PEMBINA PIPE LINE LTD.

Annual Report 1980

PEMBINA PIPE LINE LTD.

REPORTING IN METRIC

On January 1, 1979, the Canadian petroleum industry adopted the International System of Units (SI) commonly called the metric system. Reporting of company operations therefore is in the metric system; however we have included selected operating data in the old Imperial system and will continue to provide a table of appropriate conversion factors.

The most common conversions relating to volumes of oil and gas will be from barrels and cubic feet to cubic metres; one cubic metre is equal to approximately 6.3 barrels or 35.5 cubic feet. In reporting land areas the conversion will be from acres to hectares; one hectare is roughly equivalent to 2.5 acres.

SI CONVERSION TABLE

To convert from	To	Multiply by
Cubic metre (m^3)	barrel (bbl)	6.293
Thousands of cubic metres (10^3m^3)	thousand cubic feet (mcf)	35.494
Tonne (t)	long ton (t)	0.984
Metre (m)	foot (ft)	3.281
Kilometre (km)	mile (mi)	0.621
Hectare (ha)	acre (ac)	2.471

Examples:

10^3m^3 = one thousand cubic metres
10^6m^3 = one million cubic metres
10^9m^3 = one billion cubic metres

SUMMARY OF THE YEAR 1980

FINANCIAL	1980	1979	% Increase (Decrease)
(thousands of dollars, except per share amounts)			
Revenue from operations	**$ 37,136**	$ 29,809	24.6
Operating expense	**12,427**	8,195	51.6
Interest expense	**5,931**	784	656.5
Exploration and dry hole costs	**4,017**	4,274	(6.0)
Income taxes	**5,198**	6,560	(20.8)
Net income	**4,661**	6,830	(31.7)
per share – $	**0.56**	0.82	
Cash flow net of current income taxes	**14,569**	16,140	(9.7)
per share – $	**1.75**	1.94	
Capital expenditures	**$ 25,669**	$15,122	69.7
OPERATING METRIC (SI) SYSTEM			
Pipeline deliveries (cubic metres per day)	**17 871**	19 074	(6.3)
Gross production			
Crude oil and natural gas liquids – m^3 per day	**351**	345	1.7
Natural gas sales - 10^3m^3 per day	**907**	852	6.5
Gross reserves			
Crude oil and natural gas liquids – 10^3m^3	**2 569**	2 224	15.5
Natural gas – 10^6m^3	**9 974**	6 479	53.9
Land holdings at year end (thousands of hectares)			
Gross	**2 006**	886	126.4
Net	**1 275**	280	355.4
Wells drilled			
Gross	**139**	46	202.2
Net	**71**	12	491.7
OPERATING IMPERIAL SYSTEM			
Pipeline deliveries (barrels per day)	**112,462**	120,033	(6.3)
Gross production			
Crude oil and natural gas liquids (barrels per day)	**2,208**	2,171	1.7
Natural gas (thousands of cubic feet per day)	**32,199**	30,241	6.5
Gross reserves			
Crude oil and natural gas liquids (millions of barrels)	**16.2**	14.0	15.5
Natural gas (billion cubic feet)	**354**	230	53.9
Land holdings at year end (thousands of acres)			
Gross	**4,957**	2,189	126.4
Net	**3,150**	692	355.4

REPORT TO THE SHAREHOLDERS

During 1980, Pembina Pipe Line Ltd. added new dimensions to both its producing operations and its exploratory efforts.

Effective August 1, the Company acquired all the outstanding shares of Anschutz (Canada) Exploration Ltd. for a cash consideration of $71.7 million. Anschutz was engaged in an active exploration and development program on its natural gas properties in Lake Erie, Ontario and on its oil and gas properties in Alberta. Pembina also acquired two floater-type drilling barges and other craft supplementary to offshore drilling operations. Pembina Exploration Co. Ltd. (the successor to Anschutz (Canada) Exploration Ltd.) expects to continue an active exploration and development drilling program during the next few years. As drilling operations in Lake Erie are not possible during the winter season, there is a definite time lag between expenditures for drilling and pipelines and revenues from natural gas deliveries. In the short term, therefore, the inclusion of the results of operations for Pembina Exploration into the Company's consolidated statements will reduce net income and cash flow.

Financial

Pembina's net earnings for 1980 amounted to $4.7 million ($0.56 per share) compared to $6.8 million ($0.82 per share) in 1979. Revenues from operations were $37.1 million up 24.6% from $29.8 million in the prior year. Cash flow net of current income taxes amounted to $14.6 million ($1.75 per share), down 9.7% from $16.1 million ($1.94 per share) in 1979.

As previously noted, if the results of the operations of the newly-acquired company had been excluded, Pembina's net income would have been $3.3 million higher, approximately split between increased interest charges and larger non-cash charges for depletion and depreciation.

The growth in revenues from operations was attributable to higher prices for petroleum products and increased production volumes of crude oil, natural gas liquids and natural gas. Production volumes derived from the former Anschutz properties offset marginally lower production rates resulting from lower demand and declines in productivity from mature fields.

Total cash expenses in 1980 amounted to $22.4 million, an increase of 9.2 million (70%) over 1979. Operating costs rose by 52% from $8.2 million to $12.4 million due to the inclusion of Anschutz operating costs, expanded operations in the United States and inflation. A $5.1 million increase in interest charges resulting primarily from the acquisition of Anschutz was the other major change. Non-cash charges for depletion, depreciation, surrendered leases and amortization totalled $5.2 million, up $1.8 million (53%) from $3.4 million in 1979, as a result of higher production volumes and of Pembina's increasing asset base. The provision for current and deferred income taxes in 1980 amounted to $5.2 million, 21% or $1.4 million lower than in 1979. Funds used in the search for new reserves of oil and gas, amounted to $25.7 million compared with $15.1 million last year.

Production, Transportation and Reserves

Gross production of crude oil and natural gas liquids averaged 351 m^3 (2,208 barrels) per day, up 1.7%. Gross natural gas sales increased by 6.5% to 907 10^3m^3 (32.2 million cubic feet) per day as new production from the Gulf of Mexico and the Anschutz properties offset a weaker demand for Western Canadian gas both in Canada and in the United States.

Pipeline throughputs were reduced by 6.3% to 17 871 m^3 (112,462 barrels) per day reflecting declining productivity in older fields and temporary cutbacks in the West Pembina (Nisku) area where installations by producers of permanent battery and reservoir maintenance facilities caused interruptions to the normal production capacity.

Year-end estimates of petroleum liquid reserves at 2 569 10^3m^3 (16.2 million barrels), as calculated by independent consulting engineers, indicated that additions during the year exceeded production. Natural gas reserves increased by 53.9% to 9 974 10^6m^3 (354 billion cubic feet).

