



PENN WEST PETROLEUM LTD.
1982 ANNUAL REPORT



Penn West Petroleum Ltd.

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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 and Vancouver Stock Exchanges.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held in Salons A and B of the Holiday Inn, 8th Avenue and 6th Street, S.W., Calgary, Alberta, on Wednesday, June 1st, 1983, at 3:00 p.m.

Financial

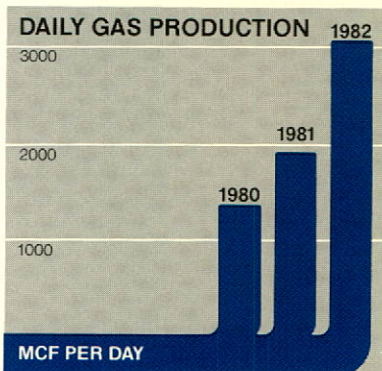
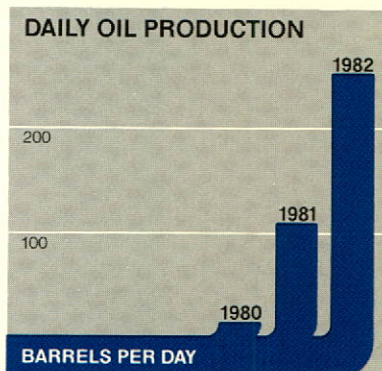
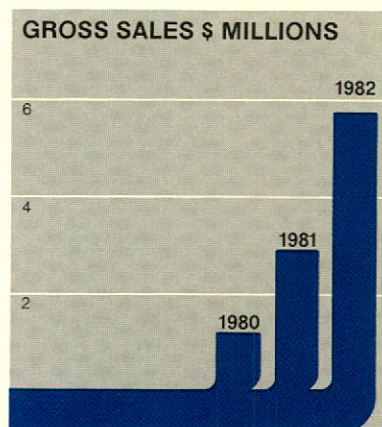
	Year Ending Dec. 31, 1982	Year Ending Dec. 31, 1981
Gross Oil & Gas Sales	\$ 5,720,192	\$ 2,950,836
Total Revenue, net of royalties	\$ 4,727,696	\$ 2,378,950
Oil & Gas Sales, net of royalties	\$ 4,584,123	\$ 2,141,429
Investment Income	\$ 143,573	\$ 237,521
Loss for the Year	\$ (1,787,130)	\$ (863,045)
Working Capital Generated from		
Operations	\$ 526,561	\$ 40,414
Additions to Property, Plant & Equipment	\$ 1,797,488	\$ 2,753,477
Working Capital	\$ 1,098,376	\$ 2,595,091
Long Term Debt	\$ 14,300,000	\$ 13,760,374
Shareholders' Equity	\$ 19,993,665	\$ 22,112,811
Total Assets	\$ 38,581,257	\$ 39,351,898
Common Shares Outstanding	8,880,763	9,347,763
Registered Common Shareholders	1,178	1,128
Class A Shares Outstanding	5,465,351	5,653,670
Registered Class A Shareholders	436	328

Operations

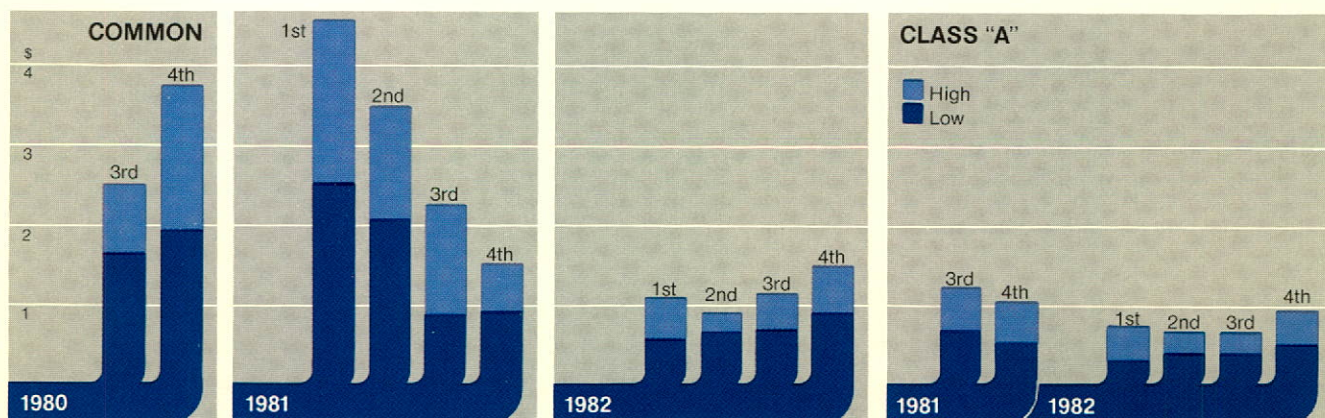
Production (Gross before royalties)		
Crude Oil (Barrels)	92,447	40,104
Barrels per day	253	110
Natural Gas (Mcf)	1,101,168	662,135
Mcf per day	3,017	1,814
Reserves (Gross Proven & Probable)		
Crude Oil (Barrels)	1,357,800	1,397,400
Natural Gas (Mmcf)	42,894	38,962
Drilling Activity		
Gross Wells Drilled	65	37
Net Wells Drilled	6.852	6.567
Net Wells Productive	6.450	3.572
Net Wells Dry	0.402	2.995

Land Holdings (Undeveloped)

Gross Acres	24,089,746	24,262,734
Net Acres	265,443	275,877
Gross Royalty and Net Profits Interest	474,164	569,127



Range of Market Prices on Shares



President's Letter to the Shareholders:

Corporate flexibility was required during 1982 to respond successfully to complex economic and regulatory changes. Your Company's aggressive approach to acquisition and international diversification was replaced with a concentrated effort to improve cash flow through optimization of existing production operations combined with a significant low risk development drilling program in Canada. The result of this approach is positive for the reporting period and will be reflected in your Company's future growth.

Consideration of risk, and the ability to improve reserves, resulted in a high success ratio of 92 per cent in a very active drilling year. The Company participated in a total of 73 wells in Canada and the United States. This drilling resulted in 21 commercial oil wells, 46 commercial gas wells and only 6 dry holes. Penn West now holds varying working interests in 534 oil and gas wells in Canada and the United States, and net profits and royalty interests in a further 81 wells.

An independent engineering analysis effective January 1, 1983, indicates the Company's gross share of proven and probable recoverable reserves to be 1,357,800 barrels of oil and 43 billion cubic feet of gas which are valued at an undiscounted present worth of \$301,640,400 or \$60,934,600 (\$4.25/share) when discounted at 15 per cent.

The Company holds interests in undeveloped lands totalling 24,089,746 gross and 265,443 net acres which have been independently valued at \$6,520,046. When taken together with net profits and royalty interests in Canada valued at \$660,358, Penn West's undeveloped land alone is valued at 50 cents per share.

The directors of your Company, believing that the market price of the stock was not reflecting the true value of the shares, obtained regulatory approval and subsequently purchased approximately 5 per cent of its issued shares at an aggregate cost of \$592,390 during 1982. Shares purchased included 467,000 Common shares at an average cost of 90 cents per share and 283,000 Class A shares at an average cost of 61 cents per share.

Penn West amalgamated with three wholly owned subsidiaries during the year. The amalgamation with Strom Energy Ltd. was effective June 25, 1982 and that with Strom Resources Ltd. and CMS Petroleum Corporation Limited became effective June 30, 1982. Cost savings to the Company are significant through the reduction in reporting requirements.

Audited Financial Statements for the reporting period indicate substantial improvements in key areas over the previous year. Oil and gas sales of \$5,720,192 reflect a 94 per cent increase over the \$2,950,836 recorded a year earlier. This improvement resulted from sales of 92,447 barrels of oil and 1,101,168 thousand cubic feet of natural gas, increases of 131 per cent and 66 per cent respectively over 1981. Non cash items of depletion, depreciation, deferred income taxes and the share of an affiliated company's net loss, totalling \$2,313,691, as well as high interest rates were the major factors contributing to the net loss for the period of \$1,787,130. Bank prime interest rates began the 1982 year at 17¼ per cent, reached a high of 18¼ per cent by mid-year and declined to an annual low of 12¼ per cent by year-end. Cash flow from operations of \$526,561 increased thirteen fold over the \$40,414 recorded a year earlier. The working capital balance at year-end amounted to \$1,098,376, a reduction of \$1,496,715. Investments of \$909,422 in an affiliated company plus \$592,390 in the acquisition of Penn West shares more than account for this reduction in working capital.

