

# BP Canada Limited Review of Operations 1970



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*Cover: The BP Group pioneered the concept of merchandising gasoline through "self-service" pumps. In Canada, BP's first self-service station, in combination with an automatic car-wash, was opened in Longueuil, Quebec, in 1970. Public acceptance was immediate and enthusiastic. Sales volumes continue substantially higher than those normally achieved from conventional outlets.*

# BP Canada Limited

(Wholly-owned subsidiary of The British Petroleum Company Limited)



## Highlights of the Year 1970

### Financial

Revenue .....	\$167,823,000
Total funds derived from operations .....	23,595,000
Net income .....	6,560,000
Capital expenditure .....	23,417,000
Working capital at end of year .....	15,320,000
Long-term debt at end of year .....	72,831,000
Total assets at end of year .....	292,576,000

### Operating

Net natural gas sold .....	Cubic feet per calendar day 62,428,000
Net production of crude oil and natural gas liquids .....	Barrels per calendar day 18,582
Crude oil runs to refinery .....	100,000
Refined products sold .....	79,225

*Pour copie de cette Revue des Activités  
en français, écrire à:  
Département des Relations Publiques  
BP Canada Limitée  
1245 ouest, rue Sherbrooke  
Montréal 109, Qué.*

# Board of Directors



R. M. FOWLER,  
*Chairman of the Board*



*Shown attending the meeting of the Board of Directors, on May 7, 1971 are: Seated from left to right: R. W. Adam, A. F. Down, J. H. Moore, D. F. Mitchell, J. Langelier and D. E. C. Steel. Standing from left to right: M. Sauve, D. W. K. Barker, R. W. D. Hanbidge and J. L. Stewart.*

R. W. ADAM – New York  
*President, BP North America Inc.*

D. W. K. BARKER – London, England  
*A Managing Director, The British Petroleum Company Limited*

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

R. M. FOWLER – Montreal  
*President, Canadian Pulp and Paper Association*

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

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

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

Hon. M. SAUVE, P.C. – Montreal  
*Vice-President, Consolidated-Bathurst Ltd.*

D. E. C. STEEL, D.S.O., M.C. – London, Eng.  
*A Managing Director, The British Petroleum Company Limited*

J. L. STEWART, M.B.E., Q.C. – Toronto  
*A Senior Partner, Fraser & Beatty*

## Senior Officers

R. M. FOWLER,  
*Chairman of the Board*

D. F. MITCHELL,  
*President*

R. W. D. HANBIDGE,  
*Vice-President – Marketing*

J. A. BARCLAY,  
*Vice-President – Refining*

L. E. BARCHARD,  
*Vice-President – Supply*

J. LANGELIER, Q.C.,  
*Vice-President – Legal*

D. C. SMITH,  
*Vice-President – Finance*

F. A. MCKINNON,  
*President – BP Oil and Gas Ltd.*

# The President's Report

Net income of BP Canada Limited in 1970, after allowing for minority interests, was \$6,560,000. Sales of petroleum products increased by more than 7 per cent to 79,225 barrels per day, compared with an increase of some 5 per cent in oil consumption in the Company's marketing area.

Production of crude oil and natural gas liquids rose by 13.5 per cent to 18,582 barrels per day, while sales of natural gas were 22.6 per cent higher at 62.4 million cubic feet per day. Sulphur sales were little changed at 61,590 tons.

Whilst the production of crude oil and natural gas in Canada rose to record levels in 1970, largely in response to substantially higher demand from the United States, exploration results continued to be disappointing.

The future market prospects for Canadian oil and gas seem excellent, but if the industry is to achieve this potential it must continue to attract the enormous amounts of risk capital required properly to explore the promising, but high-cost, Frontier areas. This in turn requires that a favourable investment climate be established and maintained. Investors seek to minimize uncertainty: yet uncertainty abounds. Three areas of particular concern are the long-heralded tax reforms, anticipated changes to the regulations governing exploration and development on Crown reserve lands, and the continuing debate on the subject of foreign ownership of resources. It is most important that these, and other uncertainties, be removed in the near future and that they be resolved in such a way as to stimulate rather than retard the development of Canada's oil and gas resources.

Over the last decade the prices of petroleum products, exclusive of sales taxes, have shown remarkable stability in the face of rapidly rising prices of most other goods and services. Within the last six months, however, the prices of both domestic and imported crude oil have risen — the latter particularly sharply — and these increased costs have had to be reflected in higher product prices. It would now appear that the era of cheap petroleum energy has run its course and that we have to anticipate a continuing trend towards increasing prices.

BP has for many years been committed to playing a leading role in the battle for the preservation of the environment. At sea, we were pioneers of the "Load-on-Top" system for eliminating the discharge of tank washings from tankers. More recently we were founder members of two world-wide voluntary funds established by the industry to provide compensation for damage arising from marine oil spills, firstly TOVALOP and now, effective April 1971, CRISTAL. All ships carrying BP's crude and fuel oil to Canadian ports are covered by these funds which, together, provide compensation up to \$30 million per incident.

Our refinery at Oakville operates a most sophisticated plant to ensure that the cooling water returned to Lake Ontario is as clean as — if not cleaner than — the water drawn from the Lake, as is attested to by the trout which thrive in the refinery's aquarium fed with the effluent. In close cooperation with the relevant authorities, additional facilities have recently been commissioned at Montreal Refinery to improve the quality of our effluent and ballast water at this location.

Thanks to the investment in new plant and by the careful selection of crude oils, we are meeting, and shall continue to meet, the increasingly stringent sulphur standards for fuel oils set by the Ontario Air Management Branch and by the Montreal Urban Community.