Additional production, prices, pipeline and reserve information is available in the Review of Operations and Statistical sections of this Report.

Exploration and Development

In recent years, Pembina's main efforts in exploration and development have been concentrated in Alberta and British Columbia where a substantial exploratory acreage position has been established. It has also participated in the acquisition of seven Blocks offshore Gulf of

Mexico; one Block commenced deliveries of natural gas during 1980 and others are in various stages of exploitation. With the acquisition of Anschutz, a significant portion of the Company's expenditures is expected to be directed to activity in Lake Erie, Ontario, where markets for natural gas are available upon completion of pipeline and compressor facilities. These plans will be subject to change if reasonable resolutions of the problems created by the Federal Government's October 1980 Budget and the National Energy Program are not obtained.

During 1980, Pembina participated in the drilling of 139 development and exploratory wells (46 in 1979) with an average participating interest of 51% versus 26% last year. Of the 139 wells, 62 were drilled as 100% owned wells in Lake Erie, Ontario. Details of the results of this drilling are tabled on page 7.

At the year end, Pembina held varying interests in 2.0 million hectares (5.0 million acres) equivalent to 1.3 million net or wholly-owned hectares (3.2 million net acres). Significant changes during that year included additions to acreage holdings resulting from the acquisition of Anschutz. A tabulation of the Company's acreage by major geographical areas is shown on page 7.

Industry Conditions

The outlook of the Canadian oil and gas industry changed remarkably toward the end of 1980.

On October 28, 1980, the Federal Government introduced a new budget and The National Energy Program (NEP). As a "Canadian" company, these proposals contain a combination of both favorable and unfavorable changes in the areas of incentive grants, taxation and oil and gas pricing policies.

The imposition of a new tax on gross oil and gas revenues; a schedule of new prices for oil and gas which in the short term are inadequate and in the longer term are uncertain; the withdrawal of the earned depletion allowance and the measures designed to increase the Canadian ownership of the industry; have necessitated a review of both the industry's and the Company's investment direction.

As the proposals have as yet not been confirmed by legislation and certain changes are expected, it is difficult to predict the ultimate effect of such proposals on the Company's operations. However, the Federal Government has been collecting the new tax on revenues since January 1, 1981, and consequently the Company's cash flow available for exploration and development will be reduced in 1981.

While the Company recognizes the Federal Government's desire to increase its share of petroleum revenues as well as to enlarge the Canadian content of the industry, many of its proposals will reduce the internally-generated funds of the Company for on-going exploration and development. In the long term, Canada has the potential for large reserves of energy from conventional oil and gas, tar sands, heavy oils and coal – more than sufficient to meet the requirements of Canadians for decades to come. Pembina hopes to be able to continue to explore for these reserves in Canada in the expectation that the various levels of government will turn their attention to the creation of a political and fiscal environment which will foster the discovery and development of vitally-needed energy reserves.

Appreciation

We would like to express our sincere appreciation to our employees and shareholders for their continued support during 1980. Pembina's achievements are in large measure attributable to the dedication, adaptability and skills which our employees contribute toward finding, developing and transporting energy resources.

On behalf of the Board:

Chairman

Alex R Cummings

President

Calgary, Alberta
June 3, 1981

REVIEW OF OPERATIONS

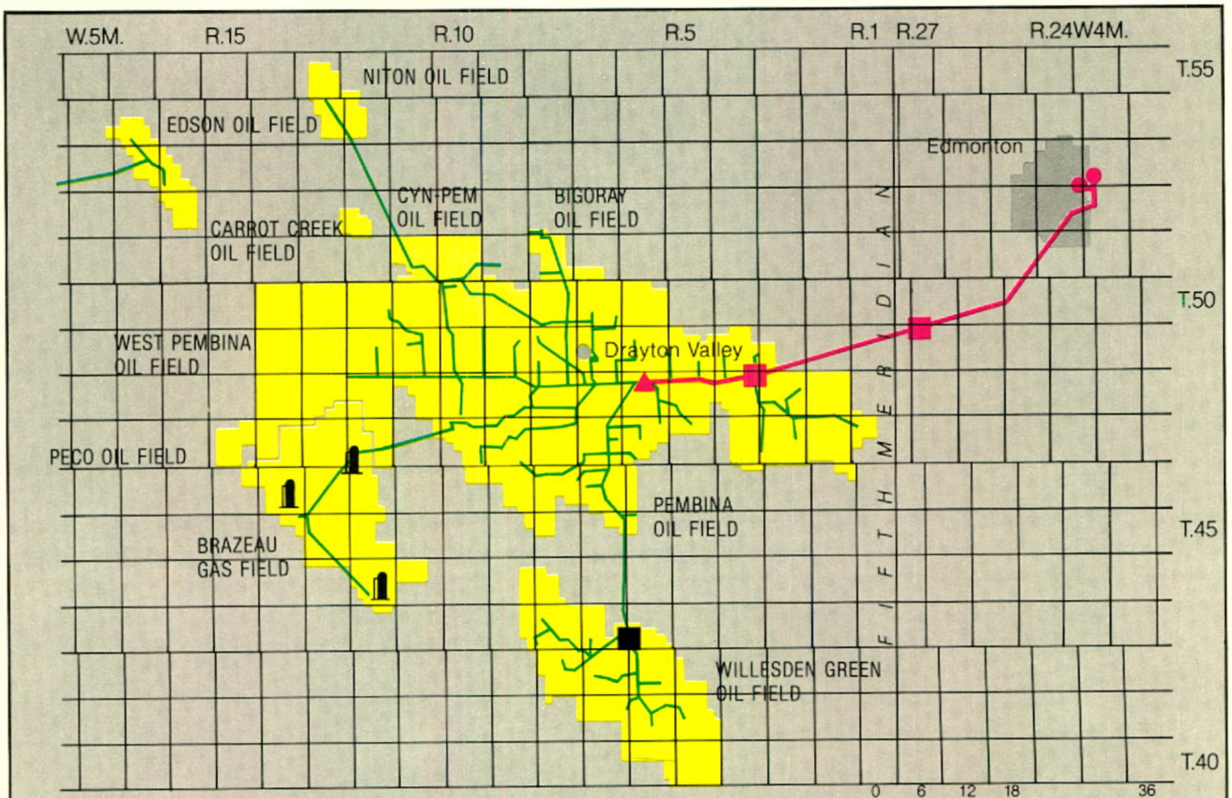
PIPELINE

During 1980 Pembina's Pipe Line Division gathered and transported 6 522 10^3m^3 (41 million barrels) of crude oil and condensate at an average daily volume of 17 871 m^3 (112,462 barrels).

