1991 Annual Report

Prairie

Oil Royalties Company, Ltd.

Corporate Profile

Prairie Oil Royalties Company, Ltd. was incorporated July 13, 1951, under the laws of the Province of Saskatchewan in Canada. At December 31, 1991, there were 7,846,076 common shares issued and outstanding. Norcen Energy Resources Limited of Calgary, Alberta, Canada, owns 74.4 per cent of the common shares. The Company produces and sells crude oil, gas liquids and natural gas in Canada and is engaged in oil and gas exploration and development in Western Canada.

Contents

Annual Meeting

The Annual and Special Meeting of Shareholders will be held on Tuesday, May 12, 1992, at 9:30 a.m., local time, in the boardroom of Norcen Energy Resources Limited, 32nd Floor, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada.

PRAIRIE OIL ROYALTIES COMPANY, LTD.

715 Fifth Avenue Southwest
CALGARY, ALBERTA, CANADA T2P 2X7

NOTICE OF

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders (the "Meeting") of Prairie Oil Royalties Company, Ltd. (the "Company") will be held in the Boardroom of Norcen Energy Resources Limited, 32nd Floor, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada, on

Tuesday, May 12, 1992

at 9:30 o'clock in the forenoon, local time, for the following purposes:

1. to receive the annual report including the financial statements for the year ended December 31, 1991 and the auditors' report thereon;

2. to consider and, if thought fit, approve a Special Resolution authorizing the application and other actions necessary to change the governing jurisdiction of the Company from the Province of Saskatchewan to Alberta;

3. to elect directors;

4. to appoint auditors and authorize the Board of Directors to fix their remuneration; and

5. to transact such other business as may properly come before the Meeting or any adjournment thereof.

Shareholders who do not expect to attend the Meeting in person are requested to complete, date and sign the form of proxy enclosed with this notice and forward it, in the envelope provided, to the Secretary of the Company, c/o Montreal Trust Company of Canada, 411 Eighth Avenue Southwest, Calgary, Alberta, Canada, T2P 1E7.

DATED at Calgary, Alberta, Canada this 26th day of March, 1992.

BY ORDER OF THE BOARD OF DIRECTORS

G.B. SINGER
Vice-President, Comptroller

PRAIRIE OIL ROYALTIES COMPANY, LTD.

715 Fifth Avenue Southwest
CALGARY, ALBERTA, CANADA T2P 2X7

Management Proxy Circular

March 26, 1992

Solicitation of Proxies

This Management Proxy Circular is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Prairie Oil Royalties Company, Ltd. (the "Company") for use at the Annual and Special Meeting of Shareholders (the "Meeting") of the Company called for May 12, 1992 at the time and place and for the purposes set forth in the accompanying notice of Meeting. The solicitation will be primarily by mail but proxies may also be solicited personally by the directors and officers of the Company. The cost of this solicitation will be borne by the Company. The Company will pay persons holding shares in their names or in those of their nominees for their reasonable expenses in sending solicitation material to their principals. This Management Proxy Circular and a form of proxy will be mailed to the shareholders on or about April 1, 1992.

All dollar amounts herein are stated in Canadian dollars.

Appointment, Revocation and Delivery of Proxies

The persons named in the attached form of proxy to represent shareholders at the Meeting are directors of the Company. Shareholders desiring to appoint some other person to represent them at the Meeting may do so either by inserting such other person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. A person appointed as a proxyholder need not be a shareholder of the Company.

To be voted at the Meeting, a proxy must be received by the Secretary of the Company or by the Chairman of the Meeting prior to or at the Meeting. A shareholder who has given a proxy may revoke it by depositing another form of proxy bearing a later date or a form of revocation of proxy, signed by the shareholder or by the shareholder's attorney authorized in writing, at the office of the Company at the address shown above, or at the Company's registered office, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof. Alternatively, the shareholder may revoke the proxy and may vote in person, as to any matter on which a vote has not already been cast pursuant to the authority conferred by the proxy, by depositing such form of revocation with the Chairman of the Meeting at the Meeting or any adjournment thereof, or may revoke the proxy in any other manner permitted by law.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote all shares in respect of which they are appointed to act on any ballot that may be called for and they will vote or withhold from voting such shares in accordance with any directions given therein. In the absence of any directions to the contrary, the shares represented by the proxies will be voted for the change of governing jurisdiction, for the election of directors and for the appointment of auditors, as stated under those headings in this Management Proxy Circular.

The attached form of proxy confers discretionary authority upon the persons appointed with respect to amendments to matters identified in the notice of Meeting and with respect to any other matters which may properly come before the Meeting. The directors of the Company know of no matters to come before the Meeting other than the matters referred to in the notice of Meeting. If any matters which are not now known should properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgement.

Voting Shares

The Board of Directors has fixed the close of business on March 30, 1992 as the record date for determination of the shareholders entitled to receive the notice of Meeting. Only persons who are holders of record of common shares at the close of business on March 30, 1992 or who subsequently become holders of record of such shares and make a request to vote to the Secretary of the Company in accordance with the provisions of The Business Corporations Act of Saskatchewan, by the close of business on May 4, 1992, will be entitled to vote at the Meeting. On a ballot at the Meeting each common shareholder will be entitled to one vote for each share held. There are 7,846,076 common shares outstanding, all of which are entitled to be voted at the Meeting.

A quorum at the Meeting will consist of at least two persons holding or representing by proxy not less than 25% of the outstanding shares of the Company.

Principal Shareholders and Ownership

To the knowledge of the directors and officers of the Company, the following table shows the share ownership in the Company of each person or company beneficially owning, or exercising control or direction over, more than 10% of the outstanding shares of the Company.

Name and address of beneficial owner	Class of shares	Number of shares beneficially owned	Percent of class owned
Norcen Energy Resources Limited ("Norcen") 715 Fifth Avenue Southwest Calgary, Alberta	Common	5,837,236	74.4

To the knowledge of the directors and officers of the Company, the following table shows the beneficial ownership of, or control or direction over, the Company's shares and those of Norcen, by the Company's directors, nominees for director and officers as a group.

Company	Class of shares	Number of shares beneficially owned	Percent of class owned
Prairie Oil Royalties Company, Ltd.	Common	28,600	0.365
Norcen Energy Resources Limited	Multiple Voting Ordinary	2,327	0.008
	Subordinate Voting Ordinary	315,064	0.972

No director or officer of the Company beneficially owns, or exercises control or direction over, more than 1% of the outstanding shares of the Company or more than 1% of any class of the outstanding shares of Norcen.

Proposed Change of Governing Jurisdiction

The shareholders will be requested to consider and, if thought fit, to approve a Special Resolution authorizing an application for a Certificate of Continuance to continue the Company out of the Province of Saskatchewan, its incorporating jurisdiction, and into the Province of Alberta. The full text of the Special Resolution is included in this Management Proxy Circular as Schedule "A".

The jurisdictional change is proposed to correspond with the location of the registered office of Norcen, the Company's majority shareholder and the firm providing management services to the Company.

Approval of the Special Resolution will require the affirmative vote of not less than two-thirds of the votes cast at the Meeting. **The persons named in the attached form of proxy intend to vote in favour of the Special Resolution unless the shareholder signing a form of proxy specifies that the form of proxy be voted against the Special Resolution, or be withheld from voting.** The Company has been informed that Norcen intends to vote its Common Shares in favour of the Special Resolution.

Election of Directors

Under the Articles and By-Law No. 1 of the Company, the Board of Directors consists of a minimum of three members and a maximum of fifteen members and the number of directors within such range is to be determined by the Board of Directors from time to time. At present there are eight directors in office and the Board of Directors has fixed by resolution that there shall be eight directors elected at the Meeting. A director need not be a shareholder of the Company.

The following table sets forth the names and ages of the eight persons nominated for election as directors of the Company, all of whom are current Company directors and are eligible for election, together with (i) all other positions and offices with the Company now held by them (if any), (ii) their present principal occupations or employments, (iii) directorships held, if any, (iv) the year in which each nominee became a director of the Company, and (v) the number of shares of the Company and Norcen beneficially owned or controlled, directly or indirectly, by each nominee as at March 26, 1992 except that holdings of Norcen Multiple Voting Ordinary Shares and Subordinate Voting Ordinary Shares under Norcen's Employee Savings and Investment Plan are included as at December 31, 1991. The persons named in the enclosed form of proxy intend to vote for the election of the eight nominees whose names are set forth below save where there is a direction to withhold voting. Each of the proposed nominees has consented to serve as a director, if elected, but should any nominee become unable to do so for any reason prior to the Meeting, the persons named in the attached form of proxy reserve the right to vote for another nominee in their discretion. Each director elected at the Meeting will hold office until the next annual meeting of shareholders or until his successor is elected or appointed.