The problem of exhaust emissions from automobiles has lately attracted a great deal of public interest. What is often not fully appreciated is the remarkable improvement which has already been achieved in recent years. Typically, the 1971 car emits some 70% less carbon monoxide and 80% less unburnt hydrocarbons than those built only 4 years ago. Programmes are now in hand to further substantially reduce emissions over the next few years. The precise means by which these further reductions will be achieved remains a matter of technical controversy. If the route finally adopted requires the reformulation of automotive fuels, BP's gasolines will be manufactured to satisfy this need.

All these desirable improvements, however, can only be achieved at a considerable cost and these costs have, in turn, to be reflected in the prices of our products. Indeed, it is, unfortunately, universally true that all programmes designed to improve the human environment cost money — often a great deal of money. It is for the community at large to determine the price it is willing to pay.

Whilst the business prospects for the current year remain uncertain, 1971 will remain a memorable one for BP in that we shall be drilling our first wells in the Arctic Islands. Although the logistics problems in this area are formidable, we confidently believe that, given a major oil discovery, safe and economic means will be developed to bring the oil to market.

No matter what the future holds, I am certain we can count on the continuing loyalty and devotion of our employees, agents, and dealers. I thank them all for their past efforts and know that they will meet the challenges of tomorrow as resourcefully and resolutely as those of yesterday.

A handwritten signature in black ink, reading "D. F. Mitchell". The signature is stylized with a large, sweeping initial "D" and "F". A horizontal line is drawn underneath the signature.

D. F. Mitchell  
President

May 1971

# Corporate Organization



BP Canada Limited

Marketing and Refining



BP Oil Limited

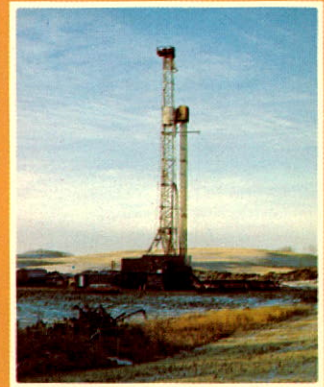
Finance

British Petroleum Investments Canada Limited



BP Tanker Finance Canada Limited (owned 49%)

Exploration and Production



BP Oil and Gas Ltd. (owned 65.9%)

BP Exploration Canada Limited

Triad Oil Manitoba Ltd.

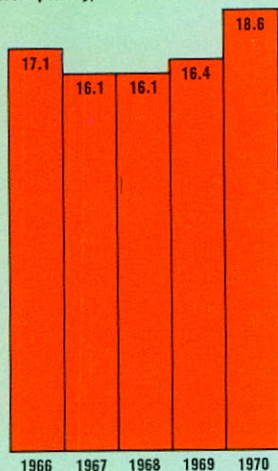
Triad Petroleum Development Ltd.

Montreal Pipe Line Company Limited (owned 10%)

BP Refinery Canada Limited

# Exploration and Production

**Net production of crude oil and natural gas liquids**  
(Thousands of barrels per day)

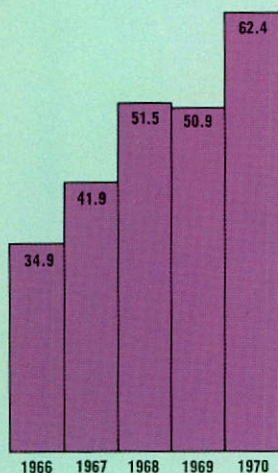


During 1970, the main exploration effort was directed towards the Arctic Islands, which geologically show great potential for hydrocarbon reserves. The Company has excellent representation in this region, holding an interest in 7.4 million acres, of which 7.1 million acres are under farmout to Panarctic Oils Ltd.

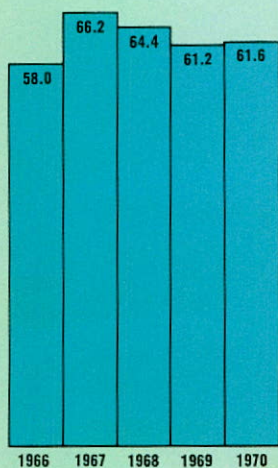
BP Oil Limited and BP Oil and Gas Ltd. have jointly farmed back from Panarctic 1.2 million acres in the western Arctic Islands. The farm-in requirements include 400 miles of seismic survey, which was completed in 1970, and the drilling of two 12,000-foot wells with the option to drill a third. These two obligation wells will be drilled in 1971 on Vanier and Prince Patrick Islands.

In the eastern Arctic Islands, BP Oil Limited and BP Oil and Gas Ltd. negotiated a farmout from the Pacific Petroleum group covering 338,000 acres on Graham Island. Seismic work has defined two large structures — one on a 227,000-acre block and the other on a 111,000-acre block. A 10,000-foot test well will be drilled late in 1971 on one of these blocks. BP will pay 100% of the well cost to acquire a 25% interest in the block that is drilled, thereby earning the right to purchase a similar interest in the other block.

