

Texaco Canada Ltd.

McCOLL-FRONTENAC

OIL COMPANY LIMITED AND SUBSIDIARIES



1953 ANNUAL REPORT



1953 ANNUAL REPORT

Mc COLL-FRONTENAC

OIL COMPANY LIMITED AND SUBSIDIARIES

Manufacturers and Distributors in Canada
of Texaco Petroleum Products



Highlights

	1953	1952
Net income for the year	\$ 7,319,484	\$ 5,922,795
Net income per common share	\$ 2.71	\$ 2.18
Cash dividends paid per common share	\$ 1.00	\$ 1.00
Net crude oil production (barrels):		
In Canada	1,137,419	660,694
In Trinidad	1,072,058	632,539
Sales of petroleum products (barrels)	13,667,263	13,067,937
Working capital (end of year)	\$25,617,175	\$24,202,293

**BOARD
OF
DIRECTORS**

J. M. PRITCHARD, *Chairman*

H. H. BRADBURN	E. P. TAYLOR, C.M.G.
J. W. FOLEY	G. R. TAYLOR
J. S. LEACH	H. W. THORP
A. A. MAGEE, C.B.E., Q.C.	T. C. TWYMAN
THE HON. E.-L. PATENAUDE, P.C., Q.C.	L. O. P. WALSH
R. L. SAUNDERS	W. ZIMMERMAN, Q.C.

**EXECUTIVE
COMMITTEE**

A. A. MAGEE, C.B.E., Q.C., *Chairman*

J. M. PRITCHARD	T. C. TWYMAN
R. L. SAUNDERS	L. O. P. WALSH
G. R. TAYLOR	W. ZIMMERMAN, Q.C.

**PRINCIPAL
OFFICERS**

T. C. TWYMAN	President
G. R. TAYLOR	Executive Vice-President
T. V. ANDERSON	Vice-President and Treasurer
C. C. DUNN	Vice-President
A. G. FARQUHARSON	Vice-President
FRED HUNT	Secretary

* * *

Transfer Agent:

MONTREAL TRUST COMPANY, Montreal, Toronto, Winnipeg and Vancouver

Registrar:

ROYAL TRUST COMPANY, Montreal, Toronto, Winnipeg and Vancouver

Transfer Agent and Registrar in the United States:

THE ROYAL BANK OF CANADA TRUST COMPANY, 68 William Street, New York, N.Y.

REVIEW OF 1953

FINANCIAL

The consolidated net income for 1953 was \$7,319,484, as compared with \$5,922,795 in 1952. After providing for preferred dividends, net income per common share was \$2.71 as against \$2.18 the previous year.

Dividends paid on common stock amounted to \$1.00 per share, the same as in the previous year.

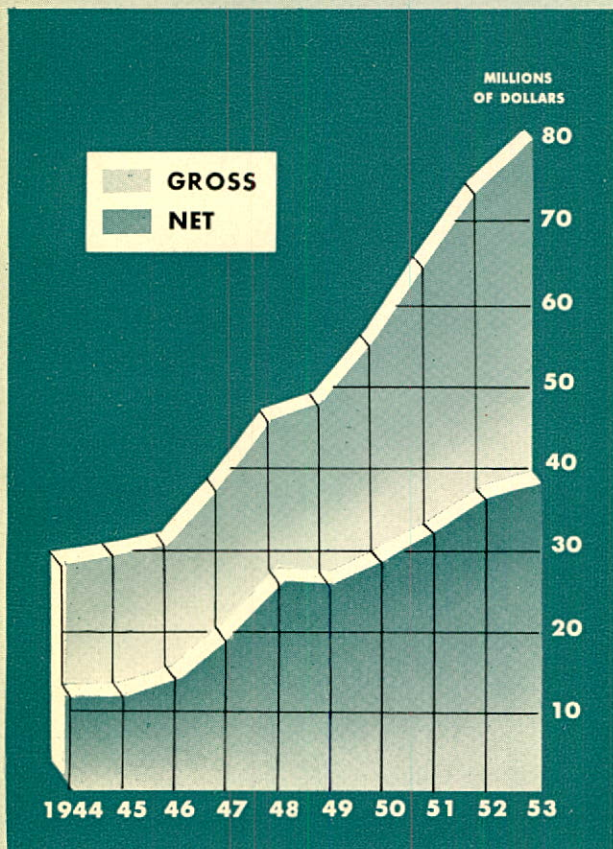
Working capital at the end of 1953 was \$25,617,175, an increase of \$1,414,882, as compared with 1952. An analysis of working capital appears elsewhere in this report.