			Shareholdings(1)		
				Norcen Ordinary Shares	
Name, position with the Company, and present principal occupation or employment	**Age**	**Served as a Director since**	**Company Shares**	**Multiple Voting**	**Subordinate Voting**
COCHRANE, Barry D. Chairman of the Board since Aug. 1988 and President of the Company from Sept. 1986 to Nov. 1989. Senior Vice-President, Exploration and Production from Sept. 1986 to Oct. 1989, Executive Vice-President and Chief Operating Officer from Oct. 1989 to Dec. 1990 and President and Chief Executive Officer since Jan. 1991, all with Norcen. Mr. Cochrane is a director of Norcen and a majority of its subsidiaries.	56	1986	–	–	80,008
FROST, Norman E. President and director, CanStates Gas Marketing since Oct. 1988 and GasTrade Incorporated since Jan. 1988 (both natural gas marketing companies). President and director of Sulpetro Gas Enterprises Inc. from Aug. 1986 to Sept. 1987 and consultant to Sulpetro Ltd. from Oct. 1987 to Dec. 1987 (both oil and gas exploration and development companies). Sulpetro Ltd., of which Mr. Frost had been an executive officer, was placed in receivership in June of 1987. He is a director of numerous private companies.	58	1989	1,400	–	–

Name, position with the Company, and present principal occupation or employment	Age	Served as a Director since	Shareholdings(1) Company Shares	Norcen Ordinary Shares Multiple Voting	Subordinate Voting
GALVIN, Edward A. Prior to Feb. 1992, Chairman and director of Poco Petroleums Ltd. ("Poco"), (oil and gas exploration and development company). Mr. Galvin continues as a director of Poco and is on the Boards of CMP Resources Inc. (oil and gas exploration and development company) and Domequity Resource Fund Inc. (mutual fund company).	79	1966	23,200	–	–
LAKE, David C. President and director of Scotian Resources Inc. (privately-owned financial consulting firm) since 1991. Mr. Lake was Vice-President and director of R B C Dominion Securities Inc. (an investment brokerage company) from 1981 to Dec. 31, 1990.	59	1991	–	–	–
NEWHOUSE, Wayne M. President of the Company since Nov. 1989. Vice-President, Production from July 1983 to Oct. 1989, Senior Vice-President, Production from Oct. 1989 to Feb. 1992 and Senior Vice-President, Exploration and International Development since Feb. 1992, all with Norcen. Mr. Newhouse is a director of Progas Limited (natural gas marketing firm) and several Norcen subsidiaries.	52	1988	–	–	48,935
PALMER, Paul H. Senior Vice-President and Chief Financial Officer since Sept. 1986, with Norcen. Mr. Palmer holds directorships in certain Norcen subsidiary companies.	58	1989	–	–	46,386
RAE, Clifford A., Q.C. Barrister and Solicitor. Administrator of a private foundation and Counsel to the law firm of Macleod Dixon. Prior to Feb. 1986, he was a partner with that firm. Mr. Rae serves as a director of Norcen.	54	1966	–	–	–
TYERMAN, David M., Q.C. Secretary of the Company since May, 1966, Barrister and Solicitor. Counsel to the law firm of MacPherson, Leslie & Tyerman.	85	1963	4,000	–	–

(1) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by each nominee. It does not include shares beneficially owned by members of the immediate families of nominees as follows: Mr. E. A. Galvin, 3,500 Norcen Multiple Voting Ordinary Shares and 8,628 Norcen Subordinate Voting Ordinary Shares and Mr. D. C. Lake, 256 Norcen Subordinate Voting Ordinary Shares, to which they disclaim beneficial ownership.

Meetings of the Board and Audit Committee

During the last full fiscal year there were four meetings of the Board of Directors. The only committee of the Board of Directors is the Audit Committee (the "Committee"), composed of four directors, three of whom are neither officers nor employees of the Company or Norcen. The Committee reviews all financial statements and auditors' reports and reports to the Board of Directors thereon. At the Board's request the Committee reviews the scope of the examination to be performed by the auditors, the Company's internal financial controls and the appointment and remuneration of the Company's auditors. In the course of performing these functions the Committee meets with the Company's auditors and financial officers. The present members of the Committee are Messrs. Frost (Chairman), Cochrane, Galvin and Lake. The Committee held one meeting during 1991.

Management

The following table presents information with respect to certain officers of the Company. For information concerning Mr. B. D. Cochrane, Chairman of the Board, Mr. W. M. Newhouse, President, and Mr. D. M. Tyerman, Secretary, reference is made to "Election of Directors."

Name and Principal Occupation (1)	Age	Position with Company (2)	Date Appointed to Present Company Position
D. K. Bruce Fenwick Senior Vice-President, Production	46	Vice-President, Exploration	November 1, 1989
J. Gerhard Schopp Vice-President, Operations	54	Vice-President, Operations	November 1, 1989
Gordon B. Singer Vice-President and Comptroller	51	Vice-President, Comptroller	December 2, 1982
D. Stephen Muir Treasurer	40	Treasurer	December 10, 1986
Robert J. Breen Assistant Treasurer	48	Assistant Treasurer	December 10, 1986
Craig D. Allen Senior Corporate Counsel and Secretary	37	Assistant Secretary	December 12, 1991
Linda G. Swan Administrator, Corporate Services	45	Assistant Secretary	September 10, 1986

(1) All principal occupations are with Norcen and, with the exception of Craig D. Allen, the above-named officers have been engaged for more than five years in their present occupation or in other executive, management, or administrative capacities with Norcen. Prior to joining Norcen in 1988, Mr. Allen was employed as a Solicitor with Chevron Canada Resources Limited.

(2) Officers hold their positions for an indefinite term at the discretion of the Board of Directors.

Compensation of Directors and Officers (Year ended December 31, 1991)

Directors of the Company, excluding those who are officers of the Company and employees of Norcen, receive an annual fee of $5,000 plus an attendance fee of $500 for each board meeting attended. Chairmen and members of committees receive fees of $600 and $500, respectively, for each meeting attended. Directors' fees paid for the year 1991 totalled $20,020 and were paid to six directors, including Mr. D. C. Lake who succeeded Mr. F. A. McKinnon (deceased) in September of 1991.

The Company's officers do not receive any compensation from the Company. With the exception of Mr. D. M. Tyerman, who does not receive a salary as Secretary of the Company, all of the Company's officers are employees of Norcen, receive their remuneration from Norcen, and participate in the employee benefit plans, including the pension plan, maintained by Norcen. The Company has no employees.

None of the directors and officers of the Company received personal benefits from, or were indebted to, the Company during 1991.

Other Transactions

Substantially all of the Company's participation in land acquisitions and related exploration and development operations are in projects in which Norcen is a participant.

Management services are provided to the Company by Norcen under a management contract. The amount paid or payable to Norcen under this contract is composed of two elements: an exploration overhead fee and an administrative fee, both calculated by reference to the total exploration and administration costs of Norcen and of certain specified companies managed by Norcen.

For the year ended December 31, 1991, the fee paid and payable to Norcen was $4,391,000 composed of $1,776,000 for exploration overhead and $2,615,000 for administrative fees. The comparative amounts for the year ended December 31, 1990 were $3,844,000, $1,934,000 and $1,910,000, respectively.

Norcen maintains, on its own behalf and on behalf of certain of its subsidiaries (including the Company), directors' and officers' liability insurance with a policy limit of $15,000,000 aggregate per policy year. Under this insurance coverage, Norcen would be reimbursed for indemnity payments made on behalf of its directors and officers and those of its subsidiaries (including the Company) subject to a deductible of $250,000 per occurrence. Individual directors and officers of the Company would also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Company subject to an individual deductible of $5,000 and an aggregate deductible of $25,000. The total premium for directors' and officers' liability insurance in respect of 1991 was $157,500, which amount was paid by Norcen on behalf of itself and certain of its subsidiaries, including the Company.

Messrs. Cochrane, Newhouse, and Palmer are executive officers of Norcen. The Company was indebted to Norcen in the amount of $17,566,000 at the end of 1991. This debt has no fixed payment schedule and interest is charged at prime rate.

The insiders of Norcen as at March 26, 1992 are set forth in the attached Schedule "B" as required by securities legislation of the Provinces of Ontario and Saskatchewan.

Mr. D. M. Tyerman and Mr. C. A. Rae serve as counsel to the firms of MacPherson, Leslie & Tyerman and Macleod Dixon, respectively. Both law firms rendered legal services to the Company during 1991 and the Company proposes to retain these firms in the current fiscal year.

Appointment of Auditors

As set forth in the notice of Meeting, action will be taken at the Meeting with respect to the appointment of auditors. In the absence of any directions to the contrary the persons named in the attached form of proxy intend to vote for the appointment of Peat Marwick Thorne as auditors of the Company to hold office until the next annual meeting of shareholders. Peat Marwick Thorne were first appointed as auditors of the Company on October 27, 1967 under the name of Riddell, Stead & Co.

Representatives of Peat Marwick Thorne are expected to be present at the Meeting with the opportunity to make a statement if they desire to do so and to respond to any appropriate questions.

Other Business

While there is no business of which the directors are aware to be presented for action by the shareholders at the Meeting other than that mentioned above, it is intended that the proxy votes hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting, and at any adjournment thereof, in accordance with the discretion of the persons authorized to act thereunder.

Annual Report on Form 10-K

Upon written request by any shareholder to the Secretary of the Company, 715 Fifth Avenue Southwest, Calgary, Alberta, Canada, T2P 2X7, the Company will provide to such shareholder, without charge, a copy of the Company's 1991 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission pursuant to the provisions of the United States Securities Exchange Act of 1934.

Shareholder Proposals

To comply with the provisions of The Business Corporations Act of Saskatchewan, proposals intended to be presented by a shareholder or shareholders of the Company at the annual meeting to be held in 1993 must be received at the offices of the Company no later than February 10, 1993 for inclusion in the Company's Management Proxy Circular and form of proxy relating to that meeting. Such proposals should be submitted by registered mail – return receipt requested.

