At Sukunka, in the British Columbia foothills, BP has a 100% interest in 178,000 acres where a large gas discovery was made by the Company some years ago. Part of the area has been farmed out. The farmee has committed to drill a test in 1973 to earn a 50% interest in 78,000 acres.

Elsewhere in Alberta, BP discovered gas at Bittern Lake, Hanna, Smoky Lake and Bawlf and in two zones in five wells at East Bantry-Tide Lake where development drilling will be carried out in 1973. Shallow gas development drilling was essentially completed at Atmore-Lodge Lake and Chauvin, both of which should be in production in 1973.

BP has a diversified mix of exploration prospects in the traditional and frontier areas of Canada.

Exploration for the Medium Term. In British Columbia, BP has acquired a large acreage interest. Following seismic surveys, the successful BP et al Gote well was drilled. BP has a 27.5% interest in this gas discovery which flowed on test at 49 million cubic feet per day.

In northern Alberta, BP has interests varying from 25% to 100% in 1.3 million acres. Seven wells were drilled during the winter of 1971-72, primarily to obtain stratigraphic information.

In the Peace River area, BP has interests in 255,000 acres of reservations and leases in Alberta and permits totalling 135,000 acres in British Columbia. The Alberta area is immediately adjacent to the Dunvegan gas field where significant gas reserves in several horizons were discovered by others in 1971. Two test wells were drilled in 1972 — further surveys and drilling will be done in 1973.

Arctic Islands. Approximately 30% of BP's 1972 exploration expenditure was devoted to the Arctic Islands. The second commitment well under the Panarctic farmout was drilled and abandoned on Prince Patrick Island. The drilling of the first two wells earned a 28% interest in 715,000 acres.

The Company exercised an option to drill BP et al Panarctic Emerald K-33, a 12,000 foot test, on Emerald Island. By paying 37.5% of the cost of this well, BP will earn a 22.5% interest in a further 234,400 acres. On March 1, this well was drilling below 9,000 feet. BP also earned a 21% interest in 226,000 acres on Graham and Buckingham Islands by drilling a 10,110 foot well in 1972. The well was abandoned.

In total, BP has interests ranging from 1% to 48% in holdings widely spread throughout the Arctic region, comprising approximately 8.9 million gross acres, as shown on the map on page 8. BP participated in several seismic surveys in 1972 and further survey work and drilling is planned in 1973.

BP owns a 34.75% share interest in British Columbia Oil Lands Ltd. with interests in 1,526,000 acres, including the lands on which the Drake Point gas field, the Hecla gas discovery on Melville Island and the King Christian gas discovery are located.

BP also holds a 38.85% share interest in Magnorth Petroleum Ltd. with approximately 14.2 million net acres offshore the Arctic Islands. Northern Natural Gas Company has undertaken to spend \$9.8 million on exploration over five years to earn a 25% interest.

East Coast Offshore. BP has a 100% interest in 12.7 million acres of federal permits off Newfoundland and Labrador. Under a farmout, Columbia Gas Development of Canada Ltd. will provide \$25 million for exploration between 1972 and 1979 to earn a 40% interest in the acreage. Six thousand miles of seismic line have been completed to date. Exploratory drilling is expected to begin in 1975.

BP and Columbia have a farmout on one million adjacent acres where the companies together will earn a net 15% interest by 1975, with an option to increase the interest up to 60% by further work. The two companies also hold permits on 1.1 million acres off Baffin Island where 320 miles of seismic work was done in 1972 and further surveys are planned.

Tar Sands and Heavy Oil. In the Athabasca Tar Sands, BP has a 100% working interest in 50,000 acres and a 2% royalty interest in 37,000 acres. A continuing core-hole program is under way to evaluate the wholly owned property.

The Company also has extensive acreage in the Cold Lake heavy oil area with a 100% interest in 156,000 acres and a 22.5% interest in 59,000 acres.

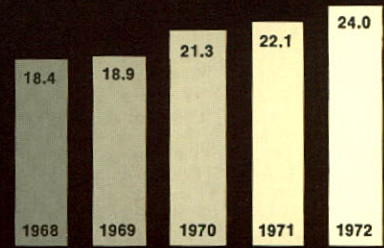
Minerals. BP is active in mineral exploration in several areas. At the end of 1972, the Company had 175,000 acres of mineral claims in Nova Scotia and New Brunswick and other small holdings in British Columbia and Alaska. In Alberta, the Company has an interest in about 24,000 acres of coal leases.

Reserves	Oil and Natural Gas Liquids (barrels)	Natural Gas (mmcf)	Sales — Crude oil & natural gas liquids	
			1972 Bbls./day	1971 Bbls./day
Proven Reserves				
December 31, 1971	109,994,600	793,000		
Add — Discoveries, extensions and secondary recovery	1,020,200	42,000		
— Net adjustments to existing reserves	1,524,400	(22,000)		
	<u>112,539,200</u>	<u>813,000</u>		
Less — Production	8,826,300	31,000		
Proven Reserves				
December 31, 1972	<u>103,712,900</u>	<u>782,000</u>		
Location of Proven Reserves				
Alberta	85,829,700	708,000		
British Columbia	3,105,000	71,000		
Saskatchewan	14,778,200	3,000		
	<u>103,712,900</u>	<u>782,000</u>		
			Alberta	
			Chauvin	3,009
			Redwater	2,785
			Pembina	2,861
			Kaybob South	1,556
			Swan Hills	1,424
			South Sturgeon	1,190
			Inverness	617
			Other Areas	3,418
				<u>16,860</u>
			British Columbia	
			Beaton River	904
			Other Areas	70
				<u>974</u>
			Saskatchewan	
			Dollard	1,768
			Steelman	685
			Weyburn	722
			Other Areas	2,968
				<u>6,143</u>
				<u>23,977</u>
				<u>22,132</u>

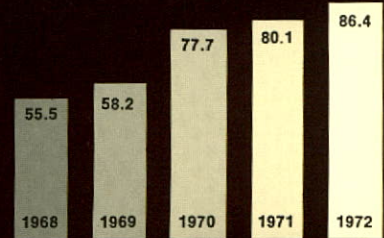
Summary of drilling	Oil	Gas	Dry	Other	Sales — Natural gas	
					1972 mmcf/day	1971 mmcf/day
Exploratory Wells						
Working interest	—	9	30	—		
Farmout (interest retained)	3	3	17	1		
Wells adjacent to lands optioned — no direct interest	—	4	8	—		
Development Wells						
Working interest	21	11	7	6		
Farmout (interest retained)	2	1	—	—		
					Alberta	
					Edson	39.4
					Okotoks	4.2
					Lac La Biche	9.2
					Cassford	3.4
					Pembina	4.3
					East Calgary	3.6
					Kaybob	3.4
					Bellis	2.6
					Other Areas	16.3
						<u>86.4</u>
						<u>80.1</u>