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



**Net sales of sulphur**  
(Thousands of tons per year)





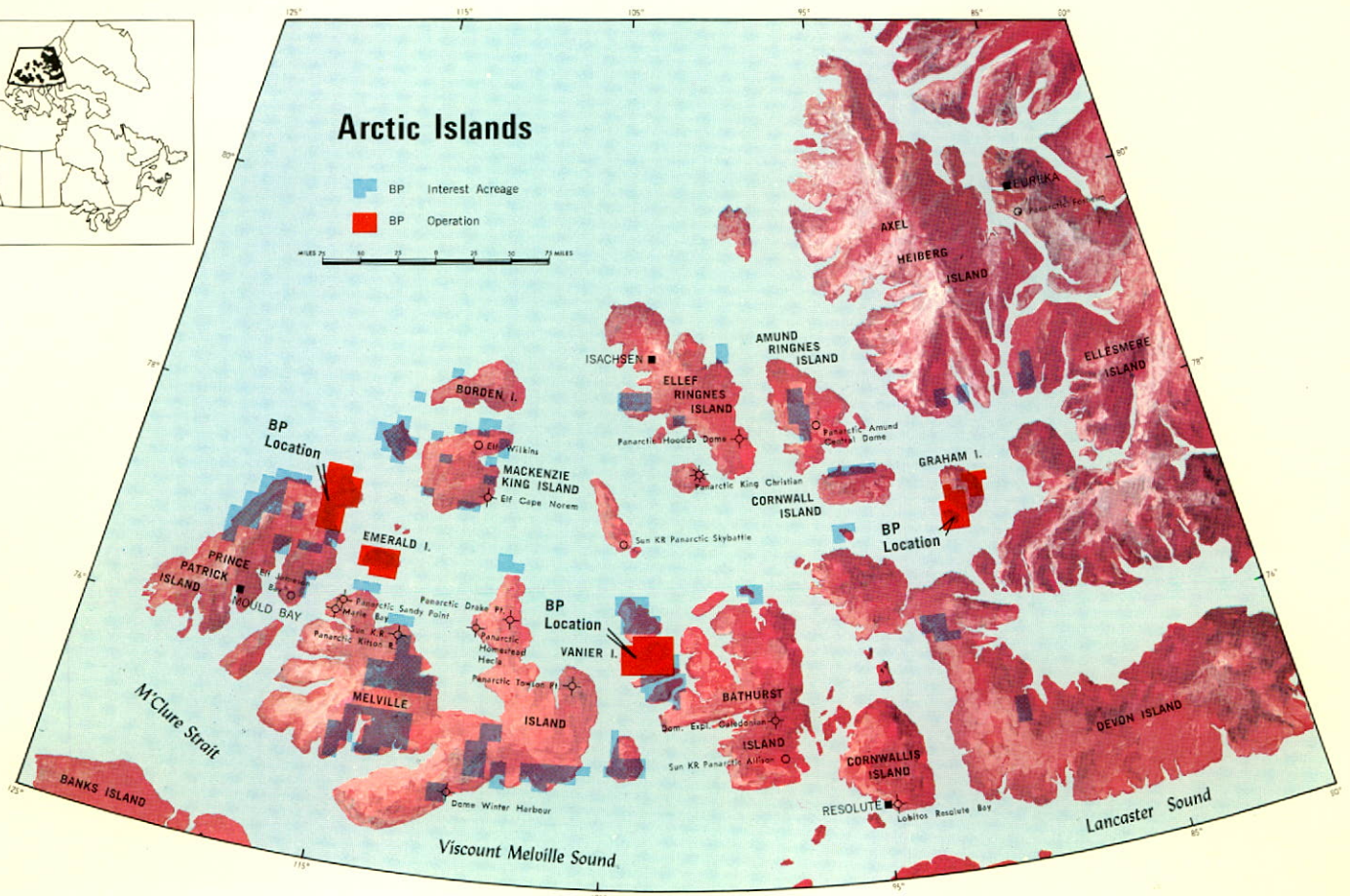
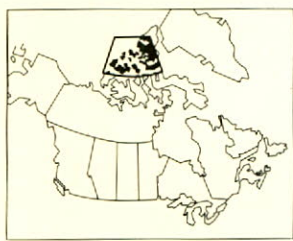
The Company has rights on 12.7 million permit acres off the coasts of Newfoundland and Labrador, where seismic work indicates a thick section of favourable sediments.

While the main thrust of the Company's exploration activity during 1971 will again be in the frontier area of the Arctic Islands, an active programme will also continue in the sedimentary basins of Western Canada at about the same level as in recent years.

During 1970, 55 exploration wells and 62 development wells were drilled. Over half the exploration wells were drilled by other companies under farmouts or options at no cost to the Company. Exploration and development expenditures totalled \$9.8 million.

Net production of crude oil and natural gas liquids in 1970 increased by 13.5% to 18,582 barrels per day. During the last quarter of the year the average production was 19,570 barrels per day. Natural gas sales increased by 22.6% to 62.4 million cubic feet per day. While sulphur sales increased marginally to 61,590 long tons, 1970 was a year of over-supply and depressed market prices. As a result, revenue from sulphur sales dropped by nearly \$1 million compared with the previous year. In addition to the sulphur sold, some 40,000 tons have been placed in stockpile. No improvement in the market for sulphur can be foreseen for 1971.

BP's first wells in the highly prospective but inhospitable Arctic Islands will be drilled during 1971 at locations on Vanier, Prince Patrick, and Graham Islands.



# Supply and Transportation

During 1970, total delivery of crude oils to the BP refineries amounted to 36.5 million barrels, an increase of 6% over the previous year.

Of the 24.3 million barrels of crude oil supplied to the Montreal Refinery, some 70% came from the Middle East, 20% from Nigeria, and 10% from the Caribbean. In addition, 633,000 barrels of refined petroleum products and feedstocks were imported from the BP Group.

Trafalgar Refinery was supplied with 12.2 million barrels of crude oil from Alberta and Saskatchewan through the Interprovincial Pipe Line system, while 580,000 barrels of mixed butanes were procured as a supplementary refinery feedstock.

The supply programmes for both refineries were based on "least-cost" solutions derived from a new computer model which was successfully introduced during the year.

Rehabilitation and expansion of the existing Montreal terminal was completed in 1970 resulting in greatly improved efficiency of operation. During the year six new bulk plants were commissioned and 15 others modernized.