The Board of Directors has approved the contents of this Management Proxy Circular and the sending of this Management Proxy Circular to shareholders.

G. B. SINGER
Vice-President, Comptroller

SCHEDULE "A"

**Text of Special Resolution
Regarding Change of
Governing Jurisdiction**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT

1. Prairie Oil Royalties Company, Ltd. (the "Company") be and it is hereby authorized to apply for a Certificate of Continuance pursuant to the Business Corporations Act, Province of Alberta, and to do all such other acts and things as may be required in order to change the governing jurisdiction of the Company from the Province of Saskatchewan to Alberta; and

2. Any director or officer of the Company be and is hereby authorized to sign, seal and deliver for and on behalf of the Company all such notices, documents and instruments and to do all such other acts and things as may be required to give effect to this resolution or to revoke this resolution without further approval of the shareholders.

SCHEDULE "B"

Insiders of Norcen as at March 26, 1992

ALLEN, Craig D.
8 Cedardale Hill S.W.
Calgary, Alberta

BASSETT, Douglas G., O.C.
118 Forest Hill Road
Toronto, Ontario

BATTLE, Edward G.
6128 Belvedere Road S.W.
Calgary, Alberta

BLACK, Conrad M., O.C.
26 Park Lane Circle
North York, Ontario

BLACK, G. Montegu
69 Chaplin Crescent
Toronto, Ontario

BRASCAN LIMITED
Toronto, Ontario

BREEN, Robert J.
79 Woodfield Close S.W.
Calgary, Alberta

COCHRANE, Barry D.
1104 Baldwin Crescent S.W.
Calgary, Alberta

COCKWELL, Jack L.
34 Whitney Avenue
Toronto, Ontario

COURTOIS, Honourable E. Jacques, P.C., Q.C.
21 Westwood Drive
Hudson, Quebec

DESPRÉS, Robert, O.C.
890 rue Dessane
Quebec City, Quebec

DOLPHIN, Dale R.
Bearspaw Road
R.R. #4, Box 11, Site 30
Calgary, Alberta

EYTON, Honourable J. Trevor, O.C., Q.C.
Tudorcroft
R.R. 2
Caledon, Ontario

FENWICK, D. K. Bruce
Box 7, Site 19,
SS #1
Calgary, Alberta

FROST, Norman E.
809, 300 Meredith Road N.E.
Calgary, Alberta

GALVIN, Edward A.
4103 Crestview Road S.W.
Calgary, Alberta

KENDA, George V.
2117 - 6th Avenue N.W.
Calgary, Alberta

KERR, David W.
6 Glengowan Road
Toronto, Ontario

LAKE, David C.
3610 Elbow Drive S.W.
Calgary, Alberta

LOUGHEED, Honourable Peter, P.C., C.C., Q.C.
805 Prospect Avenue S.W.
Calgary, Alberta

McKEAG, Honourable W. John
510 Kelvin Boulevard
Winnipeg, Manitoba

MARSHALL, Paul M.
21 Elgin Avenue
Toronto, Ontario

MUIR, D. Stephen
2420 Ulrich Road N.W.
Calgary, Alberta

NEWHOUSE, Wayne M.
4115 - 14A Street S.W.
Calgary, Alberta

NORANDA INC.
Toronto, Ontario

PALMER, Douglas W.
96 Strathdale Close S.W.
Calgary, Alberta

PALMER, Paul H.
D302, 500 Eau Claire Avenue S.W.
Calgary, Alberta

PAUL, John A.
1008 Deer River Circle S.E.
Calgary, Alberta

POWIS, Alfred, O.C.
70 Woodlawn Avenue West
Toronto, Ontario

PRATT, E. Courtney
164 Wedgewood Drive
Oakville, Ontario

RAE, Clifford A., Q.C.
108 Country Club Estates
5555 Elbow Drive S.W.
Calgary, Alberta

SCHOPP, J. Gerhard
2612 Linden Drive S.W.
Calgary, Alberta

SINGER, Gordon B.
103 Lake Mead Drive S.E.
Calgary, Alberta

TYERMAN, David M., Q.C.
2254 Wascana Greens
Regina, Saskatchewan

YARNELL, John R.
161 Roxborough Drive
Toronto, Ontario

PRAIRIE OIL ROYALTIES COMPANY, LTD.

Form of Proxy
Solicited by the Board of Directors of the Company
for the 1992 Annual and Special Meeting of Shareholders

The undersigned shareholder of Prairie Oil Royalties Company, Ltd. (the "Company") hereby appoints Barry D. Cochrane or, failing him, Wayne M. Newhouse or, instead of either of them, ______________________________
as proxyholder of the undersigned, with power of substitution, to attend and vote on behalf of the undersigned at the Annual and Special Meeting of Shareholders (the "Meeting") of the Company to be held on May 12, 1992 and at any adjournment thereof, **for the transaction of the business stated below,** all as described in the Management Proxy Circular attached to the notice of Meeting.

(a) **Approval of Special Resolution** authorizing the application and related actions to change the jurisdiction governing the Company, as outlined in the Management Proxy Circular.

☐ **FOR** ☐ **AGAINST** ☐ **WITHHOLD VOTE**

(b) **Election of Directors.**

Nominees: **B. D. Cochrane, N. E. Frost, E. A. Galvin, D. C. Lake,**
W. M. Newhouse, P. H. Palmer, C. A. Rae, D. M. Tyerman

☐ **FOR** all nominees listed above, except as marked to the contrary

☐ **WITHHOLD VOTE** for all nominees listed above

(Instruction: To withhold authority to vote for any individual nominee strike a line through the nominee's name in the list above).

(c) **Appointment of Peat Marwick Thorne** as Auditors at a remuneration to be fixed by the Board of Directors.

☐ **FOR** ☐ **AGAINST** ☐ **WITHHOLD VOTE**

(d) In their discretion, the above Proxies are authorized to vote upon amendments to the above matters or upon such other business as may properly come before the Meeting.

NOTES:

(1) This form of proxy must be signed by the shareholder in the form in which the shares are registered or by the shareholder's attorney, authorized in writing. If not dated, the form of proxy will be deemed to bear the date on which it was mailed to the shareholders by management.

(2) When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, etc., please give full title as such. If the shareholder is a corporation, the form of proxy must be executed under its corporate seal or by an officer or attorney duly authorized.

(3) When properly executed, this form of proxy will be voted in the manner indicated by the undersigned shareholder. **In the absence of any directions to the contrary, this form of proxy will be voted in the affirmative for proposal (a), for all nominees listed in proposal (b) and for proposal (c).**

(4) **A shareholder has the right to appoint a person other than any of the persons designated in this form of proxy to attend and act on his behalf at the Meeting. This right may be exercised by inserting such other person's name in the blank space provided for that purpose or by completing another form of proxy.**

(5) To be voted at the Meeting the completed form of proxy must be received by the Secretary of the Company, c/o Montreal Trust Company of Canada, 411 Eighth Avenue Southwest, Calgary, Alberta, Canada, T2P 1E7, prior to the Meeting or by the Chairman of the Meeting or the Secretary of the Meeting.

Number of Shares ______________________ Signature ______________________

Dated ______________________ Signature ______________________
(if jointly held)

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Highlights

	1991	1990	% Change
FINANCIAL			
(thousands of Canadian dollars except per share amounts)			
Sales and other revenues	**$ 27,518**	$ 27,227	+ 1
Net earnings	**$ 2,174**	$ 6,076	−64
Net earnings per share	**$ 0.28**	$ 0.77	−64
Cash generated from operations	**$ 17,387**	$ 20,539	−15
Cash generated from operations per share	**$ 2.22**	$ 2.62	−15
Shareholders' equity	**$ 75,842**	$ 73,668	+ 3
Total assets	**$ 134,211**	$ 123,012	+ 9
OPERATIONS			
Production			
Crude oil and natural gas liquids (barrels per day)	**4,215**	3,223	+31
Natural gas (millions of cubic feet per day)	**11.9**	11.6	+ 3
Established reserves			
Crude oil and natural gas liquids (millions of barrels)	**13.1**	11.2	+17
Natural gas (billions of cubic feet)	**79.0**	74.2	+ 6
Land holdings (thousands of acres)			
Gross	**1,226.0**	1,283.3	− 4
Net	**246.4**	264.4	− 7

Report to Shareholders

Prairie Oil's successful exploration and development programs in 1991 achieved significant growth in both crude oil production and reserves. These production gains should contribute to improved earnings and cash flow in the coming year. In 1991, however, a number of factors combined to depress Prairie Oil's financial results and foremost among them were the decline of both oil and gas prices and restricted transportation capacity on major oil and gas pipelines.

Financial

Cash generated from operations was $17.4 million in 1991, compared with $20.5 million in the previous year, and net earnings declined to $2.2 million from $6.1 million. Despite solid production gains, revenues of $27.5 million were virtually unchanged from last year due to lower oil and gas prices. The average price received by Prairie Oil for its oil and natural gas liquids in 1991 declined to $18.47 per barrel compared with $23.24 per barrel in the previous year. Although prices escalated in 1990 following Iraq's invasion of Kuwait on August 2, they declined quickly when the military offensive against Iraq began in January 1991.

