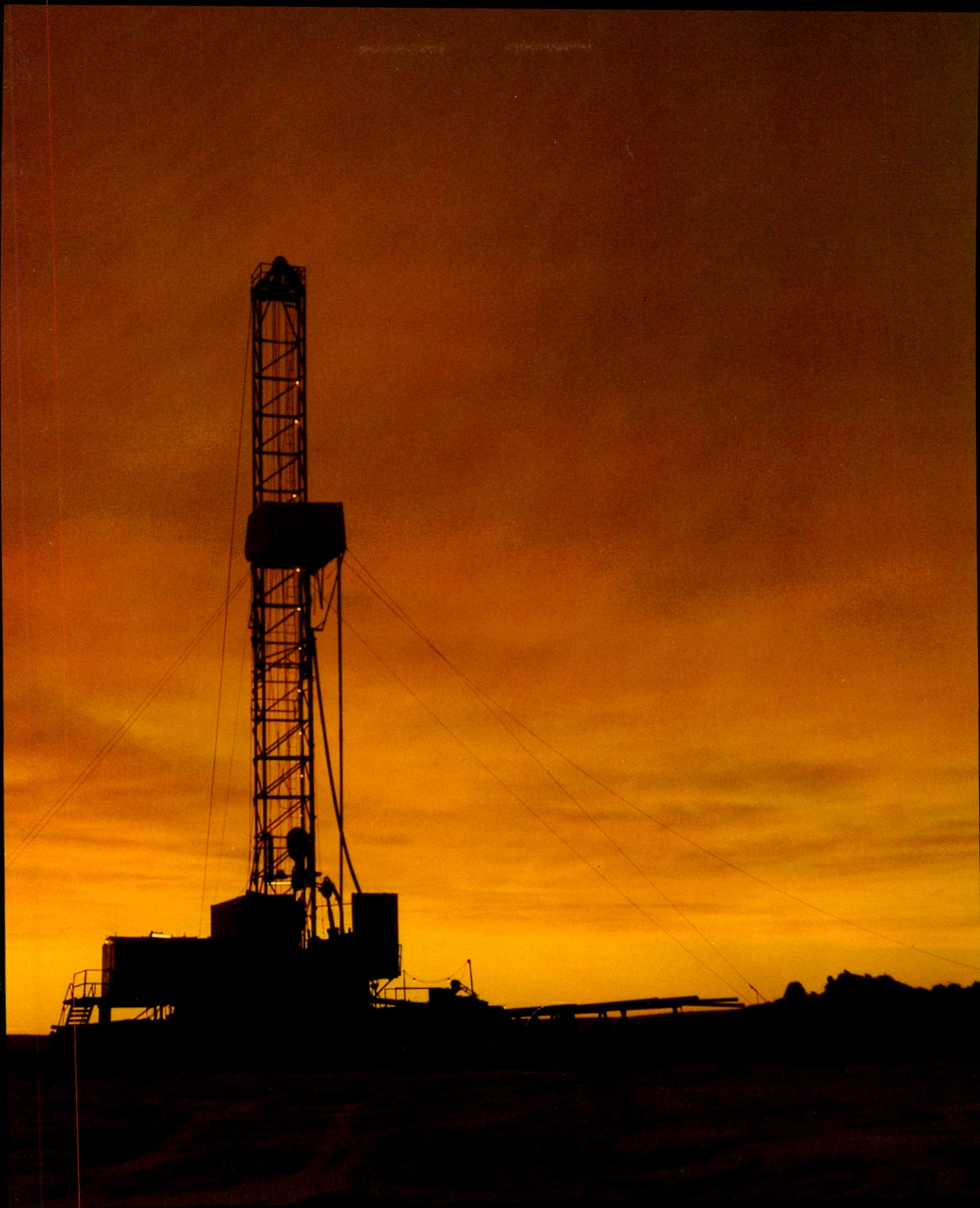
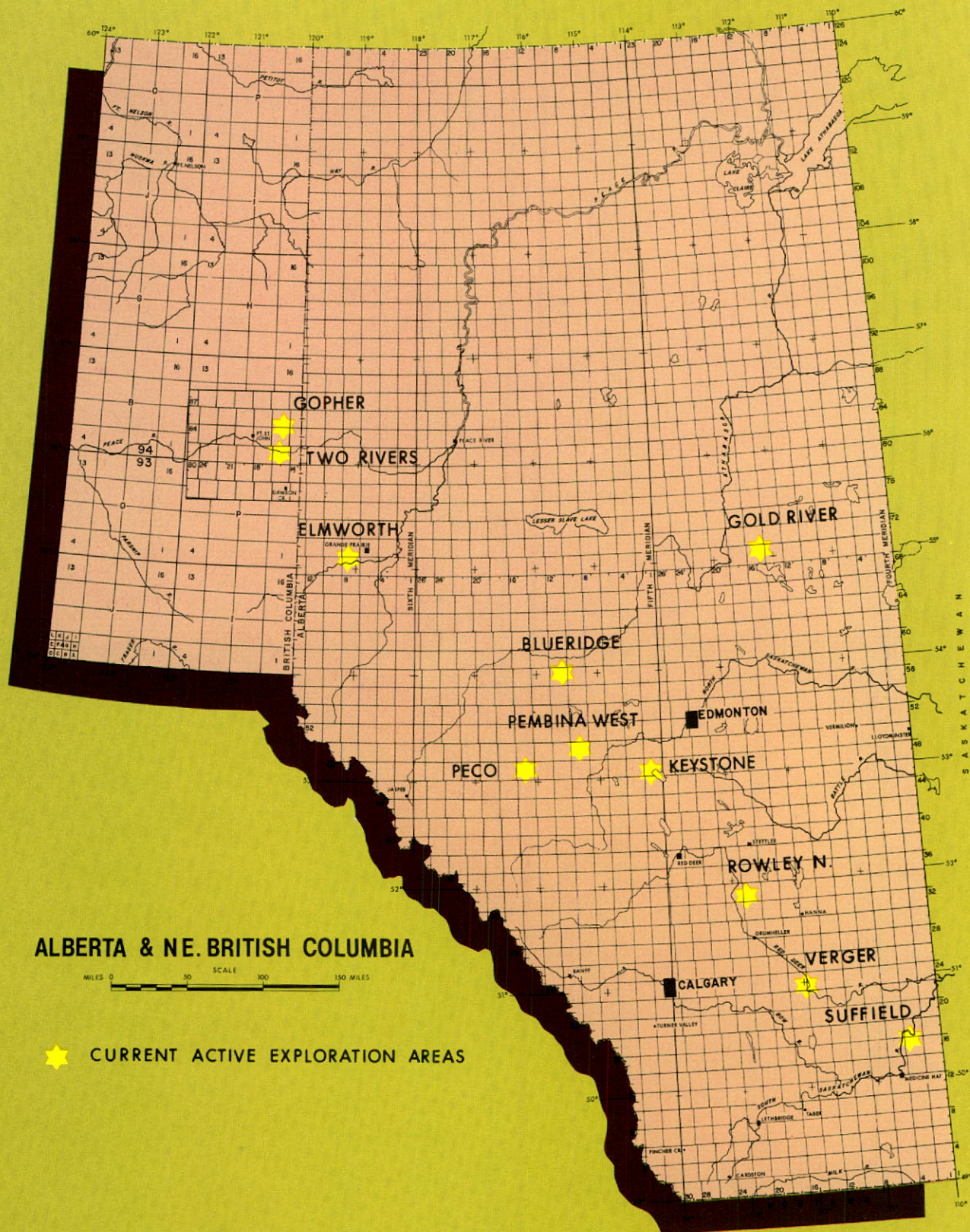