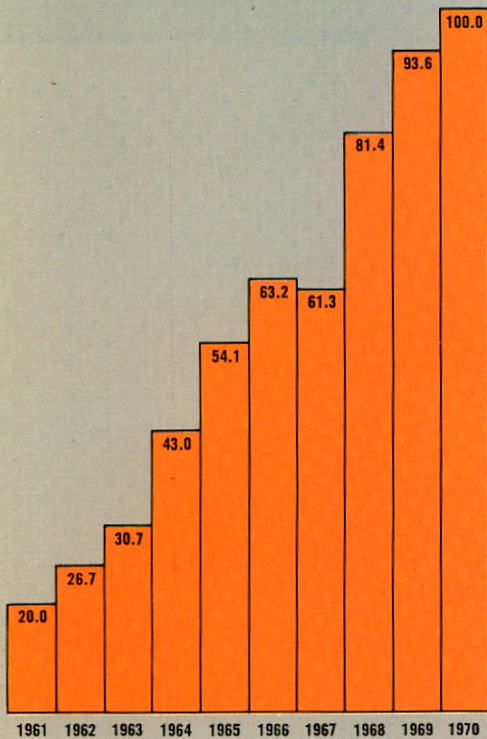
The introduction of less stringent government regulations enabled the use of aluminum trailer trains with a carrying capacity 65% greater than the former units. This factor, coupled with improved utilization, enabled transportation costs to be held down. Unit costs of supplying bulk plants by rail were maintained at 1969 levels by the short-term leasing of "Jumbo" tank cars.

*Aluminum trailer trains with capacities of up to 13,000 gallons were brought into service last year, improving vehicle carrying performance by 65 per cent.*



# Refining

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



In the course of 1970, the combined capacity of the two BP refineries was raised to 110,000 barrels per calendar day.

At the Montreal Refinery, additional asphalt facilities were added, enabling the manufacture of a second grade of asphalt, which, because of its greater resiliency, is particularly suited to the colder regions. A new, BP designed hydrofiner was successfully commissioned at the end of February 1970. This plant, with a capacity of 15,000 barrels per day, produces low-sulphur diesel and furnace oils. Additional improvements were also made to the existing effluent-treating facilities which will further improve the purity of the effluent discharged to the St. Lawrence River.

At Trafalgar Refinery modifications to certain processing equipment were completed in May 1970, thereby increasing capacity by approximately 10%. Facilities were also installed to manufacture an additional grade of asphalt. Work began in mid-March on a plant to manufacture chemical-grade propylene. This unit was completed and commissioned in February 1971.

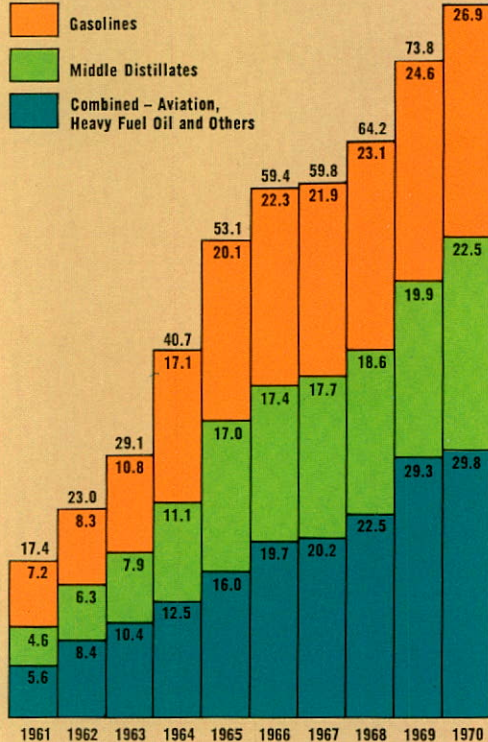
*BP's 75,000 barrels-per-day refinery in east Montreal produces a full range of products from imported West African, Middle Eastern, and Caribbean crude oil.*





# Marketing

## Net sales of BP products (Thousands of barrels per calendar day)



Despite the generally difficult economic conditions which persisted throughout 1970, the Company's sales of refined products increased by more than 7% to 79,225 barrels per day.

Gasoline sales were 9% higher than in 1969, while sales of furnace oil increased by 11%. Asphalt sales increased by more than 17%.

## Service Stations

The existing network of some 1,800 stations has been further strengthened by the development of specialized outlets geared to the needs of localized markets. Gasoline facilities, coupled with technically-equipped service centres, modern restaurants or fully-automated car washes, now provide a high degree of consumer convenience. Several specialized outlets were designed and opened in 1970 and properties were acquired to provide for the continued construction of such outlets in 1971.

BP's Auto-Care Franchise programme completed its second year of operation. Auto-Care outlets offering a comprehensive range of professional repair services performed by specially-trained personnel now operate in the Toronto, Montreal, Ottawa and Quebec City areas. Plans call for similar outlets to be developed in all major markets.

An existing service station site in Longueuil, Quebec, was converted to a self-service outlet equipped with an automatic car wash. BP's first venture into this new marketing concept in Canada has resulted in a marked increase in sales at this location.

Some 80 existing service stations were modernized to improve their service facilities and appearance.

The value of the BP Travellers Card was enhanced by expanded credit card exchange arrangements with such companies as Sohio, Union 76, Seaway Hotels, Independent Motor Inns, Travelodge and Friendship Inns. Over 60,000 service stations and 1,200 motels and hotels across Canada and the United States now

*Three stations which typify BP's utilization of new concepts and equipment in its service station development programme. Upper left is pictured a station which combines self-service gasoline pumps and an automatic car wash. Lower left and on this page are examples of stations which have been modernized to provide the high standards of service and convenience demanded by today's car owners.*



welcome the BP Travellers Card. Early in 1971 an agreement was signed with The Royal Bank of Canada under which Chargex cards will be accepted at BP stations.

