1951 Annual Report

McColl-Frontenac

OIL COMPANY LIMITED AND SUBSIDIARIES

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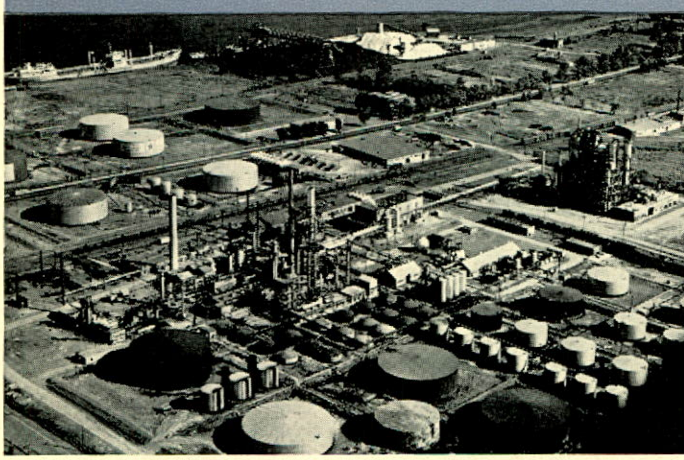
McCOLL - FRONTENAC

OIL COMPANY LIMITED AND SUBSIDIARIES

MANUFACTURERS AND DISTRIBUTORS IN CANADA OF TEXACO PETROLEUM PRODUCTS



Air view of Montreal East Refinery.

1951 ANNUAL REPORT

Directors and Officers

BOARD OF DIRECTORS

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

H H. BRADBURN
J. H. GUNDY, C.B.E.*
H. T. KLEIN
THE HON. E. L. PATENAUDE, P.C., Q.C.
J. M. PRITCHARD
R. L. SAUNDERS
E. P. TAYLOR, C.M.G.
G. R. TAYLOR
H. W. THORP
T. C TWYMAN
L. O. P. WALSH
W. ZIMMERMAN, Q.C.

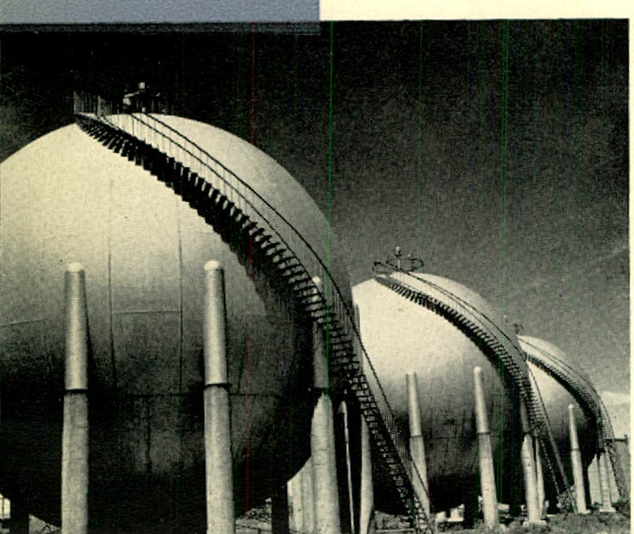
EXECUTIVE COMMITTEE

J. M. PRITCHARD, *Chairman*

J. H. GUNDY, C.B.E.*
A. A. MAGEE, C.B.E., Q.C.
G. R. TAYLOR
R. L. SAUNDERS
T. C. TWYMAN
L. O. P. WALSH

PRINCIPAL OFFICERS

J. M. PRITCHARD	*President*
T. C. TWYMAN	*Executive Vice-President*
G. R. TAYLOR	*Vice-President*
C. C. DUNN	*Vice-President*
T. V. ANDERSON	*Treasurer and Comptroller*
FRED HUNT	*Secretary*