Factors which created industry uncertainty during the year have included fluctuating high interest rates, a short term surplus of oil and gas, the disarray of the OPEC nations, and Federal/ Provincial conflict. The apparent stabilization of these negative factors should lead to a more natural and predictable production and marketing environment.

Although U.S. buyers of Canadian gas have reduced purchases to less than one half those authorized for export by the Canadian Government, it is clear that estimated reserves in the U.S. of 200 TCF will serve their requirements for only 9 years. With conventional proven gas reserves sufficient to satisfy domestic requirements for 29 years and significant additional reserves in its frontier areas, Canada will be in a position to substantially increase its natural gas exports to the U.S. and Japan when the current "gas bubble bursts". The recent National Energy Board authorization of an additional 11.5 trillion cubic feet of natural gas exports to the two countries is an important first step in this regard.

The effect of Federal and Provincial government policies has been complex. Penn West has benefited from incentives designed to stimulate industry activity, some of which were:

- Fifty per cent of costs rebated under the Alberta Oil and Gas Activity Program;
- Substantial net drilling cost rebates from Alberta Drilling Incentive Credits;

- Petroleum Incentive Program (PIP) payments based on Penn West's high Canadian Ownership Rate (COR) of 90 per cent;
- A reduction from 16 to 14.67 per cent for the last half of the year in the Petroleum and Natural Gas Tax (PGRT);
- An increase from 50 to 75 per cent in the Alberta Royalty Tax Credit;
- A suspension for one year commencing June 1, 1982 of the Incremental Oil Revenue Tax (IORT).

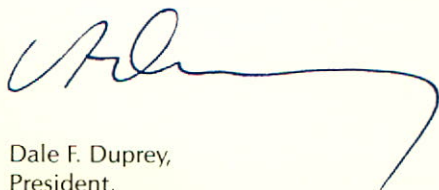
The combined benefit to Penn West from all the programs for 1982 was in excess of \$1,500,000, a significant portion of which can be attributed to the Alberta Royalty Tax Credit. This item alone should increase revenues by approximately \$75,000 per month for 1983.

The Company's immediate adjustment to 1982 conditions was to withdraw from exploration programs in the United States and Australia. Only small, ongoing development projects are planned for the United States as part of our strategy to emphasize low risk operations.

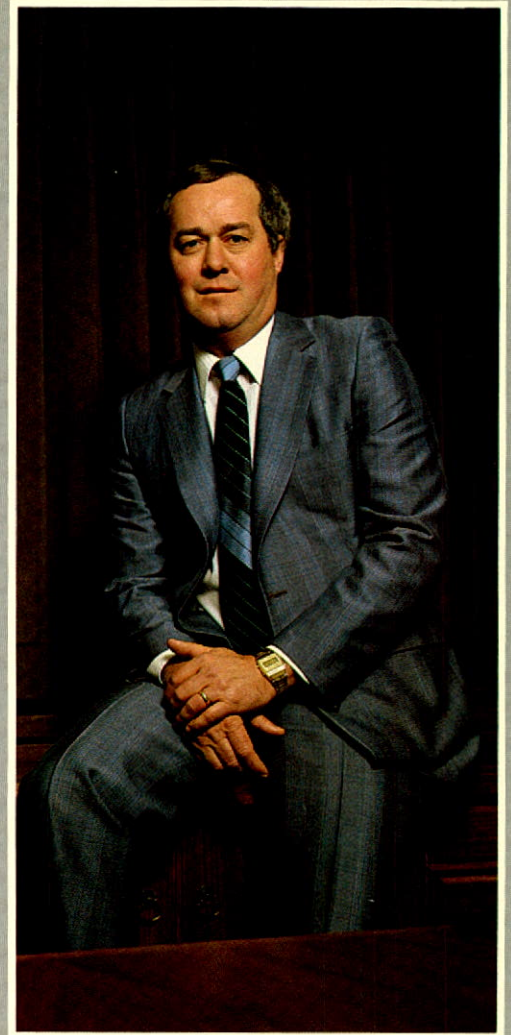
Penn West was successful in more than replacing its 1982 oil and gas production. On an oil equivalent basis, this resulted in a 268 per cent replacement. The Company has been able to place most of its reserves on stream, thus providing sufficient cash flow for administration, cautious exploration and aggressive development.

Penn West is geared to high productivity and maximum leverage on exploration prospects. It has survived a negative economy, industry downturn and high interest rates and expects to continue to demonstrate the growth expected of a strong company.

Again, we are indebted to our directors for their continued advice and guidance. We appreciate the effort of our dedicated team of professional and support staff and the continued support of our shareholders, without whom survival and continued growth would not have been possible.



Dale F. Duprey,
President,
Calgary, Alberta,
April 7, 1983



Penn West Petroleum Ltd.

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, 1983, determined by the independent petroleum consulting firm, Martin Petroleum Consulting Ltd., together with comparative volumes for 1981 and 1980:

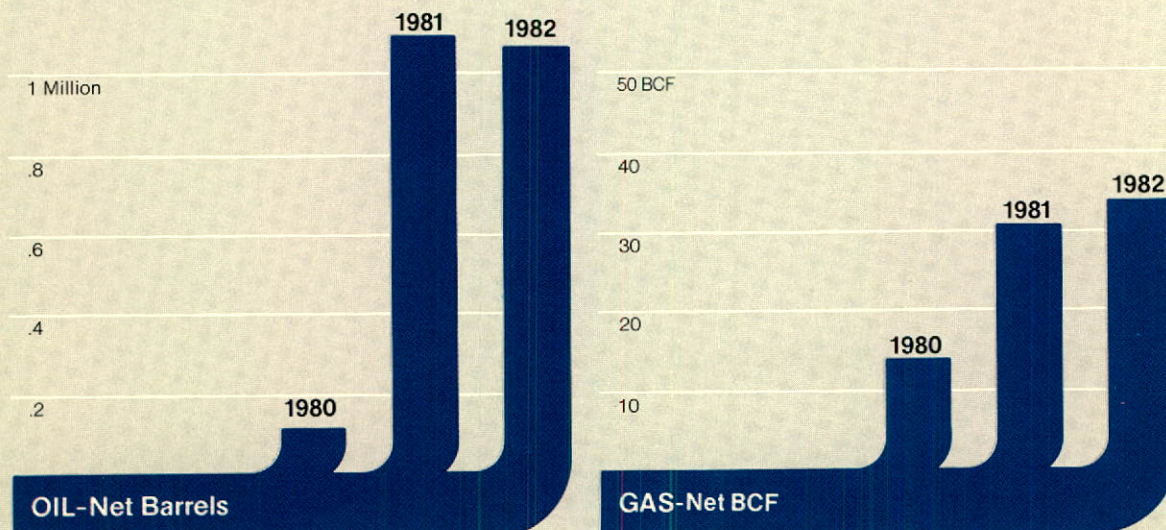
Reserves

	1982		1981		1980	
	Gross	Net	Gross	Net	Gross	Net
Crude Oil (Bbls)						
Proven	906,400	720,400	996,400	765,300	90,051	61,073
Proven & Probable	1,357,800	1,064,700	1,397,400	1,092,600	191,610	125,999
Natural Gas (Mmcf)						
Proven	36,205	28,509	32,960	24,464	13,753	9,838
Proven & Probable	42,894	33,830	38,962	30,383	18,348	13,284

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 1982 net reserve summary:

	Net Reserves		Total Net Reserves
	Net Reserves Before Alberta Royalty Credit	Net Reserves Attributable to the Alberta Royalty Credit	
Crude Oil (Bbls)			
Proven	720,400	46,700	767,100
Proven & Probable	1,064,700	66,700	1,131,400
Natural Gas (Mmcf)			
Proven	28,509	2,798	31,307
Proven & Probable	33,830	3,332	37,162

Reserves—Proven and Probable



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

	Undiscounted	10%	15%	20%
1980 Proven	\$ 43,886,006	\$ 15,470,685	\$10,808,473	\$ 8,141,361
Proven & Probable	\$ 62,788,096	\$ 21,117,361	\$14,394,125	\$10,658,529
1981 Proven	\$409,597,000	\$ 85,815,000	\$56,062,000	\$40,876,000
Proven & Probable	\$470,139,000	\$104,062,000	\$67,872,000	\$49,123,000
1982 Proven	\$239,570,500	\$ 73,654,100	\$52,006,900	\$39,811,200
Proven & Probable	\$301,640,400	\$ 89,021,800	\$60,934,600	\$45,724,700