PIPELINE THROUGHPUT (Daily Average)	1980	Change from 1979 Amount	%
Metric (SI) System			
(m^3 per day)			
Crude oil and condensate			
Pembina	**11 591**	(186)	(1.6)
West Pembina (Nisku)	**3 867**	(453)	(10.5)
Willesden Green	**1 793**	(89)	(4.7)
Other	**620**	(475)	(43.4)
Total	**17 871**	(1 203)	(6.3)
Imperial System			
(barrels per day)			
Total	**112,462**	(7,571)	(6.3)

The 6.3% throughput reduction from 1979 resulted from lower volumes gathered from the West Pembina (Nisku) area; installations by the producers of permanent battery and reservoir maintenance facilities caused interruptions to the normal production capacity from this area.

Lower throughputs from Pembina, Willesden Green and other fields reflect partially the declining productivity of older fields and the inability of markets to absorb all of the available producing potential of this area, particularly during the fourth quarter of the year. If the Alberta Government's proposed 15% cutback in crude oil is fully phased in during 1981, Pembina's pipeline throughputs from West Pembina (Nisku) could remain below the potential level.



PEMBINA AREA PIPE LINE SYSTEM

A 1980 highlight was the installation of a computer-based supervisory system for control and monitoring of pumps, equipment and flow on the 406.4 millimetre (16 inch) mainline between the Buck Creek Pump Station and the Edmonton Terminal. Augmenting this installation was the upgrading of the mobile radio system providing extended and improved communication for the operating group. During 1980, the gathering system was extended by 3.6 kilometres (2.2 miles).

Pembina also owns a 50% equity interest in South Alberta Pipe Lines Ltd. operating in the Medicine Hat area of Alberta. Natural gas transported through this system averaged 1 680 10^3m^3 (59.6 million cubic feet) per day during 1980, compared with 1 366 10^3m^3 (48.5 million cubic feet) per day in 1979.

PETROLEUM PRODUCTION

Crude Oil and Natural Gas Liquids

Pembina 1980 production of petroleum liquids averaged 351 m^3 per day (2,208 barrels), an increase of 1.7% from the 345 m^3 per day (2,171 barrels) per day in 1979.

PRODUCTION INCLUDING ROYALTY VOLUMES (Daily Average)	1980	Change from 1979 Amount	%
Metric (SI) System (m^3 per day)			
Canada			
Crude oil and condensate	**310**	(5)	(1.6)
Natural gas liquids	**25**	6	30.8
	335	1	0.3
United States			
Crude oil and condensate	**16**	5	45.5
Total	**351**	6	1.7
Imperial System (barrels per day)			
Crude oil and condensate	**2,051**	—	—
Natural gas liquids	**157**	37	30.8
Total	**2,208**	37	1.7

Increased production from recently-acquired producing properties in Alberta (Anschutz) and a full year's production from California properties acquired late in 1979 offset the natural decline in older oil producing fields in Canada.

Natural Gas

In 1980 natural gas deliveries, before deducting royalty volumes, increased by 6.5% to 907 10^3m^3 (32,199 mcf) per day.

PRODUCTION INCLUDING ROYALTY VOLUMES (Daily Average)	1980	Change from 1979 Amount	%
Metric (SI) System (10^3m^3 per day)			
Canada			
Alberta	**631**	(24)	(3.7)
British Columbia	**174**	(23)	(11.7)
Ontario	**69**	69	
	874	22	2.6
United States			
Gulf of Mexico	**31**	31	
Other	**2**	2	
	33	33	
Total	**907**	55	6.5
Imperial System (mcf per day)			
Canada	**31,043**	802	2.6
United States	**1,156**	1,156	
Total	**32,199**	1,958	6.5

The 2.6% increase in Canadian natural gas production resulted from deliveries from properties acquired in Lake Erie, Ontario during 1980. Higher prices in both Canada and the United States encouraged consumer conservation and the use of alternate energy supply which resulted in lower production volumes from Alberta and British Columbia. Contributing to this weaker demand for Canadian gas is the growing exploration and development activity in the United States which is improving the indigenous supply. Pembina's participation in this activity is reflected in recent natural gas deliveries from Block 281 in the Gulf of Mexico which contributed to the overall increase in gas deliveries of 6.5%.

PRICES

Prices for Pembina's petroleum products improved both in Canada and the United States during 1980.

AVERAGE PRICES RECEIVED	Canada 1980	Canada Increase Over 1979	United States 1980	United States Increase Over 1979
Metric (SI) System				
Crude oil – per m^3	**$94.33**	$12.22	**$166.11**	$61.83
Natural gas liquids per m^3	**86.56**	21.66	**—**	—
Natural gas – per 10^3m^3	**59.14**	15.95	**91.66**	63.17
Imperial System				
Crude oil – per bbl	**15.00**	1.95	**26.40**	9.83
Natural gas liquids per bbl	**13.75**	3.44	**—**	—
Natural gas – per mcf	**1.67**	0.45	**2.58**	1.78

The price received for Canadian crude oil averaged $94.33 per m^3 ($15.00 per barrel) during 1980, up $12.22 per m^3 ($1.95 per barrel). The wellhead price of Canadian crude oil increased $6.29 per m^3 ($1.00 per barrel) on January 1, 1980, and $12.58 per m^3 ($2.00 per barrel) effective August 1, 1980.

By comparison, the price received by OPEC countries for crude oil landed at Montreal averaged $237.25 per m^3 ($37.70 per barrel) during 1980; during January 1981 the price was $270.00 per m^3 ($42.90 per barrel).

During 1980, the average price received for Canadian natural gas was $59.14 per 10^3m^3 ($1.67 per mcf), an increase of $15.95 per 10^3m^3 ($0.45 per mcf) over last year. The 36.9% increase was primarily due to higher natural gas prices for exported gas. The Canadian domestic price of natural gas increased by $5.32 10^3m^3 ($0.15 per mcf) on February 1, 1980, and by $10.64 10^3m^3 ($0.30 per mcf) on September 1, 1980.

The significant improvement in product prices in the United States reflects the de-control of crude oil prices and the sales of higher-priced natural gas from the Gulf of Mexico.