Land summary	31st December, 1972		31st December, 1971	
	Gross	Net	Gross	Net
LEASES				
Alberta	2,136,621	1,215,650	2,023,223	1,113,545
British Columbia	337,521	327,195	384,367	358,446
Saskatchewan	183,456	96,734	189,543	99,104
Ontario	27,409	11,376	27,409	11,376
Northwest Territories	245,120	96,915	103,933	51,966
Montana & North Dakota	111,519	68,085	119,213	71,223
	<u>3,041,646</u>	<u>1,815,955</u>	<u>2,847,688</u>	<u>1,705,660</u>
RESERVATIONS AND PERMITS				
Alberta	2,517,532	1,372,960	2,078,865	1,261,597
British Columbia	699,485	272,563	483,511	178,800
Saskatchewan	—	—	94,720	40,400
Northwest Territories	1,077,648	207,147	1,360,050	297,043
Arctic Islands	8,943,146	1,086,626	8,685,612	830,111
East Coast	13,826,965	13,275,386	12,723,808	12,723,808
Quebec	182,800	9,140	—	—
North Sea — Great Britain	51,323	5,774	—	—
	<u>27,298,899</u>	<u>16,229,596</u>	<u>25,426,566</u>	<u>15,331,759</u>
MAJOR OPTIONS				
Alberta	335,260	75,590	137,606	28,622
British Columbia	92,318	32,744	—	—
Arctic Islands	58,483	52,756	427,349	358,460
East Coast	1,030,978	371,152	—	—
Northwest Territories	262,470	43,741	—	—
	<u>1,779,509</u>	<u>575,983</u>	<u>564,955</u>	<u>387,082</u>
TOTAL P&NG ACREAGE	<u>32,120,054</u>	<u>18,621,534</u>	<u>28,839,209</u>	<u>17,424,501</u>
MINERAL ACREAGE	<u>298,017</u>	<u>238,762</u>	<u>194,400</u>	<u>178,364</u>

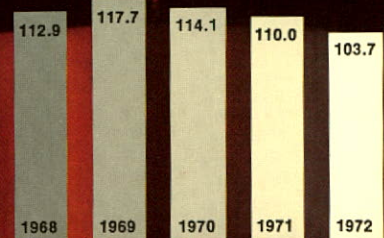
Net sales — Crude oil and gas liquids
(Thousands of barrels per day)



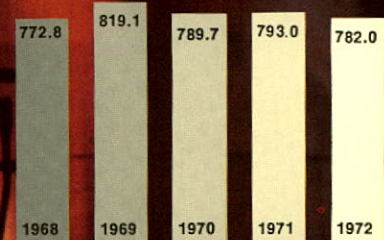
Net sales of natural gas
(Millions of cubic feet per day)



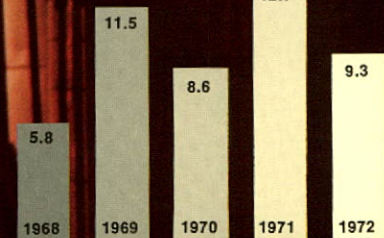
Reserves — Crude oil and gas liquids
(Millions of barrels)



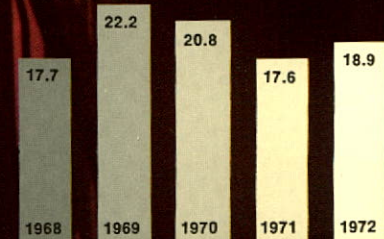
Reserves — Natural gas
(Billions of cubic feet)



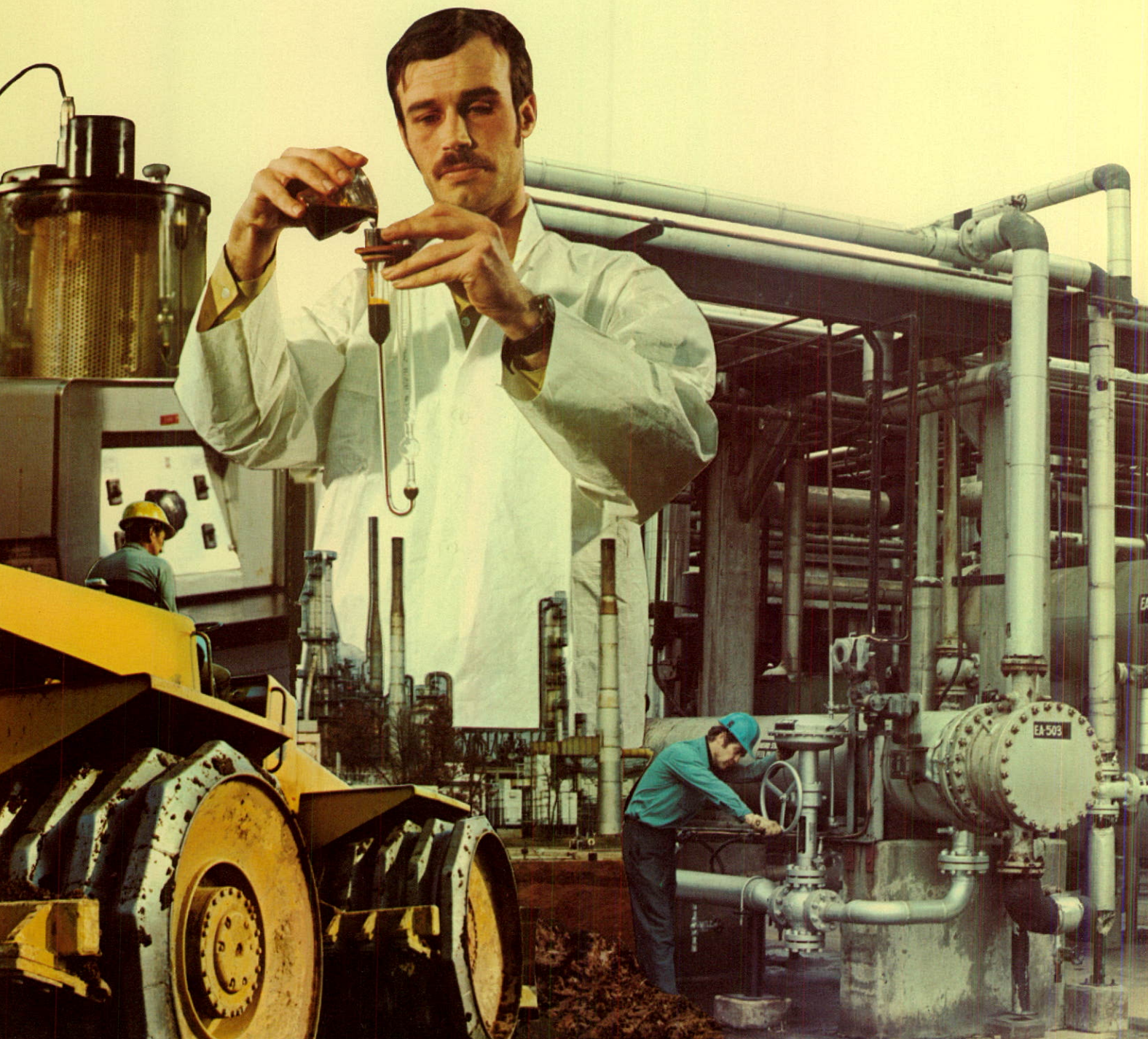
Exploration expenditures
(Millions of dollars)



Land holdings
(Million of net acres)



Supply and Refining



The combined throughput of the Montreal and Trafalgar Refineries in 1972 was 98,743 barrels per day of crude oil and 1,180 barrels per day of other feedstocks. In addition, approximately 16,000 barrels per day of refined products were acquired from another refiner and 4,000 barrels per day were imported from offshore.

