

Texaco Canada Ltd

McCOLL-FRONTENAC
OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES



(18th)

ANNUAL REPORT
FOR THE YEAR 1945

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MCGILL UNIVERSITY

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R. L. SAUNDERS

T. C. TWYMAN

J. H. GUNDY

E. P. TAYLOR

L. O. P. WALSH

H. T. KLEIN

H. W. THORP

W. ZIMMERMAN, K.C.

THE HON. E. L. PATENAUDE, P.C., K.C.

EXECUTIVE COMMITTEE

J. M. PRITCHARD, *Chairman*

J. H. GUNDY

R. L. SAUNDERS

A. A. MAGEE

T. C. TWYMAN

L. O. P. WALSH

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T. C. TWYMAN, *Vice-President*

G. R. TAYLOR, *Vice-President*

AIR MARSHAL W. A. BISHOP,
Vice-President

T. V. ANDERSON,
Treasurer and Comptroller

FRED HUNT, *Secretary*

General Counsel:

C. H. BERESFORD HANDS

Transfer Agents:

MONTREAL TRUST COMPANY

Registrar:

ROYAL TRUST COMPANY

McCOLL-FRONTENAC OIL COMPANY LIMITED

360 ST. JAMES STREET WEST

MONTREAL

April 1st, 1946

TO THE SHAREHOLDERS:

Your Company's Eighteenth Annual Report is submitted herewith together with the Consolidated Balance Sheet as of December 31, 1945, and the Consolidated Statements of Profit and Loss and Surplus Account of the Company and its subsidiaries.

Consolidated net profit, including refundable portion of excess profits tax for 1945, amounted to \$1,916,658.78 which, after preferred dividends, was equivalent to \$1.62 per share on common stock, as compared with a consolidated net profit of \$1,087,868.63 and earnings per common share of \$0.70 for the previous year.

The \$300,000.00 3½% serial bonds which matured on October 1, 1945, were redeemed and cancelled.

Net working capital amounted to \$10,683,607.44, as compared with \$11,452,350.43 for the previous year, a decrease of \$768,742.99.

Reserves for accounts and bills receivable, mortgages, loans and other investments are, in the opinion of your directors, ample to take care of all possible requirements.

COMPANY OPERATIONS

Exploration in Western Canada—Exploratory work in Alberta was continued during 1945 with seismic reflection exploration being carried on in the Plains region and surface geological work in the Foothills region.

Drilling operations were decreased materially as compared with 1944, only two wells being completed in 1945. These two wells were drilled jointly with another company and both of them proved unproductive.

It is the opinion of your Directors that your Company should continue the exploration for crude oil deposits in Western Canada, and a tentative programme for 1946 includes further seismic reflection and surface geological exploration of areas in Southern Alberta and the drilling of several test wells.

Crude Oil—In 1945 crude oil purchases amounted to 7,294,619 barrels as compared with 1944 purchases of 7,209,815 barrels. These current purchases originated in the United States and Venezuela.

Ocean Transportation—During the year under review the Company had two time-chartered Norwegian tankers in continuous crude oil transportation service, augmented by voyages of trip-chartered tankers. All of the crude oil received by ocean tanker was discharged at Portland, Maine, and transported to Montreal by Portland-Montreal Pipe Line. Favourable charters have been completed in respect to ocean transportation for most of our crude oil requirements for the year 1946.

Lake Transportation—Three lake tankers owned and operated by subsidiary companies were employed throughout the navigation season in transporting crude oil from U.S. lake ports to the Toronto Refinery and in the distribution of refined products from both Toronto and Montreal Refineries to the thirteen Marine Terminals operated by your Company along the St. Lawrence waterways and the Great Lakes. Your Company's Marine Terminals located at strategic distributing points insure low cost distribution and the ready availability of large quantities of refined products at important marketing centers.