Additions to plant, property and equipment during the year amounted to \$7,638,640.

In 1953, the long term debt was reduced by \$1,167,000. Since the date of issue the 3% serial bonds have been reduced by \$3,500,000 and the 3¼% debentures by \$1,334,000.

Arrangements have been completed with a Canadian insurance company for the financing of two new office buildings, one located

PROPERTY, PLANT AND EQUIPMENT
(Gross and Net)



in Montreal and the other in Toronto. These new buildings are now under construction.

PRODUCING

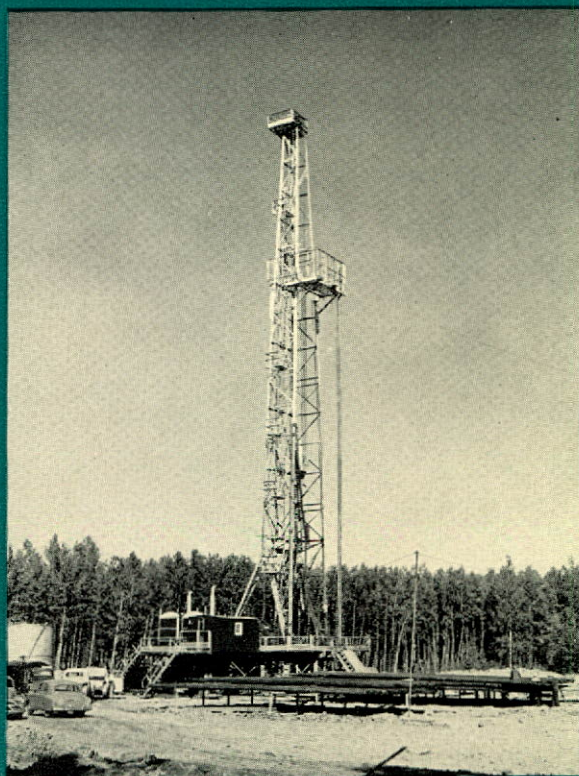
WESTERN CANADA: During the year 1953 your Company's total net crude oil production, both working interest and royalty oil, amounted to 1,137,419 barrels, as compared with 660,694 barrels in the previous year.

At the end of 1953, your Company had working interests in 59 producing wells, and a royalty interest in 114 other producers. During the year your Company participated in the drilling of twelve wells, of which eight were completed as oil producers and four were abandoned as dry holes.

In addition to continuing its working agreement with Texaco Exploration Company, your Company at the end of the year initiated plans to re-enter the exploration and exploitation field in Western Canada on its own behalf. For this purpose, a new Producing Department with headquarters in Calgary was established as at January 1, 1954.

TRINIDAD: Net production in 1953 was 1,072,058 barrels, an increase of 439,519 barrels over the previous year.

Drilling a well in the Bonnie Glen Field, Alberta.



Deflected drilling under the Gulf of Paria undertaken from our subsidiary's leases at Brighton has met with considerable success, and the discoveries account for most of the increase in production. In this area, fifteen wells were completed, of which twelve were oil producers and three were dry holes.

As mentioned in the President's address to shareholders at last year's annual meeting, your Company has an agreement with The Texas Company through which funds are advanced by the latter for exploration and development of non-producing acreage held

by our Trinidad subsidiary. These advances are to be repaid in oil only, if and when oil is found and produced. In 1953, under this agreement, three wells were drilled at Pointe Ligoure, resulting in one oil well, one gas well and one dry hole.