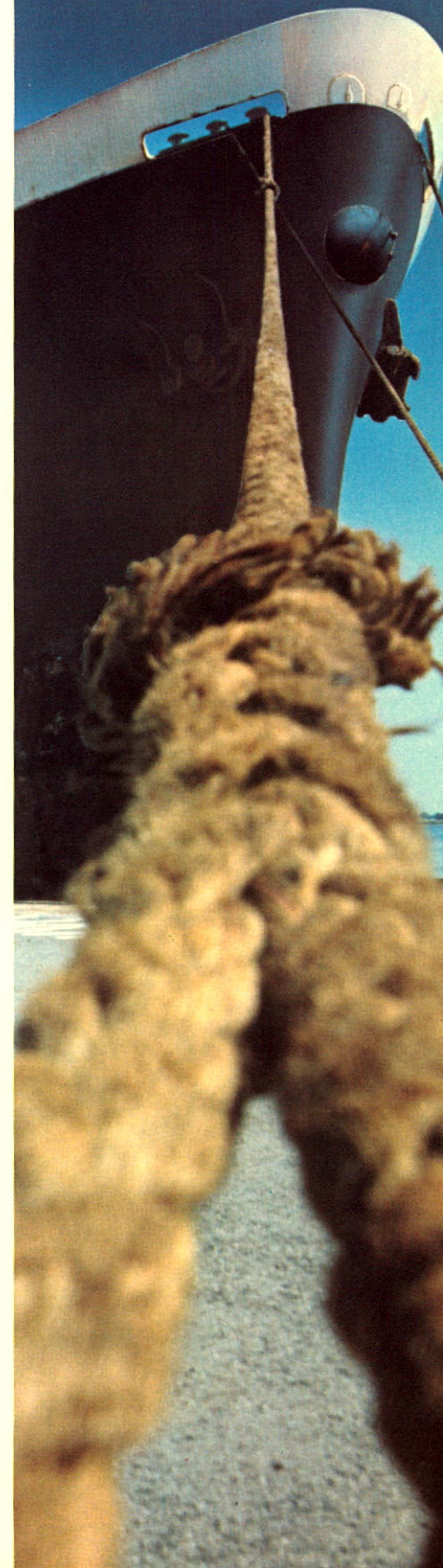
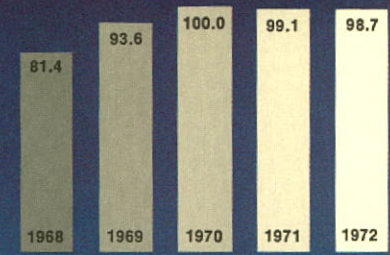
Western Canadian crude oil prices increased in November, 1972 by 10 cents per barrel and there was a further increase of 20 cents in January, 1973. These increases reflect the strong demand for Canadian crude in Canada and in the United States.

At Montreal, the price of imported crude oil rose sharply in early 1972 and again at the beginning of 1973 in response to successive settlements with the Organization of Petroleum Exporting Countries.

Following the decision to expand Trafalgar Refinery, contracts have been awarded for the design and construction of the new process units and associated offsite facilities. The expansion is scheduled for completion in the fall of 1974 at an estimated cost of \$60 million. This will increase Trafalgar Refinery capacity from 38,000 to 78,000 barrels per day and it will enable the refinery to supply the total BP and Supertest requirements in that area for several years forward.

The expansion will employ the most advanced refining technology. The catalytic reforming unit will ultimately be capable of continuous regeneration of catalyst. The catalytic cracking unit is of the short contact time riser type and will yield greater quantities of gasoline than contemporary units. Construction of 10 product storage tanks began late in the year; all new tanks holding volatile products will have internal floating roofs to minimize losses and atmospheric emissions. The refinery is already equipped with an advanced design of water treatment plant and this will be enlarged.

Total crude oil processed
(Thousands of barrels per calendar day)



A montage showing refinery operation, product quality testing and field construction work under way for the expansion of Trafalgar Refinery.

Marketing



In 1972, marketing revenue increased substantially while product sales, at 94,680 barrels per day, were similar to the 1971 level. The increased revenue reflects continuing emphasis on those products and sectors of the market which provide the greatest opportunity for profitable sales.

Refinery sales to other oil companies represented an additional 20,265 barrels per day.

BP's innovative marketing techniques have enabled the Company to respond quickly to the rapidly changing needs of motorists by the provision of specialized services at new and existing service station sites. In addition to making a direct contribution to profitability, these services were a major factor in achieving increased gasoline sales in 1972 at a growth rate in excess of industry average.

The concept of developing each location to meet the specific needs of its community continued to dominate the service station construction program with the opening of new self service centres, car washes and convenience stores with gasoline pump islands.

A number of service stations were sold for non-petroleum re-development and to individuals for continued operation as BP franchised dealerships. This program will be continued in 1973 and will assist in providing capital for investment in more modern centres of the type described above. BP now holds a strong position in the retail gasoline market, with more than 3,000 service stations in Ontario and Quebec.

Three new bulk plants were constructed in 1972 to assist BP agents to extend their services in rural Ontario. With 215 agents, serving over 90,000 customers, BP has become one of the largest retailers of petroleum products in the rural area of the province.

Despite a prolonged strike by Montreal longshoremen, marine sales in 1972 were slightly higher than in 1971. Asphalt volume increased 24.7%. BP continued to market aviation turbine fuels to international and domestic airlines and charter carriers at Toronto and Montreal International Airports.

Considerable progress was made in the consolidation of the BP and Supertest distribution facilities. Duplicate warehouses at six locations were eliminated and consolidation of the BP and Supertest road transport fleets provided a substantial reduction in distribution costs, particularly in the Toronto and Hamilton areas.