Refining—Refineries at Montreal and Toronto again increased their crude runs over that of the previous year. Approximately 56% of total crude oil throughput was refined at Montreal and the balance at Toronto. After V-J Day, when restrictions governing gasoline quality were removed, the refineries immediately began production of gasoline equal to or better in quality than that produced before the war. Throughout the year refinery operating efficiency was held at a high level, and plant equipment has been maintained in excellent condition. Continued research and constant improvement in manufacturing technique insure a continuation of your Company's reputation as a refiner and marketer of high quality products.

Your Company's extensive postwar plans include the rehabilitation and replacement of certain manufacturing equipment for the utilization of the most recent developments in petroleum refining technology.

Marketing—With the lifting of oil control and other Government regulations your Company's plans for a broad expansion in marketing and modernization of existing facilities were set in motion.

The year 1945 marked a new high in sales volume of your Company's products, and while sales of Aviation gasoline were decreased owing to the reduced air training activities in Canada, this was more than offset by increased civilian consumption of other products. All marketing facilities and equipment have been maintained in accordance with your Company's usual high standard.

Employee Relations—Towards the end of the year under review many employees returned from service in the armed forces. Whenever possible these employees are placed in positions where they can find use for the new skills and experience acquired.

In this report will be found a list of all employees who served in the armed forces. With sorrow is also recorded a list of those who made the supreme sacrifice.

FRONTENAC PIPE LINE COMPANY

This subsidiary, which is incorporated in the State of Texas with a capital of \$50,000.00 (United States Funds), earned in 1945, a net profit of \$6,956.60 after income taxes.

ANTILLES PETROLEUM COMPANY (TRINIDAD) LIMITED

During the year 1945 twelve new wells were drilled of which five were producing wells.

The Trinidad Government has granted the Company marine drilling rights on approximately 12,500 acres adjacent to its land holdings along the Gulf of Paria, and geological and engineering studies are being made in respect to this area.

Production for the year under review amounted to 304,102 barrels as compared with 453,185 barrels for the previous year.

The operations of the Company have thus far been disappointing and again resulted in a net loss which for 1945 amounted to \$319,868.25, as compared with a loss of \$305,628.60 for the previous year. During the year it became evident to your directors that it would be advantageous to interest an outside party in the exploration and development work in Trinidad. Accordingly, an agreement is under negotiation whereby The Texas Company will supply producing technique and funds so that a rapid exploration of producing possibilities of land held under lease by your Trinidad subsidiary may be made. The contemplated agreement is considered fair and equitable to your Company.

GENERAL

At the close of 1945 your Company had a total of 3,236 preferred and 6,382 common shareholders.

To the shareholders your directors wish to express their appreciation of helpful suggestions and continued support, and to the officers and employees their thanks for faithful and efficient service.

On behalf of the Board,

J. M. PRITCHARD,

President.

McCOLL-FRONTENAC
AND ITS S

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:

Cash on hand and in bank.....	\$ 3,261,139.09	
Dominion of Canada bonds, at par value.....	3,520,000.00	
Other securities, less reserve.....	65,142.07	
Accounts and bills receivable, less reserve.....	2,799,189.39	
Inventories—		
Crude and refined oil products and merchandise as determined and certified by the management and valued at the lower of cost or market.....	6,400,935.20	
Stores, containers and supplies at or below cost.....	787,267.97	
		\$16,833,673.72

MORTGAGES AND LOANS, less reserve.....	519,153.60
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REFUNDABLE PORTION OF EXCESS PROFITS TAX (estimated).....	589,812.00
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DEFERRED CHARGES:

Insurance, taxes and other prepaid expenses.....	\$ 166,708.58	
Alberta oil exploration expense, less amounts written off.....	115,682.38	
Bond discount and expense, less amortization.....	127,812.77	
		410,203.73

COST OF PROPERTIES:

