

PENN WEST PETROLEUM LTD.

ANNUAL REPORT 2004

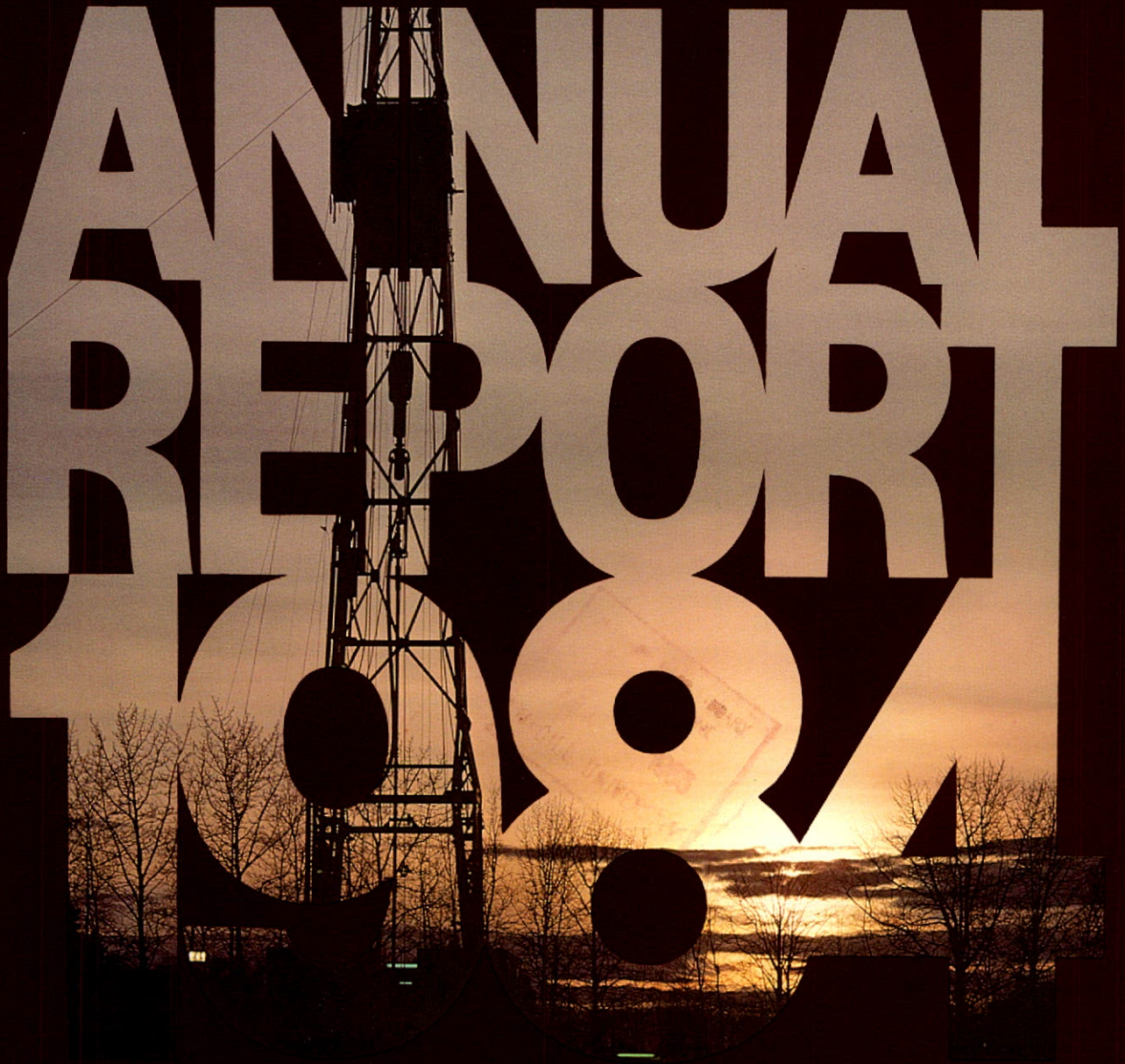
The cover features a large, bold, white-outlined title 'ANNUAL REPORT 2004' centered over a photograph. The photograph shows an oil derrick in the foreground, silhouetted against a bright sunset or sunrise over a body of water. Bare trees are visible in the mid-ground, and the sky is filled with warm, golden light. The overall composition is dark, with the bright light of the sun providing the main source of illumination.

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Corporate Profile

Penn West Petroleum Ltd. is a Canadian energy company with its headquarters in Calgary, Alberta. The Company is engaged in the acquisition, exploration, development and production of oil and natural gas in Canada, the United States and Australia. Operations in the United States are carried out through a wholly owned subsidiary, Penn West Petroleum, Inc., and those in Australia through Penn West Petroleum Ltd., and Springwest-Page Petroleum N.L. The Company's shares are publicly traded on the Toronto Stock Exchange.

Annual Meeting of Shareholders

The Annual Meeting of the Shareholders of Penn West Petroleum Ltd. will be held in the Glencoe Room of the Calgary Convention Centre at 120-9th Avenue S.E., Calgary, Alberta on Tuesday, April 30th, 1985 at 10:00 a.m.

Financial and Operating Highlights

Financial

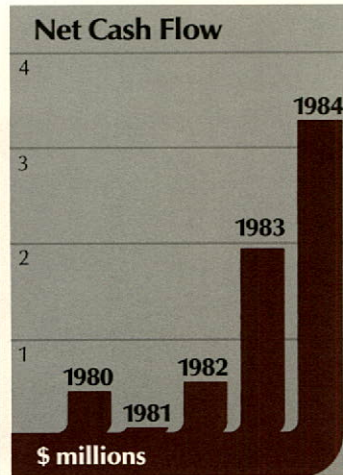
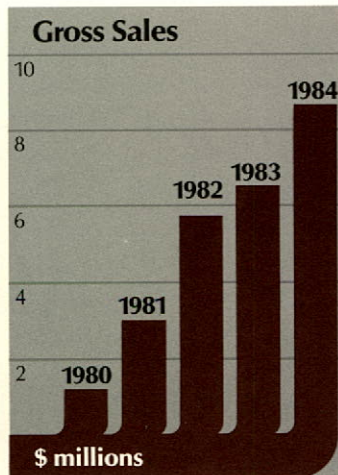
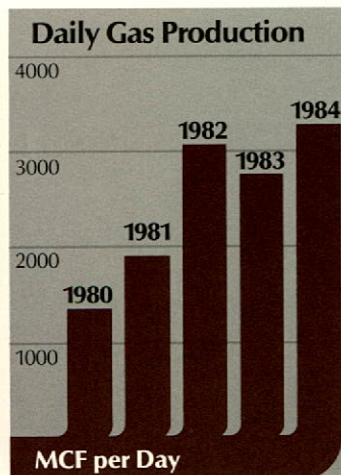
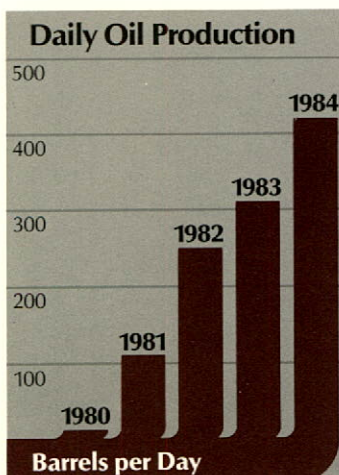
	Year Ending Dec. 31, 1984	Year Ending Dec. 31, 1983
Gross Oil & Gas Sales	\$ 8,586,198	\$ 6,497,088
Total Revenue, net of royalties	\$ 6,835,464	\$ 5,140,084
Oil & Gas Sales, net of royalties	\$ 6,722,296	\$ 5,089,351
Investment Income	\$ 113,168	\$ 50,733
Net Earnings (Loss) for the Year	\$ 997,803	\$ (2,571,065)
Working Capital Generated from Operations	\$ 3,271,365	\$ 1,938,331
Additions to Property, Plant & Equipment	\$ 4,583,764	\$ 2,808,180
Working Capital (Deficiency)	\$ 457,186	\$ (153,350)
Long Term Debt	\$ 9,700,000	\$13,800,000
Shareholders' Equity	\$24,895,353	\$17,390,643
Total Assets	\$40,488,800	\$35,765,066
Common Shares Outstanding	18,635,821	8,880,796
Registered Common Shareholders	989	1,067
Class A Shares Outstanding	—	5,441,851
Registered Class A Shareholders	—	409

Operations

Production (Gross before royalties)		
Crude Oil (Barrels)	153,301	111,157
Barrels per day	420	305
Natural Gas (Mcf)	1,179,007	1,002,733
Mcf per day	3,230	2,747
Reserves (Gross Proven & Probable)		
Crude Oil (Barrels)	2,331,400	2,354,000
Natural Gas (Mmcf)	46,780	45,369
Drilling Activity		
Gross Wells Drilled	53	38
Net Wells Drilled	11.52	6.73
Net Wells Productive	7.00	6.30
Net Wells Dry	4.52	0.42

Land Holdings (Undeveloped)

Gross Acres	23,773,088	24,072,251
Net Acres	265,721	286,412
Gross Royalty and Net Profits Interest	308,381	382,027



President's Letter to The Shareholders

During 1984 Penn West combined a low risk development program with higher risk exploratory spending. The combined program has resulted in a significant improvement in the financial and operating results of your Company. The exploratory program was funded primarily through a private placement of 400,000 Common Shares of the Company which added \$1,000,000 to the treasury.