RESERVES

Pembina's proven and probable additional reserves of petroleum liquids, natural gas and sulphur (before deducting royalties), as calculated by independent consulting engineers, are compared with the previous year below:

RESERVES (before royalties)	Proven & Probable Year-end 1980	Proven & Probable Change vs. 1979	Proven Only Year-end 1980	Proven Only Change vs. 1979
Metric (SI) System				
Crude oil and natural gas liquids – 10^3m^3				
Canada	**2 509**	179	**1 526**	62
United States	**60**	(1)	**60**	(1)
	2 569	178	**1 586**	61
Natural gas – 10^6m^3	**9 974**	1 550	**7 945**	2 226
Sulphur – 10^3t	**128**	18	**128**	18
Imperial System				
Crude oil and natural gas liquids (thousands of barrels)				
Canada	**15,789**	1,127	**9,605**	390
United States	**380**	(9)	**380**	(9)
	16,169	1,118	**9,985**	381
Natural gas (billion cubic feet)				
Canada	**350**	54	**279**	79
United States	**4**	1	**3**	—
	354	55	**282**	79
Sulphur (thousands of long tons)				
Canada	**126**	18	**126**	18

LAND

At year end 1980, Pembina held varying interests in 2.0 million gross hectares (5.0 million gross acres) equivalent to 1.3 million net or wholly-owned hectares (3.2 million net acres) in the area and countries shown in the tabulation below:

PEMBINA LAND HOLDINGS	Gross Hectares Year-end 1980	Gross Hectares Change vs. 1979	Net Hectares Year-end 1980	Net Hectares Change vs. 1979
Metric (SI) System (thousands of hectares)				
Alberta	**483**	45	**202**	62
British Columbia	**880**	547	**633**	519
Ontario	**570**	570	**429**	429
Saskatchewan	**9**	(6)	**2**	(5)
N.W.T. and Yukon	**12**	—	**6**	(6)
Arctic Islands	**37**	(38)	**2**	(4)
U.S.A.	**15**	2	**1**	—
Total	**2 006**	1 120	**1 275**	995
Imperial System (thousands of acres)				
Total	**4,957**	2,768	**3,150**	2,458

Significant additions to Pembina's petroleum and natural gas rights in Alberta, British Columbia and Ontario resulted from the acquisition of Anschutz during 1980; these additions totalled 1.2 million gross hectares (3.0 million gross acres) equivalent to 1.0 million wholly-owned or net hectares (2.5 million net acres).

During the year, the Company acquired a total of 34 771 gross (8 900 net) hectares in Alberta and British Columbia and relinquished 21 450 gross (8 908 net) hectares through lease expirations, farmouts and the conversion of large permit holdings to lease status primarily in Beaverskin, Muskwa and West Pesh areas of British Columbia. Late in 1980, Pembina acquired a 4.5% interest in Brazos Block 501, offshore Texas.

DRILLING ACTIVITY

Pembina's 1980 development and exploratory well completions are compared with the prior year below:

DRILLING ACTIVITY	Development 1980	Development 1979	Exploratory 1980	Exploratory 1979
Gross wells	**40.0**	17.0	**99.0**	29.0
Oil	**21.0**	8.0	**6.0**	4.0
Gas	**17.0**	8.0	**43.0**	20.0
Dry	**2.0**	1.0	**50.0**	5.0
Net wells	**14.9**	4.2	**56.0**	7.6
Oil	**4.3**	2.9	**2.1**	0.3
Gas	**10.2**	1.2	**22.5**	5.8
Dry	**0.4**	0.1	**31.4**	1.5

During 1980, Pembina participated in the drilling of 139 gross wells with an average participation of 51%. Of this total 40 gross (14.9 net) wells were development wells and 99 gross (56.0 net) were exploratory wells. Through farmout agreements the Company evaluated considerable acreage by contributing acreage rather than cash; 18 of the 99 exploratory wells were drilled under this arrangement. The results of the Company's drilling operations are summarized in the tabulation below:

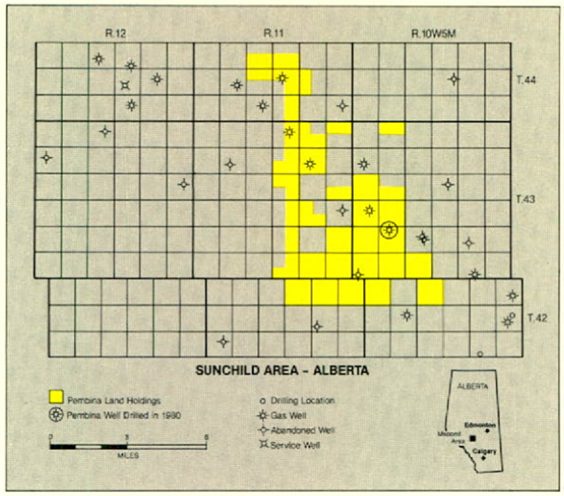
DRILLING RESULTS	Type of Well	Successful Wells Gross	Successful Wells Net
Alberta	Oil	16	6.0
Alberta	Gas	21	5.5
British Columbia	Gas	8	2.3
Ontario	Gas	30	24.8
California	Oil	11	0.4
Gulf of Mexico	Gas	1	0.1
		87	39.1

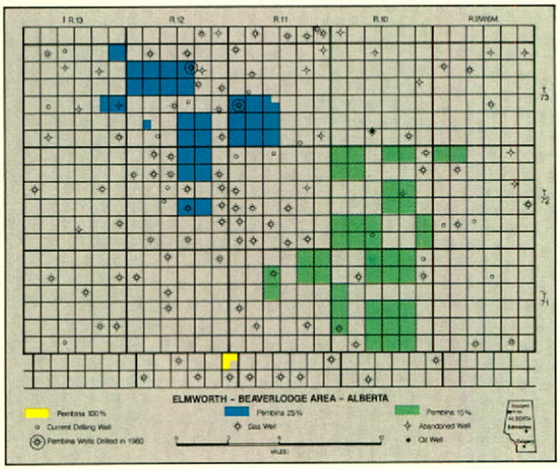
EXPLORATION AND DEVELOPMENT

CANADA

Alberta

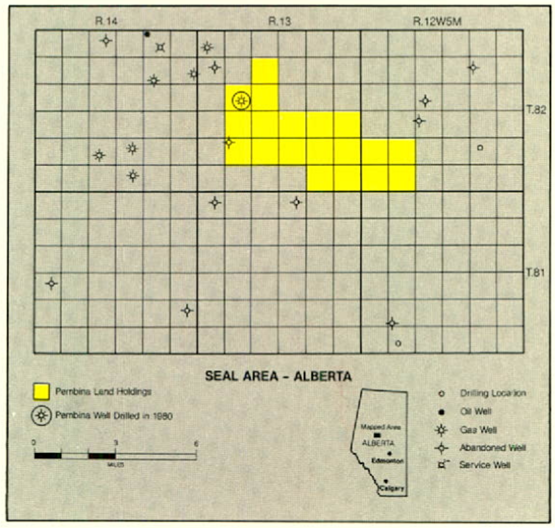
Pembina Pipe Line participated with associated companies in drilling 11 development wells and 15 exploration wells which resulted in the completion of 8 oil wells and 15 gas wells. In addition, 8 wells were drilled on Company lands under farmout agreement. A subsidiary company, Pembina Exploration Co. Ltd., participated in the drilling of 10 exploration wells and 4 development wells which resulted in the completion of 6 oil wells and 4 gas wells. An additional 10 wells were drilled on Company lands under farmout agreement.