### **Agricultural Market**

In addition to selling an increased volume of petroleum products to farming communities, BP successfully introduced PROPCORN\*, a new feed-grain preservative.

Propcorn is marketed through BP agents serving the rural areas of Ontario and Quebec. The several hundred farmers who used the product in 1970 were fully satisfied by its performance, confirming the support and recommendations it has received from government and other agricultural authorities. The success of Propcorn has not only broadened the range of services available from BP Agents, but has also introduced these services to many new customers.

### **Aviation Market**

Sales of aviation fuels were up 8% over 1969, with contracts being negotiated for sales to such international airlines as Air France, KLM and Iberia, and to three RCAF bases.

### **Road Construction Market**

Increased availability of asphalt, following the installation of new production facilities, coupled with a buoyant demand, resulted in a sales increase of over 17% for this product. Substantial volumes were sold to United States contractors following the easing of import restrictions by the U.S. Government.

### **Gases**

Additional availability of propane, stemming from new facilities at the Montreal Refinery, resulted in sales 22% higher than in 1969.

\*Registered user.

*PROPCORN, a low-cost, feed grain preservative was successfully introduced in 1970. It provides safe storage for periods up to 10 months, by killing the moulds and bacteria which otherwise would destroy the corn's nutritive value.*



# Corporate Relations

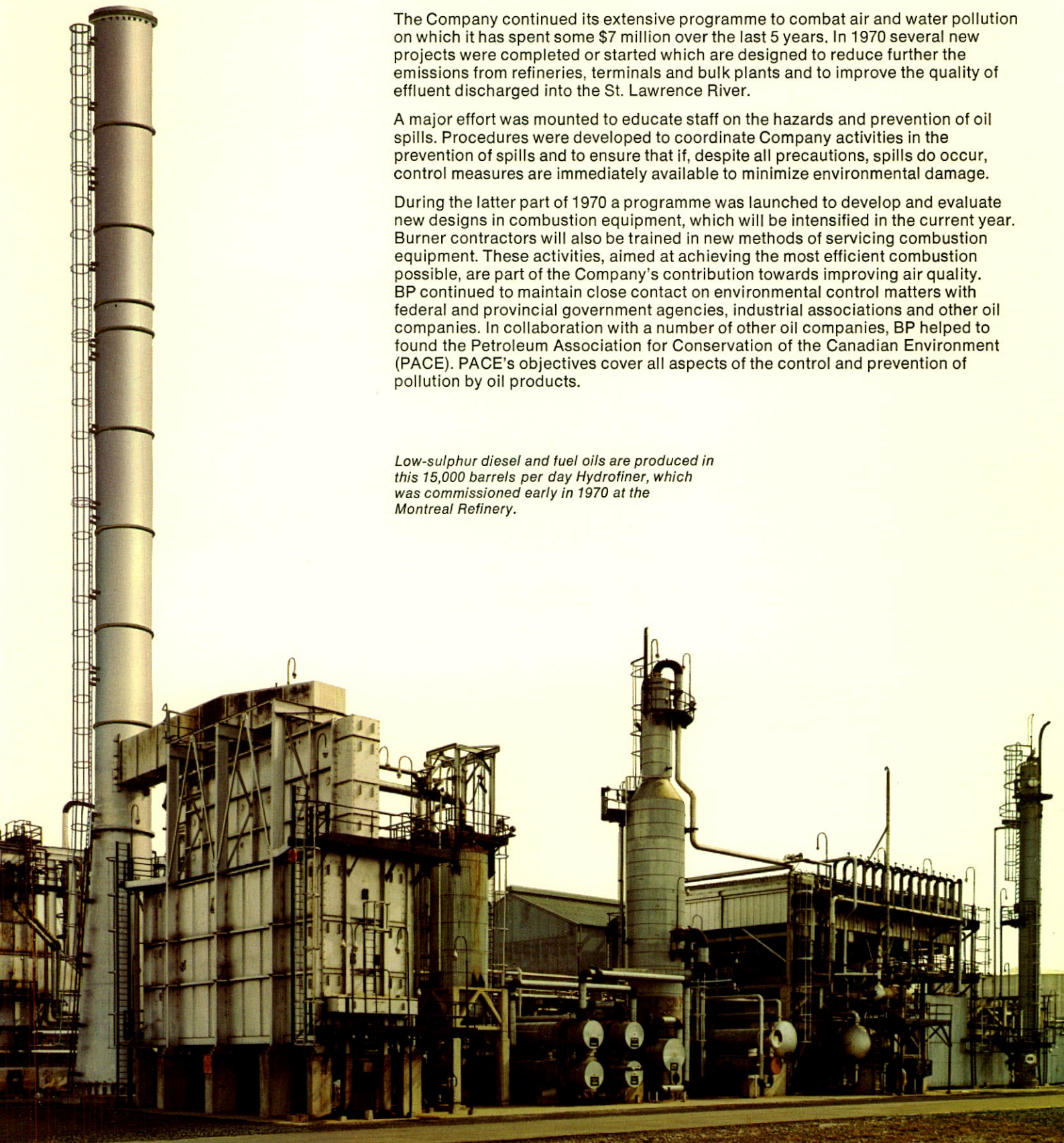
## Protection of the environment

The Company continued its extensive programme to combat air and water pollution on which it has spent some \$7 million over the last 5 years. In 1970 several new projects were completed or started which are designed to reduce further the emissions from refineries, terminals and bulk plants and to improve the quality of effluent discharged into the St. Lawrence River.

A major effort was mounted to educate staff on the hazards and prevention of oil spills. Procedures were developed to coordinate Company activities in the prevention of spills and to ensure that if, despite all precautions, spills do occur, control measures are immediately available to minimize environmental damage.