Other major factors contributing to the decline in earnings and cash flow were increases in operating costs as well as depletion, depreciation and amortization expense, which rose in response to the significant gain in crude oil volumes. Depletion expense also included a provision for future oil and gas well site restoration costs. The amount expensed in 1991 was $0.3 million or 14 cents per equivalent barrel of production.

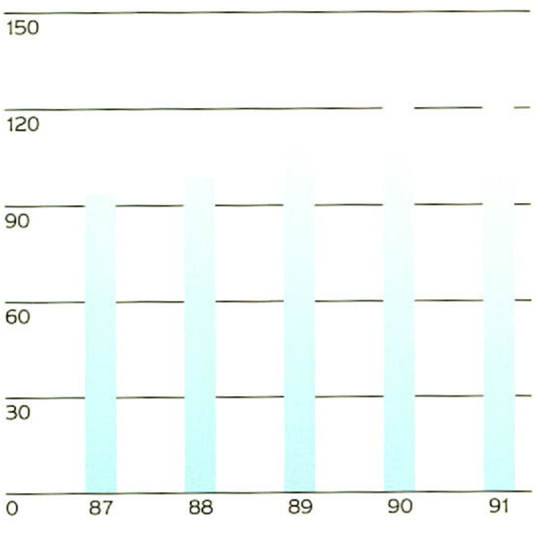
Capital expenditures in 1991 were $25.1 million, compared with $22.9 million in 1990, and included acquisitions of $1.9 million. These acquisitions at two of the Company's major producing locations, Enchant and Golden, added 200 barrels of oil per day to production and 630,000 barrels to reserves.

Operations

Prairie Oil's successful exploration and development programs in 1990 and 1991 boosted oil and gas liquids production 31 per cent to record volumes of 4,215 barrels per

Wayne M. Newhouse
President

TOTAL ASSETS
(millions of Canadian Dollars)

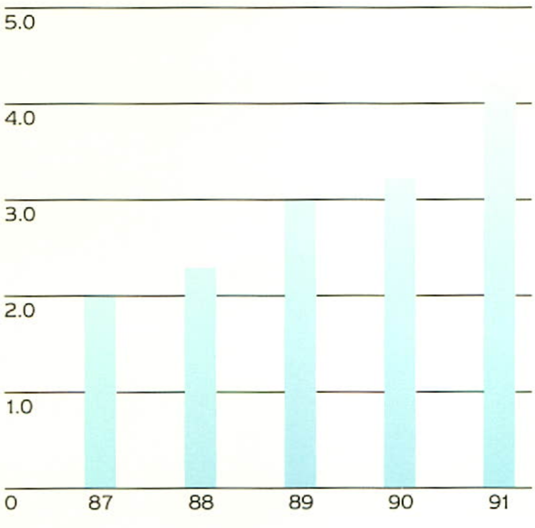


day ("b/d"). Established crude oil and natural gas liquids reserves rose 17 per cent from the previous year to reach 13.1 million barrels. Exploration and development successes achieved at Enchant in late 1990 and early 1991, and the completion of the infill drilling program at Golden in 1991 were major contributors to the increased daily liquids volumes.

At Golden, five wells were drilled in 1991 completing a development program initiated late in 1990. This highly successful program was designed using three-dimensional (3-D) seismic which enhanced the Company's interpretation of the reservoir and identified new drilling locations to improve recovery from the pool. The full nine-well program increased the Company's share of field production to 1,400 b/d of conventional oil.

At Enchant, a development program was initiated to follow-up a 1990 Nisku oil discovery which confirmed that the Sawtooth formation was also productive. A 12-well drilling program in the Sawtooth added 350 b/d to the Company's share of production. As well, three exploration and two development wells in the Nisku formation added 85 b/d to Prairie Oil's share of production.

PRODUCTION
Crude Oil and Natural Gas Liquids
(thousands of barrels per day)



The Company's deep gas exploration program resulted in one oil and five gas discoveries, and additional drilling prospects remained in inventory at year-end. During 1991, the Company sharply curtailed deep gas exploration due to the deterioration in gas prices and focused on maximizing its crude oil asset base in Western Canada. This asset base was further enhanced in 1991 by property acquisitions. The acquired properties have provided additional low-risk development prospects for conventional oil reserves which are being brought onstream quickly.

Established gas reserves rose six per cent in 1991 to reach 79 billion cubic feet and natural gas production increased slightly to 11.9 million cubic feet per day ("mmcf/d") compared with 11.6 mmcf/d in 1990.

Outlook

Prairie Oil's 1992 capital spending program has been set at $14.1 million of which $7.8 million has been allocated to exploration and $6.3 million to development programs. At Enchant, five development wells were drilled in the Sawtooth formation during January 1992 which should add 140 b/d to productive capacity. The Company has identified other potential development prospects which appear promising for 1992. As well, Nisku development drilling will be continued as a follow-up to new pool discoveries.

The Company anticipates the full impact of its significant production gains achieved in 1991 and its continued development successes will be reflected in improved earnings and cash flow in the coming year, provided oil and gas prices do not deteriorate.

On behalf of the Board,

Wayne M. Newhouse

Wayne M. Newhouse
President

Calgary, Alberta
March 3, 1992

Exploration and Development

Capital expenditures for exploration and development programs together with acquisitions in 1991 amounted to $25.1 million compared to $22.9 million in 1990.

Major areas of activity in 1991 were the Golden, Enchant, Deep Devonian and Ogston areas of Alberta. The Company participated in the drilling of 54 gross (15.0 net) working interest wells which resulted in 31 gross (9.4 net) oil wells and seven gross (1.1 net) gas wells. The Company also participated through farmout agreements in seven wells which resulted in three oil and four gas discoveries.

Enchant

Prairie Oil participated in three exploration and two development oil successes in the Nisku formation which added 85 b/d to the Company's share of production. In the Sawtooth formation, one exploration and 11 development wells added 350 b/d (net). The Company's working interests in these wells range from 7.5 to 50 per cent. Since 1987, successful exploration and development programs in this area have consistently expanded both production and reserves. Continued exploration and development programs are planned for 1992 in both the Sawtooth and Nisku formations.

Golden

Five development wells at Golden, Alberta, which completed the nine-well program initiated in late 1990, added 600 b/d to the Company's share of production. Prairie Oil holds major working interests in these wells which vary from 50 to 65 per cent. Additional development drilling is planned for this area in 1992.

Ogston

One development well, in which the Company holds a 50 per cent working interest, was drilled adding 50 b/d to Prairie Oil's share of production. Additional drilling in this area is planned for 1992.

Deep Devonian

An exploration well at Kaybob South, in which the Company holds an 18 per cent working interest, commenced sales of 80 b/d of oil (net) in late 1991.

At Fir, an exploration well yielded a gas discovery (11.72 per cent working interest) while an exploration well at Oldman (30 per cent working interest) added 1.0 mmcf/d and 15 b/d to potential sales. Timing of sales from both wells is dependent on future gas marketing opportunities.

At Windfall West in the Deep Devonian play, a 1989 gas discovery was in the process of being tied-in late in the year adding 1.0 mmcf/d of gas and 140 b/d of liquids to Prairie Oil's productive capacity. Sales from this tie-in are scheduled to begin in April 1992.

Cherhill

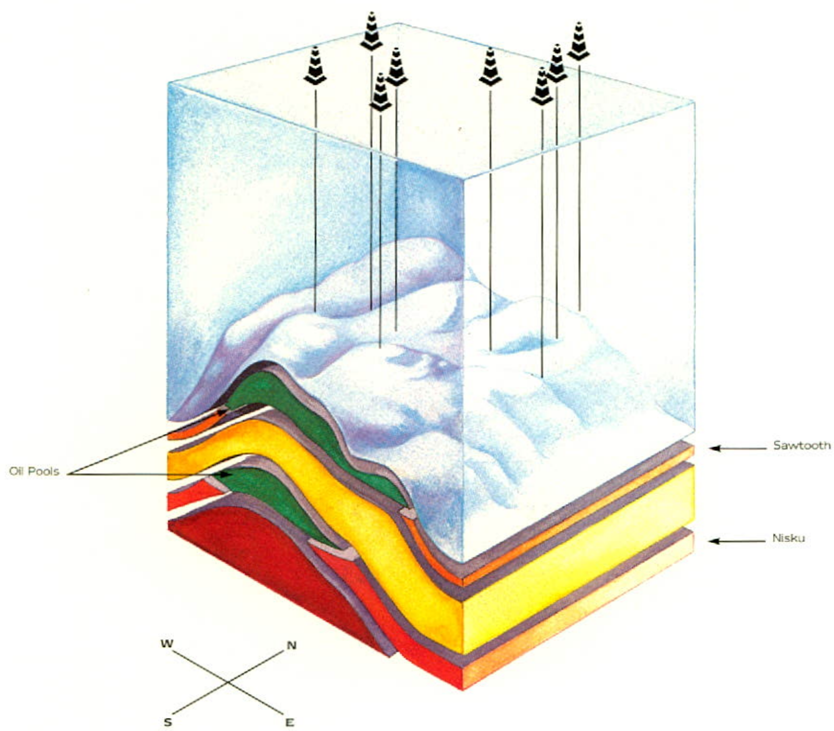
Prairie Oil has been active in the Cherhill field, producing both oil and gas, since the early 1980s. In 1992, the Company plans to drill a horizontal well to enhance pool recovery and increase production.