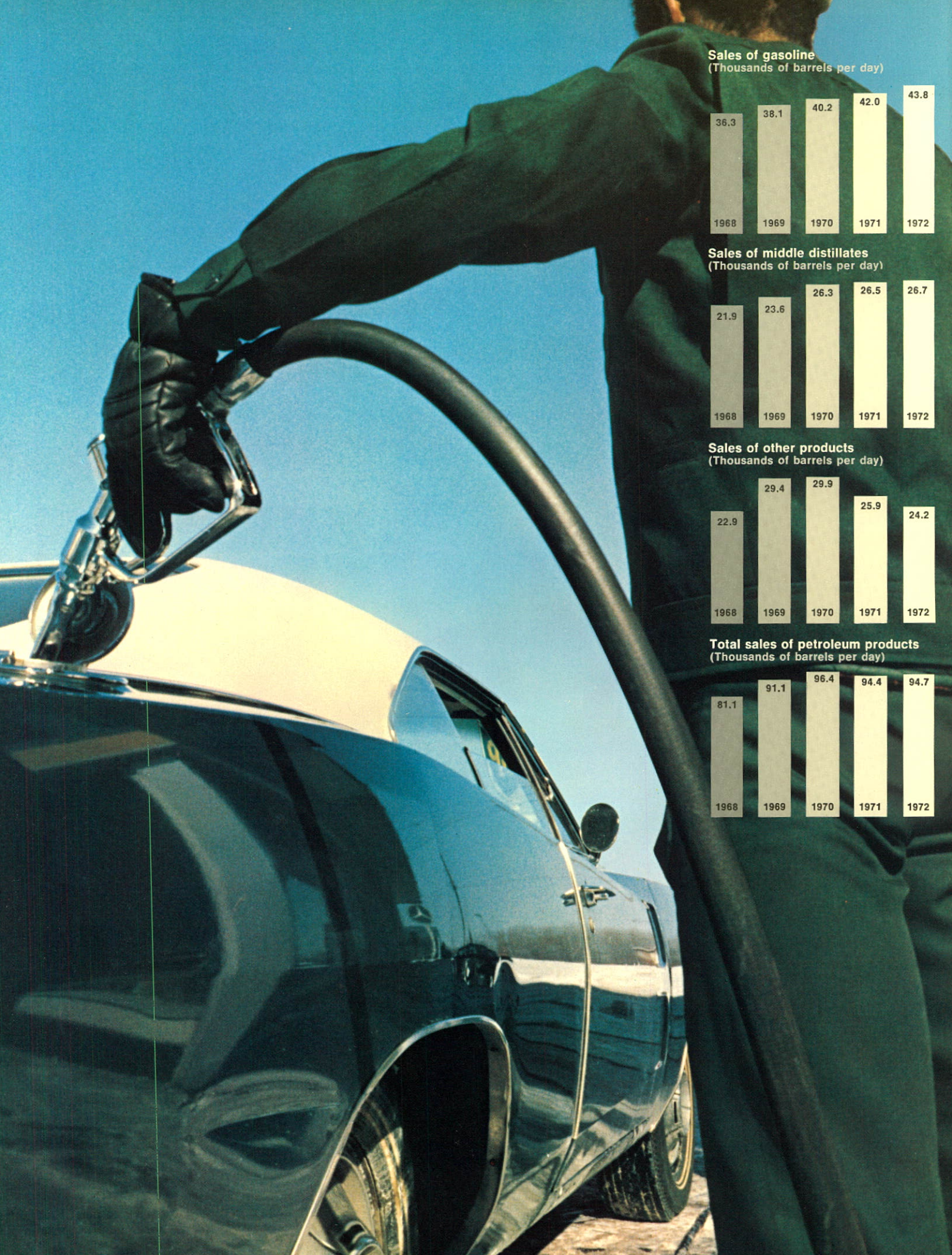
The BP and Supertest agency and service station sales organizations were combined early in the year as the first step in rationalizing sales coverage and establishing common administrative procedures for both brands.

Design and construction planning is underway for rebranding to BP of Supertest sites in Quebec and at certain locations in Ontario commencing in the spring of 1973.

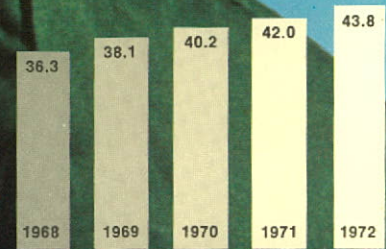
This montage demonstrates the broadening scope of specialized services being made available to the motoring public.



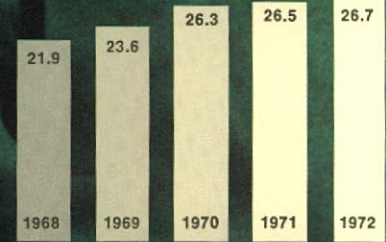
Top photo — Self service gasoline pumps are conveniently located in the parking area of this home improvement product store in Toronto. □ Centre left — Cars enter a new BP automatic car wash unit. □ Centre and right — BP's restaurant-gas bar installation at St-Jean-Port-Joli in eastern Quebec includes a boutique where travellers may purchase traditional Quebec wood carvings produced in the area. □ Bottom — A new BP Auto-Care Centre takes on an appealing look with flashes of bright red color.



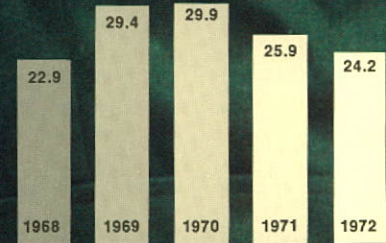
Sales of gasoline
(Thousands of barrels per day)



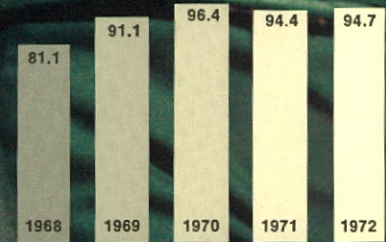
Sales of middle distillates
(Thousands of barrels per day)



Sales of other products
(Thousands of barrels per day)



Total sales of petroleum products
(Thousands of barrels per day)



Corporate Relations



Employees. In October, BP's Data Processing Centre in Montreal was moved to modern new premises in Don Mills, Ontario as the first step in integrating the BP and Supertest data and accounting services. Some 240 positions were transferred from Montreal. Those employees who did not move were either placed in other jobs within the Company or, with BP help, found employment with other firms. The Toronto marketing offices were also relocated at Don Mills and the activities of the Supertest Data Centre in London, Ontario will be moved there in the course of 1973.

The number of BP employees, approximately 2,200, was unchanged from 1971. Consolidation of administrative functions was balanced by an increase in the numbers of sales and other operating personnel. During the year a number of improvements in the Company's benefit plans were introduced.

Safety. On May 26, 1972, the 150 employees at Trafalgar Refinery achieved the remarkable record of one million manhours without lost time injury over a period of more than 3½ years. Montreal Refinery employees completed two years without a lost time injury on December 28. In keeping with BP's concern for environmental safety, further steps have been taken to identify and control the causes of accidents to personnel and material.

Summer Students. More than 100 students were employed during the summer months in exploration, refining, marketing and in head office departments, including 54 university students who participated in a successful trial program to supplement the service station work force during the busy summer period.

The Public. Public Affairs Department was formed in mid-1972 in recognition of the increasing importance of external relations in the affairs of the Company. Within its broad scope of identifying and responding to external influences, the department also coordinates the Public Relations and Environmental Protection roles of the Company.