During the latter part of 1970 a programme was launched to develop and evaluate new designs in combustion equipment, which will be intensified in the current year. Burner contractors will also be trained in new methods of servicing combustion equipment. These activities, aimed at achieving the most efficient combustion possible, are part of the Company's contribution towards improving air quality. BP continued to maintain close contact on environmental control matters with federal and provincial government agencies, industrial associations and other oil companies. In collaboration with a number of other oil companies, BP helped to found the Petroleum Association for Conservation of the Canadian Environment (PACE). PACE's objectives cover all aspects of the control and prevention of pollution by oil products.

*Low-sulphur diesel and fuel oils are produced in this 15,000 barrels per day Hydrofiner, which was commissioned early in 1970 at the Montreal Refinery.*



## Employee Relations

At year-end Company employees totalled approximately 1,700. Salaries and benefits for the year exceeded \$17 million.

The average age of employees was 35.6 years and the average length of service was 6.8 years. During the year, 110 employees were presented with 10-year service awards, 39 of whom were at the Montreal Refinery which celebrated its tenth anniversary of commissioning. Five employees retired under the provisions of the Company Pension Plan.

The need for increased awareness of safety by all employees, both on and off the job, was again stressed throughout the Company. The success of this policy was demonstrated by a further sharp reduction in the frequency rate of accidents and personal injuries. Trafalgar Refinery completed its second consecutive year without a lost-time injury to BP employees.

BP was able to increase the number of students employed during 1970 by 30% over the previous year. They occupied responsible positions in many areas in the Company including geological field work, refining and clerical duties.

## Public Relations

The Company continued to provide support to junior-level driver education by sponsoring the Ontario Safety League's publication "Bits About Wheels" and by providing financial assistance to the Quebec Safety League.

The Company's film libraries in Montreal and Toronto house one of the largest collections of company-sponsored films in the country. BP films were viewed by more than 2 million people in 1970 through regular distribution from the libraries and through Television networks. BP's anti-pollution film, "The Shadow of Progress", which has won many international awards since its première in May 1970, was shown to a particularly large audience. Last year, for the first time, BP films were shown in commercial theatres in the Montreal area. The scheme has now been extended to Ontario.

The Company's donations programme provided assistance to more than 175 projects in the fields of education, health and welfare during 1970.

*As part of its overall career-development programme, BP operates extensive training and educational-assistance schemes.*







**Consolidated statement of income and retained earnings**  
for the year ended December 31, 1970

Revenue:	
Sales and services .....	\$167,189,000
Income from investments .....	634,000
	<u>167,823,000</u>
Expenses:	
Purchases of crude oil, products and merchandise .....	82,781,000
Operating and administration .....	55,502,000
Depreciation (note 1) .....	10,371,000
Depletion (note 2) .....	5,545,000
Interest and discount on long-term debt .....	5,060,000
	<u>159,259,000</u>
Net income for the year before income taxes, extraordinary item and minority interest .....	8,564,000
Income taxes (note 7) .....	1,740,000
Net income for the year before extraordinary item and minority interest .....	<u>6,824,000</u>
Extraordinary item:	
Credit applied to current income tax provision (note 7) .....	1,740,000
Net income for the year before minority interest .....	8,564,000
Minority interest in earnings of subsidiary .....	2,004,000
Net income for the year .....	6,560,000
Retained earnings, beginning of the year .....	1,339,000
Retained earnings, end of the year .....	<u>\$ 7,899,000</u>
Earnings per share before extraordinary item, after deduction of minority interest .....	\$ 93.40
Extraordinary item .....	37.80
Earnings per share .....	<u>\$131.20</u>

**Consolidated statement of source and application of funds**  
for the year ended December 31, 1970

Funds derived from:	
Net income for the year .....	\$ 6,560,000
Add (deduct) items not resulting in a flow of funds in the current year —	
Depreciation and depletion .....	15,916,000
Income attributable to minority interest .....	2,004,000
Other .....	(885,000)
Total funds derived from operations .....	<u>23,595,000</u>
Shares sold by subsidiary to minority interest .....	8,668,000
Net increase in minority interest on acquisition of properties for shares by subsidiary .....	<u>2,136,000</u>
Long-term borrowing .....	800,000
Proceeds on sale of fixed assets .....	1,202,000
Increase in loan payable to parent company .....	1,971,000
Increase in prepayment on gas supply contract .....	736,000
Total funds derived .....	<u>39,108,000</u>
Funds applied to:	
Additions to properties, plants and equipment .....	23,417,000
Repayments of long-term debt .....	13,196,000
Net increase in investments and advances .....	534,000
Total funds applied .....	<u>37,147,000</u>
Net increase in working capital .....	1,961,000
Working capital, beginning of the year .....	13,359,000
Working capital, end of the year .....	<u>\$ 15,320,000</u>

**BP Canada Limited and subsidiaries**  
(Incorporated as a private company under the laws of Canada)

**Consolidated balance sheet**

December 31, 1970

**Assets**

Current:

Cash .....	\$ 404,000
Short-term investments, at market which is lower than cost .....	2,348,000
Accounts receivable .....	33,584,000
Inventories, valued at the lower of cost or market —	
Crude oil and products .....	18,033,000
Other .....	1,769,000
Prepaid expenses and deposits .....	1,366,000
Total current assets .....	<u>57,504,000</u>

Investments and advances:

Investments in other companies, at cost .....	4,561,000
Mortgages, loans and long-term deposits .....	4,177,000
Lease payments, at amortized cost .....	1,010,000
Total investments and advances .....	<u>9,748,000</u>

Properties, plants and equipment, at cost less accumulated depreciation and depletion (notes 1, 2 and 3) .....	<u>224,845,000</u>
Debt discount, less amortization .....	479,000