Revenues from oil and gas sales of \$6,723,000 increased 32 percent over the \$5,089,000 recorded in 1983. Cash flow from operations increased 69 percent to \$3,272,000 from the \$1,938,000 reported a year earlier. Net earnings of \$998,000 represent a marked improvement over the 1983 loss of \$2,571,000. Working capital at year-end was \$457,000, an increase of \$611,000 over the 1983 year-end deficiency of \$154,000.

Oil production during 1984 averaged 420 barrels per day compared to 305 barrels per day in 1983, an increase of 38 percent. Natural gas production was 3,230 thousand cubic feet per day, compared to 2,747 thousand cubic feet per day last year. This 18 percent increase in gas sales reflects some improvement in gas market demand. Nearly half of Penn West's gas reserves are shut in, and continued improvement in gas demand will result in a substantial increase in cash flow.

During the reporting period, Penn West participated in the drilling of 60 wells in Canada and the United States. This resulted in 27 oil wells, 10 gas wells and 23 abandonments, for a 62 percent success ratio. Your Company now holds working interests in 596 oil and gas wells in Canada and the United States and royalty and net profits interests in an additional 90 wells.

Penn West's yearly objective is to replace its annual oil and gas production with new proven reserves. On an oil equivalent basis, your Company succeeded in replacing 171 percent of production during 1984 resulting in a continuing increase in the Company's reserves.

An independent engineering evaluation, effective January 1, 1985, placed the Company's gross share of proven and probable reserves at 2,331,400 barrels of oil and 47 billion cubic feet of natural gas. The undiscounted value of these reserves is \$249,108,800. At a discount value of 15 percent, the reserves are valued at \$58,118,000, or \$3.12 per share.

The Company's undeveloped land holdings of 265,721 net acres were independently valued at \$6,883,420, while the net profits and royalty interests are valued at \$297,748. The combined land value amounts to \$7,181,168, or 39 cents per share.

During 1984, a number of corporate changes occurred which had a very positive effect on Penn West. Firstly, Bonanza Resources Ltd. became a major shareholder of Penn West, which resulted in the appointments of Mr. John J. Fleming, Mr. F. K. Roy Gillespie and Mr. Wesley G. Ismond to the Board of Directors of the Company. Mr. Fleming was also appointed Chairman of the Board.

Secondly, Penn West undertook a major financing through a rights offering to holders of Common Shares and Class "A" Non-Voting Shares. This added \$5,587,443 to the treasury, resulting in a substantial reduction in Penn West's bank borrowings. Of the Company's Common Shares, 1,862,470 are reserved for issue on exercise of share purchase warrants at a price of \$1.85 per share, exercisable to December 31, 1985.

Finally, the Company proceeded with a share capital reorganization whereby Class "A" Non-Voting Shares were converted into Common Shares and the maximum number of Common Shares and Preferred Shares that Penn West is authorized to issue has been increased to an unlimited number.

The 1984 results reflect a substantial improvement in the financial base of Penn West, and the Company again wishes to acknowledge its appreciation for the contribution of the management and staff to this growth.

Submitted on behalf of the Board,



Dale F. Duprey,
President,
Calgary, Alberta
March 30, 1985



Oil & Gas Reserves

Penn West has proven reserves and probable additional reserves in Saskatchewan, Alberta, British Columbia, North Dakota, Kansas and Texas.

The following table provides a summary of the Company's oil and gas reserves at January 1, 1985, determined by the independent petroleum consulting firm, Martin Petroleum Consulting Ltd., together with comparative volumes for 1983.

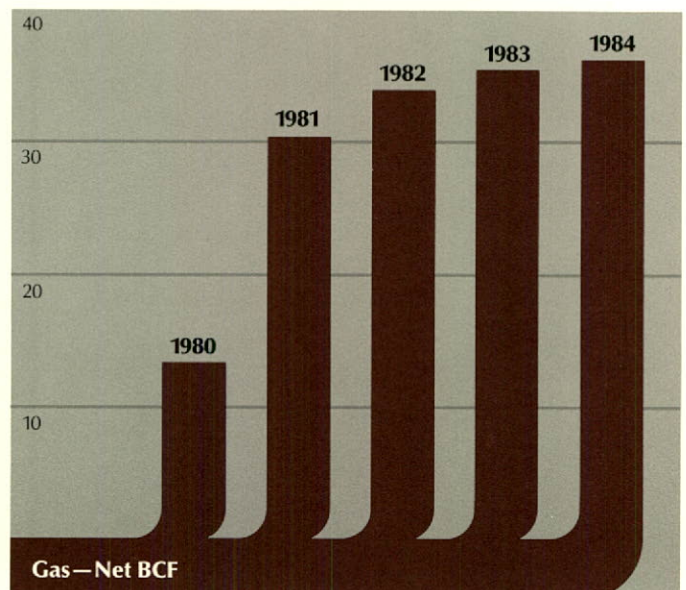
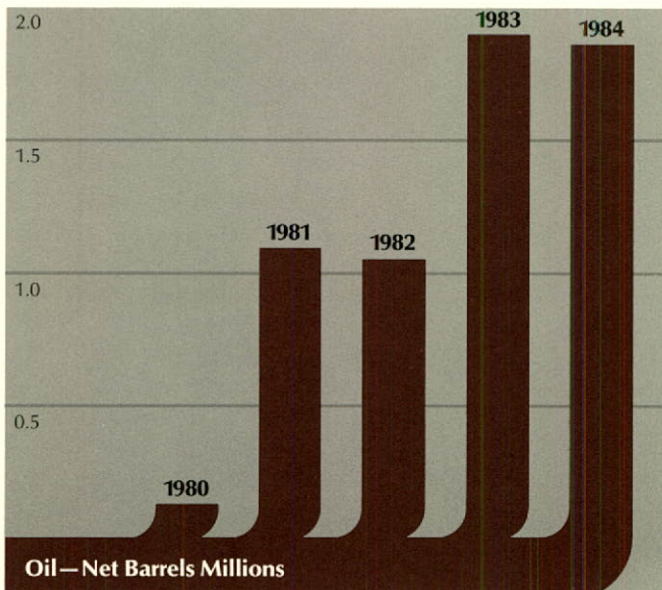
Reserves

	1984		1983	
	Gross	Net	Gross	Net
Crude Oil (Bbls)				
Proven	1,719,000	1,386,000	1,678,000	1,365,000
Proven & Probable	2,331,400	1,865,000	2,354,000	1,901,000
Natural Gas (Mmcf)				
Proven	41,117	31,573	40,736	31,808
Proven & Probable	46,780	36,161	45,369	35,475

In addition to the above reserves, the net oil and gas equivalent of the value of the Alberta Royalty Credit has been estimated by Martin Petroleum Consulting Ltd., providing the following combined total 1984 net reserve summary:

	Net Reserves Before Alberta Royalty Credit	Net Reserves Attributable to the Alberta Royalty Credit	Total Net Reserves
Crude Oil (Bbls)			
Proven	1,386,000	81,000	1,467,000
Proven & Probable	1,865,000	111,000	1,976,000
Natural Gas (Mmcf)			
Proven	31,573	2,145	33,718
Proven & Probable	36,161	2,349	38,510

Reserves — Proven and Probable



Drilling Activity

Crude Oil & Natural Gas Discounted Future Net Cash Flow, Before Income Tax

	Undiscounted	10%	15%	20%
1983 Proven	\$278,821,000	\$ 86,574,000	\$60,179,000	\$45,555,000
Proven & Probable	\$349,812,000	\$102,565,000	\$70,113,000	\$52,613,000
1984 Proven	\$188,090,700	\$ 68,720,400	\$51,025,800	\$40,544,900
Proven & Probable	\$249,104,800	\$ 80,487,900	\$58,118,000	\$45,360,900

During 1984 the Company participated in the drilling of 53 wells in Western Canada.