Films. Nine new titles, including BP's new film *CANADA*, were added to BP's film lending library which now comprises 123 titles, of which 75 are available in French. BP films were seen during the year by an estimated 7,000,000 Canadian viewers on television, in theatres and at group showings.

Skid School. Construction of BP's second Skid Control and Advanced Driver Training School began near Montreal Refinery. The school will be ready to accept students in the early summer.

In this montage, biologists from the Ontario Ministry of the Environment study the effect of water effluent from Trafalgar Refinery on game fish; bottom loading of road tankers at Montreal Marketing Terminal reduces gasoline vapor emissions; university students prepare in the classroom for summer work at service stations; and a motorist learns to recover from a skid at a BP Skid Control School.

Environmental Protection. Protection of the environment was emphasized throughout 1972 in all operations, particularly in ecologically sensitive areas. BP continued to cooperate with other companies and numerous government departments and agencies in the development of standards and control programs.

In the market, the sulphur content of BP's fuel oils was further reduced. Customer education seminars were held to explain the effects of reducing the sulphur content upon other characteristics of fuel oils and to provide advice on operating combustion equipment to minimize pollution.

Particular attention is being paid to the effects of refinery water effluent on aquatic life. A biological study of the water in Lake Ontario adjacent to the Trafalgar Refinery outfall was completed during the year, and facilities were provided to the Ontario Ministry of the Environment to investigate the effects of refinery effluent water on game fish.

Trafalgar Refinery is a model industrial site and steps have been taken to ensure that there will be no deterioration of ambient air quality as a result of the refinery expansion, to extend the advanced water treatment plant already in operation, and to preserve the existing green belt and conservation area. At Montreal Refinery, studies are underway to improve the water treatment plant and to develop new methods of internal recycling to minimize wastes.

Continuing emphasis was placed on spill prevention and clean-up capabilities. BP's spill contingency plan was improved by appointing staff and adding materials and equipment to deal with possible accidental spills. Throughout its operating areas, BP is a member of cooperatives developed jointly by industry and government as part of national and provincial spill response plans.

BP is an active member of the Petroleum Association for the Conservation of the Canadian Environment (PACE) which has this year been engaged in a wide variety of investigations into means of minimizing pollution of the environment by the petroleum industry and by the users of its products.

A scene from BP's new film, *CANADA*, showing an Inuit on motorized sled in the Arctic, dissolving into spring crocuses blossoming on the west coast. Produced by Christopher Chapman, the film depicts the diversity of the people, climate, and geography of Canada.



Five year financial summary*

(Dollars in thousands except per share amounts)

	1972	1971	1970	1969	1968
Balance sheet					
Current assets	\$ 85,029	\$ 77,846	\$ 73,198	\$ 73,722	\$ 65,115
Current liabilities	56,898	60,019	55,919	60,057	41,046
Working capital	28,131	17,827	17,279	13,665	24,069
Investments and advances	12,252	14,091	13,340	12,568	12,516
Property, plant and equipment— net	263,326	265,188	257,491	253,057	238,799
Capital employed	303,709	297,106	288,110	279,290	275,384
Deduct: Long term debt	56,170	65,184	74,984	88,037	88,848
Other non-current liabilities	1,480	1,546	1,646	909	—
Shareholders' equity	246,059	230,376	211,480	190,344	186,536
Per common share	\$11.72	\$10.97	\$10.07	\$9.55	\$9.36
Income					
Net revenue	256,500	244,690	223,082	208,152	201,688
Expenses	236,008	225,442	208,782	201,228	191,634
Income before income taxes and extraordinary items	20,492	19,248	14,300	6,924	10,054
Income taxes	1,800	3,600	3,000	1,233	3,786
Income before extraordinary items	18,692	15,648	11,300	5,691	6,268
Extraordinary items:					
Income tax credit	1,563	3,100	1,653	210	2,250
Other debits	(576)	(750)	—	—	—
Net income for the year	\$ 19,679	\$ 17,998	\$ 12,953	\$ 5,901	\$ 8,518
Per common share					
Income before extraordinary items	89¢	74¢	53¢	28¢	31¢
Extraordinary items	04¢	11¢	08¢	01¢	11¢
Net income for the year	93¢	85¢	61¢	29¢	42¢
Total funds derived from operations	\$ 38,727	\$ 37,290	\$ 29,240	\$ 29,658	\$ 29,896

*On the basis described in notes 1, 2 and 7 to the consolidated financial statements

Five year operating summary

(Barrels per day except natural gas)

Refined product sales (excluding sales to other oil companies)	94,680	94,400	96,431	91,099	81,159
Crude oil processed at refineries	98,743	99,079	100,000	93,638	81,353
Net sales of crude oil and natural gas liquids	23,977	22,132	21,326	18,871	18,415
Net sales of natural gas (Thousands of cubic feet per day)	86,363	80,125	77,660	58,175	55,514

Financial Review



Consolidated net income for 1972 was \$19,679,000 or 93¢ per common share an increase of 9% over 1971 earnings of \$17,998,000. Results for both years were after extraordinary items, principally income tax credits arising from the availability of income tax deductions from prior years as detailed in Note 8 to the financial statements.

Revenues increased 5% to \$256,500,000 in 1972 from \$244,690,000 in the previous year. Significant factors in the improvement were increased revenues from refined product sales and increased revenues from and higher sales of crude oil and natural gas.

Total costs and expenses increased \$10,566,000 in 1972 reflecting higher imported crude oil prices and the generally rising costs of labor and materials.

The effective annual dividend rate on common shares was increased from 10¢ per share in 1971 to 15¢ per share in 1972. The number of shares eligible for dividends increased substantially on December 23, 1971 when 13,150,600 common shares were issued in exchange for the BP petroleum interests in Canada and again on October 18, 1972 when 3,730,935 shares were issued, on amalgamation, to the minority shareholders of BP Oil and Gas Ltd. in exchange for their shares in that company. The above transactions are more fully detailed in the notes to the financial statements.

Working capital at December 31, 1972 was \$28,131,000, an increase of \$10,304,000 during the year. Funds on hand at the beginning of the year, together with those generated from operations and from the sale of property, plant and equipment were more than adequate to cover requirements during the year. Subsequent to the year end, the company sold privately \$50,000,000 Debentures in Canada and the U.S.A. and negotiated a loan in the United Kingdom, guaranteed by the Export Credit Guarantee Department, of £3,150,000, which will provide funds for the expansion of the Trafalgar Refinery (see Note 10 to the financial statements).