\$292,576,000



## Liabilities and shareholders' equity

### Current:

Bank loan .....	\$ 3,500,000
Notes payable .....	4,000,000
Accounts payable and accrued charges .....	18,880,000
Due to affiliates .....	8,365,000
Current maturity of long-term debt .....	5,255,000
Deferred production income .....	2,184,000
Total current liabilities .....	<u>42,184,000</u>
Prepayment on gas supply contract .....	1,646,000
Long-term debt (note 4) .....	<u>72,831,000</u>
Loan payable to affiliate .....	2,000,000
Loan payable to parent company — The British Petroleum Company Limited .....	<u>90,481,000</u>
Minority interest in subsidiary .....	<u>24,439,000</u>
Shareholders' equity:	
Capital stock —	
Authorized issued and fully paid: 50,000 shares without nominal or par value .....	50,000,000
Contributed surplus (unchanged during year) .....	1,096,000
Retained earnings from January 1, 1969 .....	7,899,000
	<u>58,995,000</u>
	<u>\$292,576,000</u>

## Auditors' report

To the Directors of BP Canada Limited:

We have examined the consolidated balance sheet of BP Canada Limited (formerly BP Canada (1969) Limited) and its subsidiaries at December 31, 1970 and the consolidated statements of income and 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 at December 31, 1970 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 which, except for the change in accounting practice explained in note 2 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.  
Chartered Accountants

Montreal, Canada,  
March 10, 1971.

# BP Canada Limited and subsidiaries

## Notes to consolidated financial statements

December 31, 1970

### 1. Accounting principles

The accompanying consolidated financial statements include all subsidiaries of the company and accordingly reflect the assets, liabilities and operations of the entire group. Inter-company items have been eliminated where appropriate.

Depreciation on marketing, refining and production assets is provided on a straight line basis over the estimated useful lives of the assets. Effective January 1, 1970 the rates applicable to refining assets were changed to reflect a revision in their estimated useful lives. Had this change not been made the net income for the year would have been less by \$1,308,000 (\$26.16 per share).

### 2. Change in accounting practice

Prior to 1970 the companies followed the practice of expensing carrying charges on non-producing acreage as incurred and non-productive drilling, exploration and property costs at the time a project was abandoned. Depletion of producing property costs was provided on a unit of production method based on estimated proven reserves of oil and gas for each producing area.

Commencing January 1, 1970 the companies adopted the full-cost method of accounting wherein all costs related to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on total estimated proven reserves. Had this change been made on January 1, 1969, \$4,201,000 of such costs which were applied against revenue would have been deferred and included in properties, plants and equipment on the balance sheet.

### 3. Properties, plants and equipment

	Gross Investment at cost	Accumulated Depreciation and Depletion	Net Investment
Production	\$165,469,000	\$ 59,701,000*	\$105,768,000
Refining	101,358,000	42,216,000	59,142,000
Marketing	97,309,000	37,374,000	59,935,000
	<u>\$364,136,000</u>	<u>\$139,291,000</u>	<u>\$224,845,000</u>

\*includes depletion of \$47,174,000

### 4. Long-term debt

Details of the companies' long-term debt are as follows:

BP Oil Limited –	
Mortgage loans payable .....	\$ 305,000
Notes payable due 1972 to 1975 (average rate 5.8%) .....	10,000,000
BP Refinery Canada Limited –	
5½% first mortgage sinking fund bonds Series A, maturing March 15, 1979 .....	9,500,000
5¾% sinking fund debentures Series A, maturing October 1, 1986 .....	28,394,000
BP Oil and Gas Ltd. and subsidiaries –	
4¾% notes due September 15, 1971 .....	2,347,000
Bank loans secured by certain oil and gas properties, payable over a period of six years ...	5,552,000
Notes payable monthly to July 15, 1980 out of the proceeds of production from certain properties	
5¾% Series A Notes .....	988,000
6¼% Series B Notes .....	21,000,000
	<u>78,086,000</u>
Current maturities included in current liabilities .....	5,255,000
	<u>\$72,831,000</u>

Long-term debt repayments during the four years subsequent to 1971 will be approximately as follows:

1972.....	\$7,972,000	1974.....	\$7,744,000
1973.....	\$7,373,000	1975.....	\$6,035,000

### 5. Commitments

At December 31, 1970 commitments for capital expenditures amounted to approximately \$5,100,000. Total rentals under long-term leases expiring more than three years after the balance sheet date amounted to approximately \$20,171,000 of which \$2,042,000 is payable in 1971.

### 6. Statutory information

The aggregate remuneration of the company's eleven directors and eight officers from the company in those capacities was \$44,000 and \$12,000 respectively. In addition, directors of the company received \$152,000 from BP Oil Limited and \$49,000 from BP Oil and Gas Ltd. as officers of those companies. Officers of BP Canada Limited received \$176,000 from BP Oil Limited as officers of that company. Three officers served on the Board of Directors during the year.

### 7. Income taxes

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges to earnings. The companies, in common with many other companies in the oil and gas industry, do not consider it appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of the related charges to earnings. This practice 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 this had been done the provision for income taxes would have been increased by \$2,150,000, and net income for the year reduced by \$1,434,000 (\$28.68 per share). The accumulated deferred tax credit for current and prior years would have been \$1.4 million.

On a cumulative basis to December 31, 1970 the capital cost allowances claimed to eliminate taxable income have been significantly less than the related depreciation charged in the accounts. This difference is available as a deduction in the determination of future taxable income, and it is the companies' policy to reflect these tax benefits in the accounts when they are realized (\$1,740,000 in 1970). The aggregate potential reduction in future income taxes was estimated to be approximately \$14.7 million at December 31, 1970.