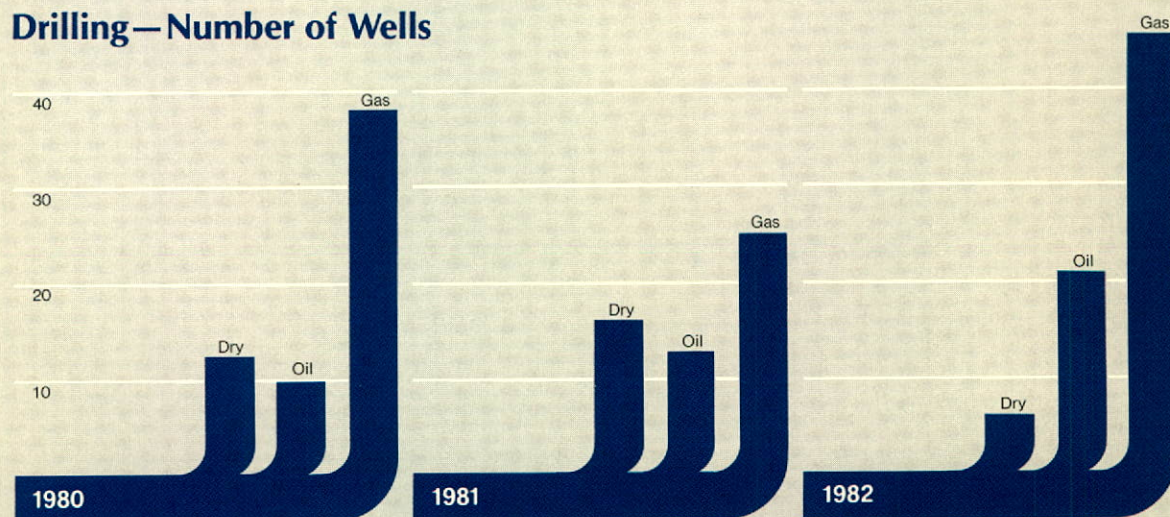
Drilling Activity

During 1982 the Company participated in the drilling of 65 wells in Western Canada and the United States. In addition, the Company holds an interest in 8 wells drilled at no cost to Penn West. The results of our 1982 drilling activities are shown in the following table:

1982 Drilling Results

Status	Gross Working Interest Wells		
	Alberta	Texas	Total
Gas	45	—	45
Oil	14	1	15
Dry	4	1	5
Sub Total	63	2	65
	Royalty and Net Profit Wells		
Gas	1	—	1
Oil	6	—	6
Dry	1	—	1
Sub Total	8	—	8
Total	71	2	73

Drilling—Number of Wells



Penn West Petroleum Ltd.

Land Holdings

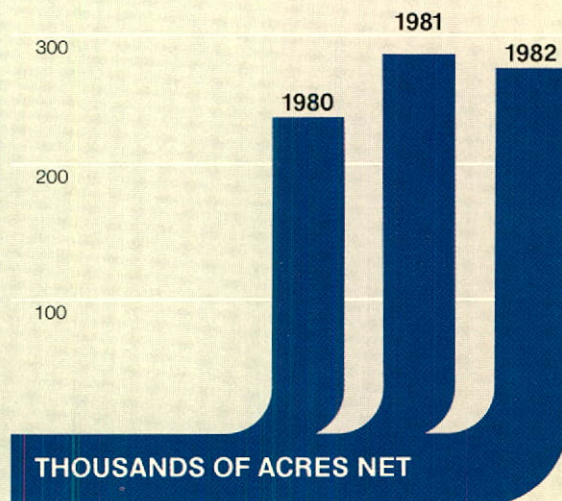
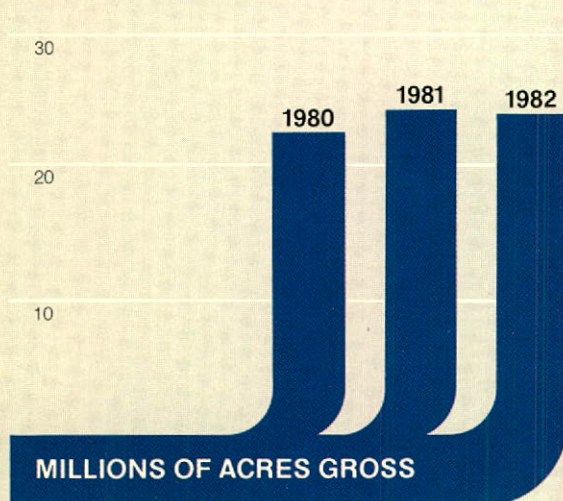
A report by Supplementary Land Services Ltd. has determined that the fair market value of the Company's net acreage in undeveloped lands was \$6,520,046 on December 31, 1982, while royalty and net profit interests in undeveloped lands was \$660,358.

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

Undeveloped Petroleum and Natural Gas Rights

Working Interests	Total 1982		Total 1981	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta	426,093	42,189	492,119	49,296
British Columbia	30,602	2,208	32,642	2,415
Saskatchewan	16,155	11,230	23,345	11,761
Montana	123,450	11,102	123,450	11,102
Texas	2,239	200	2,539	320
Kansas	14,156	14,156	16,625	16,625
North Dakota	3,640	364	3,640	364
Queensland, Australia	22,999,247	183,994	22,999,247	183,994
Sub Total	23,615,582	265,443	23,693,607	275,877
Royalty and Net Profit Interests				
Alberta			78,017	
British Columbia			491,110	
Sub Total			569,127	
Total	24,089,746	265,443	24,262,734	275,877

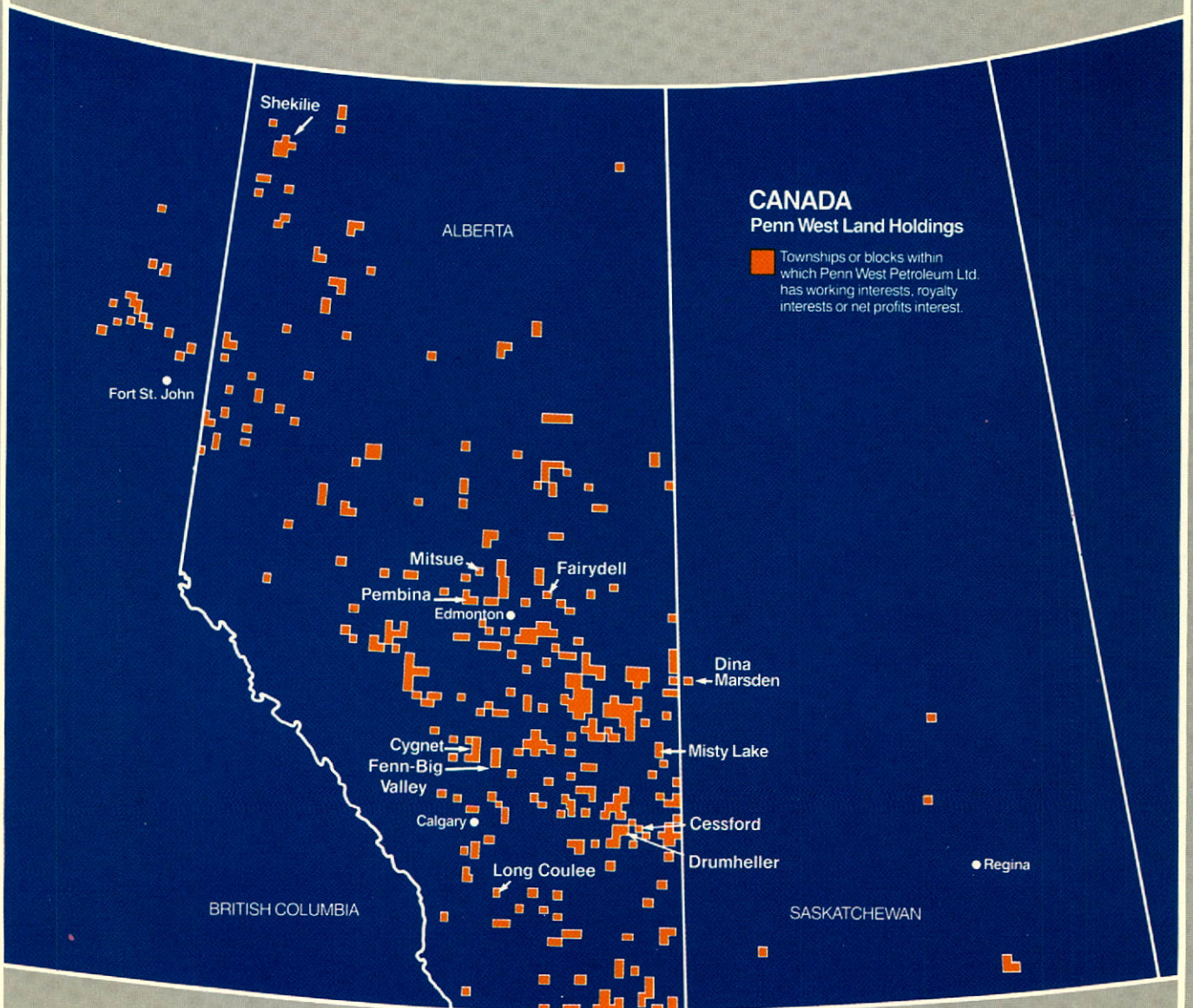
Land Holdings



Canadian Operations

Oil and gas exploration and development drilling carried out by Penn West during 1982 resulted in 46 gas wells, 20 oil wells and 5 dry holes for an overall success ratio of 93 per cent.