Executive Offices:
360 St. James Street, West,
MONTREAL 1, QUEBEC

Transfer Agents:
MONTREAL TRUST COMPANY

Registrar:
ROYAL TRUST COMPANY

*Deceased November 10, 1951

Highlights

FINANCIAL

	1951	1950
Gross income	$ 92,647,206	$ 82,474,250
Net income before provision for income taxes	$ 11,975,682	$ 10,682,296
Net income on common stock	$ 5,659,682	$ 6,421,296
Net income per common share	$ 2.17	$ 2.46
Cash dividends paid per common share	$ 1.00	$ 0.85
Additions to property, plant and equipment	$ 10,666,151	$ 8,257,893
Working capital (end of year)	$ 26,384,272	$ 29,369,121

OPERATING

	1951	1950
Gross crude oil production (barrels):		
In Canada	446,971	287,912
In Trinidad	602,851	578,936
Net crude oil production (barrels):		
In Canada	389,640	253,191
In Trinidad	550,073	524,190
Crude oil purchases, less sales (barrels)	11,833,577	10,764,412
Refinery runs to stills (barrels) — for own account	12,879,634	11,152,853
— for others	—	238,728
Total payrolls and employee benefits	$ 6,719,049	$ 5,925,559
Number of employees (end of year)	2,094	2,001

To the Shareholders

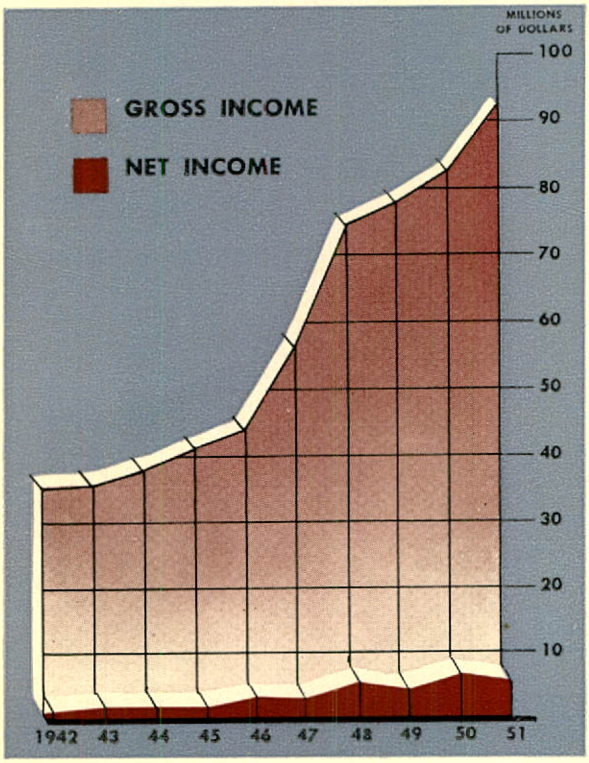
In 1951 your Company continued to make satisfactory progress and previous records in producing, manufacturing and sales activities were again exceeded.

The favourable results of the year's operations are set forth in the accompanying financial statements.

FINANCIAL

The consolidated net income for the year amounted to $5,899,682 as compared with $6,661,296 for the previous year. After providing for preferred dividends, net income per common share was $2.17 as compared with $2.46 in 1950. Dividends paid on common stock amounted to $1.00 per share as against $0.85 the previous year.

GROSS AND NET INCOME



An increase of $1,293,386 in consolidated net income before provision for income taxes was more than offset by an increase in income taxes of $2,055,000, resulting in the lower net income for 1951 as compared with 1950.

The impact of taxation is of growing concern to the Company. Estimated income taxes for 1951 amounted to $6,076,000 or $2.33 per common share as against $1.54 per share last year. The total of all types of federal, provincial and municipal taxes in 1951 was $10,242,596 equal to $3.93 per common share as compared with $7,440,899 or $2.85 per share in 1950. In addition, the Company in 1951, in its role as tax collector, received $23,277,283 from its customers, which sum was paid over to provincial and other taxing authorities.