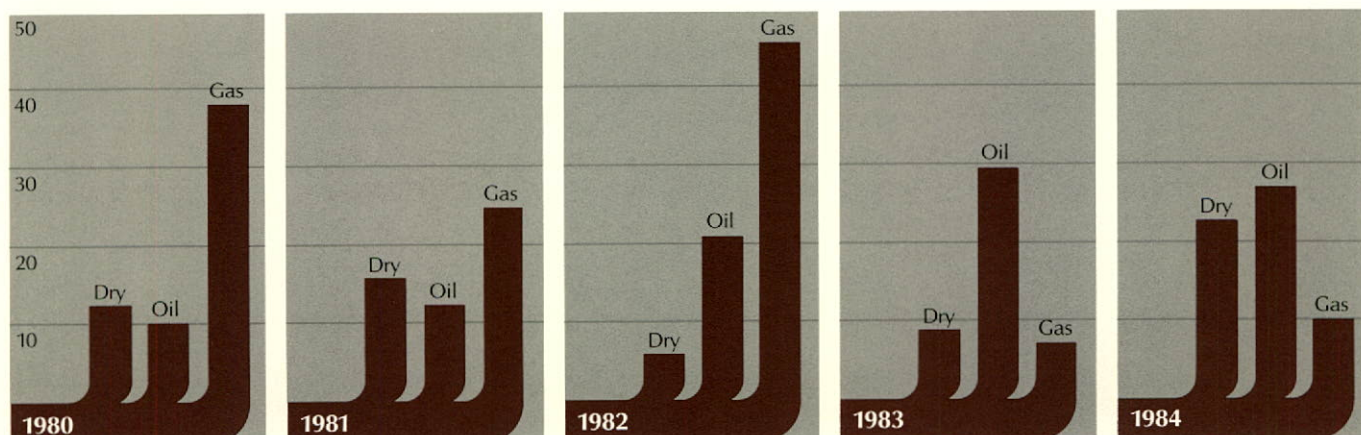
In addition, the Company holds an interest in 7 wells drilled at no cost to Penn West. The results of our 1984 drilling activities are shown in the following table:

1984 Drilling Results

Status	Gross Working Interest Wells					Total
	Alberta	Sask.	Man.	B.C.	Texas	
Gas	9	0	0	1	0	10
Oil	22	0	1	0	0	23
Dry	15	2	0	1	2	20
Sub Total	46	2	1	2	2	53

Status	Royalty and Net Profit Wells					Total
	Alberta	Sask.	Man.	B.C.	Texas	
Gas	0	0	0	0	0	0
Oil	4	0	0	0	0	4
Dry	2	1	0	0	0	3
Sub Total	6	1	0	0	0	7
Total	52	3	1	2	2	60

Drilling Activity



Land Holdings

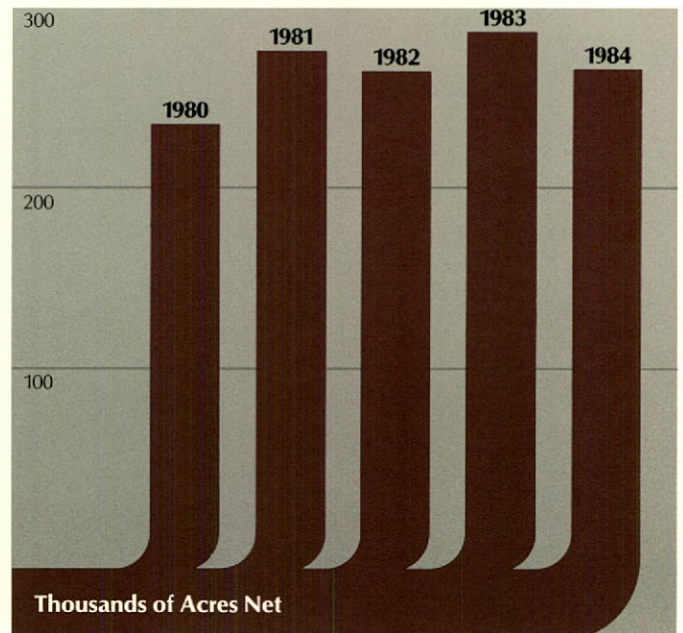
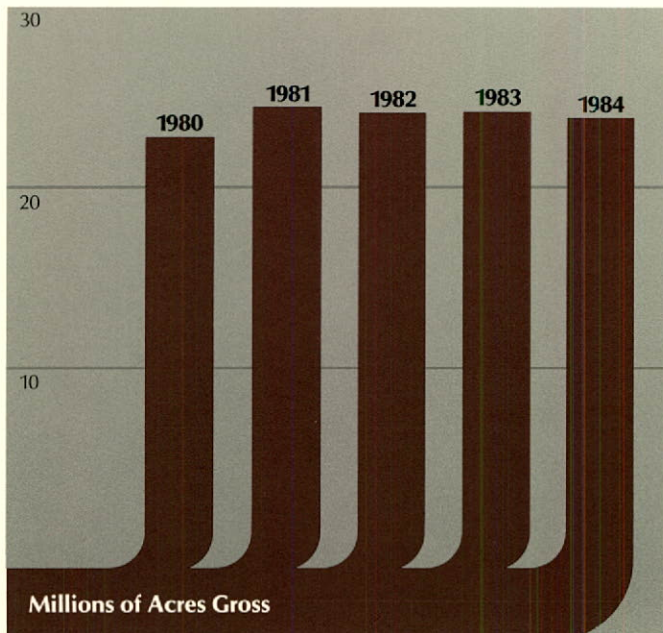
A report by Supplementary Land Services Ltd. has determined that the fair market value of the Company's net acreage in undeveloped lands was \$6,883,420 on December 31, 1984, while royalty and net profit interests in undeveloped lands was \$297,748.

The following table is a comparative summary of the undeveloped land holdings:

Undeveloped Petroleum and Natural Gas Rights

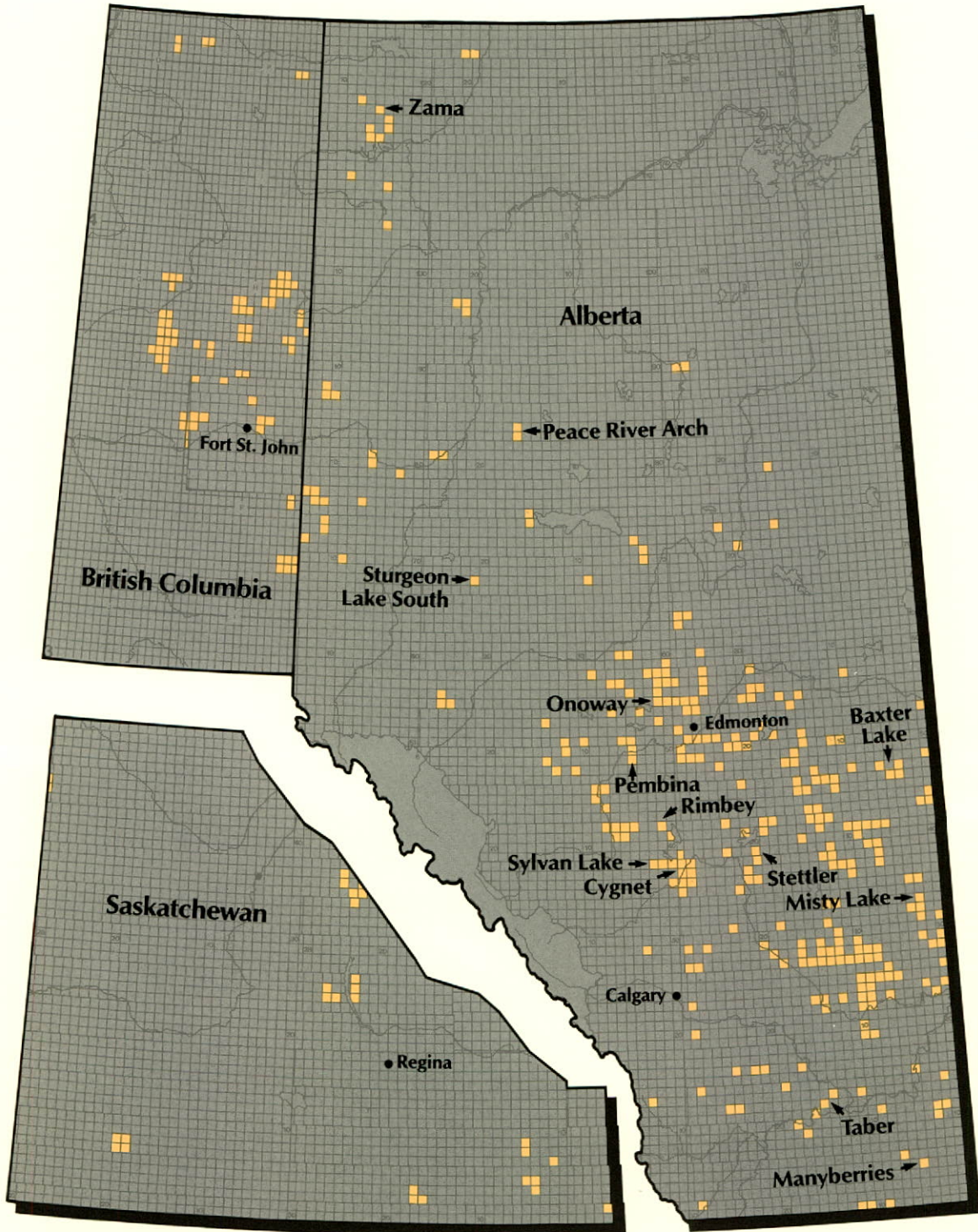
Working Interests	Total 1984		Total 1983	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta	382,339	60,590	491,157	61,828
British Columbia	23,155	1,350	44,358	2,420
Saskatchewan	20,797	13,749	23,447	13,148
Manitoba	60	6	111,980	10,302
Montana	30,177	2,415		
Texas	2,239	200	2,239	200
Kansas	3,053	3,053	14,156	14,156
North Dakota	3,640	364	3,640	364
Queensland, Australia	22,999,247	183,994	22,999,247	183,994
Sub Total	23,464,707	265,721	23,690,224	286,412
Royalty and Net Profit Interests				
Alberta		25,960		58,453
British Columbia		282,101		323,254
Saskatchewan		320		320
Sub Total		308,381		382,027
Total	23,773,088	265,721	24,072,251	286,412