Land, buildings, plant, transportation and other equipment in Canada.	\$24,809,617.30	
Buildings, plant and equipment in Trinidad and the United States, including unamortized oil well and lease costs in Trinidad of \$328,811.27.....	1,497,338.79	
Trade marks, processes and goodwill.....	831,037.66	
Premium paid on subsidiary companies' capital stock.....	7,552,180.06	
		34,690,173.81

\$53,043,016.86

Approved on behalf of the Board:

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

OIL COMPANY LIMITED SUBSIDIARIES

SHEET-DECEMBER 31, 1945

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 2,966,395.55	
Preferred dividend payable.....	114,186.00	
Common dividend payable.....	450,000.00	
Bond interest accrued.....	109,937.51	
Income, gasoline and other taxes.....	2,509,547.22	
		\$ 6,150,066.28

RESERVE FOR FUTURE DEPRECIATION IN INVENTORY VALUES.....	592,000.00
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RESERVES FOR DEPRECIATION:

Buildings, plant and equipment—in Canada.....	\$14,129,436.67	
—outside Canada.....	504,516.02	
		14,633,952.69

FIRST MORTGAGE AND COLLATERAL TRUST BONDS:

(Authorized issue—\$12,900,000.00)		
3½% Serial bonds due October 1, 1946.....	\$ 300,000.00	
4¼% Sinking fund bonds due October 1, 1949.....	10,100,000.00	
		10,400,000.00

PREFERRED STOCK:

6% Cumulative sinking fund preferred shares of \$100.00 each— (Authorized issue—91,899 Shares)		
Outstanding January 31, 1939.....	78,774 Shares	
Less: Redeemed.....	2,650 Shares	
Held for redemption.....	14 " 2,664 "	
	76,110 Shares.....	7,611,000.00

Redeemable at \$105.00 on any dividend date on thirty days' notice.

COMMON STOCK AND SURPLUS:

Common shares of no par value—		
Authorized.....	2,487,763 Shares	
Issued.....	900,000 "	\$11,053,903.92
Capital surplus.....		266,400.00
Earned surplus—		
Balance per statement attached.....	2,335,693.97	
		13,655,997.89

\$53,043,016.86

Submitted with our Report to the Shareholders dated March 5, 1946.

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

McCOLL-FRONTENAC OIL COMPANY LIMITED

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1945

OPERATIONS IN CANADA:

Profit from operations.....	\$5,585,172.63	
Income from investments.....	\$58,638.80	
Net profit from sale of investments and other assets..	13,877.65	
	<u>72,516.45</u>	\$5,657,689.08

Deduct:

Depreciation.....	\$ 825,760.51	
Contributions to officers and employees' retirement income plan (including \$49,568.40 for past services).....	170,810.73	
Amortization of bond discount.....	36,371.51	
Bond, mortgage and bank interest.....	452,319.90	
	<u>1,485,262.65</u>	\$4,172,426.43

Deduct also:

Provision for income and excess profits taxes.....	\$2,599,000.00	
Less: Refundable portion of excess profits tax.....	293,144.00	
	<u>2,305,856.00</u>	\$1,866,570.43

Add:

Reserve for future depreciation in inventory values, decrease to amount allowable under excess profits tax act.....	\$ 680,000.00	
Less: Provision for excess profits tax thereon (after crediting \$159,000.00 refundable portion relating thereto).....	317,000.00	
	<u>363,000.00</u>	
Net profit from operations in Canada.....		\$2,229,570.43

OPERATIONS OUTSIDE CANADA:

Profit from operations.....	\$ 28,988.73	
<i>Deduct:</i>		
Oil lease rentals on non-producing properties.....	\$ 57,477.01	
Amortization of lease and well cost.....	213,301.87	
Depreciation of fixed assets.....	67,783.86	
Provision for U.S. income tax.....	3,337.64	
	<u>341,900.38</u>	
Net loss from operations outside Canada.....		312,911.65

Consolidated net profit for the year (transferred to earned surplus).....	<u><u>\$1,916,658.78</u></u>
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NOTE—The year's operations have been charged with the following: Legal fees, \$7,547.78; Remuneration of executive officers, including all salaried directors of the company, \$164,375.04; and fees and remuneration of other directors, \$18,825.00.