In addition to its producing properties, the Company holds interests in 149 shut in gas wells in Western Canada, the majority of which have been dedicated to gas contracts.



Penn West Petroleum Ltd.

Alberta

Cygnets Area

With working interests varying between 16.67 and 20 per cent in 14,500 acres in the Cygnets area, Penn West participated in 3 stepout wells from a Viking oil well drilled at 11-12-38-28 W4M in 1981.

Two of these wells, 6-12 and 11-12-38-28 W4M have been completed as "new oil" wells, both with production rates of 60 barrels of oil per day.

In view of recent discoveries in the adjacent sections 10 and 11, further development drilling planned for 1983 is expected to result in increased production revenue.

The Company also has 5 gas wells under contract and, in view of the recent decision by the National Energy Board to allow increased gas exports, it is anticipated that gas production will begin in the near future.

Misty Lake Area

Penn West holds a 34.62 per cent working interest, and is the operator of 8,960 acres in this Colony sand oil field. During 1982, the Company drilled a sixth development oil well at 7-2-33-3 W4M, classified as "new oil", to increase the total production to 150 barrels of oil per day.

A consolidation of battery facilities planned for the second quarter of 1983 will result in a substantial reduction in operating costs. Additional drilling is expected to further improve production capability in the area.

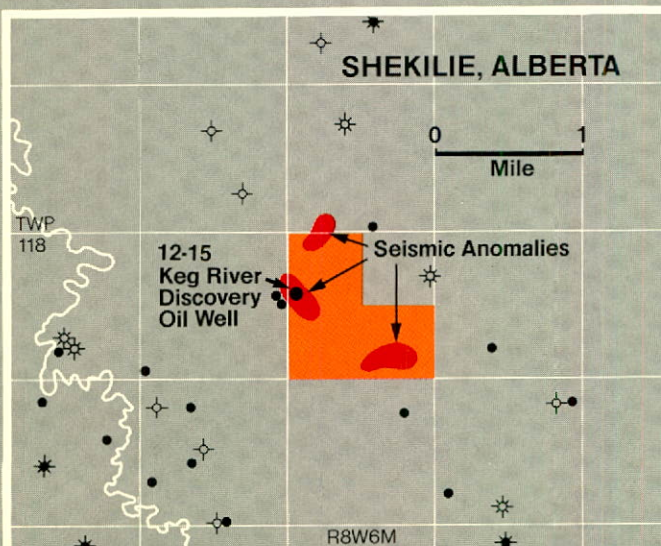
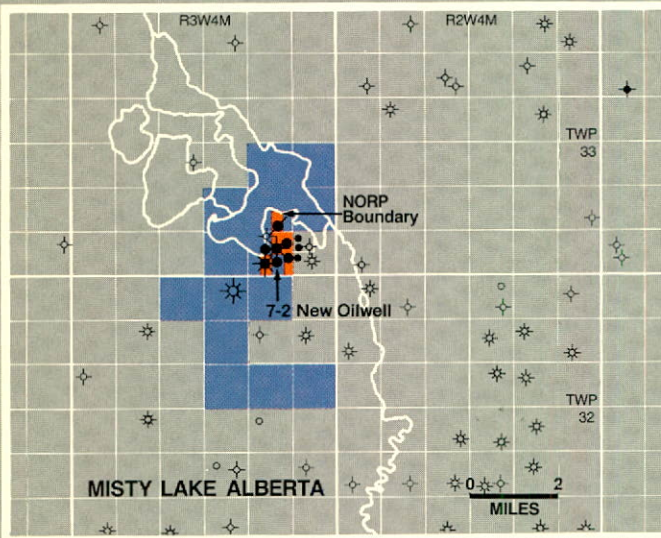
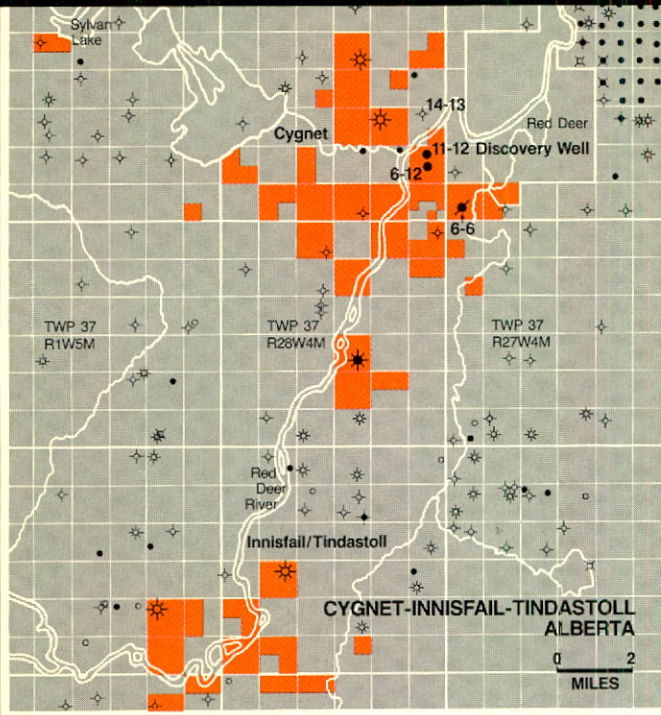
Gas reserves developed on lands in which Penn West holds an interest have been dedicated to a gas contract with Kanngaz Producers Ltd.

Shekilee Area

In July, 1982, Penn West had a Keg River oil well drilled in this area at no cost to the Company. Penn West's royalty interest at Shekilee will revert to a 4 per cent working interest after payout, which is expected to occur during the second half of 1983. The allowable for the well, at 12-15-118-8 W6M, has been set at 800 barrels of oil per day, however production is presently restricted by the operator to 170 barrels per day pending an evaluation of reservoir performance.

A review of two additional seismic anomalies on the Company's acreage may justify further drilling next winter, and if so, Penn West will have the right to participate with a 4 per cent working interest.

An attractive feature of this pinnacle reef area is that virtually all discoveries will earn "new oil" prices.



Alberta

Mitsue Area

During the year, a Gilwood oil well was drilled at 12-28-72-4 W5M, on Penn West's lands, at no cost to the Company. Penn West has a 15 per cent gross overriding royalty interest, which is expected to revert to a 50 per cent working interest during the third quarter of 1983.