Land Holdings



Canadian Operations

Townships Within Which Penn West Holds Interests



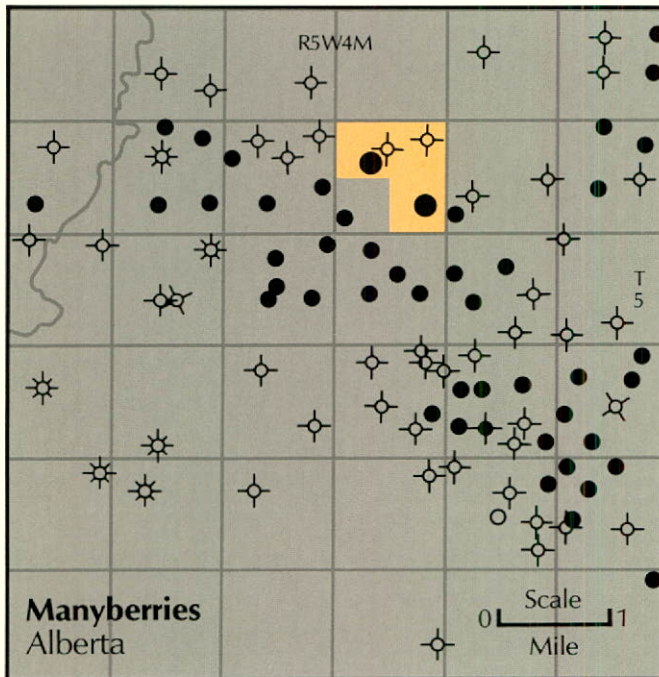
Penn West Petroleum Ltd.

Manyberries

The Company participated as to a 2.5 percent working interest in the drilling of two significant Sunburst zone oil discoveries during the year. The 8-27-5-5 W4M well is producing at a rate of 400 barrels of oil per day, while the 11-27-5-5 W4M well is producing at a rate of 150 barrels of oil per day.

Penn West and partners purchased an adjacent 160 acres at a Crown Land Sale during 1984. Penn West has a 1.66 percent working interest in this acreage.

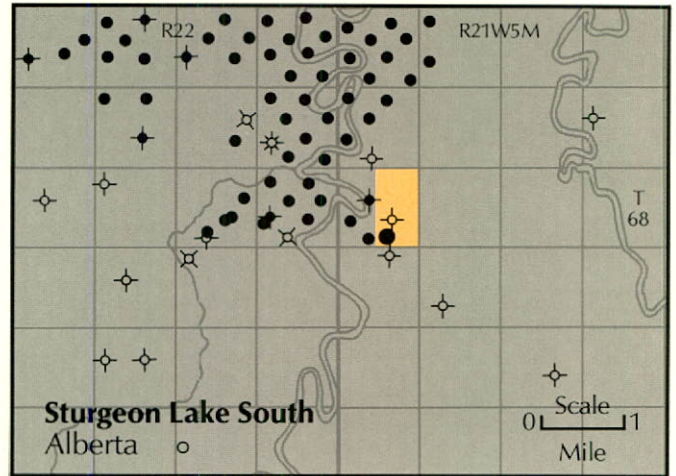
A third well is expected to be drilled on these lands during 1985.



Sturgeon Lake South

Penn West farmed out its 100 percent interest in 320 acres at Sturgeon Lake. A successful oil well was drilled in 2-19-68-21 W5M extending the Sturgeon Lake South Triassic "B" pool. The well has been completed and commenced production at a rate of 50 barrels of oil per day.

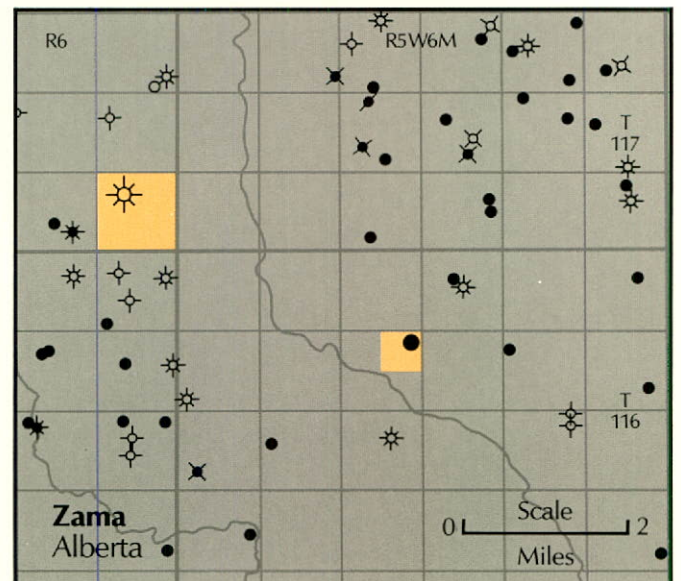
The Company holds a gross overriding royalty interest in the well until recovery of the well costs, and will have a 45 percent working interest thereafter.



Zama

The Company participated in drilling two exploratory wells during 1984 in the Zama area of northwestern Alberta. The Company has an 18 percent interest before payout in the 14-1-117-6 W6M Keg River gas well which flowed at a rate of 9.5 million cubic feet per day during drill stem testing. This well will remain shut in until a market becomes available.

The 16-28-116-5 W6M well was completed as a Keg River oil well and is producing at a rate of 165 barrels of oil per day. Penn West has a 10 percent working interest in this well.



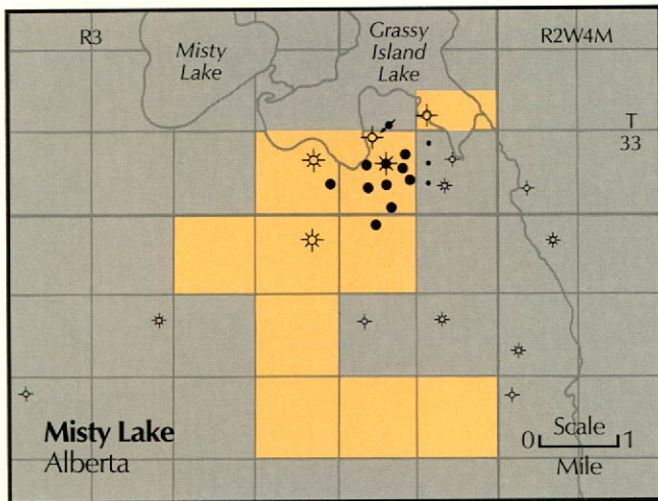
Misty Lake

Penn West has a 34.62 percent interest in 6,080 acres in the Misty Lake area. The Company participated in the drilling of four wells during 1984, resulting in two oil wells and one gas well. The 14-35-32-3 W4M oil well has been completed in the Bakken and Colony zones and will be produced from both zones following approval by the Energy Resources Conservation Board of a commingling application. The 8-3-33-3 W4M well is producing 40 barrels of oil per day from the Colony zone.