Working capital at the end of 1951 was $26,384,272, a decrease of $2,984,849 as compared with last year. However, at the end of last year working capital included cash of approximately $7,000,000 provided by debentures issued in 1950 to finance construction of the new refinery at Edmonton, Alberta, most of the facilities of which were completed by the end of 1951.

SOURCE AND USE OF WORKING CAPITAL

	1951	1950	1949	1948	1947
		(IN THOUSANDS OF DOLLARS)			
Working Capital — Beginning of Year	$29,369	$18,502	$14,483	$10,380	$ 9,306
ADD:					
Net income for the year	5,900	6,661	4,352	5,590	2,961
Depreciation, depletion and amortization (not requiring the use of working capital)	6,441	4,988	5,203	2,346	1,623
Long-term borrowings	—	10,000	—	—	7,500
Sale of common stock	—	—	—	8,080	—
Other — net	53	49	758	370	436
Total	$41,763	$40,200	$24,796	$26,766	$21,826
DEDUCT:					
Additions to property, plant and equipment	$10,666	$ 8,258	$ 4,375	$ 9,824	$ 8,995
Cash dividends — preferred stock	240	240	240	240	240
— common stock	2,608	2,217	1,304	1,304	900
Investments and advances—net	698	(384)	(125)	415	811
Reduction in long-term debt	1,167	500	500	500	500
Total deductions	$15,379	$10,831	$ 6,294	$12,283	$11,446
Working Capital — End of Year	$26,384	$29,369	$18,502	$14,483	$10,380

( ) *Indicates deduction.*

Provision for depreciation in the amount of $5,646,463 includes approximately $1,700,000 in respect of the Edmonton refinery, which amount represents a full year's depreciation although this refinery did not commence operations until October 1951.

In 1951 the balance of the intangible assets in the amount of $3,958,766 was written off by charge to earned surplus. Including this amount, the Company has since 1946 written off to earned surplus a total of $8,383,218 in respect of premium paid on the capital stock of subsidiary companies, trademarks and other intangible assets.

A ten-year summary of financial and operating data is shown on pages 14 and 15 of this report.

PRODUCING

In the annual report for 1947 you were advised of an agreement between your Company and The Texas Company under which The Texas Company, for a 50% working interest in your Company's Western Canadian holdings of oil and gas reservations and leases, with the exception of proven gas fields in the Pakowki Lake area

Acreage held jointly with Texaco on working interest basis

	Total Joint Acreage	Number of Producing Wells	Equity in Net Production for 1951 (barrels) McColl	Texaco	Total
Productive Areas					
Redwater					
McColl's interest 50%	957	22	251,906	251,906	503,812
" " 33⅓%	159	4	29,479	58,958	88,437
" " 20%	320	8	39,074	156,296	195,370
	1,436	34	320,459	467,160	787,619
South Leduc					
McColl's interest 33⅓%	320	8	42,699	85,398	128,097
Glen Park					
McColl's interest 50%	160	1	728	728	1,456
" " 33⅓%	160	—*	—	—	—
Bonnie Glen					
McColl's interest 50%	480	—*	—	—	—
" " 10%	320	—**	—	—	—
	2,876	43	363,886	553,286	917,172

*Since the end of 1951 oil wells have been completed on these two leases, and the well at Bonnie Glen is very promising.

**While a well has not yet been completed on this lease, the acreage is considered promising for production.

Non-Producing Areas

McColl holds working interest, ranging from 5% to 50%, in leases on 14,793 acres of undeveloped lands held jointly with Texaco. McColl's interest is equivalent to approximately 4,462 acres. These leases are scattered throughout the central plains of Alberta and nearly half of the acreage is located in the vicinity of producing properties.

in southern Alberta, was committed to provide the funds required to explore and develop these land holdings up to an amount of $3,500,000. Subsequently, The Texas Company assigned its interest in the agreement to its wholly-owned subsidiary, Texaco Exploration Company.