Consolidated Statement of Income
For the year ended December 31, 1972

	1972	1971
	(thousands of dollars)	
Revenue:		
Sales and services	\$271,436	\$257,666
Less federal sales taxes	16,351	14,523
	<u>255,085</u>	<u>243,143</u>
Income from investments	1,415	1,547
	<u>256,500</u>	<u>244,690</u>
Expenses:		
Purchases of crude oil, products and merchandise	135,023	133,647
Operating and administration	75,660	67,308
Depreciation (note 1)	13,532	13,264
Depletion (note 1)	7,764	6,572
Interest and discount on long term debt	4,029	4,651
	<u>236,008</u>	<u>225,442</u>
Income before income taxes and extraordinary items	20,492	19,248
Income taxes (note 8)	1,800	3,600
Income before extraordinary items	<u>18,692</u>	<u>15,648</u>
Extraordinary items:		
Income tax credit (note 8)	1,563	3,100
Amalgamation expenses (note 2)	(325)	—
Deferred expenditure written off — pipeline research (after income taxes of \$237,000)	(251)	—
Cost of acquisition of BP petroleum interests (note 2)	—	(250)
Provision for costs of integration (after income taxes of \$500,000)	—	(500)
	<u>987</u>	<u>2,350</u>
Net income for the year	\$ 19,679	\$ 17,998
Income per common share (notes 2 and 7)		
Before extraordinary items	\$.89	\$.74
Extraordinary items	.04	.11
Net income for the year	\$.93	\$.85



Consolidated Statement of Source and Application of Funds

For the year ended December 31, 1972

	1972	1971
	(thousands of dollars)	
Funds derived from:		
Income before extraordinary items	\$ 18,692	\$ 15,648
Extraordinary items	987	2,350
Net income for the year	19,679	17,998
Add (deduct) items not resulting in a flow of funds in the current year:		
Depreciation and depletion (note 1)	21,296	19,836
Profit on redemption of long term debt	(265)	(234)
Other	(1,983)	(310)
Total funds derived from operations	38,727	37,290
Issue of capital stock	10	36
Long term borrowing	643	22
Proceeds on sale of property, plant and equipment	7,611	2,803
Net decrease (increase) in investments and advances	1,099	(1,053)
Increase in working capital contributed by parent company	—	2,143
Total funds derived	48,090	41,241
Funds applied to:		
Additions to property, plant and equipment	24,322	29,729
Repayments of long term debt	9,392	9,588
Net repayments of gas supply contract advances	66	100
Redemption of preference shares	2	63
Premiums paid on acquisition of going concerns	853	730
Dividends	2,806	483
Tax paid on undistributed income	345	—
Total funds applied	37,786	40,693
Net increase in working capital	10,304	548
Working capital, beginning of the year	17,827	17,279
Working capital, end of the year	\$ 28,131	\$ 17,827

BP Canada Limited and subsidiaries

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1972

ASSETS

1972
(thousands of dollars)

Current:

Cash and short term investments, at cost which approximates market	\$ 2,932	\$ 5,227
Accounts receivable	52,514	47,465
Due from affiliated companies — net (note 3)	1,826	—
Inventory, valued at the lower of cost or market	25,835	23,490
Prepaid expenses and deposits	1,922	1,664
Total current assets	85,029	77,846

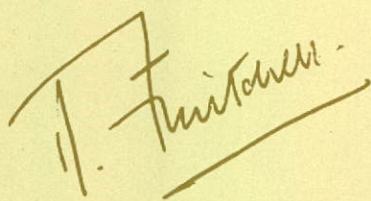
Investments and advances:

Investments in other companies (note 4)	4,228	4,636
Mortgages, loans and long term deposits	7,017	8,277
Lease payments, at amortized cost	1,007	1,178
Total investments and advances	12,252	14,091

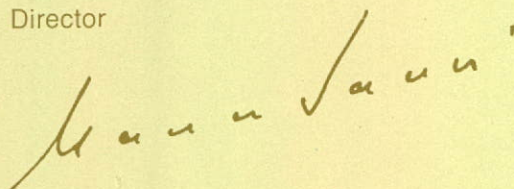
Property, plant and equipment,

At cost less accumulated depreciation and depletion (note 5)	263,326	265,188
Total	\$360,607	\$357,125

On behalf of the board



Director



Director

See accompanying notes



LIABILITIES AND SHAREHOLDERS' EQUITY

1972 1971
(thousands of dollars)

Current:

Bank loan	\$ 8,070	\$ 7,200
Notes payable	—	7,000
Accounts payable and accrued charges	40,198	36,754
Due to affiliated companies — net (note 3)	—	225
Dividends payable	295	222
Current maturities of long term debt	3,731	6,556
Deferred production income	4,604	2,062
<u>Total current liabilities</u>	<u>56,898</u>	<u>60,019</u>
Gas supply contract advances	1,480	1,546
<u>Long term debt (note 6)</u>	<u>56,170</u>	<u>65,184</u>

Shareholders' equity:

Capital stock (note 7)	185,416	185,408
Retained earnings	60,643	44,968
	<u>246,059</u>	<u>230,376</u>
	<u>\$360,607</u>	<u>\$357,125</u>

Consolidated Statement of Retained Earnings

For the year ended December 31, 1972

	1972	1971
	(thousands of dollars)	
Balance, beginning of the year		
As previously reported	\$ 44,986	\$ 30,852
Deduct —		
Deficit attributable to minority interest in BP Oil and Gas Ltd. (note 2)	18	2,669
As restated	44,968	28,183
Net income for the year	19,679	17,998
Premiums paid on acquisition of going concerns (note 1)	(853)	(730)
Tax paid on undistributed income	(345)	—
	<u>63,449</u>	<u>45,451</u>
Dividends:		
Common shares	2,730	406
Preference shares	76	77
	<u>(2,806)</u>	<u>(483)</u>
Balance, end of the year	<u>\$ 60,643</u>	<u>\$ 44,968</u>

See accompanying notes

Auditors' Report

To the Shareholders of
BP Canada Limited:

We have examined the consolidated balance sheet of BP Canada Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
March 8, 1973.

Clarkson, Gordon & Co.

Chartered Accountants

Notes to consolidated financial statements December 31, 1972

1. Accounting policies

The principal accounting policies are summarized below:

Investment in subsidiary companies —

The consolidated financial statements include the accounts of subsidiary companies, all of which are wholly owned. If the purchase price of shares of a subsidiary exceeds their net book value at the acquisition date, the excess is allocated to the assets acquired up to their fair values, and additional depreciation, depletion and amortization provided thereon from that date. Any excess of cost over the fair value of assets acquired is charged to retained earnings.

Depreciation —

Depreciation on marketing, refining and production assets is provided on a straight line basis over the estimated useful lives of the assets.

Exploration and development costs —

The full cost method of accounting is used, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized, whether related to productive or non-productive properties. Proceeds received from the disposal of properties are credited against the costs, and the net costs are amortized by the composite unit of production method based on total estimated proven reserves.

Inventories —

Inventories of crude oil, refined products and merchandise are valued at the lower of cost (determined on a first-in first-out basis, which for manufactured refined product is based on the average cost of manufacture for the year) and net realizable value.

Sales and services —

Sales and road taxes collected for the provincial governments have been excluded from sales and services revenue.