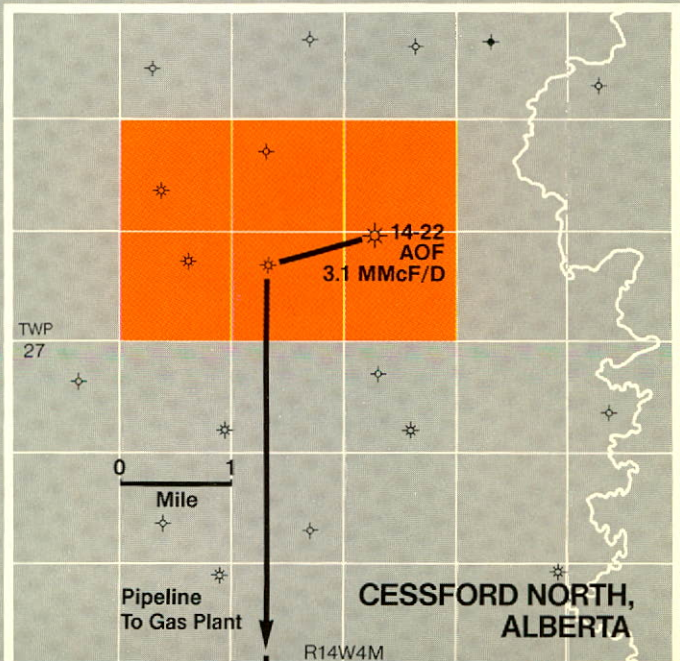
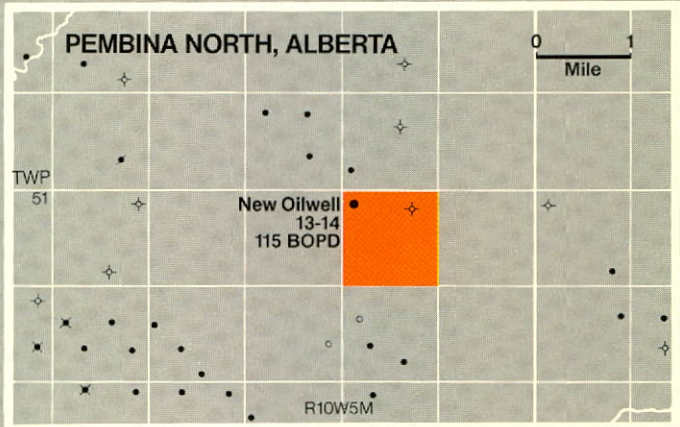
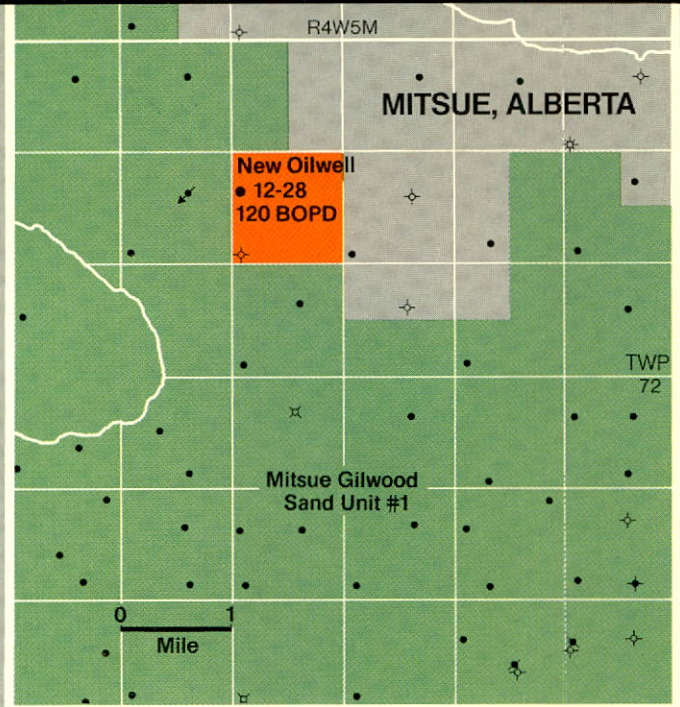
The 12-28 well is producing at a rate of 120 barrels of oil per day and has provided encouragement to pursue further drilling prospects in the area.

Pembina North Area

During the year Penn West shared in a dual Belly River/Cardium oil well at 13-14-51-10 W5M, with an 8 per cent working interest in 640 acres. The well was completed in the Cardium formation and production tested at a rate of 115 barrels of oil per day of light gravity crude. The 13-14 well is presently being analyzed for potential dual completion in the Belly River and Cardium formations. An offset location at 4-23-51-10 W5M drill stem tested 2,400 feet of oil from the Belly River. An independent consultant has estimated reserves of 130,200 barrels of recoverable oil in this formation and additional development drilling is anticipated.

Cessford North Area

Penn West holds a 50 per cent working interest, a 10 per cent net profits interest, and a 5 per cent gross overriding royalty in a Viking gas well located at 14-22-27-14 W4M. This well was brought on stream at a rate of 1,000,000 cubic feet per day during the fourth quarter of 1982, and should yield substantial cash flow to the Company.



Penn West Petroleum Ltd.

Alberta

Fairydell Area

In August, 1982, Penn West participated with an 18.75 per cent interest in a successful Basal Quartz gas well at 3-9-58-24 W4M. The well tested 1,600,000 cubic feet of gas per day and will be on stream by the fourth quarter of 1983.

The Company also participated with a 25 per cent interest in the re-completion of an existing well at 1-33-57-24 W4M, which tested 3,000,000 cubic feet of gas per day from the Basal Quartz formation. This well will be produced under the terms of an existing gas contract.

Penn West now has a 3.44 per cent working interest in the Fairydell/Bon Accord Viking Unit #1, and interests varying between 18.75 and 100 per cent in a total of 3,040 acres in the area, where potential for additional drilling is presently being evaluated.

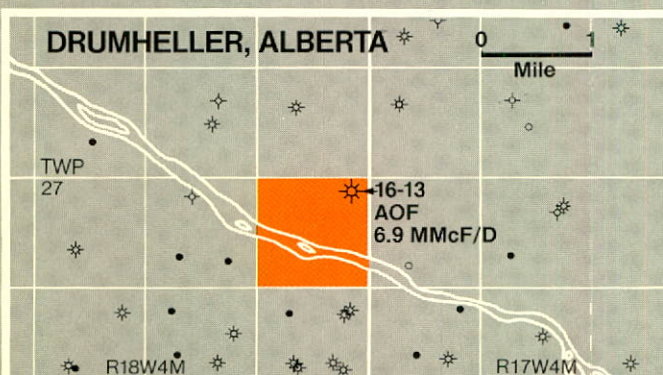
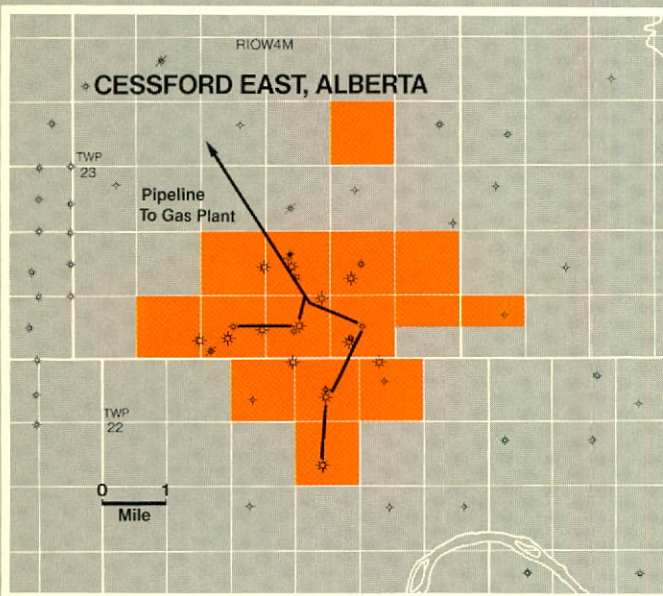
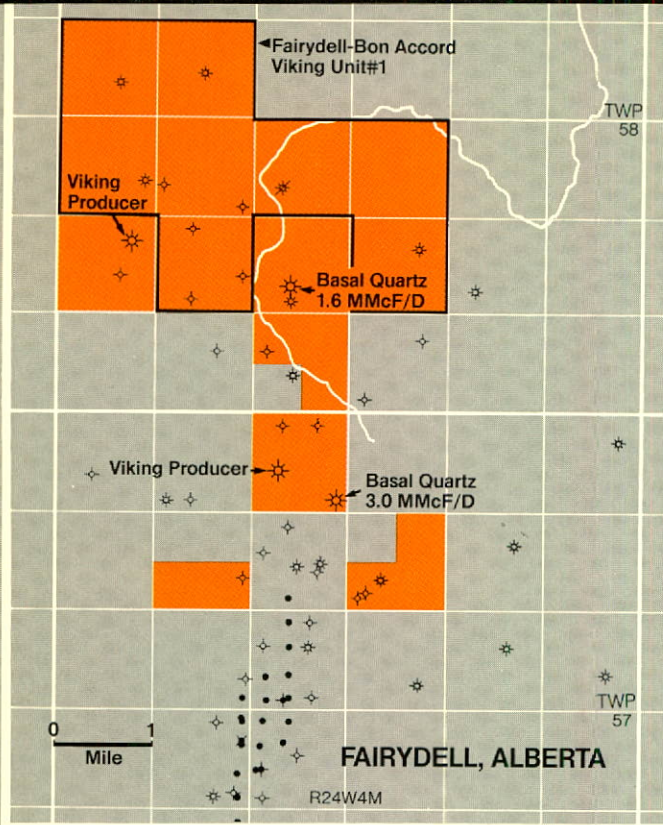
Cessford East Area

Under the terms of a farmout agreement, Penn West, as operator, re-entered a well in 6-27-22-10 W4M in December, 1981, and drilled two additional wells at 6-2-23-10 W4M and 6-34-22-10 W4M during the first half of 1982. The three wells in which the Company has a 40 per cent (20 per cent after payout) interest have production capabilities in the Milk River, Medicine Hat and Belly River formations and are tied in to compressor and production facilities. A further 10 wells in which Penn West has a 30 per cent interest and which qualified for Alberta incentives were drilled by the Company in the fourth quarter of 1982. All wells are expected to go on stream by November 1983.