Both oil wells have been classified as "new pool" wells, entitled to a one year royalty free period. The Company plans to drill follow up wells offsetting the two oil wells in 1985.

An extensive seismic program during 1984 resulted in the shooting of 24.5 miles of data across Company lands and an additional 6.5 miles is planned for early 1985. Several multi-zone locations have been identified for drilling during 1985, and the acquisition of additional acreage is planned.

The Company operates 10 wells in the area, currently producing at a rate of 180 barrels per day, an increase of 80 barrels per day during 1984. The exploratory and development drilling programs planned for 1985 should add significantly to this production.

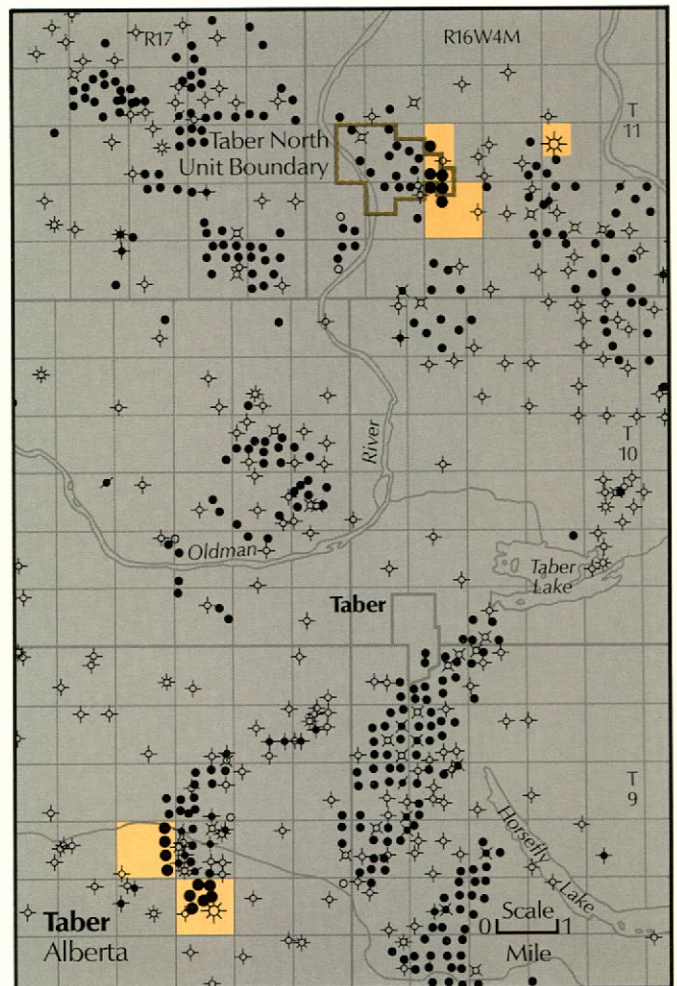


Taber

The Company has interests ranging from 3.85 to 7.2 percent in 1,120 acres in the Taber North Area and 3.75 to 95 percent in 1,280 acres in the Taber South Area.

Penn West in 1984 participated in four wells on two separate prospects in the Taber area. Successful oil wells were drilled at 9-10-9-17 W4M, 11-9-11-16 W4M and 13-9-11-16 W4M and a gas well was drilled at 8-16-9-17 W4M.

The Taber North Unit became effective on December 1, 1984. Penn West will have an interim working interest of 0.57268 percent and a final interest of 0.64723 percent. The 13-9 well will be included in the unit early in 1985 and will increase the Company's unit interest.

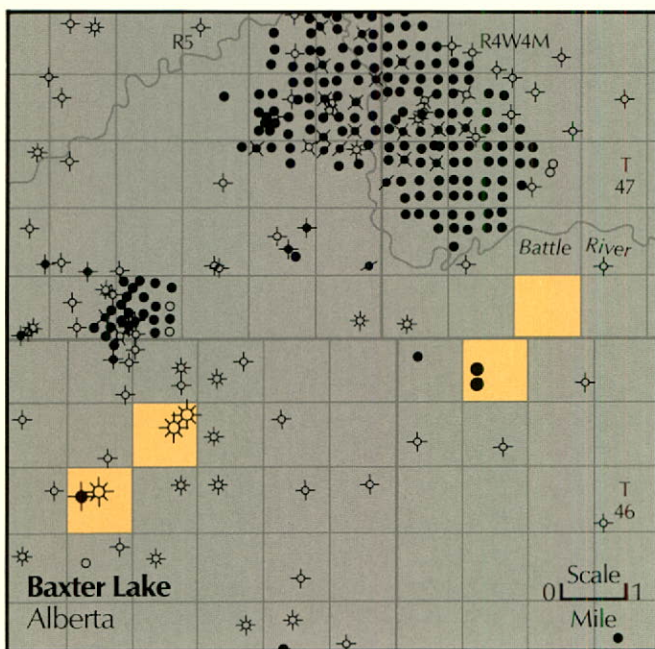


Baxter Lake

The Company has working interests ranging from 12.5 to 25 percent in 2,560 acres at Baxter Lake.

A well, drilled at 6-32-46-4 W4M during 1984, resulted in a dual-zone oil discovery. The well, which is currently producing at a rate of 12 barrels of oil per day from the Lloydminster formation, is also capable of production from the Sparky zone. Penn West has a 25 percent working interest, converting to 12.5 percent after recovery of all costs.

A second well was drilled at 11-32-46-4 W4M early in 1985 and is producing at a rate of 35 barrels of oil per day from the Lloydminster formation. Development of the pool on 40 acre spacing could result in a significant drilling program in this area during 1985.

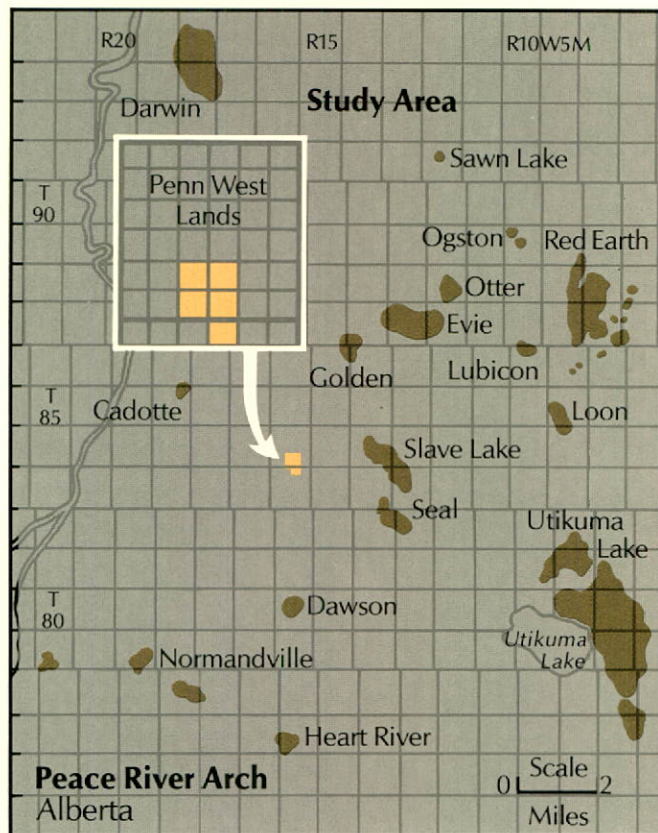


Peace River Arch

Penn West is participating for a 20 percent working interest in an extensive geological and geophysical exploration program in a productive segment of the Peace River Arch. The project covers approximately 288 townships, totalling 10,368 square miles, in an area where major oil discoveries have been made.

The study has defined a number of prospects and work is being carried out to obtain a land position which would be followed up with additional exploratory work.

The project group has been successful in the acquisition of 5,760 acres on two delineated geological anomalies. Extensive geophysical information is being obtained across the acreage to define specific drillable locations.



Sylvan Lake

Penn West holds working interests ranging from 5 to 100 percent in 2,720 gross acres in this area.

Two successful oil wells were drilled at 8-23-38-3 W5M and 14-23-38-3 W5M during 1984. The 14-23 well is capable of producing at a rate of 25 barrels of oil per day while the 8-23 well is presently awaiting completion. Further evaluation and drilling on section 23 is anticipated for 1985.

The Viking Oil Pool in this area is currently the subject of unit negotiation which will be followed by the installation of a secondary waterflood system. A substantial improvement in recoverable reserves has been forecast in an independent reservoir study.