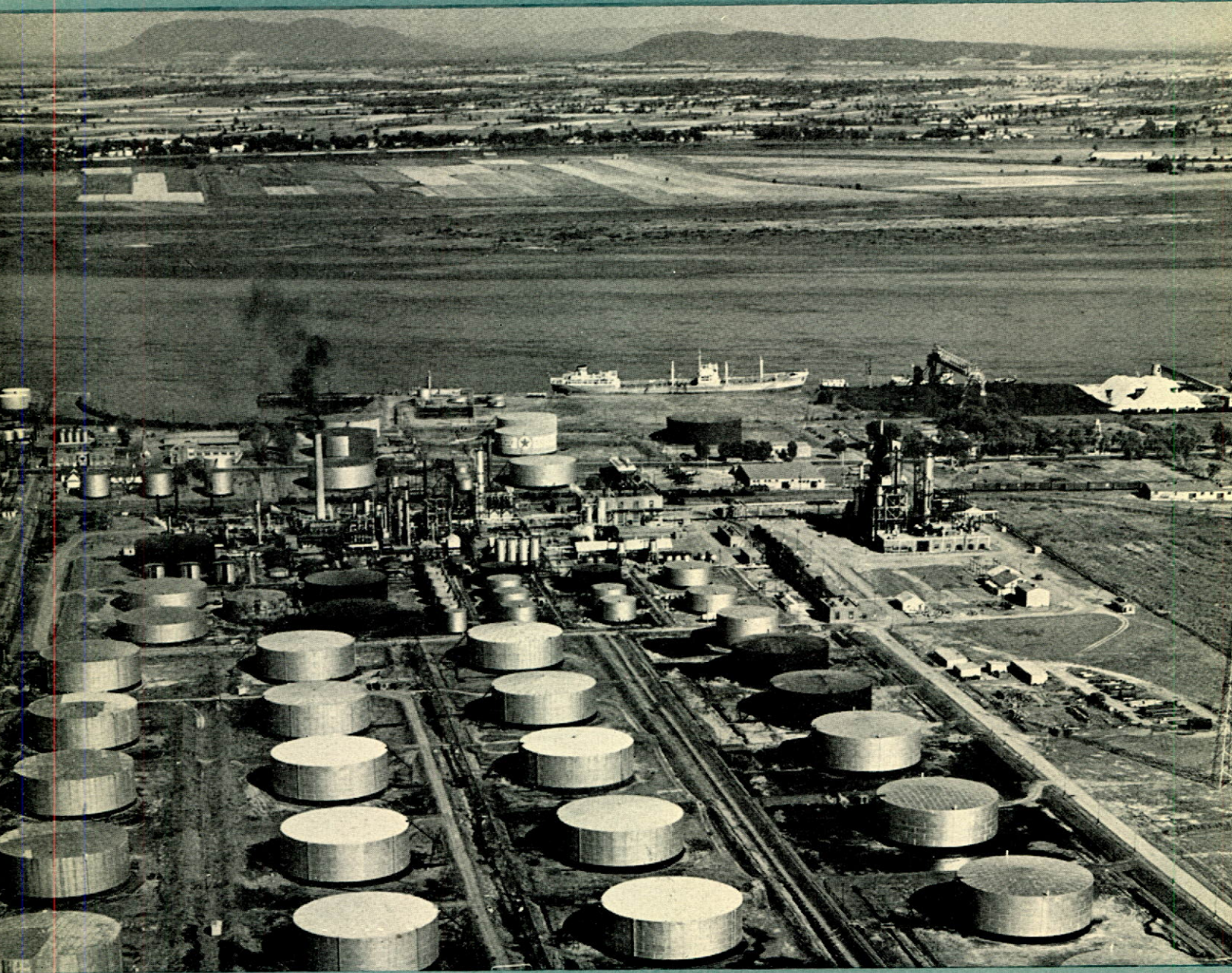
REFINING

Crude runs to stills in 1953 totalled 14,016,049 barrels, as compared with 12,820,553 barrels in the previous year. At the Edmonton Refinery alterations to the fluid cracking unit