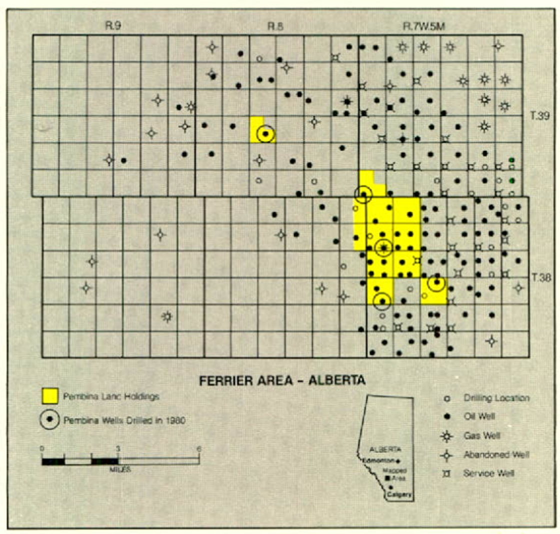
In the Elmworth-Beaverlodge area of northern Alberta, Pembina Pipe Line participated in the drilling and completion of 2 gas wells which encountered significant gas reserves. The Company has a 25% interest in 5 120 hectares (12,800 acres) in the immediate area. Pembina also has a 15% interest in 11 264 hectares (28,160 acres) of undeveloped acreage in the general areas as exploration and development drilling is planned on these lands in 1981.

A successful Debolt gas well was drilled and completed in the Seal area of northern Alberta where the Company has an interest of 34% in 4 864 hectares (12,160 acres).



Development drilling resulted in the completion of 5 oil wells in the Ferrier area, 2 oil wells in the Medicine River area, and 1 gas well in the Sunchild area.

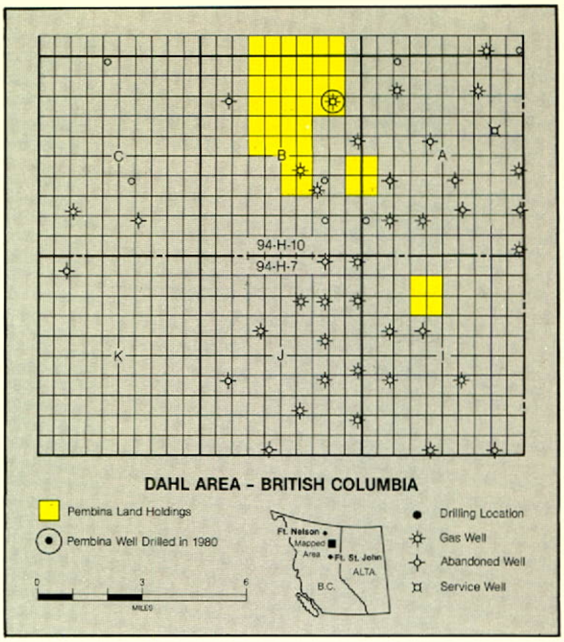
The Company also participated in a number of seismic programs to delineate additional exploration plays in the Strachan, Beaverlodge and Josephine areas.

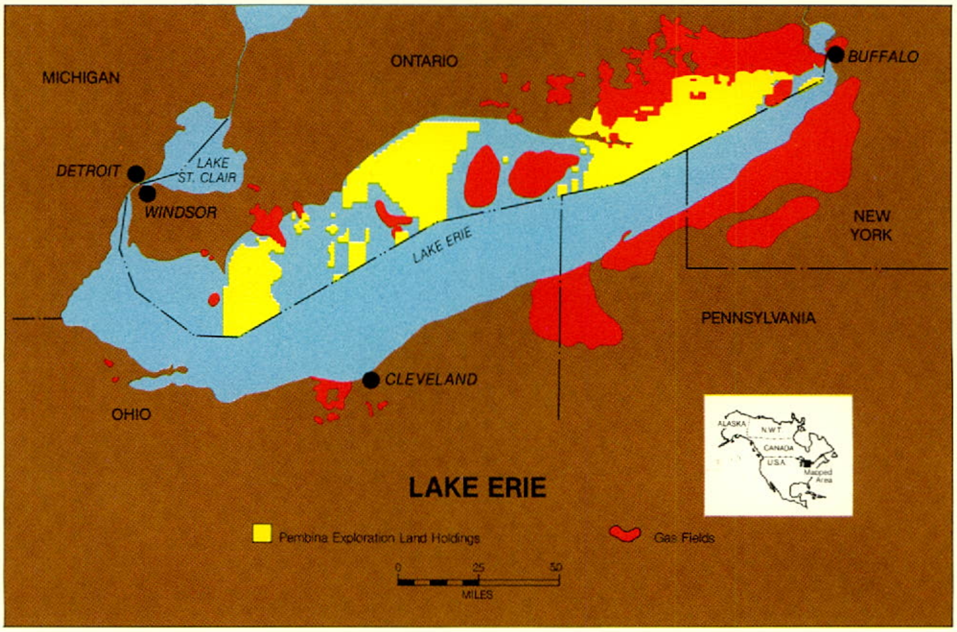


British Columbia

In northeastern British Columbia the Company participated with partners in two very successful exploration drilling ventures. In the Laprise area where the Company owns an average of 75% interest in 1 250 hectares (3,088 acres), a Baldonnel gas well was completed. The second successful test was completed as a Bluesky gas well in the Dahl area where the Company has a 34% interest in 2 778 hectares (6,862 acres).

Seismic programs were carried out to define drillable prospects on the Company's acreage holdings in the Dawson Creek, Flatbed, Bigfoot, Sojer and Laprise areas of northeastern British Columbia.