McCOLL-FRONTENAC OIL COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS DECEMBER 31, 1945

EARNED SURPLUS:

Balance at credit, January 1, 1945, including refundable portion of excess profits tax of \$137,668.00.....	\$1,550,689.19
Net profit for the year ending December 31, 1945, as per statement attached.....	1,916,658.78
	<u>\$3,467,347.97</u> X

Deduct:

Dividend on—preferred shares.....	\$456,654.00	
—common shares.....	675,000.00	
	<u>1,131,654.00</u>	
Balance at credit December 31, 1945, including refundable portion of excess profits tax of \$589,812.00.....		<u><u>\$2,335,693.97</u></u>

CAPITAL SURPLUS:

Balance at credit, December 31, 1945 (unchanged during year).....	<u><u>\$ 266,400.00</u></u>
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AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the Consolidated Balance Sheet of McColl-Frontenac Oil Company Limited and its Subsidiary Companies as at December 31, 1945, and of the related Consolidated Statements of Surplus and of Profit and Loss for the year ended on that date, having been furnished with the audited Financial Statements of three Subsidiary Companies whose accounts have not been examined by us. In connection with our examination, while we did not make a detailed audit of the transactions for the year, we examined or tested accounting records and other supporting evidence of the Companies and have obtained all the information and explanations which we required. We also made a general review of the accounting methods and of the operating and income accounts for the year.

Based upon the examination referred to above, we report that, in our opinion, the attached Consolidated Balance Sheet of the Company and its Subsidiaries and related Statements of Surplus and of Profit and Loss are properly drawn up so as to show a true and correct view of the state of the combined affairs of the Companies, according to the best of our information and the explanations given to us and as shown by the books of the Companies examined by us and by the audited Financial Statements of the above mentioned Subsidiaries.

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

MONTREAL, March 5, 1946.

1939

ROLL OF

ALLEN, E. L.
 ALLAN, J. P.
 ANDERSON, D.
 ANDERSON, S.
 ANDREWS, C.
 ARMSTRONG, J.
 ARNOLD, H. J.
 ARTHUR, J. F.
 ASHCROFT, D.
 AYLING, F. B.

BAILEY, H.
 BAKER, M. J.
 BALL, B. R.
 BANNISTER, R. H.
 BATCHELOR, W. P.
 BECKER, H.
 BECKS, J. R.
 BELBIN, T. H.
 BELFRY, W.
 BERRIGAN, E. I.
 BERRY, G.
 BIRMINGHAM, E. J.
 BISHOP, W. A., V.C.
 BLANCHETTE, R.
 BONA, D.
 BOOMER, R.
 BOOTH, L. E.
 BORROWMAN, M. L.
 BOUCHARD, F.
 BOWEN, J. R.
 BOWEN, W. C.
 BOYLE, L. C.
 BRANDON, F. G.
 BRIGHT, C. M.
 BROWN, J.
 BURNS, D. W.

CAMERON, A. H.
 CAMERON, R. L.
 CARSON, G. A.
 CASHMAN, M. J.
 CASKEY, W. A.
 CHALLES, L. G.
 CHAMBERS, R. St. C.
 CHARBONNEAU, H. A.
 CHOWEN, A. R.
 CHRISTAINE, K. H.
 CHRISTENSON, J. A.
 CHRISTMAN, D.
 CHURCHILL, W.
 CHUTE, C.
 CLARIDGE, J. A.
 CLARK, S. M.
 CLEWORTH, H. N.
 COCKBURN, R. D.
 COCKBURN, C.
 COLLINS, C. C.
 COOKE, C. E.
 COUGLE, D. M.

COURTENAY, F.
 COWLING, W. R.
 CRAIG, L. D.
 CREASOR, N.
 CROMBIE, J. A. P.
 CUPISS, J. P. A.