As mentioned in the annual report for 1949, the expenditures of this $3,500,000 neared completion during the fall of 1949 and your Company became faced with the necessity of making very substantial expenditures in the future along with Texaco Exploration Company if it was to maintain its joint interest in the properties.

After negotiation with The Texas Company, the original agreement was accordingly superseded by an agreement more suitable to your Company's resources.

Under this new agreement which became effective as of October 1, 1949, Texaco Exploration Company purchased your Company's remaining 50% working interest in oil and gas rights on approximately 2,500,000 acres in Western Canada, and certain production equipment and other assets, for a sum of $1,611,021 plus a royalty interest of 10% of Texaco Exploration Company's net production obtainable from the acreage sold, and the right to participate under certain circumstances in future acquisitions by that company of oil and gas acreage in Western Canada. Your Company also retained the right to acquire by purchase Texaco Exploration Company's net share of all the crude oil produced by it.

Under the same agreement your Company purchased, at cost, a 50% working interest in certain producing acreage in the Redwater Field owned by Texaco Exploration Company and in addition has in 1950 and 1951 in participation with that company purchased a number of Crown leases on various parcels of land in the central plains of Alberta. A tabulation of your Company's working interests in these leases appears on the opposite page.

Some of the land holdings sold to Texaco Exploration Company under the above-mentioned agreement have since been developed into producing properties, others have been abandoned as unproductive and the balance, comprising the major part of the said holdings, remains to be developed. At the end of 1951 your Company's royalty interests were as shown below.

As mentioned in last year's report, the Pakowki Lake gas property in southern Alberta, which is owned jointly by your Company and Union Oil Company of California, has been sold to Montana Power Company under an agreement the consummation of which is subject to certain conditions. The sale price of your Company's interest in the property is $5,500,000 (U.S. funds) payable 20% in cash upon consummation of agreement and the balance in 16 equal, annual, non-interest bearing instalments. At the time this report is going to press it is expected that all conditions will be fulfilled and the sale completed in the near future.

In Trinidad, B.W.I., net production was 550,073 barrels as compared with 524,190

Acreage held by Texaco in which McColl has a 10% royalty interest

	Total Acreage	Number of Producing Wells	Equity in Net Production for 1951 (barrels)		
			McColl	Texaco	Total
Productive Areas					
Calmar	280	7	7,990	71,910	79,900
South Calmar	240	4	2,018	18,162	20,180
Wizard Lake	960	8	15,746	141,714	157,460
Glenevis	480	1*	—	—	—
Majeau Lake	3,520	2*	—	—	—
Bonnie Glen	1,280	—*	—	—	—
	6,760	22	25,754	231,786	257,540

*The wells at Glenevis and Majeau Lake have been shut in pending a market for the production. The well at Glenevis is a producer of heavy oil and at Majeau Lake one well is productive of wet gas, the other of dry gas. While a well has not yet been completed on the 1,280 acres at Bonnie Glen, the acreage is considered promising for production.

The Wizard Lake area is rated of major importance, the producing zone being the thickest found to date in Canada.

Non-Producing Areas

McColl holds a 10% royalty interest in the net production that may be obtained from approximately 1,775,000 acres of the undeveloped lands sold to Texaco. Of this acreage approximately one million acres are located in the Pouce Coupe and Peace River area of northern Alberta and the balance in the central and southern plains of that Province.

barrels the previous year. Seventeen wells were completed in 1951 of which fifteen were oil producers, one a gas well and one abandoned as a dry hole. Towards the end of the year promising results were obtained by directional drilling under the Gulf of Paria at La Brea.

REFINING

Refinery runs to stills in 1951 amounted to 12,879,634 barrels as against 11,391,581 barrels in 1950, which latter figure included 238,728 barrels run for others.

The new, modern refinery at Edmonton, Alberta, commenced operations in October 1951. It has a daily crude oil capacity of 5,500 barrels and facilities include a fluid catalytic cracking unit and delayed coking unit. It will supply the Company's requirements of refined products in the three Prairie Provinces where previously such products were purchased from others.