1992 Exploration and Development

A 1992 capital budget of $14.1 million has been approved by the Board of Directors for exploration and development programs. Expenditures are expected to be funded entirely from internally generated cash flow.

Reserves

At December 31, 1991, the Company's established reserves of crude oil and natural gas liquids, before royalties, rose 17 per cent to 13.1 million barrels, compared with 11.2 million barrels a year earlier. Natural gas reserves, estimated at 79 billion cubic feet, increased six per cent from 74.2 billion cubic feet in 1990. Prairie Oil's successful exploration and development programs, together with acquisitions and revisions, achieved reserve replacement and growth.



Prairie Oil's highly successful program at Enchant in the main Sawtooth pool was designed using 3-D seismic imaging to define drilling locations and optimize development of the pool.

Oil and Gas Land Holdings (Acres)

	Developed*		Undeveloped				Total	
	Leases		Leases		Permits and Licences			
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	272,770	54,882	364,858	85,228	126,080	40,721	763,708	180,831
British Columbia	23,406	1,548	29,602	3,166			53,008	4,714
Saskatchewan	11,221	1,267	64,979	31,629			76,200	32,896
Manitoba	1,440	480	76,488	23,091			77,928	23,571
Arctic Islands					255,144	4,351	255,144	4,351
TOTAL	308,837	58,177	535,927	143,114	381,224	45,072	1,225,988	246,363

*Developed leases are leases upon which one or more productive or potentially productive wells have been drilled.

At December 31, 1991, the Company owned interests in 1,225,988 gross (246,363 net) acres as shown in detail in the summary above. This compares with 1,283,320 gross (264,445 net) acres at the end of 1990. The decrease in holdings is due to surrenders and expiries in all provinces except Manitoba and the Arctic Islands. Prairie Oil has an overriding royalty or net carried interest in 177,865 acres.

Drilling Summary

The following summary table sets forth the gross and net exploratory and development wells in which the Company participated during the five-year period ended December 31, 1991:

	Exploratory Wells					Development Wells				
	Gross	Net Wells				Gross	Net Wells			
Year	Wells	Oil	Gas	Dry	Total	Wells	Oil	Gas	Dry	Total
1987	49	2.72	0.54	6.69	9.95	48	0.52	1.30	0.33	2.15
1988	68	4.04	1.91	5.08	11.03	15	2.91		1.05	3.96
1989	21	2.08	0.51	3.00	5.59	22	1.70	1.38	0.36	3.44
1990	24	1.23	0.58	6.12	7.93	13	2.66	0.04	0.28	2.98
1991	25	1.90	1.11	3.60	6.61	29	7.51		0.92	8.43

As at December 31, 1991, the Company had working interests in 1,942 gross (76.1 net) producing oil wells and 323 gross (57.4 net) producing gas wells in Western Canada, and royalty interests in 1,519 gross (18.1 net) producing oil wells and 37 gross (0.9 net) producing gas wells, most of which were in Saskatchewan. In addition, Prairie Oil had working interests in 126 gross (28.0 net) shut-in gas wells.

Management's Discussion And Financial Analysis

The following discussion of financial condition and results of operations should be read in conjunction with the financial statements and notes thereto.

Prairie Oil's financial performance in 1991 reflected the decline in world crude oil prices following the Persian Gulf crisis and the major price reduction in the North American natural gas markets. The price for West Texas Intermediate ("WTI") crude, the North American marker price, declined by over three dollars per barrel ("/bbl") from the 1990 average of U.S. $24.50/bbl, while natural gas prices in Prairie Oil's market declined from $1.46 per thousand cubic feet ("/mcf") in 1990 to $1.24/mcf in 1991.

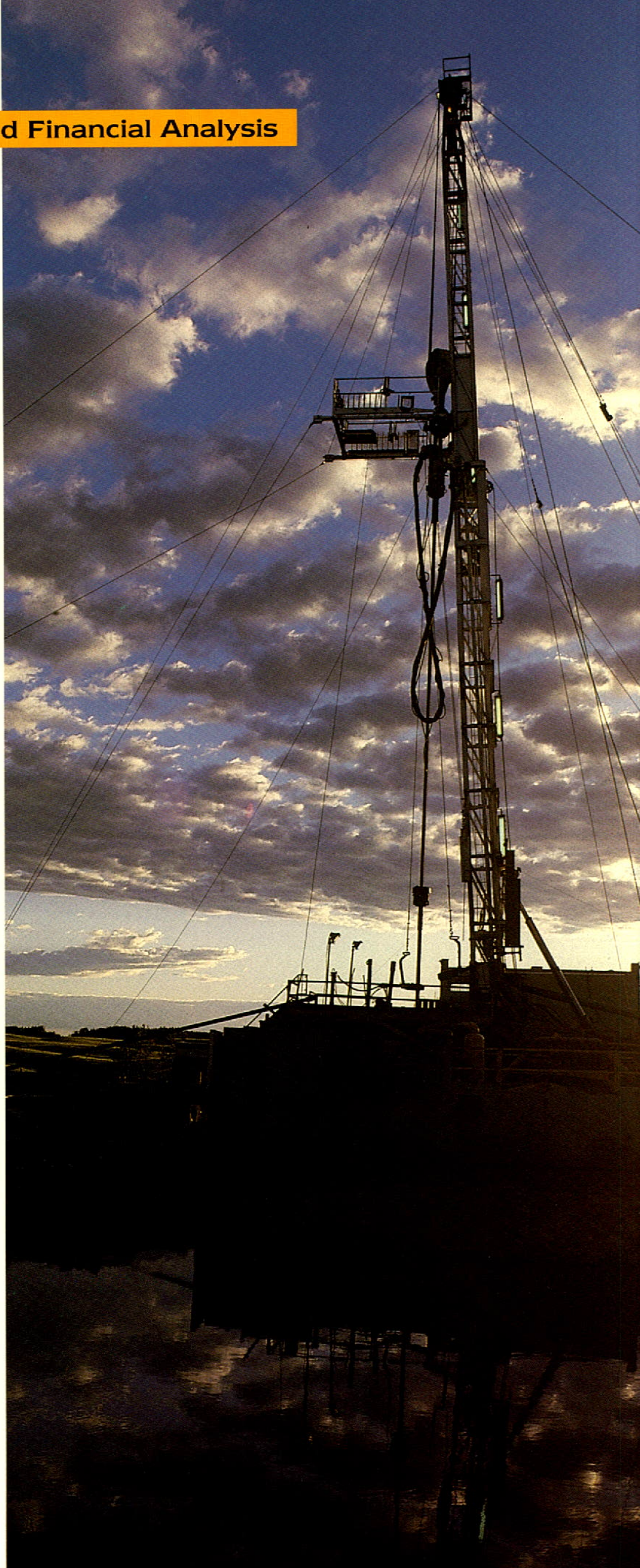
Despite significantly higher liquids production, Prairie Oil's net earnings declined to $2.2 million (28 cents per share) in 1991 compared to $6.1 million (77 cents per share) in 1990 and $4.3 million (55 cents per share) in 1989. Cash generated from operations in 1991 was $17.8 million compared to $20.5 million in 1990 and $15.7 million in 1989.

Operating Results

	1991	1990	1989
Oil and liquids			
– gross production (b/d)	**4,215**	3,223	2,997
– price (per bbl)	**$18.47**	$23.24	$18.53
Natural gas			
– gross production (mmcf/d)	**11.9**	11.6	9.1
– price (per mcf)	**$ 1.24**	$ 1.46	$ 1.40

Sales revenues which were $27.5 million in 1991 compare to $27.2 million in 1990 and $21.4 million in 1989. Liquids production increases ($7.3 million) were offset by the effect of lower prices ($6.8 million) and higher depreciation and depletion expense ($1.0 million).

Oil and natural gas liquids production increased 31 per cent to 4,215 barrels per day ("b/d") as a result of the successful development drilling programs, notably at Golden (670 b/d) and Enchant (185 b/d) and the full year effect of the 1990 acquisition at Wayne Rosedale (100 b/d). Production is expected to rise to 5,000 b/d in 1992 due to the full year effects of development successes in 1991, together with new production coming onstream from ongoing development



programs at a number of locations in Alberta.

Although natural gas production increased to 11.9 million cubic feet per day ("mmcf/d") from 11.6 mmcf/d in 1990, gas sales revenues declined $0.4 million or nine per cent. Gas prices throughout North America continue to be affected by low demand related to warmer than normal weather, in both the 1990-91 and the 1991-92 winter heating seasons. There has also been a levelling of peak demands and associated premiums during winter months, related to increased development and usage of storage facilities, as well as additional pipeline capacity. Gas prices will continue to be affected by the accelerated deregulation of North American pipeline systems by the Federal Energy Regulatory Commission and the restructuring of consumer markets by state public utilities commissions, particularly California. Consequently, Prairie Oil's gas production is expected to decline slightly in 1992 to 11.0 mmcf/d while prices are expected to approximate 1991 levels.