The Company has earned an interest in 11 sections or 7,040 acres and further development drilling is planned on this acreage. Penn West has a right to earn an additional 4.75 sections or 3,040 acres during the first half of 1983 by drilling 7 option wells. Pending analysis of production results and the availability of gas markets, approximately 31 development wells can be drilled on this acreage.

Drumheller Area

Under the terms of a land pooling agreement, Penn West acquired a 15 per cent working interest before payout, converting to an 11 2/3 per cent working interest after payout, in 16-13-27-18 W4M, a Basal Quartz gas well on 640 acres in the Drumheller area. The well has been tied in to an existing compression facility and is producing at a rate of 1,500,000 cubic feet of gas per day.



Alberta

Fenn-Big Valley Area

The Fenn-Big Valley area is presently in the spotlight due to recent discoveries, at least one of which has reported production rates in excess of 2,000 barrels of oil per day, from a Devonian Leduc formation pinnacle reef. Penn West holds interests varying between 5 and 100 per cent in a total of 3,600 acres in this area.

The Company has entered into a seismic option agreement on Section 20-37-21 W4M in which Penn West holds a 20 per cent working interest. If the option is exercised, a Cooking Lake test must be spudded within 90 days of the receipt of processed seismic data.

Two unsuccessful wells at 11-30-35-20 W4M and 3-36-36-21 W4M have been drilled on Company land at no cost to the Company.

Long Coulee Area

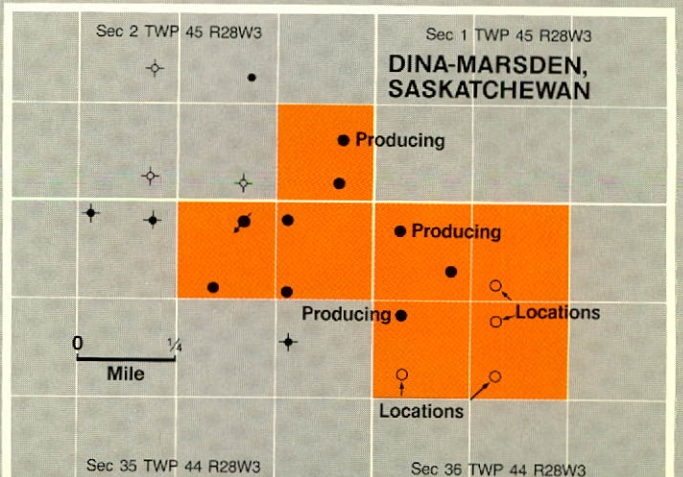
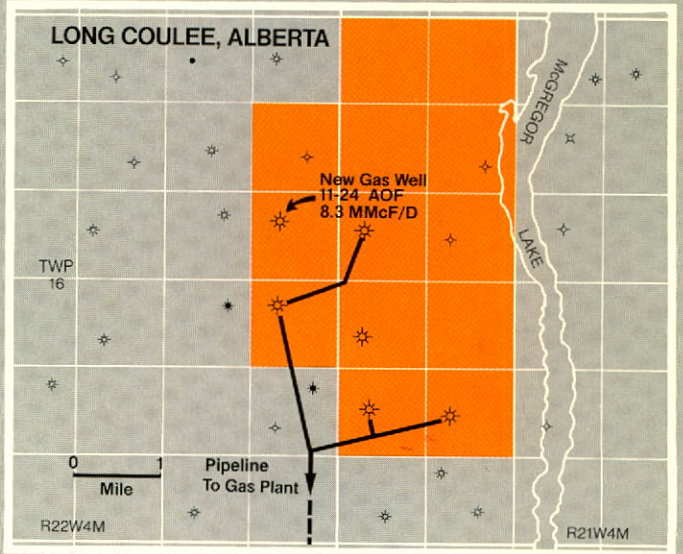
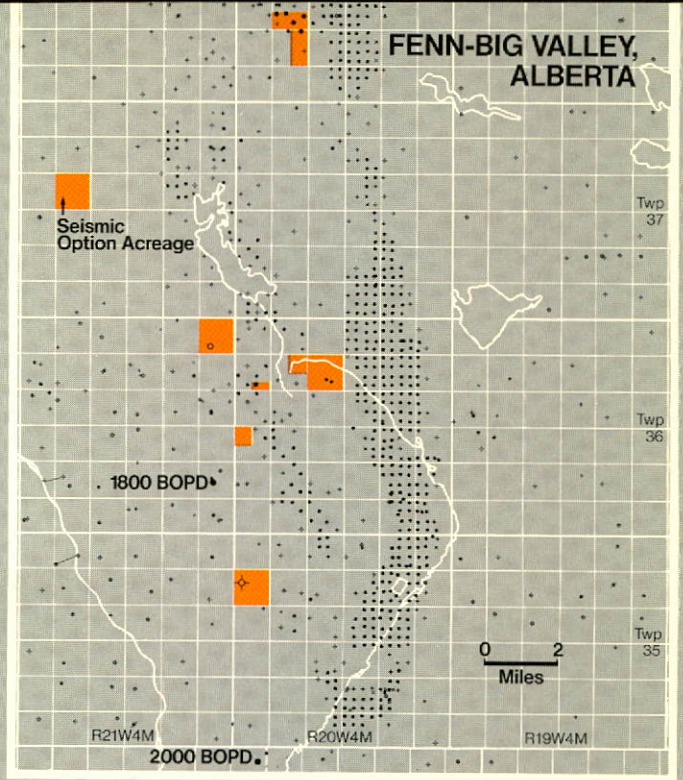
Penn West holds working interests varying between 10 and 16 per cent in 9,760 acres on which five Basal Quartz and Glauconite gas wells are producing. A sixth well located at 11-24-16-22 W4M was completed during the reporting period and tested gas at a rate of 8,300,000 cubic feet per day. This well is expected to be tied in to pipeline facilities during the second quarter of 1983. At this time, the maximum production rate from the 6 wells is expected to be 13,800,000 cubic feet of gas per day, of which Penn West's share will be 1,820,000 cubic feet per day. Further drilling in this area is planned for 1983.

Saskatchewan

Dina-Marsden Area

Penn West holds a 72.68 per cent working interest in nine wells in this Sparky oil pool, suspended prior to the reporting period. During 1982, three of the wells were placed on production at 100 barrels of oil per day. Four additional wells are planned for production start-up during 1983. All production from this area qualifies for the "new oil" price and recent reductions in the Saskatchewan Government royalty rates will afford substantial improvement in revenue from the production in this area.

Revised geological mapping indicates a larger prospective area than originally recognized and thus, the potential for additional infill and step-out development drilling is presently being evaluated.



International



International Operations

In an effort to maximize investment opportunities by concentrating its efforts in Western Canada where incentives were more abundant, Penn West severely curtailed exploration in the United States and Australia during 1982.

United States

Penn West participated in the drilling of two wells in Texas during 1982, resulting in one oil well and one dry hole. The Company will maintain its land holdings in areas of best potential. Production operations will continue in Kansas, Texas and North Dakota.

Australia

Penn West Petroleum Ltd.

Esso Exploration and Production Australia, Inc., have spent approximately A\$30 million on a program which included close to 8,500 kilometres of seismic and the drilling of four wells on two large permits in the Galilee Basin of Central Queensland in which Penn West holds a 0.8 per cent interest. Three wells remain to be drilled on ATP 268 (21,546,859 acres) in order for Esso to earn a 70 per cent interest. On ATP 265 (1,452,391 acres), in the same area, Esso must drill one well to earn a 40 per cent interest and has the option to drill a further well to earn another 20 per cent interest.

Twenty five per cent of the lands are expected to revert back to the Queensland Government by the end of 1983, and the remaining lands may be retained for another 4 years if recent requests are approved.

Springwest-Page Petroleum N.L.

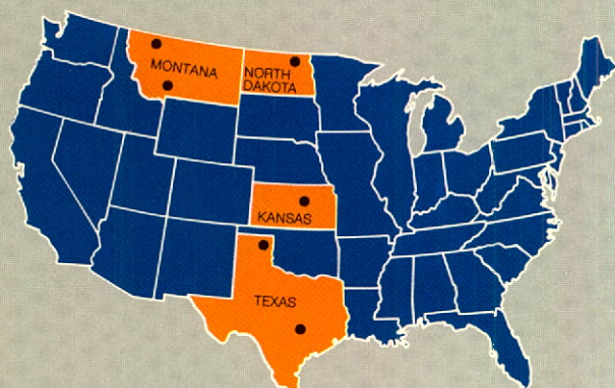
The investment climate in Australia deteriorated seriously during 1982 and after close scrutiny, the Company decided to close its office in Brisbane, Queensland. Springwest-Page retains representation in Australia through a director in Brisbane.