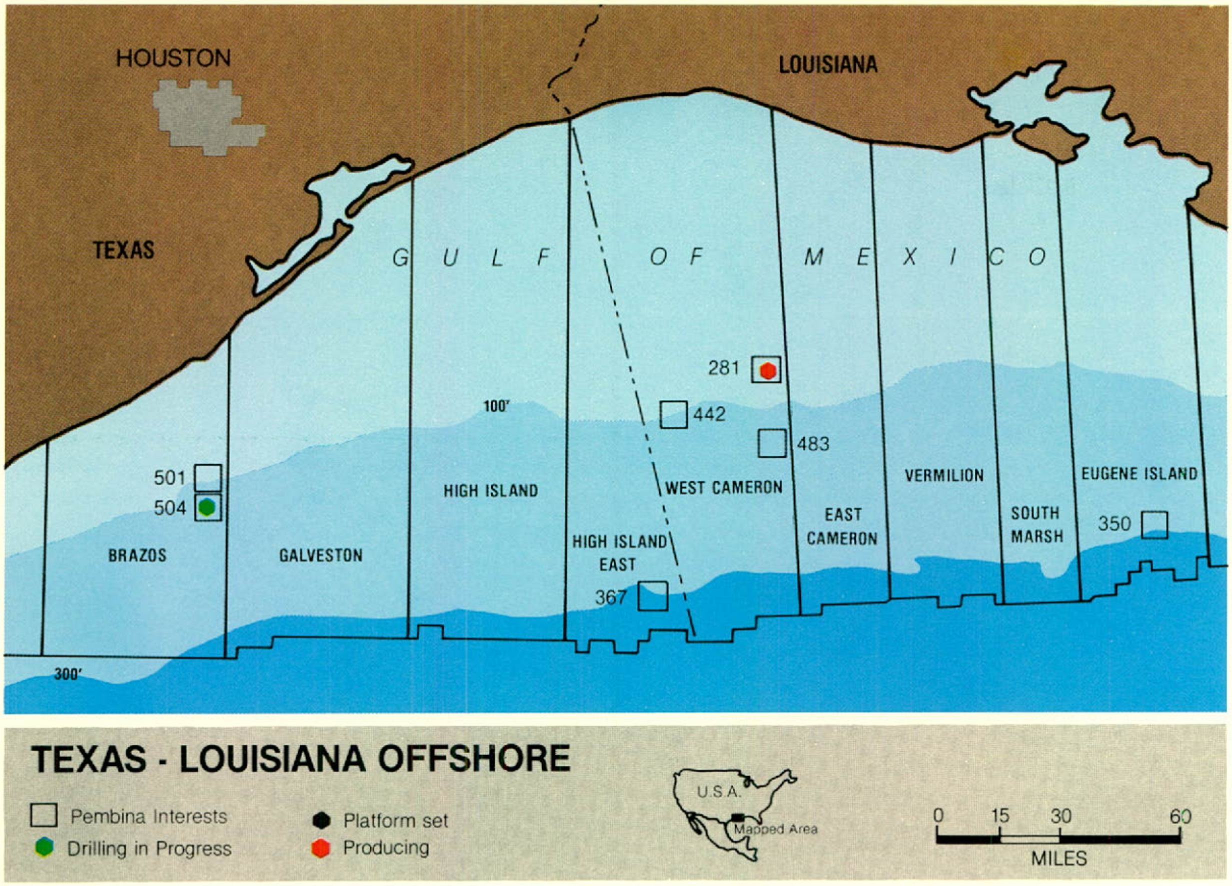




Ontario

Pembina's position in Lake Erie has increased substantially in the acquisition of Anschutz (Canada) Exploration Ltd., now Pembina Exploration Co. Ltd., a wholly-owned subsidiary of Pembina Pipe Line Ltd. Pembina Exploration Co. Ltd. owns 420 000 net hectares (1,037,500 net acres) in the Lake. Currently, approximately one-third of the acreage has been evaluated by the exploratory step-out technique with a total of 118 completed gas wells out of 229 wells drilled to date.

Over the next few years, Pembina Exploration Co. Ltd. plans an aggressive exploratory program to evaluate the remaining undrilled lands, commencing with a minimum program of 50 wells in the summer of 1981.



UNITED STATES

Gulf of Mexico

The development drilling program was completed on West Cameron Block 281 (Pembina 8% interest) and production initiated in August. The 10 successful completions have total deliverability of 70 million cubic feet of gas per day; however, pipeline capacity and low demand are limiting sales to 35-40 million cubic feet per day. The drilling and production platform was set on Brazos Block 504 (Pembina 11.4% interest) and development drilling initiated in September. This platform will also be utilized for development drilling on the recently-acquired Brazos Block 501 (Pembina 4.5% interest). The drilling program for these two blocks should be completed and gas sales initiated about year-end 1981. The initial exploration well is planned for West Cameron Block 483 (Pembina 6.4% interest) as soon as a drilling rig is available. Two exploration wells are scheduled for Eugene Island Block 350 (Pembina 5.9% interest) during the second quarter of 1981. High Island Block A-367 (Pembina 8% interest) and West Cameron Block 442 (Pembina 4.8% interest) are being evaluated for additional exploration drilling, possibly in late 1981, depending on rig availability.

PEMBINA PIPE LINE LTD.

Consolidated Statement of Income and Retained Earnings

Years Ended December 31, 1980 and 1979

	1980	1979
INCOME		
Revenue from operations	**$37,136,000**	$29,809,000
Interest and other income	**222,000**	230,000
	37,358,000	30,039,000
EXPENSES		
Operating	**12,427,000**	8,195,000
Exploration and non-productive drilling	**4,017,000**	4,274,000
Depletion	**2,552,000**	1,574,000
Depreciation	**2,283,000**	1,486,000
Surrendered leases	**397,000**	328,000
Interest – long-term debt	**5,129,000**	310,000
– other	**802,000**	474,000
Amortization of other assets	**8,000**	8,000
	27,615,000	16,649,000
Income before income taxes and share of income of affiliated companies	**9,743,000**	13,390,000
Income taxes – current	**4,481,000**	4,920,000
– deferred	**717,000**	1,640,000
	5,198,000	6,560,000
Income before share of income of affiliated companies	**4,545,000**	6,830,000
Share of income of affiliated companies	**116,000**	—
Net income for the year	**4,661,000**	6,830,000
Retained earnings at beginning of year	**27,274,000**	20,444,000
Retained earnings at end of year	**$31,935,000**	$27,274,000
Earnings per share:	**56¢**	82¢

See accompanying notes

PEMBINA PIPE LINE LTD.