Engineering studies are now under way for the addition at Montreal refinery of a lubricating oil manufacturing unit.

Fractionating Tower at Montreal East Refinery.

TRANSPORTATION

In addition to its 20% interest in the Portland-Montreal pipe line system, which transports crude oil from Portland, Maine, to Montreal East, Quebec, your Company now has a $33\frac{1}{3}\%$ interest in Trans-Northern Pipe Line Company, a company incorporated for the purpose of building and operating a pipe line system between Montreal, Toronto and intermediate points, with a spur line to Ottawa. This pipe line, which is expected to be completed in the fall of 1952, will transport refined petroleum products from refineries at Montreal East to storage terminals located at strategic distributing points along the line. The terminals will be owned and operated individually by the companies owning the pipe line.

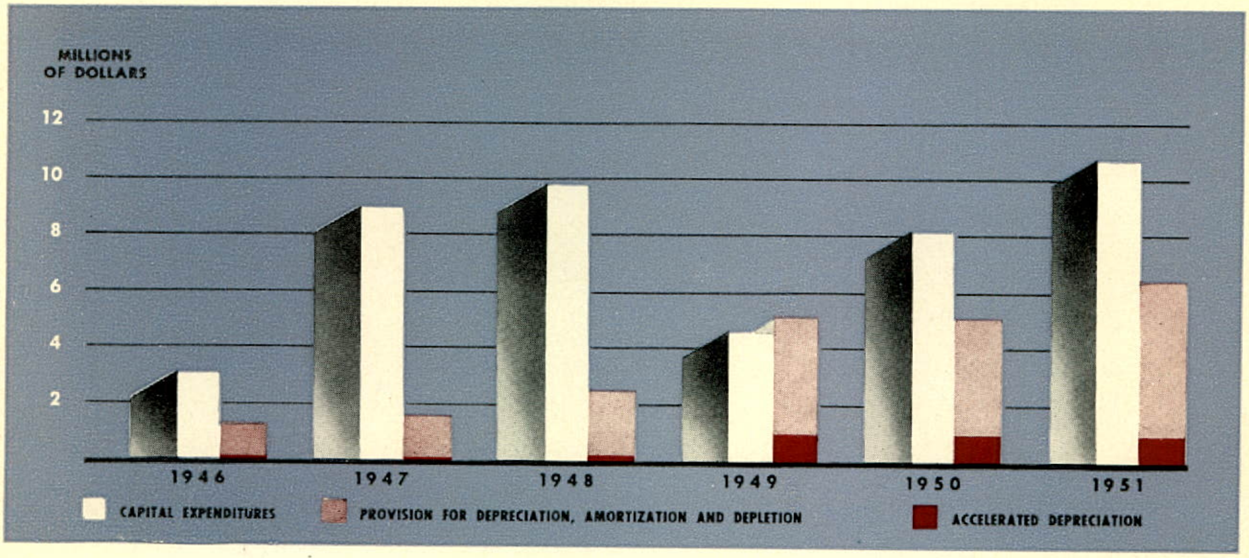
SALES

The Company during the year made satisfactory progress in its long-range marketing program.

The high quality of Texaco products and the resultant ready customer acceptance, brought sales to a new peak and the demand for the Company's products continues to increase.

The quality of Texaco products is continually assured by scientific research in order to keep abreast of automotive and indus-

CAPITAL EXPENDITURES AND PROVISION FOR DEPRECIATION, AMORTIZATION AND DEPLETION



trial progress. In the sale of its products the Company provides skilled engineering services in connection with their usages.

IN MEMORIAM

It is with profound regret that your directors record the death on November 10, 1951, of Mr. J. H. Gundy, a most valued director and friend of the Company since 1938. Mr. Gundy was one of Canada's leading men in the world of finance and your directors will greatly miss his wise judgment and good counsel which has been of such benefit to the Company during the many years he was a member of the board.