### 8. Pension plan

The companies' 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.

### 9. Change in name

During the year the company applied for and received supplementary letters patent changing its name from BP Canada (1969) Limited to BP Canada Limited.



BP Canada Limited is a wholly-owned subsidiary of The British Petroleum Company Limited, which heads a world-wide group comprising several hundred companies operating in all sectors of the petroleum industry.

BP is one of the world's largest oil companies. In 1970 Group net sales revenues were \$4,062 million and net assets at year end totalled \$3,239 million.

During the year exploration was undertaken in 24 countries and resulted in new oil and gas discoveries in Abu Dhabi, Germany, Iran, Nigeria, and the North Sea. The Group lifted some 3,720,000 barrels a day of crude oil from its concessions in the Middle East and North and West Africa.

At the end of 1970 the Group's tanker fleet consisted of 127 ships totalling 4.5 million d.w. tons, while it had a further 11.9 million d.w. tons on long-term charter.

Crude processed on BP's account in wholly or partly-owned refineries was 2,080,000 barrels per day. The Group has 16 wholly-owned refineries outside the U.S.A. and part ownership in another 24. In the USA four refineries are operated by The Standard Oil Company (Sohio), in which BP has a 25% interest. Projects which will increase crude distillation capacity by more than 900,000 barrels per day are either under way or planned.

In 1970 BP sold 1,680,000 barrels per day of crude oil and 2,090,000 barrels per day of petroleum products. Sales of chemicals were 1.5 million tons, while natural gas sales were 91,690 million cubic feet.

The Company received a Queen's Award to Industry in 1970 in recognition of two important research achievements. The first was the selective hydrogenation process, which is now very widely applied commercially for upgrading the by-product gasoline produced in the steam-cracking of chemical feedstocks. The second was the lubricating oil, developed jointly with the Geigy Company, for the engine which powers the joint Anglo-French supersonic airliner, Concorde.

BP Proteins Ltd. was formed last year to coordinate the development, production, and marketing of oil-derived proteins. The world's first commercial unit for the production of high-protein yeast has been completed in the UK with a capacity of 4,000 tons per annum. A second unit, with a capacity of 16,000 tons, will be on stream later this year in France.

BP's fortunes were founded over 60 years ago with the discovery of oil in commercial quantities in Iran. From this small beginning it has grown into a worldwide, fully-integrated group. While the history of BP Canada Limited is very much shorter, its progress mirrors that of the parent company and has been no less impressive.

Since 1953, when it acquired its initial interest in the Calgary-based exploration company, Triad Oil Co. Ltd. (now BP Oil and Gas Ltd.), it, too, has grown into a fully-integrated company. Today BP Canada is searching for petroleum in Western Canada, the Arctic Islands, the Northwest Territories, and the east coast offshore region, to supplement its existing oil and gas production from Alberta, British Columbia, and Saskatchewan. Its refineries at Montreal and Oakville support a major marketing operation in Quebec and Ontario.

Backed by the extensive physical, financial, and human resources of the BP Group, BP Canada Limited will continue its progress to meet the growing and changing needs of its customers.

# BP Products and Services

— are provided for the general public, industry, transportation, government agencies and agricultural markets.

BP retail outlets are equipped to service customers with 4 grades of gasoline, lubricants, brand name tires, batteries, automotive accessories, specialities, and replacement parts. Mechanical repair services are available at most stations.

## **Automotive**

### *Fuels & Lubricants*

Super Red Gasoline  
Super White Gasoline  
Super Blue Gasoline  
Regular Green Gasoline  
Diesel Fuels  
SUPER VISCO-STATIC —  
Motor Oils  
ENERGOL HD — Motor Oil  
ENERGOL IC-D — Motor Oil  
AUTOGOL — Motor Oil  
TOU — Tractor Oil Universal  
ENERGOL — Gear Oils  
TYPE 23S — Snowmobile Oil  
2-Stroke Oil  
ENERGREASE  
Automatic Transmission Fluids

### *Specialities*

VISION — Windshield Washer  
Antifreeze  
Upper Cylinder Lubricant  
Gas Line Antifreeze  
Undercoat  
ANTIGEL — Antifreeze  
VISCO — Oil Additive

## **Aviation**

Gasolines  
Jet Fuels  
Lubricants

## **Marine**

Bunker Fuels  
Lubricants

## **Fuel Oils**

Domestic Heating Oils  
Heavy Fuel Oils

## **Asphalt**

Bitumens for road paving

## **Gases**

Propane  
Butane  
Propylene

## **Miscellaneous**

Industrial Lubricants  
Chemical Plant Feedstock  
Mineral Spirits/Solvents  
Emulsifiable Oil Dispersants  
CAMP-SOL — Naphtha Fuel  
GENSOL — Cleaning Solvent  
B-B-Q Lighter Fuel  
PROPCORN — Feed Grain  
Preservative

*Production at the Toronto Lubricants Blending and Packaging Plant has tripled over the last 5 years despite the very competitive and, in some cases, declining market for lubricants.*





## *Executive Offices*

BP Canada Limited,  
BP Oil Limited,  
BP Refinery Canada Limited,  
1245 Sherbrooke Street West,  
Montreal 109, Quebec

BP Oil and Gas Ltd.,  
335 — 8th Avenue S.W.  
Calgary, Alberta

## *Refineries*

Montreal Refinery,  
Ville d'Anjou, Quebec.

Trafalgar Refinery,  
Oakville, Ontario

## *District Sales Offices*

Province of Quebec  
Montreal  
Quebec City  
Sherbrooke

Province of Ontario  
Ottawa  
Toronto  
Hamilton  
London  
North Bay  
Kitchener  
Oakville  
Burlington