DANGERFIELD, J. W.
 DANIEL, R.
 DAVIDSON, B.
 DAVIDSON, J. S.
 DAWSON, W.
 DAY, W. J.
 DELORME, F.
 DENNIS, P.
 DILLMAN, E. M.
 DIMOCK, L. R.
 DOBSON, H. A.
 DOLLARD, R. S.
 DOOLEY, J. C.
 DOWNTON, W. G.
 DUDDRIDGE, W.
 DUFOUR, L.
 DULIBAN, E.
 DUNN, P. J. M.
 DYSON, J. E.

EDMUND, A. G.
 ELO, M. A.

FERGUSON, PATRICIA
 FLOYD, F. M.
 FOOTE, A. F.
 FOSTER, G. M.
 FURLLOTTE, L. F.

GAGNON, L. P.
 GALLAGHER, F.
 GALLAGHER, W. J.
 GARDINER, I.
 GEMBEY, G.
 GILL, J.
 GOMERY, H. H.
 GORDON, M. D.
 GRANDIN, R.
 GRANT, A. G.
 GRAVEL, P. S.
 GRIGGS, R.
 GUEST, L.
 GUY, L.
 GUYON, R.

HALL, E. C.
 HALL, W. D. H.
 HALLIDAY, F. J.
 HAMILTON, K. R.
 HARDEN, R.
 HARNDEN, D. R.
 HARRIS, J. F.
 HATCH, M. S.
 HAUFSCCHILD, M.

HAUN, C. W.
 HAUN, G. R.
 HAWES, F. J.
 HAYES, H.
 HENDERSON, L. S.
 HENRICH, W. H.
 HEWISON, R.
 HORVATH, F.
 HUMPHREY, B. A.
 HUTT, O. A.
 HUNTER, J. F.

ILLINGWORTH, F.
 IRWIN, J.

DIED ON AC

BALDERSTON, E. A.
 DOUGAN, J.
 HUNTER, H. W.
 HUNTER, T. M.
 HUTTON, W. L.
 IRWIN, V. S.
 MCBRIDE, J. L.
 MCQUARRIE, H. R.
 MANSFIELD, W.

JOHNSTON, F.
 JOHNSON, JOHN
 JONES, A. W.
 JONES, L.
 JONES, W. G.

KELLY, F. T.
 KERRIGAN, W.
 KIMMEL, E.

LAMB, A.
 LAMB, I. D.
 LAPOINTE, R.
 LAVALLEE, E. B.
 LAVERY, W. H.
 LAWSON, G. F.
 LAYDEN, C.
 LECKY, A. A.
 LEBLANC, E.
 LEBLANC, H.
 LESSARD, H.
 LOBRAICO, G.
 LUCAS, C. W.
 LUCAS, G. E.
 LUHRMAN, C. F.

MacDONALD, M.
 MacDOUGALL, W. H.
 MacKENZIE, R. B.

MacKINNON, D. J.
McAUGHEY, J. P.
McCANN, E.
McCONACHIE, R. J.
McFADDEN, A.
McFADDEN, T. S.
McGAW, W.
McGUIGAN, J. T. P.
McISAAC, C.
McKEOWN, J. A.
McKINNON, J. C.
McLEOD, G.
McMILLAN, A.
McMILLAN, Eva E.

VE SERVICE

MURRAY, B. J.
PROULX, J. G.
REYNOLDS, H. B.
REYNOLDS, W. B.
RICHARDSON, M. L.
SHEELEY, H. G.
STEWART, J.
VANDERBERGH, P.
YOUNG, D. S.

McPHERSON, T.
MacNAB, G. D.
MADDEN, T. J.
MANIFOLD, R. S.