GENERAL

At the close of the year, the Company had a total of 1,653 preferred shareholders and 6,645 common shareholders. The number of employees of the Company and all of its subsidiaries was 2,094.

The directors wish to express their appreciation to shareholders for their continued support and to the employees of the organization their sincere thanks for loyal and efficient service.

On behalf of the Board,

President.

MONTREAL, QUEBEC.
MARCH 31, 1952.

McCOLL-FRONTENAC Oil Company Limited
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE

ASSETS

	1951	1950
Current Assets:		
Cash	$ 4,966,757	$11,726,364
Accounts receivable, less reserve of $200,000	7,650,082	7,859,951
Inventories		
Crude and refined oil products and merchandise, valued on monthly average cost basis which in the aggregate was lower than market	23,530,584	18,507,275
Materials and supplies, at or below cost	2,137,752	1,840,703
Total current assets	$38,285,175	$39,934,293
Investments and Advances:		
Long-term receivables, secured by mortgages, etc., less reserve of $100,000	$ 2,994,401	$ 2,653,447
Investment in non-subsidiary pipe line companies	960,450	603,113
Total investments and advances	$ 3,954,851	$ 3,256,560
Property, Plant and Equipment, at cost:		
Leases, wells and equipment	$ 9,361,486	$ 8,187,238
Refineries and facilities	32,243,438	25,736,233
Lake tankers	1,025,125	1,020,625
Sales stations, facilities and equipment	21,816,824	20,021,677
Miscellaneous	187,276	146,646
	$64,634,149	$55,112,419
Less: Reserve for depreciation, depletion and amortization	32,420,763	26,747,064
Net property, plant and equipment	$32,213,386	$28,365,355
Intangible Assets:		
Premium paid on subsidiary companies' capital stock, less amounts written off	—	$ 3,958,766
Deferred Charges:		
Insurance, taxes and other prepaid expenses	$ 873,971	$ 586,038
Unamortized discount and expense on long-term debt	311,192	334,041
Drilling cost on incomplete wells	91,306	33,144
Total deferred charges	$ 1,276,469	$ 953,223
	$75,729,881	$76,468,197

Approved on behalf of the Board,

A. A. MAGEE, *Director.*
J. M. PRITCHARD, *Director.*

SHEET — DECEMBER 31, 1951 AND 1950

LIABILITIES

	1951	1950
Current Liabilities:		
Accounts payable and accrued liabilities	$ 5,264,181	$ 5,298,268
Sales, motor fuel and sundry taxes	1,580,091	1,616,673
Provision for income taxes	3,531,193	2,760,011
Bond and debenture interest accrued	298,438	330,220
Bonds and debentures due within one year	1,167,000	500,000
Preferred dividend payable	60,000	60,000
Total current liabilities	$11,900,903	$10,565,172
Long-Term Debt:		
First mortgage bonds (*Authorized and issued: $20,000,000*)		
3% Serial bonds, 1946 series, due October 1, 1953-1958	$ 3,000,000	$ 3,500,000
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		
3¼% Debentures, series A, due January 2, 1953-1966	9,333,000	10,000,000
Total long-term debt	$26,333,000	$27,500,000
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	12,362,444	13,269,491
Total common stock and surplus	$31,495,978	$32,403,025
	$75,729,881	$76,468,197

Submitted with our Report to the Shareholders dated February 18, 1952.