The drilling rig owned by the Company remains in Australia under a management contract with S & T Drilling Ltd., who are currently negotiating a 12 month contract for the rig.

During the reporting period, a 105 mile seismic survey was completed on EP 111 in the Perth Basin in Western Australia. Springwest-Page has requested an assignment of the 2.5 per cent working interest in the 747,000 acres which has been earned to date.

Participation with the Magnet Group of Companies has been terminated due to their failure to comply with specific terms of the agreement. Springwest-Page has obtained legal opinion and is proceeding to recover, through the courts, monies paid to the Magnet Group.

United States



Australia



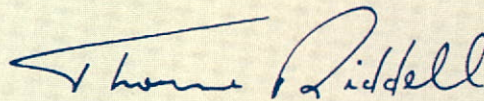
Auditors' Report

To the Shareholders of Penn West Petroleum Ltd.

We have examined the consolidated balance sheet of Penn West Petroleum Ltd. as at December 31, 1982 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, 1982 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 25, 1983



Chartered Accountants

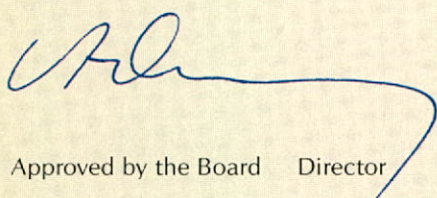
Penn West Petroleum Ltd.

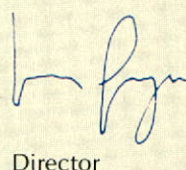
Consolidated Balance Sheet as at December 31, 1982

Assets	1982	1981
Current Assets		
Cash and short-term deposits	\$ —	\$ 2,372,996
Accounts receivable	4,302,361	2,611,548
Prepaid expenses	161,027	290,704
	4,463,388	5,275,248
Investment in Affiliated Company (note 2)	1,009,056	906,615
Fixed Assets (note 3)	33,108,813	33,170,035
	\$38,581,257	\$39,351,898

Liabilities		
Current Liabilities		
Bank indebtedness	\$ 231,868	\$ —
Accounts payable	3,033,144	2,278,184
Current maturities of long-term debt	100,000	401,973
	3,365,012	2,680,157
Long-Term Debt (note 5)	14,300,000	13,760,374
Gas Production Prepayments	922,580	446,556
Deferred Income Taxes	—	352,000
Contingent Liability (note 8)		

Shareholders' Equity		
Capital Stock (note 6)		
Authorized		
50,000,000 Preferred shares without par value		
50,000,000 Common shares without par value		
50,000,000 Class A shares, non-voting, without par value		
Issued		
8,880,763 (1981 - 9,347,763) Common shares	9,449,663	9,946,579
5,465,351 (1981 - 5,653,670) Class A shares	12,216,447	12,588,649
Contributed Surplus (note 6)	647,202	110,100
Deficit	(2,319,647)	(532,517)
	19,993,665	22,112,811
	\$38,581,257	\$39,351,898


 Approved by the Board Director


 Director

Penn West Petroleum Ltd.

Consolidated Statement of Earnings and Deficit Year Ended December 31, 1982

	1982	1981
Revenue		
Oil and gas sales	\$ 5,720,192	\$2,950,836
Less: Crown royalties	999,258	556,004
Freehold royalties	544,623	339,443
Petroleum and Gas Revenue Tax	245,449	91,399
Alberta Royalty Tax Credit	(653,261)	(177,439)
	1,136,069	809,407
Interest and other income	4,584,123	2,141,429
	143,573	237,521
	4,727,696	2,378,950
Expenses		
Production	1,025,868	647,112
General and administrative	897,421	494,606
Interest	2,277,846	1,196,941
Depletion and depreciation	1,858,710	955,600
	6,059,845	3,294,259
Loss before undernoted items	(1,332,149)	(915,309)
Deferred Income Tax Reduction	352,000	67,076
Loss before affiliated company loss	(980,149)	(848,233)
Share of Affiliated Company Loss (note 2)	(806,981)	(14,812)
Loss for the Year	(1,787,130)	(863,045)
Retained earnings (deficit) at beginning of year	(532,517)	330,528
Deficit at End of Year	\$ (2,319,647)	\$ (532,517)
Loss Per Share , based on weighted average number of Common and Class A shares outstanding	\$ (.12)	\$ (.08)

Consolidated Statement of Changes in Financial Position Year Ended December 31, 1982

	1982	1981
Working Capital Derived from		
Operations	\$ 526,561	\$ 40,414
Long-term debt	800,000	8,566,492
Gas production prepayments	476,024	70,953
Issue of capital stock	260,374	16,383,380
	2,062,959	25,061,239
Working Capital Applied to		
Investment in affiliated company	909,422	921,427
Fixed asset additions	1,797,488	2,753,477
Purchase of shares of the Company (note 6)	592,390	—
Conversion of note payable	260,374	—
Acquisition of subsidiaries, net of working capital	—	19,341,757
	3,559,674	23,016,661
Increase (Decrease) in Working Capital	(1,496,715)	2,044,578
Working capital at beginning of year	2,595,091	550,513
Working Capital at End of Year	\$ 1,098,376	\$ 2,595,091

Penn West Petroleum Ltd.

Notes to Consolidated Financial Statements Year Ended December 31, 1982

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 subsidiaries Penn West Petroleum, Inc., Strom Resources Ltd. (acquired July 31, 1981) and CMS Petroleum Corporation Limited (acquired August 31, 1981). Strom Resources and CMS Petroleum were amalgamated with the Company on June 30, 1982.

(b) Investment in Affiliated Company

The Company follows the equity method of accounting for its investment in Springwest-Page Petroleums N.L. (see note 2). Under this method, the Company's investment is carried at cost less its share of losses of that company.

(c) 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.

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.

(d) Foreign Currency Translation

Amounts in United States currency have been translated to Canadian dollars on the following basis:

- (i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Fixed assets, at the rate of exchange in effect at the transaction date;
- (iii) Revenue and expenses (excluding depreciation and depletion which are translated at the same rates as the related assets), at the average rate of exchange for the year.

2. Investment in Affiliated Company (see note 8)

	1982	1981
Springwest-Page Petroleums N.L.		
Investment in shares, at cost (representing 26.3% interest)	\$1,741,849	\$921,427
Advances, non-interest bearing with no specific terms of repayment	89,000	—
Share of accumulated losses	(821,793)	(14,812)
	<u>\$1,009,056</u>	<u>\$906,615</u>

3. Fixed Assets

	1982			1981
	Cost	Accumulated Depletion and Depreciation	Net	Net
Oil and gas properties*				
Canada	\$33,933,532	\$2,573,843	\$31,359,689	\$31,145,842
United States	2,272,772	655,248	1,617,524	1,866,151
Other equipment	215,006	83,406	131,600	158,042
	<u>\$36,421,310</u>	<u>\$3,312,497</u>	<u>\$33,108,813</u>	<u>\$33,170,035</u>

*Includes oil and gas properties, together with exploration, development and equipment thereon.

4. Income Taxes

As at December 31, 1982, oil and gas properties include acquisition costs in the amount of \$17,800,000 (net of accumulated depletion) which are not deductible for income tax purposes by the Company.

Penn West Petroleum Ltd.

5. Long-Term Debt

	1982	1981
Bank production loan, bearing interest at ¼% above bank's prime lending rate	14,100,000	13,200,000
Note payable in annual instalments of \$100,000	300,000	400,000
Note payable (see note 6(b))	—	260,374
Floating charge debenture	—	301,973
	14,400,000	14,162,347
Current maturities	100,000	401,973
	\$14,300,000	\$13,760,374

The bank production loan has been advanced to the Company under an operating credit facility totalling \$16,000,000. The loan is evidenced by demand promissory notes and is secured by the Company's oil and gas properties.

The amount of the loan facility is based upon the value of the Company's oil and gas reserves and is to be reviewed annually. The facility can be extended each year provided the borrowing base is in excess of the principal amount of the loan outstanding at the time or may be converted to a term loan of up to five and one-half years payable in monthly instalments out of the Company's net production revenues.