MANSEAU, G.
MANZ, A. E.
MARKOFF, A.
MARSHALL, C. H.
MARSHALL, E.
MARTIN, H. R.
MATTHEWS, J. S.
MEAGHER, H.
MELTABARGER, C. D.
MELVILLE, W. F.
MILNE, J. W.
MITTON, T.
MOORE, J. M.
MOORE, W. I.
MORRISON, D.
MUNDLE, J.
MURDOCK, K.
MURRAY, R.
MYERS, S. J.

NANTAU, E. B.
NESBITT, J.
NICHOLSON, J. G.

NIXON, M.
NORDMAN, M.

O'CONNOR, W. J.
O'KEEFE, E. J.
OUELLETTE, A.

PALMER, E. C.
PARMITER, M.
PATCHETT, H. G.
PEARSALL, H. R.
PELTON, J. E. S.
PERRYMAN, H. E.
PICKARD, A. C.
PINDER, T. R.

POIRIER, R.
POLEY, C.
PRENDERGAST, D. F.
PRICE, J. I.
PRIESTLY, S.
PRIOR, L. G.
PRITCHARD, J. S.
PROSSER, L. A.
PROVENCHER, J. P. M.

QUINN, J.

RAYMOND, G. W. R.
REID, K. W. J.
REID, L. C.
RICHARDSON, R. C.
RICHARDSON, R. H.
RING, A.
RITTER, H.
ROBINSON, J. H. E.
ROBITAILLE, A. O.
RONALDS, H. J.
ROWBERRY, W. J.
ROWCLIFF, J. H.
RYAN, K. J.

SANDERSON, L. M.
SANSON, W.
SARAZIN, A.
SAVAR, J. T.
SCHULTZ, J.
SCOTT, C. E.
SCOTT, J. R.
SHARP, J. W.
SHAW, C. M.
SHAW, J. W. R.
SHUKIN, A.
SIGNORELLO, P.
SILLS, L. N.
SIMPSON, C. E.
SKOLOVY, F.
SLUGG, G. B.
SLY, G. S.
SLY, E. H.

SMITH, F. H.
SMITH, J. H.
SMYTH, J. H.
SMYTH, T. M.
STAFF, C. F.
STAFFORD, W.
ST. ARNAUD, A.
STEELE, L. E.
STEWART, C. W.
STEWART, J. D.
STEWART, O.
STOBA, M. M.
STRACHAN, W. J.
SUTHERLAND, W. L.
SWIETANSKI, J.

TAYLOR, E. H.
THOMPSON, E. C.
THOMSON, J. S. H.
THORNE, K.
THORPE, D.
TIMOSKI, W.
TITTENSOR, W. E.
TOMLINSON, H. E.
TOMPKINS, S. J.
TOSKY, P.
TURNER, A. H.
TURNER, ERLA

UNDERWOOD, J.

VANIER, R.
VANKUREN, L.
VON ZUBEN, A.

WAGNER, L. A.
WALKER, A.
WALKER, M. J.
WARREN, R. M.
WATERS, E.
WATSON, E. H.
WATSON, R.
WATT, I. M.
WEIR, J.
WEIR, L. S.
WHITTAKER, E. G.
WHITE, F. J.
WHYTE, W. W.
WILLIAMSON, C. J.
WILSON, F.
WILSON, R. B.
WILSON, T.
WOOD, C. O.
WRIGHTSON, MELICENT
WYLIE, D. M.

YOUNKIE, J. C.

ZAHN, M. K.

McCOLL-FRONTENAC

*A Leader in Canada's
Petroleum Industry*

• • •

MOTOR FUELS

Air Chief Aviation Gasolines
Sky Chief Gasoline
Red Indian Gasoline
Diesel Chief

AUTOMOTIVE LUBRICANTS

Red Indian Aviation Motor Oil
Red Indian Motor Oil
Texaco Ursa X**
Texaco Marfak
Red Indian Geartak

INDUSTRIAL LUBRICANTS

Behind the Company's complete list of industrial lubricants is an engineering service to assist the customer in selecting proper lubricants and reducing maintenance costs.

MARINE LUBRICANTS

Approved oils for all purposes.