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

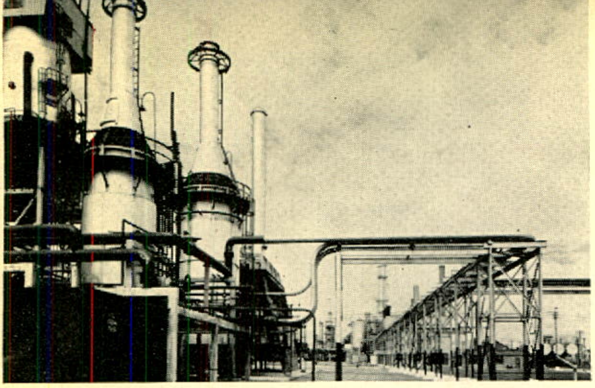
McCOLL-FRONTENAC Oil Company Limited
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 1951 AND 1950

	1951	1950
Gross Income:		
Sales and services	$92,141,931	$82,100,126
Income from investments	307,129	151,941
Net profit on sale of capital assets	198,146	222,183
	$92,647,206	$82,474,250
Operating Charges:		
*Costs, operating, selling and general expenses	$69,157,756	$62,724,235
Taxes (other than taxes on income)	4,166,596	3,419,899
Intangible development costs (*amortization and dry hole expense*)	669,162	605,693
Depletion	127,808	63,150
Depreciation	5,646,463	4,325,452
	$79,767,785	$71,138,429
	$12,879,421	$11,335,821
Interest Charges:		
Interest and amortization of discount and expense on long-term debt	903,739	653,525
	$11,975,682	$10,682,296
Provision for Income Taxes	6,076,000	4,021,000
Net Income carried to Earned Surplus Account	$ 5,899,682	$ 6,661,296

*Operating charges for 1951 include: counsel and solicitors' fees $58,435, directors' fees $19,900, and remuneration of executive officers $164,242.



STATEMENT OF CONSOLIDATED EARNED SURPLUS ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 1951 AND 1950

	1951	1950
Earned Surplus at Beginning of Year	$13,269,491	$10,064,964
Surplus Charges:		
Amount written off premium paid on subsidiary companies' capital stock	3,958,766	1,000,000
	$ 9,310,725	$ 9,064,964
Net Income for the Year	5,899,682	6,661,296
	$15,210,407	$15,726,260
Deduct: Dividends — preferred stock	$ 240,000	$ 240,000
— common stock	2,607,963	2,216,769
	$ 2,847,963	$ 2,456,769
Earned Surplus at End of Year	$12,362,444	$13,269,491

McCOLL-FRONTENAC
Oil Company Limited
AND SUBSIDIARY COMPANIES

A Ten Year

FINANCIAL

	1951	1950	1949
Gross income	$92,647,206	$82,474,250	$77,993,237
Net income before provision for income taxes	$11,975,682	$10,682,296	$ 5,764,229
Net income for the year	$ 5,899,682	$ 6,661,296	$ 4,351,542
Cash dividends declared on preferred stock	$ 240,000	$ 240,000	$ 240,000
Net income on common stock	$ 5,659,682	$ 6,421,296	$ 4,111,542
Net income per common share	$ 2.17	$ 2.46	$ 1.58
Cash dividends declared on common stock	$ 2,607,963	$ 2,216,769	$ 1,303,982
Cash dividends declared per common share	$ 1.00	$ 0.85	$ 0.50
Additions to property, plant and equipment	$10,666,151	$ 8,257,893	$ 4,375,088
At end of year —			
Working capital (current assets less current liabilities)	$26,384,272	$29,369,121	$18,502,244
Ratio current assets to current liabilities	3.22	3.78	2.81
Property, plant and equipment (gross)	$64,634,149	$55,112,419	$47,713,831
Property, plant and equipment (net)	$32,213,386	$28,365,355	$25,336,507
Total assets	$75,729,881	$76,468,197	$63,432,371
Long-term debt	$26,333,000	$27,500,000	$18,000,000
Number of outstanding common shares (of no par value)	2,607,963	2,607,963	2,607,963
Number of common shareholders	6,645	6,819	6,685
Number of outstanding preferred shares ($100 par value)	60,000	60,000	60,000
Number of preferred shareholders	1,653	1,713	1,773

NOTE: Net income for the years 1942-1949 reflects applicable surplus adjustments, and dividends per common