Operating costs were $7.0 million in 1991 versus $4.9 million in 1990 and $4.5 million in 1989, mostly reflecting the higher liquids production levels. Unit operating costs were as follows:

	1991	1990	1989
Crude oil (per bbl)	**$3.30**	$2.73	$2.65
Natural gas (per mcf)	**$0.45**	$0.37	$0.44

Factors contributing to the increases in unit costs in 1991 included high start-up costs associated with new production at Enchant, an oil spill and major well workovers at West Pembina, increased water disposal costs at Otter/Ogston, well workovers at Cherhill and higher freehold mineral taxes.

Depletion, depreciation and amortization expense was up 27 per cent to $13.1 million in 1991 due principally to higher production and a higher depletion rate of $5.78 per equivalent barrel ("BOE") versus $5.45 per BOE in 1990 and 1989. Commencing in 1991 Prairie Oil began to provide for future site restoration costs in accordance with the recently issued Canadian Institute of Chartered Accountants' accounting recommendations on capital assets. This requires Prairie Oil to determine its future obligations for site restoration and well abandonments and to amortize the cost over the life of the reserves. The amount expensed in 1991 was $0.3 million or 14 cents per BOE.

Financial expense in 1991 was $1.4 million compared to $1.4 million in 1990 and $0.9 million in 1989. Debt levels increased to $17.6 million as at December 31, 1991 compared to $10.4 million and $6.8 million at the end of 1990 and 1989, respectively. Interest on this debt, which is owed to the parent company, Norcen Energy Resources Limited ("Norcen"), is based on the prime rate. Despite the higher debt load in 1991, Prairie Oil's interest expense remained constant compared to 1990, reflecting the significant drop in rates.

Administration costs rose $0.8 million to $2.8 million in 1991. Prairie Oil's administration expenses are composed primarily of an allocation of costs incurred by Norcen, on the basis of the ratio of Prairie Oil's gross margin to Norcen's consolidated gross margin. Due to the major liquids production increases, Prairie Oil's proportion of the gross margin also increased.

Income taxes, at $1.1 million were down 56 per cent from 1990 due primarily to a 62 per cent decline in pre-tax earnings. Prairie Oil's Alberta Royalty Tax Credit ("ARTC") declined by $0.3 million due to the higher WTI prices used for calculation of 1991 ARTC.

Liquidity and Capital Spending

Cash generated from operations was $17.4 million ($20.5 million in 1990, $15.7 million in 1989). Net cash available for investing was $17.8 million which after capital expenditures of $25.1 million, left a shortfall of $7.3 million. This was financed by further advances from Norcen.

Capital expenditures were as follows:

	1991	1990	1989
	(millions of dollars)		
Property acquisition	**$ 1.9**	$ 3.5	$ 6.4
Exploration	**15.7**	15.3	13.8
Development	**7.5**	4.1	4.2
	$25.1	$22.9	$24.4

As a result of the anticipated decline in cash flow in 1992, capital expenditures have been budgeted at $14.1 million. The biggest decline is in exploration expenditures, forecast to fall to $7.8 million while development expenditures will decline slightly to $6.3 million.

Risks and Uncertainties

The major uncertainty for an oil and gas exploration and development company and criteria for success is its ability to replace its reserves at an economic cost from either exploration and development activity or by property acquisitions. In part, this success is measured by the annual determination of proven reserves and ceiling test calculations. As of December 31, 1991, the future net revenues from proved reserves of the Company were substantially in excess of the underlying costs.

The future success of Prairie Oil will depend in large measure on the trends for oil and natural gas prices. There has already been a slide in oil prices from 1991 to those prevailing in early 1992. Future unsettling factors which could adversely affect price levels are a continuation of low world demand, a resumption of crude oil exports from Kuwait and Iraq, the uncertainty of oil exports from the former Soviet Union, and the ability of the Organization of Petroleum Exporting Countries to control price levels by exercising production restraints. Prairie Oil, for internal budgeting purposes, is projecting an average WTI price for 1992 of U.S. $19.50.

The estimated effect of price changes on Prairie Oil's 1992 financial performance is as follows:

	Net Earnings	Cash Flow
	(millions of dollars)	
U.S. $1.00/bbl change in W.T.I.		
Increase	$ 0.7	$ 0.7
Decrease	$(0.7)	$(1.3)
U.S. 10¢/mcf change in gas price		
Increase	$ 0.2	$ 0.2
Decrease	$(0.2)	$(0.3)

Overall Outlook

Assuming the projected oil price is attained and the forecast increase in liquids production is achieved, Prairie Oil expects to improve both earnings and cash flow performance in 1992. The continuing weaknesses in the markets will restrict any growth in production and contributions from the natural gas sector.

Despite the higher production levels, operating costs are anticipated to increase only marginally due to the high start-up costs incurred in 1991 on new field activity. In addition, Prairie Oil will concentrate management activities on controlling its field operating costs.

With the projected cash generated from 1992 activities forecast to be higher than the 1991 level and the reduced capital expenditure program envisioned for the year, Prairie Oil would anticipate reducing its debt level, and accordingly its interest costs. The Company cannot, however, forecast the cost of potential acquisitions. Accordingly, if the appropriate opportunity occurs for additions of low-cost reserves, which Prairie Oil has undertaken in each of the last three years, this would affect future debt levels.

Management's Report

The accompanying financial statements of Prairie Oil Royalties Company, Ltd. and all information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include some amounts that are based on management best estimates. Financial and operating data elsewhere in the Annual Report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Prairie Oil ensures that systems of internal accounting controls are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that financial records are timely, accurate and reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit Committee, consisting solely of the Chairman of the Board and three non-executive directors. The Audit Committee meets periodically with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss financial reporting matters. Both internal and external auditors have full access to the Audit Committee, with and without the presence of management.

The financial statements have been audited by Peat Marwick Thorne, Chartered Accountants, and their report follows.

March 3, 1992

Chairman of the Board
and Principal Executive Officer

Vice-President, Comptroller and Principal
Financial and Accounting Officer

Auditors' Report

To the Shareholders of

Prairie Oil Royalties Company, Ltd.

We have audited the balance sheet of Prairie Oil Royalties Company, Ltd. as at December 31, 1991 and 1990 and the statements of earnings and retained earnings and changes in financial position, for each of the years in the three year period ended December 31, 1991. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1991 in accordance with generally accepted accounting principles.

Calgary, Canada
February 3, 1992

Peat Marwick Thorne
Chartered Accountants

Balance Sheet

As at December 31, (thousands of Canadian dollars)	1991	1990
ASSETS		
Current Assets		
Cash	$ 68	$ 259
Accounts receivable	1,610	2,544
Income and other taxes receivable	167	208
	1,845	3,011
Properties, Plant and Equipment (Note 2)	132,366	120,001
	$134,211	$123,012
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,785	$ 2,447
Current portion of deferred gas revenues	626	773
	3,411	3,220
Deferred Gas Revenues and Other	1,136	1,609
Deferred Income Taxes	36,256	34,096
Due to Parent Company (Note 3)	17,566	10,419
SHAREHOLDERS' EQUITY		
Capital Stock (Note 4)		
Issued 7,846,076 common shares	1,962	1,962
Contributed Surplus	574	574
Retained Earnings	73,306	71,132
	75,842	73,668
	$134,211	$123,012

Approved by the Board

Director

Director

Statement of Earnings and Retained Earnings

Years Ended December 31, (thousands of Canadian dollars except per share amounts)	**1991**	1990	1989
Sales and Other Revenues			
Oil and gas	**$25,422**	$24,758	$19,298
Royalties	**1,944**	2,345	1,947
Interest and other	**152**	124	157
	27,518	27,227	21,402
Costs and Expenses			
Production	**6,972**	4,873	4,535
Depletion, depreciation and amoritzation	**13,053**	10,264	8,983
General and administrative	**2,787**	2,040	1,854
Financial expense	**1,392**	1,352	925
	24,204	18,529	16,297
Earnings before Income Taxes	**3,314**	8,698	5,105
Income Taxes (Note 5)			
Current (recovery)	**(1,020)**	(1,577)	(1,623)
Deferred	**2,160**	4,199	2,422
	1,140	2,622	799
Net Earnings	**2,174**	6,076	4,306
Retained Earnings, Beginning of Year	**71,132**	65,056	60,750
Retained Earnings, End of Year	**$73,306**	$71,132	$65,056
Earnings Per Share	**$ 0.28**	$ 0.77	$ 0.55

Statement of Changes in Financial Position

Years Ended December 31, (thousands of Canadian dollars)	1991	1990	1989
Operating Activities			
Net earnings	**$ 2,174**	$ 6,076	$ 4,306
Add non-cash items:			
Deferred income taxes	**2,160**	4,199	2,422
Depletion, depreciation and amortization	**13,053**	10,264	8,983
Cash generated from operations	**17,387**	20,539	15,711
Deferred gas revenues	**(768)**	(588)	(564)
Decrease (increase) in working capital (i)	**1,166**	(423)	3,808
Net Cash Available	**17,785**	19,528	18,955
Investing Activities			
Properties, plant and equipment (net)	**25,111**	22,885	24,448
Investments			(1,776)
Other	**12**		
Total Cash Invested	**25,123**	22,885	22,672
Excess (Deficiency) Before Financing	**(7,338)**	(3,357)	(3,717)
Financing Activities			
Advances from parent	**7,147**	3,616	3,065
Change in Cash	**(191)**	259	(652)
Cash, Beginning of Year	**259**		652
Cash, End of Year	**$ 68**	$ 259	$ —

(i) Working capital excludes cash, short-term investments and amounts due to parent.