Income taxes —

Under Canadian income tax law, drilling, exploration and lease acquisition costs may be deducted from income and any amounts not deducted may be carried forward to subsequent years. Although the utilization of the maximum available deductions may eliminate or reduce current income tax liability, it may also result in the payment of additional taxes in the future when recorded charges against income exceed those available for tax purposes. Directly influencing the timing and amount of this future liability, however, are additional deductions available from continuing exploration and development investment which will result in a further deferment of tax liability. For this reason the companies, in common with many others in the oil and gas industry, do not provide for income taxes deferred as a result of claiming deductions of this nature for tax purposes greater than the related charges in the accounts.

2. Material transactions

On October 18, 1972 the former BP Canada Limited amalgamated with its 65.9% owned subsidiary, BP Oil and Gas Ltd. The 15,194 5% cumulative

Notes to consolidated financial statements (continued)

redeemable sinking fund preference shares and the 17,268,889 common shares of the company outstanding prior to the amalgamation were effectively continued in the amalgamated company, and 3,730,934.8 additional common shares were issued in respect of the shares in BP Oil and Gas Ltd. held by the minority interest. The shares in BP Oil and Gas Ltd. held by the company were cancelled.

The assets and liabilities and operations of BP Oil and Gas Ltd. were included in the prior year's consolidated financial statements; the amalgamation resulted in the restatement of the minority interest as capital stock and as consolidated retained earnings (\$27,140,000 and \$2,304,000 respectively at October 17, 1972).

The petroleum marketing, refining and exploration interests of the BP Group in Canada were acquired by the former BP Canada Limited for shares in 1971, and the assets, liabilities and retained earnings of those companies have been consolidated at their carrying values in their respective financial statements; the results of their operations have been retroactively included with those of the former BP Canada Limited and its subsidiaries for the periods presented. This transaction is described in detail in the notes to the consolidated financial statements included in the company's 1971 annual report.

	1972	1971
	(thousands of dollars)	
3. Due from (to) affiliated companies		
Purchases of crude and product	\$ (1,418)	\$ (282)
Dividend due to parent company	(516)	—
Less: Due from parent company	3,764	—
Miscellaneous intercompany accounts	(4)	57
Net due from (to) affiliated companies	\$ 1,826	\$ (225)

	1972	1971
	(thousands of dollars)	
4. Investments in other companies		
Shares of effectively controlled companies, at equity	\$ 65	\$ 139
Investments in other companies, at cost:		
Not quoted	3,276	3,607
Quoted (market value 1972 — \$3,086,000 1971 — \$2,729,000)	887	890
	\$ 4,228	\$ 4,636

	1972			1971
	(thousands of dollars)			
	Investment at cost	Accumulated depreciation and depletion	Net investment	Net investment
Exploration and production	\$202,166	\$ 79,344*	\$122,822	\$121,568
Refining	105,088	51,000	54,088	55,290
Marketing	145,731	59,315	86,416	88,330
	\$452,985	\$189,659	\$263,326	\$265,188

*Includes depletion of \$60,496

Notes to consolidated financial statements (continued)

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
6. Long term debt		
BP Canada Limited:		
Mortgage loans payable	\$ —	\$ 274
Other long term debt	600	—
Subsidiaries of BP Canada Limited:		
BP Oil Limited —		
Mortgage loans payable	454	261
Notes due 1972 to 1975 (average rate 5.8%)	6,500	10,000
Other —		
Mortgage loans payable	275	—
Subsidiaries of BP Oil Limited:		
BP Refinery Canada Limited —		
5½ % first mortgage sinking fund bonds Series A, maturing March 15, 1979	7,609	8,711
5¾ % sinking fund debentures Series A maturing October 1, 1986	26,523	27,708
Supertest Investments and Petroleum Limited —		
Bank loans secured by certain oil and gas properties, payable over a period of five years	1,307	1,929
BPOG Operations Ltd:		
Bank loans secured by certain oil and gas properties payable over a period of five years	—	3,381
6¼ % Series B notes	16,143	19,476
Other long-term debt	490	—
	<u>59,901</u>	<u>71,740</u>
Less current maturities included in current liabilities	3,731	6,556
	<u>\$ 56,170</u>	<u>\$ 65,184</u>

In addition to the current maturities included in current liabilities at December 31, 1972 it is estimated that further repayments of the 6¼ % Series B notes from production proceeds during 1973 will amount to \$3,700,000.

Repayments and sinking fund requirements during the four years subsequent to December 31, 1973 are as follows:

1974 — \$9,094,000	1976 — \$6,157,000
1975 — \$8,263,000	1977 — \$2,078,000

Sinking fund requirements with respect to debentures issuable in 1973 will be \$2,000,000 in 1977 (see note 10).

Notes to consolidated financial statements (continued)

7. Capital stock

	<u>1972</u>	<u>1971</u>
	(thousands of dollars)	
Authorized:		
27,194 preference shares of \$100 par value each, of which 15,194 (15,219 in 1971) are designated 5% cumulative redeemable sinking fund preference shares of \$100 par value each redeemable for \$103 or at par for sinking fund purposes		
Nil Class A fully participating non-voting shares without par value (344,390 in 1971)		
30,000,000 common shares without par value		
Issued: (note 2)		
15,194 5% cumulative redeemable sinking fund preference shares (15,219 in 1971)	\$ 1,520	\$ 1,522
Nil Class A fully participating non-voting shares (344,390 in 1971)		183,886
21,001,023.8 common shares (20,999,823.8 in 1971)	183,896	
	<u>\$185,416</u>	<u>\$185,408</u>

Under the terms of the agreement for the acquisition of the petroleum interests of the BP Group in Canada, BP Canadian Holdings Limited offered to purchase for \$20 each all except 41,590 of the outstanding Class A shares and to donate all shares so acquired to the company. During 1972 a total of 295,001 Class A shares were donated and cancelled, and the remaining 49,389 Class A shares were converted to common shares on a share for share basis. The earnings per share calculations in these financial statements give retroactive effect to the donation, cancellation and conversion of the Class A shares and to the conversion and cancellation of shares on the amalgamation of BP Canada Limited and BP Oil and Gas Ltd. as stated in note 2.

At December 31, 1972, giving retroactive effect to the amalgamation with BP Oil and Gas Ltd. described in note 2, options were outstanding to officers and employees to purchase 13,600 common shares at prices ranging from \$8.32½ to \$13.27½ exercisable annually to January 25, 1976. Options with respect to 1,200 common shares were exercised during the year at a price of \$8.32½ per share.

The company redeemed for cash 25 preference shares during the year.

8. Income taxes

The policy of accounting for taxes on income which have been eliminated for tax purposes by claiming exploration and development expenses outlined in note 1 differs from the tax allocation basis of accounting recommended by the Canadian Institute of Chartered Accountants which requires that income taxes be provided for on the basis of income reported in the accounts. If the companies had provided for deferred taxes with respect to

Notes to consolidated financial statements (continued)

these timing differences, the increase in deferred income taxes and the decrease in net income would be as follows:

		Per share
1972	\$6,030,000	\$.29
1971	5,335,000	.25

The accumulated deferred income tax credit for current and prior years would have been approximately \$18.2 million at December 31, 1972 (\$12.2 million at December 31, 1971).