(Incorporated under the laws of Alberta)

Consolidated Balance Sheet

December 31, 1980 and 1979

Assets	**1980**	**1979**
CURRENT		
Cash	**$ —**	$ 1,212,000
Accounts receivable	**14,441,000**	8,289,000
Due from affiliated companies	**775,000**	482,000
Income taxes recoverable	**676,000**	—
Deposits and prepaid expenses	**643,000**	271,000
	16,535,000	10,254,000
INVESTMENTS (Note 2)		
Debentures and shares of affiliated and other companies	**1,496,000**	523,000
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 5)		
Investment in carrier property, land, leases, wells and other equipment	**219,067,000**	114,422,000
Less accumulated depreciation and depletion	**49,472,000**	44,754,000
	169,595,000	69,668,000
OTHER ASSETS	**221,000**	229,000
	$187,847,000	$80,674,000

See accompanying notes

Liabilities	**1980**	**1979**
CURRENT		
Bank indebtedness (Note 4)	**$ 7,112,000**	$ 4,085,000
Accounts payable	**12,285,000**	3,689,000
Income taxes payable	**—**	1,592,000
Current portion of long term debt	**2,292,000**	1,000,000
	21,689,000	10,366,000
PREPAYMENTS ON FUTURE GAS DELIVERIES	**1,345,000**	1,114,000
LONG TERM DEBT (Note 5)	**89,460,000**	792,000
DEFERRED INCOME TAXES	**8,868,000**	6,578,000
Shareholders' Equity		
SHARE CAPITAL		
Authorized:		
16,000,000 common shares having a nominal or par value of $4.15 each		
Issued:		
8,325,160 shares	**34,550,000**	34,550,000
RETAINED EARNINGS	**31,935,000**	27,274,000
	66,485,000	61,824,000
	$187,847,000	$80,674,000

On behalf of the Board:

Alex R Cummings Director

F. Dobson Director

PEMBINA PIPE LINE LTD.

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1980 and 1979

	1980	1979
SOURCE OF FUNDS		
From operations		
Net income for the year	**$ 4,661,000**	$ 6,830,000
Add (deduct) items not affecting working capital		
Depletion	**2,552,000**	1,574,000
Depreciation	**2,283,000**	1,486,000
Deferred income taxes	**717,000**	1,640,000
Surrendered leases	**397,000**	328,000
Amortization of other assets	**8,000**	8,000
Share of income of affiliated companies net of dividends received	**(66,000)**	—
	10,552,000	11,866,000
Exploration and non-productive drilling	**4,017,000**	4,274,000
Funds from operations before exploration expense	**14,569,000**	16,140,000
Proceeds from long-term debt	**86,297,000**	—
Prepayments on future gas deliveries	**231,000**	623,000
Other	**—**	54,000
	101,097,000	16,817,000
APPLICATION OF FUNDS		
Additions to property, plant and equipment including exploration and non-productive drilling	**25,699,000**	15,122,000
Acquisition of subsidiary company	**71,750,000**	—
Working capital deficiency of acquired subsidiary	**5,116,000**	—
Production loan payments	**1,375,000**	1,000,000
Increase in current portion of long term debt	**1,292,000**	—
Increase in investments	**907,000**	—
	106,139,000	16,122,000
Increase (decrease) in working capital	**(5,042,000)**	695,000
Working capital (deficiency) at beginning of year	**(112,000)**	(807,000)
Working capital (deficiency) at end of year	**$ (5,154,000)**	$ (112,000)

See accompanying notes

Notes to Financial Statements

December 31, 1980 and 1979

1. SUMMARY OF ACCOUNTING POLICIES

a) Principles of Consolidation

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly-owned.

b) Investments

The Company accounts for its investment in an affiliated company and partnership by the equity method.

c) Property, plant and equipment

In accounting for oil and gas operations in areas other than Lake Erie, the company follows a form of the successful efforts method whereby exploration and non-productive drilling costs are written off currently. Lease acquisition costs are charged against income upon surrender. Production equipment and drilling costs applicable to productive wells are capitalized.

Operations in Lake Erie are accounted for as a separate area of interest. Exploration and non-productive drilling costs incurred as a result of developing or extending producing Lake Erie properties are capitalized. Interest is capitalized on those Lake Erie properties under development for which production has not commenced.

d) Depletion and depreciation

i) Capitalized leasehold and drilling costs relating to productive properties are depleted on a unit of production method based on proven reserves of oil and gas as estimated by independent petroleum engineers. Gas gathering equipment in Lake Erie is depreciated on the same basis. Other production equipment is depreciated on a straight line basis at a rate of 7% per annum.

ii) Pipeline system assets are depreciated on the unit of production method based on independently estimated proven reserves of the fields served by the pipeline.

iii) Other property and equipment is depreciated on the declining balance method at rates varying from 10% to 30%.

e) Prepayments on future gas deliveries

Payments received for gas not delivered until required in the future are deferred and will be recorded as income when the gas is delivered.

f) Foreign currency translation

Accounts kept in foreign currencies are translated into Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange at the balance sheet date; fixed assets and other non-current assets at historic rates of exchange; and revenues and expenses, except depreciation and depletion, at average rates of exchange during the year. Depreciation and depletion are recorded at historic rates of exchange. Exchange gains or losses are included in income.

2. INVESTMENTS

	1980	1979
Marketable Securities (market value $2,375,000)	**$ 419,000**	$ —
Investment in debentures and shares of affiliated company and limited partnership	**1,004,000**	450,000
Other investments	**73,000**	73,000
	$1,496,000	$523,000

3. ACQUISITION

Effective August 1, 1980 the Company acquired through its wholly-owned subsidiary, Pembina Pipe Line (U.S.) Ltd., all of the outstanding shares of Anschutz (Canada) Exploration Ltd. and its subsidiary Anschutz Barge Co. Ltd. Anschutz (Canada) Exploration Ltd. is engaged in the exploration for and development of natural gas and oil and the transmission of natural gas. Anschutz Barge Co. Ltd. is engaged in offshore drilling. The acquisition has been accounted for as a purchase and accordingly the results of operations since August 1, 1980 have been included in these financial statements. Details of the acquisition are as follows:

Property, plant and equipment	$83,477,000
Working capital deficiency	(5,116,000)
Long-term debt	(5,038,000)
Deferred income taxes	(1,573,000)
Cash consideration	$71,750,000

Effective September 26, 1980, Pembina Pipe Line (U.S.) Ltd. was merged into Anschutz (Canada) Exploration Ltd. On October 14, 1980 the name of Anschutz (Canada) Exploration Ltd. was changed to Pembina Exploration Co. Ltd.

4. BANK INDEBTEDNESS

The Company has pledged certain oil and gas properties as collateral for its bank indebtedness.

5. LONG-TERM DEBT

	1980	1979
Production bank loans	**$15,417,000**	$1,792,000
Bank term loans	**76,335,000**	—
	91,752,000	1,792,000
Less current portion due within one year	**2,292,000**	1,000,000
	$89,460,000	$ 792,000

The production bank loans bear interest at prime plus 1/2% and prime plus 3/4%. As collateral for these loans the Company has pledged its interest in certain oil and gas producing properties and related gas purchase contracts. A production loan totalling $792,000 is due in 1981 while the remaining production loan totalling $14,625,000 is repayable at $1,500,000 annually through 1990.