SOURCE AND USE OF WORKING CAPITAL

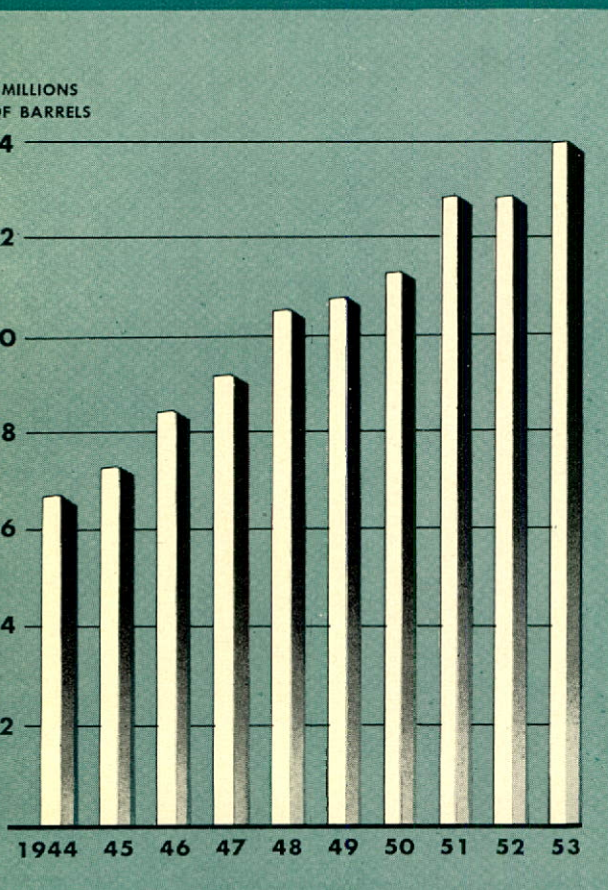
	1953	1952	1951	1950	1949
	(IN THOUSANDS OF DOLLARS)				
Working Capital — Beginning of Year	\$24,202	\$26,384	\$29,369	\$18,502	\$14,483
ADD:					
Net income for the year	7,319	5,923	5,900	6,661	4,352
Net gain on sale of Pakowki Lake gas property	—	3,846	—	—	—
Depreciation, depletion and amortization (not requiring the use of working capital)	6,015	5,796	6,441	4,988	5,203
Long-term borrowings	—	—	—	10,000	—
Other — net	519	751	53	49	758
Total	\$38,055	\$42,700	\$41,763	\$40,200	\$24,796
DEDUCT:					
Additions to property, plant and equipment	\$ 7,639	\$11,102	\$10,666	\$ 8,258	\$ 4,375
Cash dividends — preferred stock	240	240	240	240	240
— common stock	2,608	2,608	2,608	2,217	1,304
Investments and long-term receivables — net	784	3,381	698	(384)	(125)
Reduction in long-term debt	1,167	1,167	1,167	500	500
Total deductions	\$12,438	\$18,498	\$15,379	\$10,831	\$ 6,294
Working Capital — End of Year	\$25,617	\$24,202	\$26,384	\$29,369	\$18,502

() Indicates deduction



Aerial view of Montreal East Refinery,
looking south across the St. Lawrence River.

REFINERY RUNS TO STILL



increased processing capacity, resulting in an increase of crude charge to 7,000 barrels per day, as compared with the original design capacity of 5,500 barrels per day. In 1954, a new thermal cracking unit and related auxiliaries will be added at Edmonton Refinery providing an increase in crude oil capacity to 11,000 barrels per day.

Work will commence in 1954 on a catalytic reforming unit at the Montreal East Refinery.

MARKETING

In 1953, the Company continued to improve its distribution system to further reduce distributing costs. A number of new service stations was constructed and the quality of a number of the older stations improved.

The Company is extremely gratified with the public's acceptance of the New Advanced Custom-Made Havoline Motor Oil which was designed to meet the more exacting requirements of present-day motor cars.

Following the advances in crude oil prices in mid-year, the prices of refined products were also advanced to compensate, in part, for the increased costs of raw material and operating costs.

TRANSPORTATION

Trans-Northern Pipe Line Company, previously mentioned, is a products pipe line system in which your Company owns a one-third interest. It provides a transportation facility which enabled the Company to effect transportation savings including the release of three lake tankers heretofore under charter.

It is anticipated in 1954 the Portland-Montreal pipe line companies, 20% owned by your Company, will increase their facilities to provide for a daily throughput of 190,000 barrels of crude oil. This crude oil pipe line system transported in 1953 more than 53,000,000 barrels of crude oil from Portland, Maine, to Montreal.

TAXES

While the income tax rate in Canada was reduced slightly during the year, other tax costs increased materially. Taxes as a whole continued to bear heavily on the oil industry. Your Company, in 1953, absorbed a tax bill of \$11,853,334, equal to \$4.54 per common share. This amount does not include taxes on sales of gasoline and other petroleum products amounting to \$27,698,510, which taxes were collected from customers and remitted to various governmental agencies.



One of the Company's many modern service stations.