In addition, on a cumulative basis the capital cost allowances claimed to eliminate taxable income have been significantly less than the related depreciation charged in the accounts. This difference has been available as a deduction in the determination of taxable income of subsequent years; the resulting tax benefits have been reflected in the accounts as extraordinary items when realized (\$1,563,000 in 1972 and \$3,100,000 in 1971). The aggregate unrecorded potential reduction in future income taxes was estimated to be approximately \$9 million at December 31, 1972 (\$ 11 million at December 31, 1971).

9. Pension plan

The pension plan provides retirement benefits for substantially all employees. A recent actuarial valuation indicated that all liabilities of the plan were fully funded by assets held by the trustees.

10. Commitments and subsequent events

Commitments in the ordinary course of business for the acquisition or construction of fixed assets, with the exception of the refinery expansion discussed below, are not significant in relation to net assets.

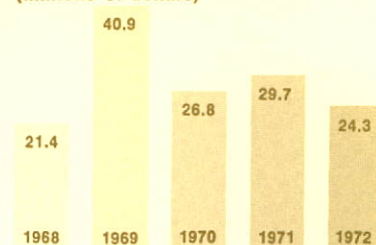
A contract has been signed with a general contractor for the main process units and contracts have been signed or are being negotiated for the balance of the work to expand the Trafalgar Refinery to a capacity of approximately 78,000 barrels per day. The new facilities which are scheduled to be on stream towards the end of 1974 are estimated to cost \$60,000,000. After the year end the company concluded the private placement of \$25,000,000 7¾% debentures in United States funds, and \$25,000,000 8¼% debentures in Canadian funds, both unsecured and maturing February 15, 1993, with expenses of the issue estimated at \$500,000, and a 6% loan of £3,150,000 guaranteed by the Export Credit Guarantee Department (a United Kingdom Crown Agency), which will provide funds for the refinery expansion. On February 15, 1973 the company delivered to the purchasers debentures totalling \$6,000,000 United States funds and \$24,750,000 Canadian funds. The remaining \$19,000,000 United States funds and \$250,000 Canadian funds debentures will be delivered during 1973.

Total rentals under leases expiring more than three years after the year end amounted to approximately \$25,600,000 of which \$2,500,000 is payable in 1973.

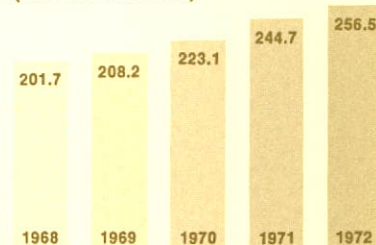
11. Remuneration of directors and senior officers

The aggregate direct remuneration of the directors and senior officers of the company and of the two amalgamating companies (see note 2) was \$621,000 in 1972, which includes \$457,000 for the year in respect of those who were the directors and senior officers of the company after amalgamation.

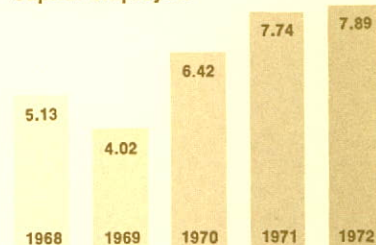
Additions to property, plant and equipment
(Millions of dollars)



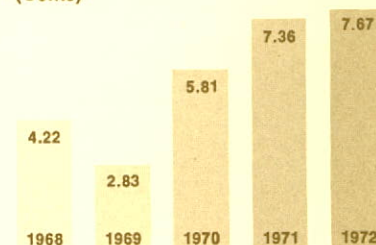
Net revenue
(Millions of dollars)



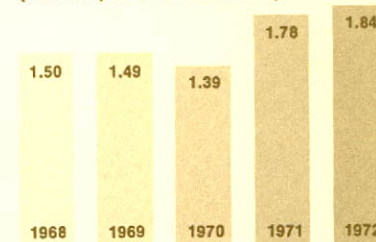
% return on average capital employed



Net income per dollar of net revenue
(Cents)



Total funds derived from operations
(Dollars per common share)



Board of Directors

R. W. ADAM — London, England
*A Director,
BP Trading Limited*

P. G. CAZALET — New York
*President, BP North America Inc.
(Elected a Director 1.2.1973)*

A. F. DOWN, O.B.E., M.C. —
London, England
*A Deputy Chairman, A Managing Director,
The British Petroleum Company Limited*

R. M. FOWLER, O.C. — Montreal
President, C. D. Howe Research Institute

R. W. D. HANBIDGE — Montreal
*Executive Vice-President,
BP Canada Limited*

F. A. MCKINNON — Calgary
*Vice-President, Exploration and Production,
BP Canada Limited*

I. N. MCKINNON, M.B.E. — Calgary
*Chairman of the Board and President,
Consolidated Pipe Lines Company*

D. F. MITCHELL — Montreal
*President,
BP Canada Limited*

J. H. MOORE — London, Ontario
*Chairman of the Board, John Labatt Limited
President, Brascan Limited*

M. M. PENNELL, C.B.E. — London, England
*A Managing Director,
The British Petroleum Company Limited*

THE HON. M. SAUVÉ, P.C. — Montreal
*Vice-President, Administration,
Consolidated-Bathurst Limited*

D. E. C. STEEL, D.S.O., M.C. —
London, England
*A Deputy Chairman, A Managing Director,
The British Petroleum Company Limited
(Resigned as Director 1.2.1973)*

J. ALLYN TAYLOR — London, Ontario
*Chairman of the Board,
The Canada Trust Company*

JAMES G. THOMPSON — London, Ontario
*President,
Corlon Investments Limited*

P. I. WALTERS — London, England
*A Managing Director,
The British Petroleum Company Limited*

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Chairman of the Board

D. F. MITCHELL,
President

R. W. D. HANBIDGE,
Executive Vice-President

F. A. MCKINNON,
Vice-President, Exploration and Production

D. C. SMITH,
Vice-President, Finance and Treasurer

J. A. BARCLAY,
Vice-President, Supply and Refining

J. LANGELIER, Q.C.,
Vice-President, Legal and Secretary

R. W. MITCHELL, M.B.E., Q.C.,
Vice-President, Ontario

K. HEALY,
Assistant Secretary

J. I. RAWLINSON,
Assistant Secretary

K. T. ALLISON,
Assistant Treasurer

F. D. PYNN,
Assistant Treasurer

C. C. SMITH,
Assistant Treasurer

BP Canada Limited

Executive Office

1245 Sherbrooke Street West
Montreal 109, Quebec

Exploration and Production

335 - 8th Avenue S.W.
Calgary, Alberta T2P 1C9

BP House

240 Duncan Mill Road
Don Mills, Ontario M3B 3B2

Refineries

Montreal Refinery
Ville d'Anjou, Quebec

Trafalgar Refinery
Oakville, Ontario

Sales Offices

Province of Quebec

Montreal
Quebec City
Sherbrooke

Province of Ontario

Burlington
Hamilton
Kitchener
London
North Bay
Oakville
Ottawa
Toronto

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