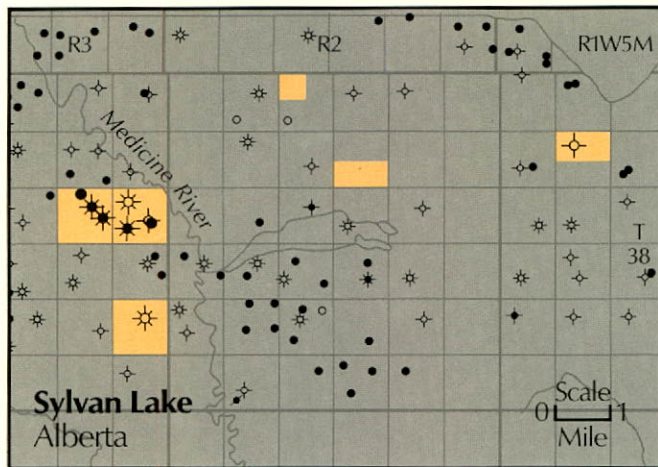
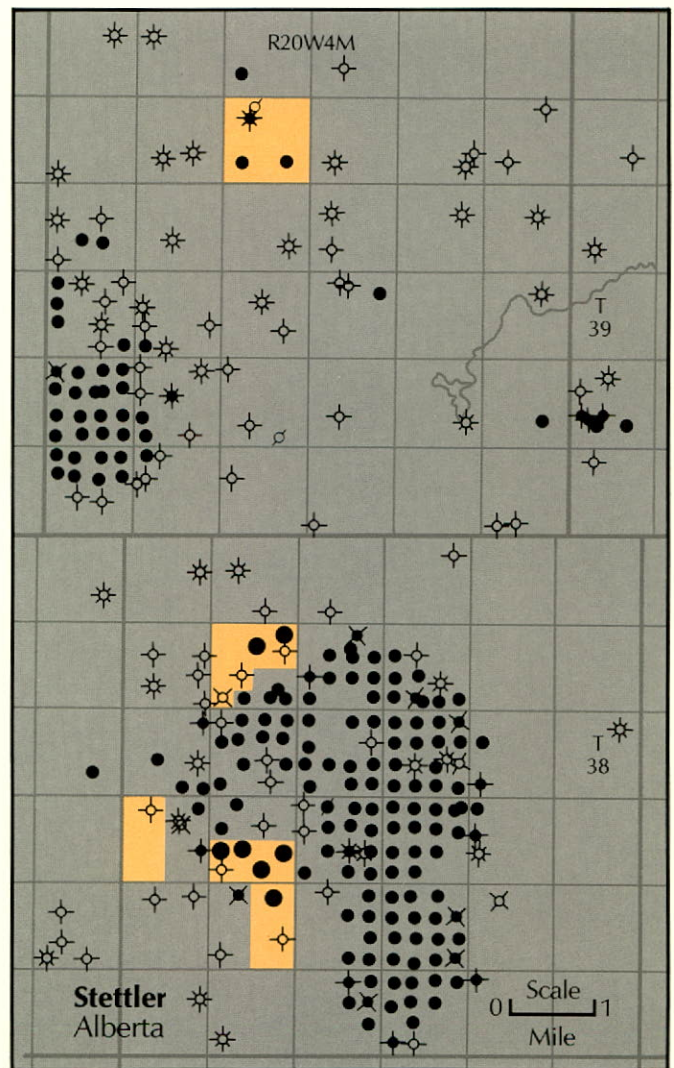
Final negotiations will be concluded early in 1985 for the pooling and drilling of a joint well on section 33-38-2 W5M. The proposed well offsets a prolific Pekisko zone gas well to the Southwest and two confidential wells drilled by other operators in late 1984. Penn West will operate the well and participate for a 25 percent interest.

Stettler

Penn West participated as to a 12.5 percent working interest in a Devonian Nisku oil well drilled at 16-29-38-20 W4M during 1984. The well is currently producing at a rate of 66 barrels of oil per day.

The Company expanded its land position in the area during 1984, acquiring a 100 percent interest in the west half of section 18-38-20 W4M and added to its ownership in section 29-38-20 W4M with the purchase of a 12.5 percent interest in an additional 120 acres.

It is anticipated that a minimum of one development well will be drilled during 1985.

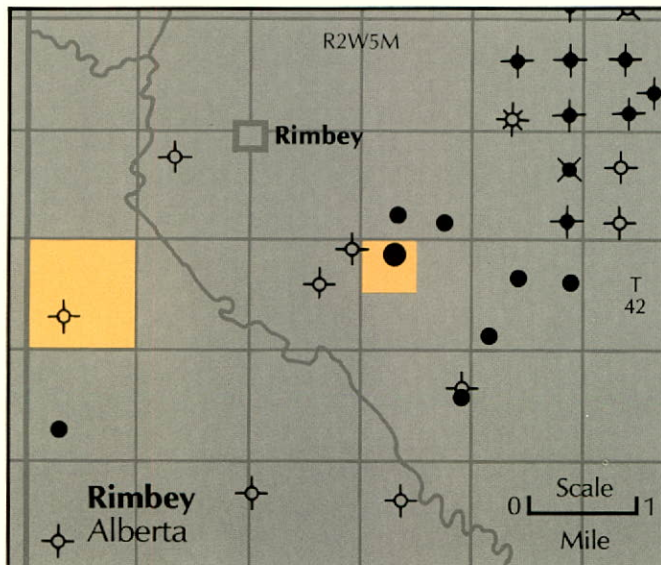


Rimbey

Operation of the 14-15 well in the Rimbey area has met with a number of set-backs during 1984; however, progress is being made to have the well placed on continuous production.

An independent reservoir engineering study was submitted to the Energy Resources Conservation Board which established a pool production allowable which proportions a rate of approximately 220 barrels of oil per day to the 14-15 well. The 14-15 well is expected to be placed on production at full allowable rates when a gas conservation system becomes operational. This requires agreement and cooperation of outside operators and is anticipated to occur in the second quarter of 1985.

Start-up of the 14-15 well should result in an early payout of the well at which time Penn West's 50 percent share of production should be in excess of 100 barrels of oil per day.

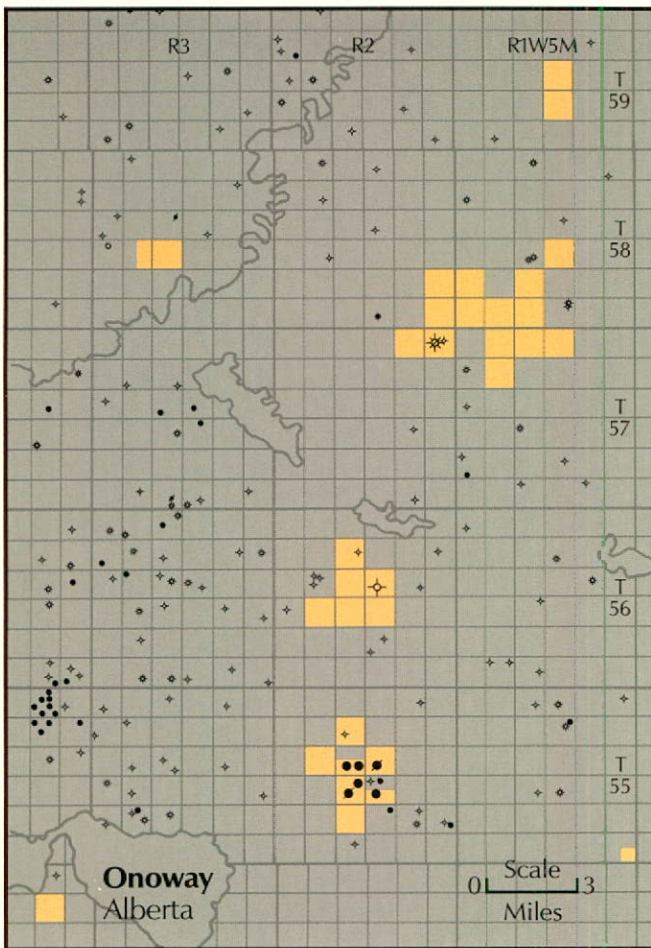


Onoway

Penn West holds interests ranging from 4 to 100 percent in 19,040 acres in this area.

During the year the Company participated in drilling five wells on the property, resulting in two Devonian Wabamun oil wells with a combined production rate of 80 barrels of oil per day.

Penn West has 59 miles of seismic coverage on the acreage from which several prospective locations have been defined. Additional seismic will be obtained and exploratory drilling will be conducted during 1985 to test the prospects.



Cygnnet

Penn West has working interests ranging from 5 to 33.3 percent in 20,000 acres in the Cygnnet area, adjacent to the city of Red Deer.