McCOLL-FRONTENAC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—

ASSETS

	1953	1952
CURRENT ASSETS:		
Cash	\$ 6,950,302	\$ 5,861,364
Accounts receivable, less allowance for doubtful accounts	12,084,415	8,671,246
Inventories		
Crude and refined oil products and merchandise, valued on monthly average cost basis which in the aggregate was lower than market	19,032,864	21,023,986
Materials and supplies, at or below cost	2,640,411	2,178,524
Total current assets	<u>\$40,707,992</u>	<u>\$37,735,120</u>
INVESTMENTS AND LONG-TERM RECEIVABLES:		
Investment in non-subsiary pipe line companies	\$ 1,303,513	\$ 1,303,513
Receivable re sale of Pakowki Lake gas property	2,626,200	2,764,472
Other receivables, secured by mortgages, etc.	4,190,570	3,268,337
Total investments and long-term receivables	<u>\$ 8,120,283</u>	<u>\$ 7,336,322</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Producing	\$13,597,179	\$12,205,817
Manufacturing	36,236,731	34,510,213
Marine	1,028,116	1,028,116
Marketing	28,567,438	25,921,612
Other	233,639	221,940
	<u>\$79,663,103</u>	<u>\$73,887,698</u>
Less: Depreciation, depletion and amortization	41,549,306	36,839,876
Net property, plant and equipment	<u>\$38,113,797</u>	<u>\$37,047,822</u>
DEFERRED CHARGES:		
Insurance, taxes and other deferred charges	\$ 764,751	\$ 705,926
Unamortized discount and expense on long-term debt	271,531	290,653
Total deferred charges	<u>\$ 1,036,282</u>	<u>\$ 996,579</u>
	<u><u>\$87,978,354</u></u>	<u><u>\$83,115,843</u></u>

Signed on behalf of the Board,
J. M. PRITCHARD, *Director*
T. C. TWYMAN, *Director*

OIL COMPANY LIMITED

COMPANIES

DECEMBER 31, 1953 AND 1952

LIABILITIES

	1953	1952
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 8,514,626	\$ 6,357,116
Sales, motor fuel and sundry taxes	2,101,457	2,039,830
Income taxes	3,247,734	3,908,881
Bonds and debentures due within one year	1,167,000	1,167,000
Preferred dividend payable	60,000	60,000
Total current liabilities	<u>\$15,090,817</u>	<u>\$13,532,827</u>
LONG-TERM DEBT:		
First mortgage bonds (<i>Authorized and issued: \$20,000,000</i>)		
3% Serial bonds, 1946 series, due October 1, 1955-1958	\$ 2,000,000	\$ 2,500,000
3% Sinking fund bonds, 1946 series, due October 1, 1971	6,500,000	6,500,000
3¼% Sinking fund bonds, 1947 series, due October 1, 1972	7,500,000	7,500,000
Debentures (<i>Issued: \$10,000,000</i>)		
3¼% Debentures, series A, due January 2, 1955-1966	7,999,000	8,666,000
Total long-term debt	<u>\$23,999,000</u>	<u>\$25,166,000</u>
PREFERRED STOCK:		
4% Cumulative redeemable preferred shares of \$100 par value (Redeemable at \$102.50 on thirty days' notice)		
Authorized 100,000 shares		
Issued 60,000 shares	\$ 6,000,000	\$ 6,000,000
COMMON STOCK AND SURPLUS:		
Common shares of no par value		
Authorized 4,975,526 shares		
Issued 2,607,963 shares	\$19,133,534	\$19,133,534
Earned surplus	23,755,003	19,283,482
Total common stock and surplus	<u>\$42,888,537</u>	<u>\$38,417,016</u>
NOTE: As of December 31, 1953 the Company had contingent liabilities in the amount of approximately \$8,500,000 under throughput agreements with non-subsidiary pipe line companies.	<u>\$87,978,354</u>	<u>\$83,115,843</u>

Submitted with our Report to the Shareholders dated February 15, 1954.

P. S. ROSS & SONS,
PRICE WATERHOUSE & CO.,
Chartered Accountants.

McCOLL-FRONTENAC AND SUBSIDIARY

Statement of Consolidated Income Account

FOR THE YEARS ENDED DECEMBER 31, 1953 AND 1952

	1953	1952
GROSS INCOME:		
Sales and services	\$100,545,127	\$100,376,482
Interest and other income	592,502	275,659
	<u>\$101,137,629</u>	<u>\$100,652,141</u>
OPERATING CHARGES:		
*Costs, operating, selling and general expenses	\$ 74,636,129	\$ 75,762,703
**Taxes (other than income taxes)	6,096,334	5,464,393
Dry hole costs	486,937	171,918
Amortization of intangible development costs	833,186	619,479
Depletion and leases surrendered	214,655	141,748
Depreciation	4,968,137	5,036,244
	<u>\$ 87,235,378</u>	<u>\$ 87,196,485</u>
	\$ 13,902,251	\$ 13,455,656
INTEREST CHARGES:		
Interest and amortization of discount and expense on long-term debt	825,767	863,861
	<u>\$ 13,076,484</u>	<u>\$ 12,591,795</u>
PROVISION FOR INCOME TAXES	5,757,000	6,669,000
NET INCOME FOR THE YEAR	<u>\$ 7,319,484</u>	<u>\$ 5,922,795</u>