# **RANGECO OIL & GAS LTD.**



**1977 ANNUAL REPORT**







# Corporate Information

Rangeco Oil & Gas Ltd. was incorporated in the Province of Alberta on November 10, 1976. The Company is engaged in the exploration for and development of oil and natural gas in the Provinces of Alberta and British Columbia.

## Board of Directors

D. G. Flanagan (Calgary, Alberta)  
Consultant

A. G. Hall (Calgary, Alberta)  
Petroleum Consultant and  
President of the Company

H. A. Irving (Calgary, Alberta)  
President, Irving Industries Ltd.

R. G. Jennings (Calgary, Alberta)  
Vice President, McLeod Young  
Weir Limited

L. Waisberg (Toronto, Ontario)  
Partner, Goodman & Goodman

## Officers

A. G. Hall — President

A. K. Surridge — Secretary

## Bankers

Bank of Montreal  
Calgary, Alberta

## Auditors

Thorne Riddell & Co.  
Calgary, Alberta

## Solicitors

MacKimmie Matthews  
Calgary, Alberta

## Corporate Registrar and Transfer Agents

The Canada Trust Company

## Head Office

26th Floor,  
330 Fifth Avenue S.W.  
Calgary, Alberta  
T2P 0L4

# President's Report

I am pleased to submit herewith the first annual report for Rangeco Oil & Gas Ltd., an independent oil and gas company incorporated following Federal legislation which encouraged Canadian investors to participate in the energy resource field.