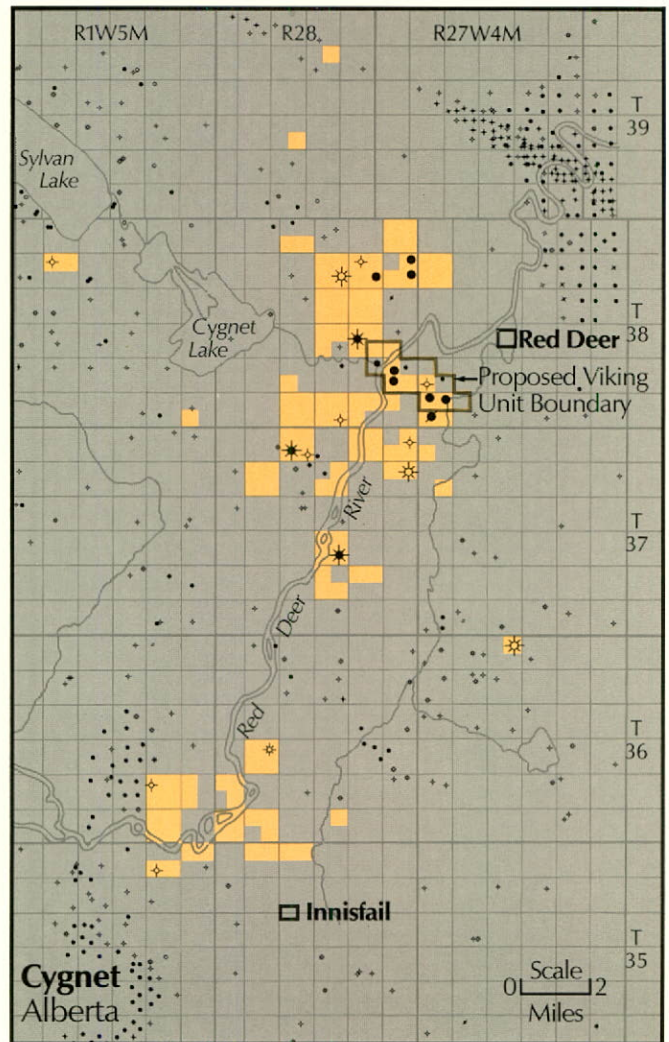
Six wells were drilled on Company lands during the reporting period, resulting in three oil wells and one gas well. The oil wells have a combined production capability of 400 barrels

per day, but production will be restricted to the minimum allowable rate of 150 barrels per day.

A reservoir study has been conducted, and negotiations are in progress to unitize the Southern Viking pool in the Cygnnet area to initiate a waterflood project for secondary recovery. This should result in a substantial increase in the recoverable reserves from the pool.

The Northern Viking pool now has three producing oil wells. Penn West and partners were successful in acquiring two additional sections of land on this play.

The Cygnnet area will continue to be an important exploration and development area for the Company during 1985, and additional drilling and land acquisitions are planned.



Auditors' Report

To the Shareholders of Penn West Petroleum Ltd.

We have examined the consolidated balance sheet of Penn West Petroleum Ltd. as at December 31, 1984 and the consolidated statements of earnings and deficit 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 consolidated financial statements present fairly the financial position of the company as at December 31, 1984 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 applied on a basis consistent with that of the preceding year.

Calgary, Canada
March 1, 1985



Chartered Accountants

Financial Statements

Consolidated Balance Sheet as at December 31, 1984

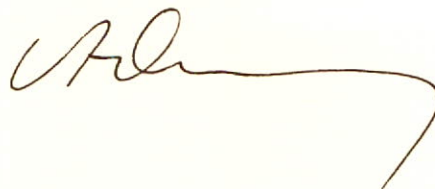
(in thousands of dollars)

Assets	1984	1983
Current Assets		
Accounts receivable	\$ 4,334	\$ 2,815
Investment in Affiliated Company (note 2)	263	—
Fixed Assets		
Oil and gas properties, together with exploration, development and equipment thereon	41,922	37,387
Accumulated depletion and depreciation	6,030	4,437
	35,892	32,950
	\$40,489	\$35,765
Liabilities		
Current Liabilities		
Bank indebtedness	\$ 37	\$ 6
Accounts payable	3,840	2,963
	3,877	2,969
Long-Term Debt (note 3)	9,700	13,800
Gas Production Prepayments	1,118	1,339
Deferred Income Taxes	898	266
Contingent Liability (note 6)		
Shareholders' Equity		
Capital Stock (note 4)	28,133	21,614
Contributed Surplus (note 4)	656	668
Deficit	(3,893)	(4,891)
	24,896	17,391
	\$40,489	\$35,765

Approved by the Board



Director



Director

Consolidated Statement of Earnings and Deficit Year Ended December 31, 1984

(in thousands of dollars)

	1984	1983
Revenue		
Oil and gas sales	\$ 6,723	\$ 5,089
Interest and other income	113	51
	6,836	5,140
Expenses		
Production	1,213	931
General and administrative	797	706
Interest	1,554	1,565
	3,564	3,202
Funds Generated from Operations	3,272	1,938
Charges Not Requiring Funds		
Depletion and depreciation	1,642	1,425
Deferred income taxes (note 5)	632	266
Write-down of U.S. oil and gas properties	—	1,542
Allowance for losses of affiliated company	—	1,276
	2,274	4,509
Net Earnings (Loss)	998	(2,571)
Deficit at beginning of year	(4,891)	(2,320)
Deficit at End of Year	\$ (3,893)	\$ (4,891)
Per Common Share , based on weighted average number of shares outstanding		
Funds generated from operations	\$.20	\$.14
Net earnings (loss)	\$.06	\$ (.18)

Consolidated Statement of Changes in Financial Position Year Ended December 31, 1984

(in thousands of dollars)

	1984	1983
Working Capital Derived From		
Operations	\$3,272	\$1,938
Issue of capital stock	6,664	—
Gas production prepayments	—	417
	9,936	2,355
Working Capital Applied To		
Investment in affiliated company	263	267
Fixed asset additions	4,584	2,808
Long-term debt reduction	4,100	500
Purchase of shares of the Company	157	32
Gas production prepayments	221	—
	9,325	3,607
Increase (Decrease) in Working Capital Position	611	(1,252)
Working capital (deficiency) at beginning of year	(154)	1,098
Working Capital (Deficiency) at End of Year	\$ 457	\$ (154)

Notes to Financial Statements

Notes to Consolidated Financial Statements Year Ended December 31, 1984

(tabular amounts in thousands of dollars)

1. Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Penn West Petroleum Ltd. (the "Company") and its wholly-owned subsidiary, Penn West Petroleum, Inc.

(b) Oil and Gas Operations

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. Such costs, including the costs of production equipment, are accumulated in centres established on a country-by-country basis and depleted using the unit-of-production method based upon estimated recoverable oil and gas reserves in each cost centre, or charged to earnings if exploration in any centre is determined to be unsuccessful.

In applying the full cost method, the Company calculates a "cost centre ceiling" which restricts the capitalized costs less accumulated depletion and depreciation in each cost centre from exceeding an amount equal to the estimated value of future net revenues from proved reserves (based on current prices and operating costs) plus the lower of cost and estimated fair value of unproved properties.

Substantially all the Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

(c) Foreign Currency Translation

All monetary assets and liabilities denominated in U.S. currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets are translated at historic exchange rates. Revenue and expense items (excluding depreciation and depletion which are translated at the same rates as the related assets) are translated at the average rate of exchange for the year. Exchange gains and losses arising on translation are included in earnings.

(d) Oil and Gas Sales

Revenue from oil and gas sales is stated net of all royalties and Petroleum and Gas Revenue Tax and includes the Alberta Royalty Tax Credit.

(e) Comparative Accounts

Certain 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1984.

2. Investment in Affiliated Company (see note 6)

	1984	1983
Springwest-Page Petroleums N.L.		
Investment in shares, at cost (representing 26.3% interest)	\$1,742	\$ 1,742
Advances, non-interest bearing with no specific terms of repayment	619	356
Allowance for losses	(2,098)	(2,098)
	\$ 263	\$ —

3. Long-Term Debt

	1984	1983
Bank loan, bearing interest at ¼% above bank's prime lending rate	\$9,700	\$13,700
Note payable	—	100
	\$9,700	\$13,800

The bank loan has been advanced to the Company under an operating credit facility totalling \$18,000,000. The loan is evidenced by demand promissory notes and is secured by the Company's oil and gas properties.

The loan is intended to be paid out of future production revenues and, accordingly, is not expected to require the use of existing working capital; therefore, no portion of the loan has been included in current liabilities.

4. Capital Stock

(a) Effective August 31, 1984, the Company reorganized its share capital by changing the issued and outstanding Class A non-voting shares to Common shares on a one-for-one basis and increasing its authorized share capital to an unlimited number of Common and Preferred shares without par value.