6. Capital Stock

- (a) During the year, the Company amended its authorized share capital as follows:
 - (i) increased the authorized number of Common shares from 20,000,000 to 50,000,000;
 - (ii) increased the authorized number of Class A shares from 20,000,000 to 50,000,000; and
 - (iii) created 50,000,000 Preferred shares without par value, issuable in series.
- (b) During the year, a note payable in the amount of \$260,374 was converted into 94,681 Class A shares of the Company.
- (c) During the year, the Company purchased in the open market 467,000 Common shares and 283,000 Class A shares for cash considerations of \$420,738 and \$171,652, respectively. These shares have been restored to the authorized but unissued share capital of the Company. The difference (\$537,102) between the stated value of the shares and the purchase price has been credited to contributed surplus.
- (d) As of December 31, 1982, Common shares of the Company were reserved as follows:
 - 525,000 Shares under stock option plans, of which options to purchase 310,000 shares are outstanding, exercisable from time to time to January 1987 at prices ranging from \$1.00 to \$2.00 per share;
 - 537,489 Shares for issue on exercise of share purchase warrants at a price of \$4.00 to July 31, 1983.
- (e) In the event an offer is made to purchase all the outstanding common shares of the Company, each Class A share is convertible, at the option of the holder, into one common share.

7. Related Party Transactions

In 1982, a director and officer and certain key employees of the Company were granted gross overriding royalty interests totalling 3% in all non-producing oil and gas prospects acquired by the Company during the year.

8. Contingent Liability

The Company has jointly and severally guaranteed loans of its affiliate, Springwest-Page Petroleums N.L., approximating \$3.5 million at December 31, 1982.

9. Statutory Information

Remuneration paid to the directors and senior officers (including the five highest paid employees) of the Company during 1982 amounted to \$260,500.

Penn West Petroleum Ltd.



Left to Right
Terence R. Carter, Ronald G. Sparrow, Robert A. Fuller, Dale F. Duprey, Floyd N. Krukoff.

Management Profile

Penn West Petroleum Ltd. has a full time staff of 11 including both 5 professional and 6 support personnel. A summary of the experience of Penn West's management group follows:

Dale F. Duprey: President & Director

Dale Duprey, B.Sc., P.Eng., is a graduate of the University of Saskatchewan with 20 years of experience in the oil and gas industry. Dale established his own private oil and gas exploration and development company, Duprey Engineering Ltd. in 1974. This company formed part of the entity which became Penn West Petroleum Ltd. in December, 1979. Dale has been responsible for the total asset growth of Penn West, from the \$2,336,652 company it was in 1979, to the \$38,581,257 public company it is today.

Robert A. Fuller: Land Manager

Bob Fuller has 18 years of diverse experience in the oil industry, is a certified professional landman and a member of both the C.A.P.L. and A.A.P.L. Prior to joining Penn West in 1980, Bob spent 8 years with Canadian independent oil companies in areas of increasing responsibility. In 1973 he formed his own company providing negotiation and administration services to investors and companies, and assembling drilling prospects for personal and investor participation. Bob has experience in the management of a Canadian public company, having served as its managing-director and President.

Terence R. Carter: Exploration Manager

Terry Carter, B.A., B.Sc., obtained his degree in geology from the University of Calgary, and has 13 years of geological experience with major and independent oil and gas exploration companies. He has professional experience in both Canada and the United States and has generated prospects resulting in significant hydrocarbon discoveries. Terry joined Penn West in July, 1980 and has been responsible for exploration planning since that time. He is a member of the C.S.P.G., A.A.P.G. and the C.W.I.S.

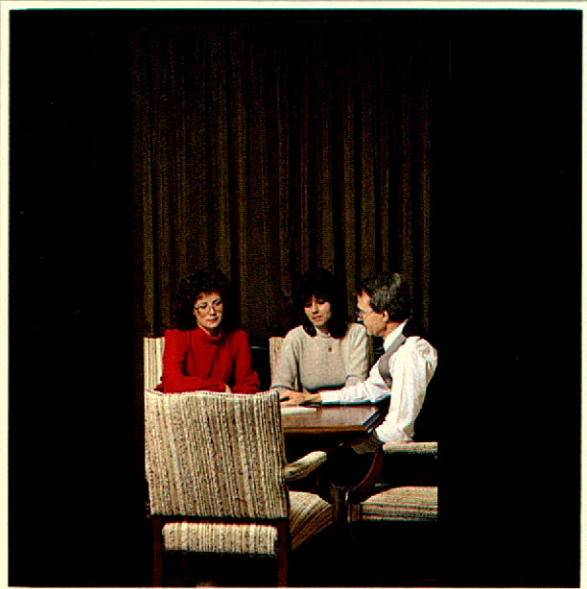
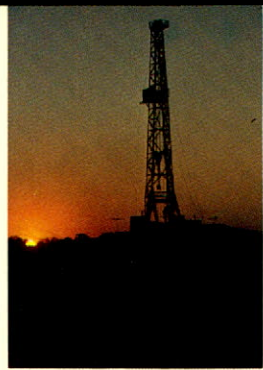
Ronald G. Sparrow: Controller

Ron Sparrow joined the Company in 1980 and has been responsible for financial management and administration since that time. Ron has 25 years of experience in accounting, administration and finance, in all phases of the oil and gas business, from exploration to marketing. Prior to joining Penn West, Ron held positions of increasing responsibility with several divisions of major diversified companies.

Floyd N. Krukoff: Operations Manager

Floyd Krukoff, B.Sc., P.Eng., is a graduate of the University of Saskatchewan with 10 years of engineering experience in the oil and gas industry in Western Canada. Prior to joining Penn West in 1981, Floyd was employed with a major oil company where he obtained experience in well completions, production operations and reservoir engineering. He is a member of A.P.E.G.G.A., S.P.E. and C.A.D.E.

Penn West Petroleum Ltd.

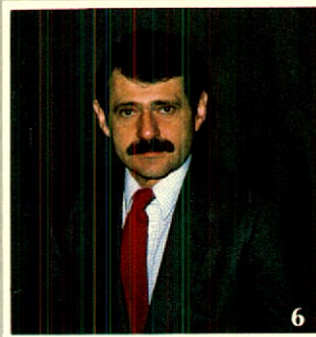
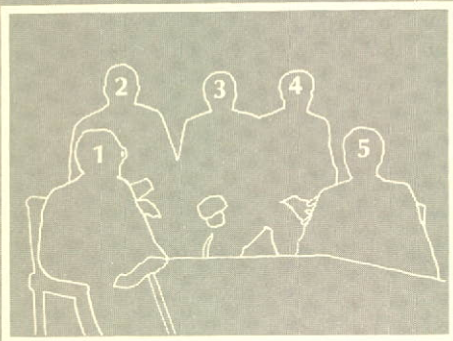


Clockwise from centre right: Lori Petrie, Debbie Sexton, Ron Sparrow, Cathy Wheaton, Susan Campbell, Linda Goroniuk, and Carol Marasco.

We are pleased to announce that W. Andrew Hogg has joined the Company as Manager Exploration—Special Projects.

W. Andrew Hogg: Manager Exploration—Special Projects

W. Andrew Hogg, B.A., M.A., obtained his degrees in geology from the University of Saskatchewan and has 18 years of geological experience with major and independent exploration companies in Canada, the United States and Australia. He has held positions as Chief Geologist and Exploration Manager but the majority of time has been spent in prospect generation, which has resulted in oil and gas discoveries in Alberta and British Columbia. Andy joined Penn West in April, 1983 on his return from Australia, where he was Manager for a subsidiary of Penn West. He is a member of C.S.P.C., R.M.A.G., AND S.E.P.M.



Board of Directors

Left to Right

1. Irwin Singer, Chairman of the Board, Toronto, Ontario.
2. James Duncan McNeill, Calgary, Alberta.
3. Denis L. Russell, Vice President and Secretary, Vancouver, British Columbia.
4. Dr. Gilbert J. McMurry, Calgary, Alberta.
5. Dale F. Duprey, President and Treasurer, Calgary, Alberta.

Not included in group:

6. Sidney Singer, Cos Cob, Connecticut, U.S.A.

Penn West Petroleum Ltd.

Corporate Information

Head Office:

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

Directors:

Irwin Singer, Chairman of the Board
Toronto, Ontario

- * Dale F. Duprey, President and Treasurer
Calgary, Alberta
- Denis L. Russell, Vice President and Secretary
Vancouver, British Columbia
- * Dr. Gilbert J. McMurtry
Calgary, Alberta
- * James Duncan McNeill
Calgary, Alberta
- Sidney Singer
Cos Cob, Connecticut, U.S.A.

Stock Exchange Listings:

Toronto Stock Exchange, Symbol—PWT
Vancouver Stock Exchange, Symbol—PWT
National Association of Securities Dealers, Inc.
Symbol—PWTPF

- * Audit Committee

Bankers:

Bank of Montreal,
705-7th Avenue S.W.,
Calgary, Alberta
Washington County State Bank,
200 West Vulcan,
Brenham, Texas, U.S.A.

Auditors:

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

Transfer Agent:

National Trust Company Limited,
100 Commerce Centre,
1040-7th Avenue S.W.,
Calgary, Alberta

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