Notes to Financial Statements

Years Ended December 31, 1991, 1990 and 1989
(Tabular amounts are in thousands of Canadian dollars except where otherwise noted)

1. Accounting Policies

The Annual Report and the accompanying financial statements have been prepared by Management and approved by the Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis and comply with United States generally accepted accounting principles in all material respects except as presented in Note 7.

Basis of Presentation

All of the Company's operations are in one business segment, namely, oil and gas exploration, development and production, and all of the Company's operations are conducted in one geographic segment, Canada. Accordingly, no separate disclosure has been made of financial data by segment. Certain prior years' comparative figures have been reclassified for comparative purposes.

Properties, Plant and Equipment

Oil and gas properties and production equipment, in accordance with the full cost method of accounting, include expenditures related to the acquisition, exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted and depreciated, on a country-by-country basis, using the unit of production method based on total estimated proved recoverable reserves. Natural gas reserves and production are converted to equivalent barrels of crude oil based on relative energy content. Proceeds on sale of properties are credited to asset costs.

Commencing in 1991, provision for future site restoration costs are accrued for by a charge against income using the unit of production method.

Capitalized costs are limited to estimated undiscounted future net revenues, based on year-end prices, plus the net cost of unproved properties (the ceiling test). An enterprise ceiling test is also conducted, taking into account future interest costs, administrative costs and income taxes attributed to oil and gas operations.

Deferred Gas Revenues and Other

Deferred gas revenues and other include payments received under take-or-pay gas contracts and the accrued liability for future site restoration costs. Deferred gas revenues are included in revenue as the gas to which the payments relate is delivered. Deliveries, which are to be made over a ten year period, ending in 1993, are governed by contractual arrangement.

2. Properties, Plant and Equipment

	1991	1990
Properties	**$180,115**	$158,399
Production equipment	**24,975**	21,580
	205,090	179,979
Accumulated depreciation and depletion	**72,724**	59,978
Net book value	**$132,366**	$120,001

During the year, the Company capitalized $1,776,000 ($1,934,000 in 1990, $2,176,000 in 1989) of administrative overhead expenditures directly related to exploration activities.

3. Due to Parent Company

Advances from Prairie Oil's parent, Norcen Energy Resources Limited ("Norcen") are charged interest at the Canadian prime rate and have no fixed payment schedule. Norcen has agreed not to call for repayment within the next 12 months. Interest charged in 1991 was $1,360,000 ($1,258,000 in 1990; $923,000 in 1989).

4. Capital Stock

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares; an unlimited number of junior preferred shares; and an unlimited number of senior preferred shares.

(b) Issued

The Company has 7,846,076 common shares issued and outstanding of which 74.4 per cent are owned by Norcen.

5. Income Taxes

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and for financial statement purposes. The source of these differences is principally exploration and development expenditures and capital cost allowances deducted for income tax purposes in excess of depletion and depreciation.

The provision for income taxes in the Statement of Earnings and Retained Earnings varies from the amount that would be computed by applying the Canadian federal statutory rate to earnings before income taxes for the following reasons:

	1991	1990	1989
Earnings before income taxes	**$3,314**	$8,698	$5,105
Canadian federal statutory rate of income tax	**38.84%**	38.84%	38.84%
Computed income tax expense	**$1,287**	$3,378	$1,983
Increase (decrease) in income tax resulting from:			
Alberta Royalty Tax Credit	**(1,454)**	(1,738)	(1,716)
Provincial income taxes in excess of federal abatement	**273**	492	263
Large Corporations Tax	**259**	123	92
Non-deductible crown payments less federal resource allowance	**520**	45	(72)
Non-deductible depletion	**159**	364	217
Other items, net	**96**	(42)	32
Actual income tax expense	**$1,140**	$2,622	$ 799
Effective income tax rate	**34.40%**	30.14%	15.65%

6. Related Party

The Company's operations are managed by its parent company, Norcen. For the year ended December 31, 1991, management fees paid to Norcen amounted to $4,391,000 ($3,844,000 in 1990; $3,899,000 in 1989).

7. United States Accounting Principles

Prairie Oil follows Canadian generally accepted accounting principles ("GAAP") which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission ("SEC"). These differences would have affected net earnings as follows:

	Year ended December 31, 1991
Net earnings based on Canadian GAAP	$ 2,174
Application of SEC-prescribed full cost method, net of related deferred taxes (i)	(11,473)
Net earnings (loss) based on United States GAAP	$ (9,299)
Earnings (loss) per common share	
Canadian – basic	$ 0.28
United States – primary	$(1.19)

(i) This adjustment reflects the writedown of asset values under application of the SEC-prescribed ceiling tests, which are different than ceiling tests under Canadian GAAP.

In December 1987, the Financial Accounting Standards Board ("FASB") issued SFAS No. 96, "Accounting for Income Taxes", requiring the use of the liability method. In December 1991, the FASB deferred the effective date to years beginning after December 15, 1992. The liability method bases the amount of deferred taxes payable on existing tax rates and requires, in accordance with accounting principles in the United States, in the year of adoption, restatement of prior periods' expense or recognition of the cumulative effect in the current year's Statement of Earnings and Retained Earnings. The Company has not determined the financial impact of adopting SFAS No. 96, but it is anticipated that a substantial reduction of the deferred tax balance will result.

The effect on the retained earnings by the United States accounting principles would be as follows:

	Year ended December 31, 1991
Retained earnings based on Canadian GAAP	$73,306
Application of SEC-prescribed full cost method, net of related deferred taxes	(11,473)
Retained earnings based on United States GAAP	$61,833

For the years 1990 and 1989, there were no differences in accounting treatment between Canadian and United States GAAP.

Supplemental Information (unaudited)

Years ended December 31,

(tabular amounts are in thousands of Canadian dollars except per share amounts and where otherwise noted)

Quarterly and Other Financial Data

	Quarter				
	First	Second	Third	Fourth	Year
1991					
Revenue	$7,279	$6,916	$6,698	$6,625	$27,518
Earnings before income taxes	$1,456	$ 802	$ 942	$ 114	$ 3,314
Net earnings	$ 957	$ 581	$ 452	$ 184	$ 2,174
Earnings per share	$ 0.12	$ 0.08	$ 0.05	$ 0.03	$ 0.28
Market price per common share (i)					
High	$ 8 5/8	$ 9 3/8	$ 9 1/2	$ 9 3/4	$ 9 3/4
Low	$ 7 5/8	$ 8 3/8	$ 8 1/2	$ 7	$ 7
1990					
Revenue	$6,558	$4,595	$6,935	$9,139	$27,227
Earnings before income taxes	$2,334	$ 351	$2,357	$3,656	$ 8,698
Net earnings	$1,774	$ 296	$1,768	$2,238	$ 6,076
Earnings per share	$ 0.23	$ 0.03	$ 0.23	$ 0.28	$ 0.77
Market price per common share (i)					
High	$ 8 7/8	$ 8 7/8	$ 11 1/2	$ 11 1/2	$ 11 1/2
Low	$ 7 5/8	$ 7 5/8	$ 8 1/2	$ 7 1/2	$ 7 1/2

(i) The market prices are as reported by the American Stock Exchange (the primary market) in U.S. dollars.

Oil and Gas Information

The following unaudited supplementary information is disclosed in accordance with the provisions of SFAS No. 69 "Disclosures about Oil and Gas Producing Activities".

Capitalized Costs

The Company has capitalized property acquisition, exploration and development costs pertaining to its oil and gas operations as follows:

	1991	1990	1989
Properties			
Proved	**$171,283**	$148,513	$129,784
Unproved	**8,832**	9,886	9,216
Production equipment	**24,975**	21,580	18,094
	205,090	179,979	157,094
Accumulated depreciation and depletion	**72,724**	59,978	49,714
Capitalized costs	**$132,366**	$120,001	$107,380

Costs Incurred for Property Acquisition, Exploration and Development Activities

	1991	1990	1989
Costs capitalized in the year			
Property acquisition – Proved	**$ 1,903**	$ 3,485	$ 6,440
– Unproved	**2,128**	3,455	2,738
Exploration	**13,581**	11,847	11,041
Development	**7,499**	4,098	4,229
Total capitalized	**$25,111**	$22,885	$24,448

Results of Operations for Oil and Gas Producing Activities

	1991	1990	1989
Revenue, net of royalties	**$26,821**	$26,578	$20,903
Production expenses	**6,972**	4,873	4,535
Depreciation, depletion and amortization (i)	**13,053**	10,264	8,983
	6,796	11,441	7,385
Income tax expense	**2,649**	3,825	1,793
Results of operations from producing activities	**$ 4,147**	$ 7,616	$ 5,592

(i) Depletion, depreciation and amortization expense per equivalent barrel was $5.78 in 1991 ($5.45 in 1990, $5.45 in 1989).

Reserves

The reserve information provided below is provided on a proved reserve basis only after deducting royalty interests of governments and others. The reserve quantity information summarizes the changes in quantities of net proved oil and gas reserves determined using constant prices and costs.