The bank term loans bear interest at prime plus 1 1/2%, and have a twelve-year term. As collateral for these loans the Company has pledged the assets and shares of a subsidiary company. The repayment requirements of a term loan totalling $17,935,000 at December 31, 1980 are to be reviewed annually by the Company and the bank. No repayments are required in the next two years. The remaining term loans require principal repayments of $1,622,000 per quarter for 35 consecutive quarters commencing January 1, 1983 with a final payment of $1,630,000 due October 1, 1991.

The expected repayments on long-term debt in the next five years are as follows:

	($000's)				
	1981	1982	1983	1984	1985
Production bank loans	2,292	1,500	1,500	1,500	1,500
Bank term loans	—	—	8,480	8,480	8,480
	2,292	1,500	9,980	9,980	9,980

During the year interest on long-term debt amounted to $5,524,000 of which $395,000 was capitalized as property, plant and equipment.

6. RELATED PARTY TRANSACTIONS

The Company obtains data processing and other administrative services through cost sharing arrangements with affiliated companies. During 1980, the Company's share of these costs totalled $1,183,000.

7. INCOME TAXES

Subsidiaries of the Company (including United States subsidiaries) have non-capital loss carry forwards available for offset against future years' taxable income of $7,098,000. The following is a schedule of amounts available and latest year of expiry.

Amount Available	Latest Year Available For Deduction
$ 650,000	1981
499,000	1982
3,491,000	1985
2,189,000	1986
269,000	1987
$7,098,000	

8. BUSINESS SEGMENT

The Company is in the single industry of exploration, production and transportation of oil and gas.

9. REMUNERATION OF DIRECTORS AND OFFICERS

The remuneration paid to directors and senior officers of the Company during 1980 and 1979 was $764,000 and $801,000 respectively.

AUDITORS' REPORT

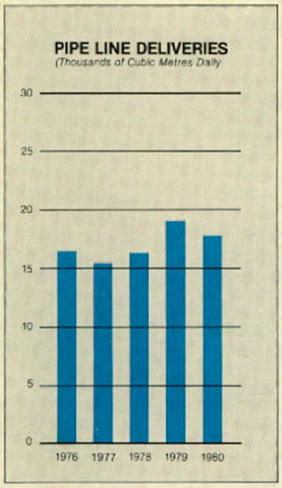
To the Shareholders of
Pembina Pipe Line Ltd.

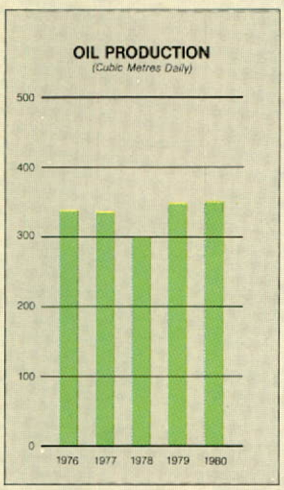
We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. as at December 31, 1980 and 1979 and the consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

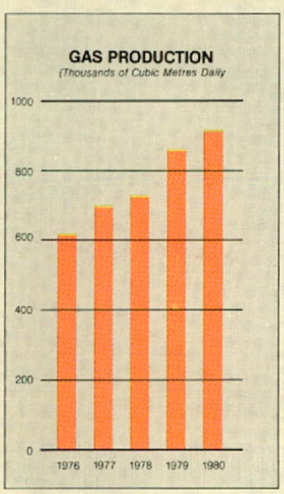
In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Canada
May 15, 1981

Clarkson Gordon
Chartered Accountants







CONSOLIDATED FIVE YEAR REVIEW

	1980	1979	1978	1977	1976
Financial					
(thousands of dollars except per share amounts)					
Gross revenue	**$37,358**	$30,039	$23,355	$20,267	$17,953
Cash flow net of current income taxes	**14,569**	16,140	12,737	11,879	9,724
per share – $	**1.75**	1.94	1.53	1.43	1.17
Income before extraordinary item	**4,661**	6,830	4,505	2,244	3,350
per share – $	**0.56**	0.82	0.54	0.44	0.40
Net income	**4,661**	6,830	4,505	3,682	3,350
per share – $	**0.56**	0.82	0.54	0.27	0.40
Capital expenditures	**25,669**	15,122	12,985	10,727	8,637
Investment in property, plant and equipment at year end – at cost	**219,067**	114,422	103,979	94,788	88,015
Long-term debt less current maturities at year end	**89,460**	792	1,792	2,792	3,792
Operations - Metric (SI)					
Pipeline					
Deliveries – m^3 per day	**17 871**	19 074	16 419	15 600	16 497
Line built in year – kilometres	**4**	12	22	16	—
Line at year end – kilometres	**1 761**	1 757	1 745	1 723	1 707
Gross production for year					
Crude oil and natural gas liquids – 10^3m^3	**128**	126	110	123	124
Natural gas – 10^6m^3	**355**	311	266	258	228
Land holdings at year end					
Gross – thousands of hectares	**2 006**	886	1 018	1 302	1 363
Net – thousands of hectares	**1 275**	280	317	392	454
Wells drilled – gross	**139**	46	29	44	59
Wells drilled at year end – net					
Oil	**83**	77	74	72	71
Gas	**147**	114	107	103	97
Operations - Imperial					
Pipeline deliveries – thousands of barrels per day	**112**	120	103	98	104
Gross production for the year –					
Crude oil and natural gas liquids – thousands of barrels	**808**	792	693	774	779
Natural gas – millions of cubic feet	**11,785**	11,038	9,433	9,172	8,085
Land holdings at year end					
Gross – thousands of acres	**4,957**	2,189	2,515	3,217	3,367
Net – thousands of acres	**3,150**	692	786	968	1,121

Corporate Information

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Calgary, Alberta
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Calgary, Alberta

SOLICITORS
MacKimmie Matthews
Calgary, Alberta

AUDITORS
Clarkson Gordon
Calgary, Alberta

Directors

A.R. CUMMINGS
Cochrane, Alberta

T.S. DOBSON
Calgary, Alberta

L.B. GORDON
Calgary, Alberta

D.W. McCLEMENT
Calgary, Alberta

R.N. MANNIX
Calgary, Alberta

Officers and Key Personnel

L.B. GORDON
Chairman of the Board

A.R. CUMMINGS
President

D.V. BOECHLER
Vice President and
General Manager

P.R. LADOUCEUR
Vice President Finance

B.C. BURCH
Vice President Exploration

J.L.D. COOPER
Vice President Production

L.G. ELHATTON
Vice President

L.A. GUST
Vice President
U.S. Operations

H.K. JONES
Vice President
Corporate Development

G.B. THOMPSON
Vice President Land

L.E. GANO
Vice President Pipelines

R.B. MICHALESKI
Controller

J.T. WOOD
Vice President and Treasurer

FRANCES FERGUSON
Secretary

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