OPERATING

	1951	1950	1949
Gross crude oil production (barrels):			
In Canada	446,971	287,912	57,639
In Trinidad	602,851	578,936	635,019
Net crude oil production (barrels):			
In Canada	389,640	253,191	50,435
In Trinidad	550,073	524,190	573,547
Crude oil purchases, less sales (barrels)	11,833,577	10,764,412	9,691,014
Refinery runs to stills (barrels) — for own account	12,879,634	11,152,853	10,759,346
— for others	—	238,728	1,997,727
Total payrolls and employee benefits	$ 6,719,049	$ 5,925,559	$ 5,789,082
Number of employees (end of year)	2,094	2,001	2,050

Review of Our Business

1948	1947	1946	1945	1944	1943	1942
$75,005,785	$56,125,091	$43,910,018	$41,352,151	$38,234,608	$36,481,233	$35,360,462
$ 8,160,901	$ 4,989,951	$ 5,813,650	$ 3,863,263	$ 3,137,006	$ 2,604,829	$ 2,537,668
$ 5,590,476	$ 2,961,277	$ 3,134,181	$ 1,357,628	$ 1,367,524	$ 1,414,962	$ 1,207,834
$ 240,000	$ 240,000	$ 346,193	$ 456,654	$ 456,660	$ 456,398	$ 459,930
$ 5,350,476	$ 2,721,277	$ 2,787,988	$ 900,974	$ 910,864	$ 958,564	$ 747,904
$ 2.05	$ 1.51	$ 1.55	$ 0.50	$ 0.51	$ 0.53	$ 0.42
$ 1,303,982	$ 900,000	$ 450,000	$ 675,000	—	$ 135,000	$ 135,000
$ 0.50	$ 0.50	$ 0.25	$ 0.375	—	$ 0.075	$ 0.075
$ 9,824,321	$ 8,994,645	$ 3,067,973	$ 1,225,677	$ 1,090,914	$ 380,844	$ 562,851
$14,483,357	$10,380,468	$ 9,306,294	$ 9,706,465	$ 9,791,822	$ 7,466,594	$ 6,913,385
2.02	2.02	2.45	2.38	2.69	1.97	1.93
$45,888,068	$37,795,194	$30,368,205	$29,283,441	$28,527,591	$28,165,184	$28,479,223
$26,790,730	$19,705,995	$13,061,729	$11,673,003	$11,705,811	$11,872,032	$13,034,316
$65,607,803	$51,636,583	$39,300,216	$38,409,064	$36,664,996	$36,880,797	$36,936,262
$18,500,000	$19,000,000	$12,000,000	$10,100,000	$10,400,000	$10,700,000	$11,000,000
2,607,963	1,800,000	900,000	900,000	900,000	900,000	900,000
6,538	5,622	5,831	6,382	6,555	6,814	6,800
60,000	60,000	60,000	76,110	76,110	76,120	76,455
1,794	1,752	1,796	3,236	3,265	3,336	3,450

share for 1946 and prior years have been adjusted to reflect the 2 for 1 split of common shares in 1947.

1948	1947	1946	1945	1944	1943	1942
587,694	602,341	538,893	304,102	453,185	215,364	190,445
530,657	545,355	486,779	262,117	390,944	151,187	131,430
10,256,449	8,304,946	7,769,829	6,733,494	6,425,208	6,233,560	5,536,397
10,390,300	9,081,055	8,309,740	7,161,963	6,607,822	6,553,354	5,585,868
$ 5,540,303	$ 4,594,738	$ 3,782,746	$ 3,422,452	$ 3,284,355	$ 3,051,302	$ 2,924,783
2,044	1,944	1,567	1,497	1,460	1,399	1,418

Auditors' Report

To the Shareholders of

McColl-Frontenac Oil Company Limited:

We have examined the consolidated balance sheet as at December 31, 1951 of McColl-Frontenac Oil Company Limited and its subsidiary companies 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, 1951 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, P.Q.
February 18, 1952.

TEXACO

REG. T.M.