*Operating charges for 1953 include: counsel and solicitors' fees \$62,058, directors' fees \$12,750, and remuneration to executive officers and salaried directors \$260,316.

**In addition, provincial motor fuel and oil taxes were paid or accrued in the amount of \$27,698,510 during 1953 and \$25,657,465 during 1952.

OIL COMPANY LIMITED
COMPANIES

Statement of Consolidated Earned Surplus Account

FOR THE YEARS ENDED DECEMBER 31, 1953 AND 1952

	1953	1952
EARNED SURPLUS AT BEGINNING OF YEAR.	\$19,283,482	\$12,362,444
SURPLUS CREDITS:		
Net gain on sale of Pakowki Lake gas property.	—	3,846,206
	\$19,283,482	\$16,208,650
NET INCOME FOR THE YEAR	7,319,484	5,922,795
	\$26,602,966	\$22,131,445
DIVIDENDS — preferred stock	\$ 240,000	\$ 240,000
— common stock	2,607,963	2,607,963
	\$ 2,847,963	\$ 2,847,963
EARNED SURPLUS AT END OF YEAR	\$23,755,003	\$19,283,482

McCOLL-FRONTENAC
OIL COMPANY LIMITED
 AND SUBSIDIARY COMPANIES

A 10 YEAR

FINANCIAL

	1953	1952	1951
Gross income	\$101,137,629	\$100,652,141	\$92,647,206
Net income before provision for income taxes	\$ 13,076,484	\$ 12,591,795	\$11,975,682
Net income for the year	\$ 7,319,484	\$ 5,922,795	\$ 5,899,682
Cash dividends declared on preferred stock	\$ 240,000	\$ 240,000	\$ 240,000
Net income on common stock	\$ 7,079,484	\$ 5,682,795	\$ 5,659,682
Net income per common share	\$ 2.71	\$ 2.18	\$ 2.17
Cash dividends declared on common stock	\$ 2,607,963	\$ 2,607,963	\$ 2,607,963
Cash dividends declared per common share	\$ 1.00	\$ 1.00	\$ 1.00
Additions to property, plant and equipment	\$ 7,638,640	\$ 11,101,787	\$10,666,151
At end of year —			
Working capital (current assets less current liabilities)	\$ 25,617,175	\$ 24,202,293	\$26,384,272
Ratio current assets to current liabilities	2.70	2.79	3.22
Property, plant and equipment (gross)	\$ 79,663,103	\$ 73,887,698	\$64,634,149
Property, plant and equipment (net)	\$ 38,113,797	\$ 37,047,822	\$32,213,386
Total assets	\$ 87,978,354	\$ 83,115,843	\$75,729,881
Long-term debt	\$ 23,999,000	\$ 25,166,000	\$26,333,000
Number of outstanding common shares (of no par value)	2,607,963	2,607,963	2,607,963
Number of common shareholders	6,771	6,878	6,645
Number of outstanding preferred shares (\$100 par value)	60,000	60,000	60,000
Number of preferred shareholders	1,631	1,662	1,653

OPERATING

NOTE: Net income for the years 1944-1949 reflects applicable surplus

Gross crude oil production (barrels):			
In Canada	1,246,372	740,056	446,971
In Trinidad	1,190,008	670,248	602,851
Net crude oil production (barrels):			
In Canada	1,137,419	660,694	389,640
In Trinidad	1,072,058	632,539	550,073
Crude oil purchases, less sales (barrels)	11,799,596	11,835,070	11,833,577
Sales of petroleum products (barrels)	13,667,263	13,067,937	12,408,109
Refinery runs to stills (barrels) — for own account	14,016,049	12,820,553	12,879,634
— for others	—	—	—
Total payrolls and employee benefits	\$ 8,457,598	\$ 8,043,939	\$ 6,719,049
Number of employees (end of year)	2,165	2,155	2,094