Two thousand six hundred and five (2,605) units were subscribed for a total of \$13,025,000 including the issuance of 260,500 common shares at \$3.50 per share, the proceeds of which were used to provide working capital and to pay dealer commission and issue expenses.

The \$12,113,250 representing proceeds from Resource Receipts was deposited with Canada Trust to be used for exploratory and development drilling, oil and gas lease purchases and the Verger production acquisition.

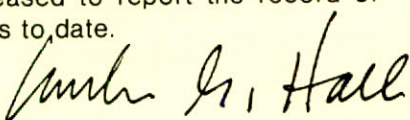
So far Rangeco has spent or committed to approximately \$7.5 million. A description of the various projects in which the Company participated is outlined on the following pages.

The remaining \$5.5 million, under the terms of the original agreement with Ranger Oil (Canada) Limited, must be spent prior to June 30, 1979, in order to take advantage of existing tax regulations. It is probable that these funds will be expended prior to the end of 1978.

To date, the Company has participated in 11 wells, 7 of which resulted in gas wells, 1 potential gas well, 1 potential oil well and 2 dry holes.

The Company also has interests in several other projects which will be evaluated in due course.

Considering the short time the Company has been in existence, I am very pleased to report the record of progress to date.



May 31, 1978

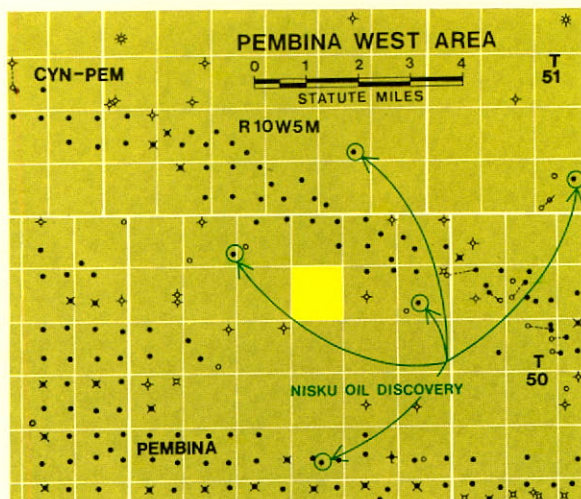
A. G. Hall



## LEGEND

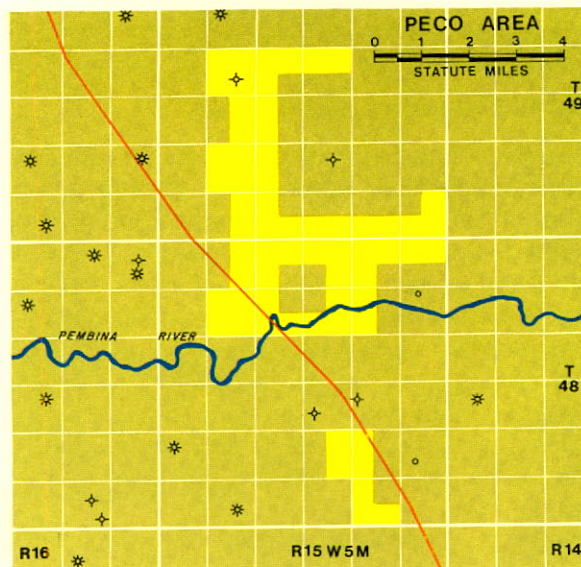
- ★ COMPANY HOLDINGS
- GAS PIPELINE
- LOCATION OR DRILLING
- OIL WELL
- ✱ GAS WELL
- ✱ GAS SHOW
- ✱ INJECTION
- ✱ GAS CONDENSATE
- OIL SHOW
- ✱ ABANDONED
- ✱ SUSPENDED

# Company Holdings



## Pembina West, Alberta (see map)

In November 1977 Rangeco/Ranger acquired a 25% interest in a 640 acre lease in the Pembina West area. In January 1978, 60% of the Rangeco/Ranger's interest was sold for a cash consideration while the remaining 40% of the original interest was retained. An exploratory well is expected to be drilled on this lease in the near future.