(b) Changes in the Company's outstanding share capital during the year were as follows:

	Class A Shares		Common Shares	
	Number of Shares	Amount	Number of Shares	Amount
Balance, December 31, 1983	5,441,851	\$ 12,164	8,880,796	\$ 9,450
Shares issued				
For cash pursuant to rights offering	1,353,763	2,031	2,371,199	3,557
For cash on exercise of stock options and warrants			15,012	15
In exchange for royalty interests held by an officer and certain employees			280,000	473
In exchange for exploration expenditures incurred by a director, less related Petroleum Incentive Program payments of \$350,000			400,000	650
Shares purchased	(26,800)	(60)	(80,000)	(85)
Shares converted	(6,768,814)	(14,135)	6,768,814	14,135
Share issue expenses				(62)
Balance, December 31, 1984	—	\$ —	18,635,821	\$28,133

During the year, the Company purchased in the open market 80,000 Common shares and 26,800 Class A shares at a total cost of \$157,239. The difference (\$12,221) between the stated value of the shares and the purchase price has been charged to contributed surplus.

(c) As at December 31, 1984, common shares of the Company were reserved as follows:

259,000 shares under employee stock options, exercisable in annual instalments to April 25, 1989 at a price of \$1.00 per share.

220,000 shares under employee stock options, exercisable in three equal annual instalments commencing May 1, 1985 at a price of \$1.65 per share.

1,862,470 shares for issue on exercise of share purchase warrants at a price of \$1.85 per share, exercisable to December 31, 1985.

5. Income Taxes

Oil and gas properties include approximately \$10,400,000 of unamortized costs at December 31, 1984 which are not deductible for income tax purposes by the Company.

Deferred income tax expense is less than the tax which would result from applying the expected tax rate of 46% to consolidated earnings before income taxes. The differences between the "expected" tax provision and the actual tax provision are summarized as follows:

	1984		1983
	Amount	%	Amount
Computed "expected" tax expense (reduction)	\$ 750	46	\$(1,060)
Increase (decrease) in taxes resulting from:			
Non-deductible Crown charges, net of provincial credits	367	23	275
Petroleum and Gas Revenue Tax	176	11	152
Depletion expense relating to non-deductible property costs	190	12	183
Federal resource allowance	(670)	(42)	(521)
Earned depletion allowance	(196)	(12)	(85)
Non-deductible losses of subsidiaries and affiliates	—	—	1,311
Other	15	1	11
Actual income tax expense	\$ 632	39%	\$ 266

6. Contingent Liability

The Company has jointly and severally guaranteed loans of its affiliate, Springwest-Page Petroleums N.L., approximating \$1,400,000 at December 31, 1984.

Management and Personnel



Above: Left to Right
F. N. Krukoff,
D. F. Duprey,
R. A. Fuller (Standing),
T. R. Carter,
R. G. Sparrow
Left:
Linda Goroniuk,
Executive/Operations
Secretary
F. N. Krukoff,
Operations Manager
Right:
R. A. Fuller,
Land Manager
Lori Petrie,
Land Administrator





Above Left: Valerie King, Accounting
 Brian Brausen, Operations Engineer
 Above: T. R. Carter, Exploration Manager
 Cori Sabados, Land Secretary
 R. A. Fuller, Land Manager
 Above Right: Sandra Ellwood, Receptionist
 Below: Diane Yates, Accounting
 R. G. Sparrow, Controller
 Susan Campbell, Accounting



Board of Directors



Seated Left to Right: James Duncan McNeill, Dale F. Duprey, John J. Fleming.
Standing Left to Right: Roy Gillespie, Orval K. Horn, Dr. Gilbert J. McMurtry, Denis L. Russell,
Wesley G. Ismond.

Corporate Information

Directors:

- John J. Fleming,
Chairman of the Board
Calgary, Alberta
- Dale F. Duprey,
President and Treasurer
Calgary, Alberta
- Denis L. Russell,
Vice President
Vancouver, British Columbia
- * Wesley G. Ismond,
Secretary
Calgary, Alberta
- F. K. Roy Gillespie
Calgary, Alberta
- * Dr. Gilbert J. McMurtry
Calgary, Alberta
- * James Duncan McNeill
Calgary, Alberta
- * Orval K. Horn
Calgary, Alberta

Head Office:

1250 Elveden House,
717-7th Avenue S.W.
Calgary, Alberta T2P 0Z3

Bankers:

Bank of Montreal,
705-7th Avenue S.W.,
Calgary, Alberta

Washington County State Bank,
200 West Vulcan,
Brenham, Texas, U.S.A.

Stock Exchange Listings:

Toronto Stock Exchange,
Symbol — PWT

* Audit Committee

Auditors:

Thorne Riddell
Suite 1200, Bow Valley Square 2,
205-5th Avenue S.W.,
Calgary, Alberta

Transfer Agent:

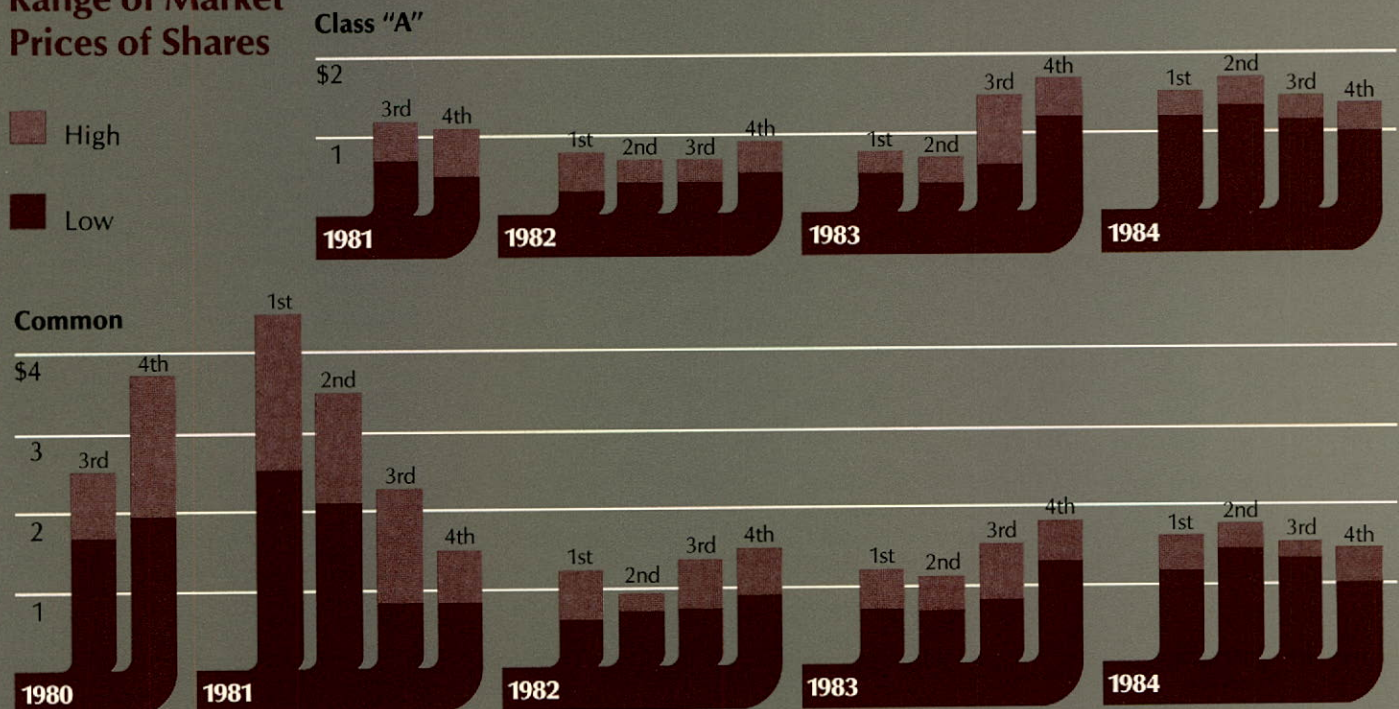
The National Victoria and
Grey Trust Company
150 Toronto Dominion Square,
Calgary, Alberta T2P 2Y9

Solicitors:

Bennett Jones,
3200 Shell Centre,
400-4th Avenue S.W.,
Calgary, Alberta

Mason, McLeod, Lyle, Smith
2200 Bow Valley Square Four
250 Sixth Avenue S.W.,
Calgary, Alberta T2P 3H7

Range of Market Prices of Shares





PENN WEST PETROLEUM LTD.
1984 ANNUAL REPORT