	1991		1990		1989	
	Oil and Gas Liquids	**Gas**	Oil and Gas Liquids	Gas	Oil and Gas Liquids	Gas
	(mbbls)	**(mmcf)**	(mbbls)	(mmcf)	(mbbls)	(mmcf)
Proved developed and undeveloped reserves						
Beginning of year	**8,156**	**58,366**	7,428	55,735	5,485	50,934
Revision of previous estimates	**479**	**778**	217	4,724	306	3,118
Purchase (sale) of reserves in place	**483**	**(1,365)**	499	934	1,315	
Extensions, discoveries and other additions	**2,030**	**6,862**	956	1,215	1,226	4,565
Production	**(1,210)**	**(3,506)**	(944)	(4,242)	(904)	(2,882)
End of year	**9,938**	**61,135**	8,156	58,366	7,428	55,735
Proved developed reserves						
End of year	**9,859**	**41,052**	8,156	39,402	7,428	40,803

Standarized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

In calculating the standarized measure of discounted future net cash flows, prices and costs in effect at year-end were assumed to be constant, were applied to proved reserves as determined by internal engineering estimates and provision was made for estimated future development expenditures that will be required to produce the reserves. Royalty deductions were based on laws, regulations and contracts existing at the end of the fiscal year. The discounted future net cash flows are derived by applying a 10 per cent discount factor, as required by the SFAS No. 69 rules, to the future net cash flows.

Management believes that this information does not sufficiently reflect the current economic value of the oil and gas producing properties or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10 per cent discount rate is arbitrary and prices constantly change from year-end levels.

	1991	1990	1989
	(millions of Canadian dollars)		
Future cash inflows	**$264.3**	$329.3	$251.2
Future production costs	**(82.1)**	(77.5)	(63.5)
Future development costs	**(4.0)**	(3.7)	(3.0)
Future income tax expense	**(56.7)**	(84.3)	(59.2)
Future net cash flows	**$121.5**	$163.8	$125.5
Standardized measure of future net cash flows discounted at 10%	**$ 70.2**	$ 93.3	$ 73.1

The following table sets out principal sources of change in the standarized measure of discounted future net cash flows during the respective periods:

	1991	1990	1989
	(millions of Canadian dollars)		
Sales of oil and gas and value of transfers	**$(19.6)**	$(21.8)	$(16.4)
Net changes in prices and production costs	**(51.7)**	26.7	14.0
Extensions, discoveries and improved recovery, less related costs	**16.3**	9.4	12.8
Purchase of reserves in place	**1.4**	5.6	8.6
Development costs incurred during the period		1.1	1.4
Revisions of previous quantity estimates and other	**0.5**	2.7	0.8
Accretion of discount	**14.1**	10.8	7.9
Net changes in income taxes	**15.9**	(14.3)	(12.6)
Net increase (decrease)	**(23.1)**	20.2	16.5
Beginning of period	**93.3**	73.1	56.6
End of period	**$70.2**	$93.3	$73.1

Selected Financial and Operating Data

(thousands of Canadian dollars except per share amounts and stock exchange quotations)

Five Year Summary

For the Years Ended December 31

	1991	1990	1989	1988	1987
Sales and other Revenues					
Oil sales	**$ 20,742**	$ 19,637	$ 15,041	$ 9,108	$ 10,239
Gas sales	**4,680**	5,121	4,257	3,323	2,915
Royalties	**1,944**	2,345	1,947	1,693	2,426
Interest and other	**152**	124	157	1,024	1,406
	27,518	27,227	21,402	15,148	16,986
Costs and Expenses					
Production and administration	**9,759**	6,913	6,389	4,615	3,531
Depreciation, depletion and amortization	**13,053**	10,264	8,983	7,507	5,385
Financial expense	**1,392**	1,352	925	42	61
Income taxes	**1,140**	2,622	799	(643)	1,062
	25,344	21,151	17,096	11,521	10,039
Net Earnings	**$ 2,174**	$ 6,076	$ 4,306	$ 3,627	$ 6,947
Cash Generated from Operations	**$ 17,387**	$ 20,539	$ 15,711	$ 13,536	$ 14,680
Capital Expenditures (i)	**$ 25,111**	$ 22,885	$ 24,448	$ 29,901	$ 12,697
Total Assets	**$134,211**	$123,012	$110,008	$ 99,137	$ 93,585
Due to Parent Company (ii)	**$ 17,566**	$ 10,419	$ 6,803	$ 3,738	$ 2,068
Production (before royalties)					
Crude oil and natural gas liquids (barrels per day)	**4,215**	3,223	2,997	2,299	2,014
Natural gas (mcf per day)	**11,857**	11,622	9,118	8,340	5,915
Common Shares					
Issued and outstanding	**7,846,076**	7,846,076	7,846,076	7,846,076	7,846,076
Number of shareholders	**553**	596	635	650	692
Earnings per share	**$0.28**	$0.77	$0.55	$0.46	$0.89

(i) Capital expenditures are net of government incentive payments earned.

(ii) Amounts due to parent were reported as long-term liabilities in 1990 and 1991. In prior years, amounts due to parent were reported as current liabilities.

Market Prices

American Stock Exchange (U.S.$)

	1991		1990		1989		1988		1987	
	High	**Low**	High	Low	High	Low	High	Low	High	Low
1st Quarter	**$8\frac{5}{8}$**	**$7\frac{5}{8}$**	$8\frac{7}{8}$	$7\frac{5}{8}$	$6\frac{1}{2}$	$5\frac{3}{8}$	$7\frac{1}{8}$	$4\frac{7}{8}$	$7\frac{3}{8}$	6
2nd Quarter	**$9\frac{3}{8}$**	**$8\frac{3}{8}$**	$8\frac{7}{8}$	$7\frac{5}{8}$	$6\frac{3}{4}$	6	$7\frac{3}{8}$	$5\frac{7}{8}$	$7\frac{1}{8}$	$6\frac{1}{8}$
3rd Quarter	**$9\frac{1}{2}$**	**$8\frac{1}{2}$**	$11\frac{1}{2}$	$8\frac{1}{2}$	$7\frac{3}{8}$	$6\frac{5}{8}$	$6\frac{3}{4}$	$5\frac{5}{8}$	$9\frac{3}{4}$	$6\frac{3}{8}$
4th Quarter	**$9\frac{3}{4}$**	**7**	$11\frac{1}{2}$	$7\frac{1}{2}$	$8\frac{3}{8}$	$7\frac{1}{8}$	$5\frac{7}{8}$	5	$7\frac{5}{8}$	$4\frac{7}{8}$

Toronto Stock Exchange (Cdn.$)

	1991		1990		1989		1988		1987	
	High	**Low**	High	Low	High	Low	High	Low	High	Low
1st Quarter	**10**	**$8\frac{3}{4}$**	$10\frac{5}{8}$	9	$7\frac{1}{2}$	$6\frac{3}{4}$	$8\frac{1}{4}$	$6\frac{3}{8}$	$9\frac{1}{2}$	8
2nd Quarter	**11**	**10**	$10\frac{1}{2}$	$9\frac{3}{4}$	$8\frac{1}{4}$	$7\frac{1}{8}$	$8\frac{1}{2}$	$7\frac{1}{2}$	$9\frac{1}{2}$	$8\frac{3}{4}$
3rd Quarter	**$10\frac{3}{8}$**	**10**	$11\frac{1}{2}$	10	$8\frac{5}{8}$	8	$7\frac{3}{4}$	7	12	9
4th Quarter	**$10\frac{3}{8}$**	**$8\frac{1}{2}$**	11	$9\frac{1}{2}$	$9\frac{3}{8}$	$8\frac{3}{8}$	$7\frac{1}{4}$	$6\frac{1}{4}$	10	$6\frac{1}{2}$

Corporate Information

Board of Directors

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Chief Executive Officer
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NORMAN E. FROST*, Calgary, Alberta
President
CanStates Gas Marketing

EDWARD A. GALVIN*, Calgary, Alberta
Company Director

DAVID C. LAKE*, Calgary, Alberta
President
Scotian Resources Inc.

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Senior Vice-President,
Exploration and International Development
Norcen Energy Resources Limited

PAUL H. PALMER, Calgary, Alberta
Senior Vice-President and
Chief Financial Officer
Norcen Energy Resources Limited

CLIFFORD A. RAE, Q.C., Calgary, Alberta
Barrister and Solicitor

DAVID M. TYERMAN, Q.C., Regina, Saskatchewan
Barrister and Solicitor
MacPherson, Leslie & Tyerman

*Member of the Audit Committee

Corporate Officers

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Chairman of the Board

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D.K. BRUCE FENWICK,
Vice-President, Exploration

J. GERHARD SCHOPP,
Vice-President, Operations

GORDON B. SINGER,
Vice-President, Comptroller

DAVID M. TYERMAN, Q.C., Secretary

D. STEPHEN MUIR, Treasurer

ROBERT J. BREEN, Assistant Treasurer

CRAIG D. ALLEN, Assistant Secretary

LINDA G. SWAN, Assistant Secretary

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1874 Scarth Street
Regina, Saskatchewan S4P 4E9

Registrars and Transfer Agents

Montreal Trust Company of Canada
Regina, Saskatchewan and Toronto, Ontario

Mellon Securities Trust Company
New York, New York

Auditors

Peat Marwick Thorne
Calgary, Alberta

Stock Exchange Listings

(Symbol – POY)
The Toronto Stock Exchange
American Stock Exchange

Form 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available to Shareholders by writing to the Corporate Secretary of the Company.

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