## Peco, Alberta (see map)

Rangeco/Ranger participated in a well drilled in the Peco area to earn a 27.75% interest in 11,040 acres. The well was drilled to a total depth of 9,945 feet and was dry and abandoned. Geophysical studies are currently underway to establish a location for further drilling on another portion of the earned acreage.

This area is immediately west of West Pembina and is the scene of considerable drilling activity. Adjoining properties were sold in February of this year for a total of \$38.1 million.

**RANGECO OIL AND GAS LTD.**  
**BALANCE SHEET** as at December 31, 1977

**ASSETS**

**Current assets**

Cash .....		\$ 70,708
Accounts receivable .....		<u>57,156</u>
		127,864

**Fixed assets**

Resource properties, at nominal value (Note 3) .....	\$ 1	
Exploration costs (Notes 2 and 3) .....	362,900	
Production equipment, at cost .....	<u>41,606</u>	
	404,507	
Accumulated depletion and depreciation .....	<u>13,456</u>	391,051

<b>Deferred income tax benefits</b> (Note 4) .....		<u>115,100</u>
		<u>\$634,015</u>

**LIABILITIES**

**Current liabilities**

Accounts payable and accrued liabilities .....	\$113,739
Royalties payable to subscribers .....	<u>29,372</u>
	143,111

**SHAREHOLDERS' EQUITY**

**Capital stock** (Note 4)

Authorized

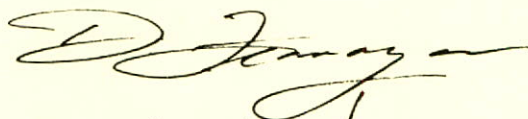
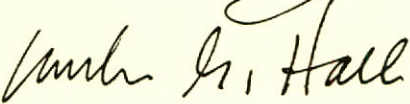
- 750,000 Common shares of no par value
- 250,000 Restricted return shares of \$100 par value

Issued

260,503 Common shares .....	\$101,464
3,629 Restricted return shares .....	<u>362,900</u>

<b>Retained earnings</b> .....	<u>464,364</u>	
	<u>26,540</u>	490,904
		<u>\$634,015</u>

Approved by the Board

D. G. Flanagan Director

A. G. Hall Director



**RANGECO OIL AND GAS LTD.****STATEMENT OF CHANGES IN FINANCIAL POSITION** Year Ended December 31, 1977**Source of funds**

From operations. ....	\$ 39,996
Issue of common shares (Note 4) .....	260,500
Issue of restricted return shares (Note 4) .....	362,900
	<u>663,396</u>

**Application of funds**

Exploration costs .....	\$362,900	
Production equipment .....	41,606	
Share issue expenses, net of current income tax benefits (Note 4) .....	<u>274,140</u>	<u>678,646</u>

<b>Decrease in working capital.</b> .....		<u><u>\$ 15,250</u></u>
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**STATEMENT OF EARNINGS AND RETAINED EARNINGS** Year Ended December 31, 1977**Revenue**

Oil and gas sales, net of royalties .....	\$116,052
Interest. ....	<u>1,513</u>
	117,565

**Expenses**

Operating .....	\$32,248	
General and administrative .....	23,115	
Depletion .....	12,000	
Depreciation .....	<u>1,456</u>	<u>68,819</u>

<b>Earnings before income taxes.</b> .....		48,746
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**Income taxes**

Current (Note 3) .....	23,400	
Alberta Royalty Tax Credit .....	<u>(1,194)</u>	<u>22,206</u>

**Net earnings, being retained earnings**

<b>at end of year.</b> .....		<u><u>\$ 26,540</u></u>
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**Earnings per share** (Note 5)

## AUDITORS' REPORT

To the Shareholders of  
Rangeco Oil & Gas Ltd.

We have examined the balance sheet of Rangeco Oil & Gas Ltd. as at December 31, 1977 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Calgary, Canada  
May 2, 1978

*Thorne Riddell & Co.*  
Chartered Accountants

## RANGECO OIL AND GAS LTD.

### NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 1977

#### 1. Incorporation

The company was incorporated on November 10, 1976 under the Laws of the Province of Alberta.

There were no transactions in the company during the period ended December 31, 1976 with the exception of the issuance of three common shares for \$3.75 cash.