REVIEW OF OUR BUSINESS

1950	1949	1948	1947	1946	1945	1944
\$82,474,250	\$77,993,237	\$75,005,785	\$56,125,091	\$43,910,018	\$41,352,151	\$38,234,608
\$10,682,296	\$ 5,764,229	\$ 8,160,901	\$ 4,989,951	\$ 5,813,650	\$ 3,863,263	\$ 3,137,006
\$ 6,661,296	\$ 4,351,542	\$ 5,590,476	\$ 2,961,277	\$ 3,134,181	\$ 1,357,628	\$ 1,367,524
\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 346,193	\$ 456,654	\$ 456,660
\$ 6,421,296	\$ 4,111,542	\$ 5,350,476	\$ 2,721,277	\$ 2,787,988	\$ 900,974	\$ 910,864
\$ 2.46	\$ 1.58	\$ 2.05	\$ 1.51	\$ 1.55	\$ 0.50	\$ 0.51
\$ 2,216,769	\$ 1,303,982	\$ 1,303,982	\$ 900,000	\$ 450,000	\$ 675,000	—
\$ 0.85	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.25	\$ 0.375	—
\$ 8,257,893	\$ 4,375,088	\$ 9,824,321	\$ 8,994,645	\$ 3,067,973	\$ 1,225,677	\$ 1,090,914
\$29,369,121	\$18,502,244	\$14,483,357	\$10,380,468	\$ 9,306,294	\$ 9,706,465	\$ 9,791,822
3.78	2.81	2.02	2.02	2.45	2.38	2.69
\$55,112,419	\$47,713,831	\$45,888,068	\$37,795,194	\$30,368,205	\$29,283,441	\$28,527,591
\$28,365,355	\$25,336,507	\$26,790,730	\$19,705,995	\$13,061,729	\$11,673,003	\$11,705,811
\$76,468,197	\$63,432,371	\$65,607,803	\$51,636,583	\$39,300,216	\$38,409,064	\$36,664,996
\$27,500,000	\$18,000,000	\$18,500,000	\$19,000,000	\$12,000,000	\$10,100,000	\$10,400,000
2,607,963	2,607,963	2,607,963	1,800,000	900,000	900,000	900,000
6,819	6,685	6,538	5,622	5,831	6,382	6,555
60,000	60,000	60,000	60,000	60,000	76,110	76,110
1,713	1,773	1,794	1,752	1,796	3,236	3,265
adjustments, and net income and dividends per common share for 1946 and prior years have been adjusted to reflect the 2 for 1 split of common shares in 1947.						
287,912	57,639	—	—	—	—	—
578,936	635,019	587,694	602,341	538,893	304,102	453,185
253,191	50,435	—	—	—	—	—
524,190	573,547	530,657	545,355	486,779	262,117	390,944
10,764,412	9,691,014	10,256,449	8,304,946	7,769,829	6,733,494	6,425,208
11,183,652	11,124,917	10,479,945	9,835,454	8,426,124	8,004,294	6,701,422
11,152,853	10,759,346	10,390,300	9,081,055	8,309,740	7,161,963	6,607,822
238,728	1,997,727	—	—	—	—	—
\$ 5,925,559	\$ 5,789,082	\$ 5,540,303	\$ 4,594,738	\$ 3,782,746	\$ 3,422,452	\$ 3,284,355
2,001	2,050	2,044	1,944	1,567	1,497	1,460

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

McCOLL-FRONTENAC OIL COMPANY LIMITED:

We have examined the consolidated balance sheet of McColl-Frontenac Oil Company Limited and its subsidiary companies as at December 31, 1953 and the related consolidated statements of surplus and of income for the year ended on that date. Our examination, which was made in accordance with generally accepted auditing standards applicable in the circumstances, included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary, and we obtained all the information and explanations we required. The financial statements of the subsidiary company in Trinidad, B.W.I. have been examined by other chartered accountants and have been accepted by us for inclusion in the consolidated statements.

In our opinion, based upon such examination, the attached consolidated balance sheet of the Company and its subsidiaries and the related consolidated statements of surplus and of income are properly drawn up so as to show a true and correct view of the state of the combined affairs of the companies at December 31, 1953 and the results of the combined operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

P. S. ROSS & SONS,

PRICE WATERHOUSE & CO.,

Chartered Accountants.

MONTREAL, QUEBEC.

February 15, 1954.