#### 2. Financing

Under the terms of an agreement dated September 15, 1977, the company sold to the public 2,605 units at a price of \$5,000 per unit. Each unit consisted of 100 common shares of the company, issued for \$350 less the dealer's commission of \$250 per unit, and a Rangeco Natural Resource Receipt. The Resource Receipt represents the balance (\$4,650) of the proceeds from each unit and evidences the rights of subscribers to receive (a) royalty interests in resource properties, and (b) restricted return shares of the company. Funds totalling \$12,113,250 were received from subscribers for Resource Receipts (2,605 Receipts at \$4,650 each) and are held by a trustee on behalf of the subscribers for purposes of acquiring resource properties and the incurring of exploration and development expenditures.

As of December 31, 1977, expenditures have been incurred on behalf of subscribers as follows:

Resource property acquisition costs .....	\$3,405,700
Exploration expenses .....	362,900



### 3. Accounting Policies

#### (a) Fixed Assets

Resource properties are acquired on behalf of subscribers under the terms of farm-out arrangements with Ranger Oil (Canada) Limited; these properties are assigned to Rangeco, subject to royalty interests reserved on behalf of subscribers, at no cost to the company and, accordingly, they have been assigned a nominal value of \$1 in the accompanying balance sheet.

The subscribers incur exploration and development expenditures on the resource properties and receive restricted return shares of the company at the rate of one share for every \$100 of such expenditures; these costs (December 31, 1977 — \$362,900) are shown as fixed assets in the company's balance sheet.

#### (b) Depletion

The company follows the "full-cost method" of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized, and are depleted using the unit of production method based on estimated recoverable oil and gas reserves as determined by company engineers.

#### (c) Depreciation

Depreciation of production equipment is provided at a rate of 7% per annum on a straight-line basis.

#### (d) Income Taxes

The company follows the tax allocation method of accounting under which the income tax provision is based upon the earnings reported in the accounts. Current income taxes of \$23,400 have been charged against earnings for the year ended December 31, 1977; such taxes otherwise payable have been eliminated by application of share issue expenses (see Note 4 below).

Exploration and development expenditures are incurred by subscribers in return for restricted return shares of the company. This arrangement entitles subscribers to the income tax deductions resulting from such expenditures and, accordingly, such deductions are not available to the company.

### 4. Capital Stock

#### (a) Common Shares

The company has issued common shares as follows:

	Number of Shares	Amount
For cash on incorporation .....	3	\$ 4
For cash on public offering (see Note 2) .....	260,500	\$101,460*
Balance December 31, 1977 .....	260,503	\$101,464

\*net of share issue expenses of \$297,540 less applicable income tax benefits of \$138,500 (\$23,400 current; \$115,100 deferred)

No dividends may be paid on common shares until dividends aggregating \$100 per restricted return share have been paid. Thereafter, dividends may be paid on common shares provided that an amount equal to any such dividends is applied to the redemption of restricted return shares.

(b) Restricted Return Shares

As of December 31, 1977 the company is committed to issue 3,629 restricted return shares to subscribers in consideration of the subscribers having incurred \$362,900 of exploration and development expenditures (see Note 3).

The restricted return shares are entitled to one vote per share, and have priority over the common shares to the extent of the par value in the event of any liquidation, dissolution or winding-up of the company.

The restricted return shares carry no fixed dividends, however, the company may not pay any dividends on its common shares until dividends aggregating \$100 per restricted return share have been paid; after payment of such aggregate amount of dividends, a restricted return share has no further entitlement to dividends.

The restricted return shares are not redeemable until dividends aggregating \$100 per restricted return share have been paid. Thereafter, the restricted return shares will be redeemable by lot at the option of the company at a redemption price of \$100 per share. The company is required to apply an amount equal to common share dividends paid from time to time to the redemption of restricted return shares until all such shares have been redeemed.

**5. Earnings Per Share**

For purposes of earnings per share computation, all earnings of the company for the year ended December 31, 1977 have been allocated to the restricted return shares, committed to be issued as of December 31, 1977, in accordance with the dividend priorities attaching to each class of shares of the company. No earnings will be allocated to the common shares until cumulative earnings aggregating \$100 per restricted return share have been achieved by the company.

**6. Statutory Information**

Remuneration paid during 1977 to a director and officer of the company amounted to \$4,167.





